

Q1

Interim Report
1st Quarter 2014 ■





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Salzgitter Group Figures

		Q1 2014	Q1 2013 ¹⁾	+/-
Crude steel production	kt	1,875.0	1,926.4	-51.5
External sales	€ million	2,300.9	2,448.5	-147.6
Strip Steel Business Unit	€ million	575.4	524.1	51.3
Plate/Section Steel Business Unit	€ million	251.8	325.7	-73.8
Energy Business Unit	€ million	338.9	318.1	20.7
Trading Business Unit	€ million	774.6	961.7	-187.1
Technology Business Unit	€ million	313.0	269.7	43.3
Other/Consolidation	€ million	47.2	49.2	-2.0
EBITDA²⁾	€ million	97.1	99.0	-1.9
EBIT²⁾	€ million	13.4	10.7	2.6
Earnings before taxes (EBT)	€ million	-8.7	-16.1	7.4
Strip Steel Business Unit	€ million	-2.2	-7.3	5.1
Plate/Section Steel Business Unit	€ million	-22.4	-32.0	9.6
Energy Business Unit	€ million	-12.3	-11.1	-1.2
Trading Business Unit	€ million	4.9	11.4	-6.5
Technology Business Unit	€ million	9.2	2.8	6.4
Other/Consolidation	€ million	14.1	20.1	-6.0
Earnings after taxes	€ million	-13.3	-17.1	3.7
Basic earnings per share	€	-0.26	-0.33	0.07
ROCE^{3/4)}	%	0.4	0.3	0.1
Operating cash flow	€ million	-93.5	64.0	-157.5
Investments⁵⁾	€ million	51.6	76.0	-24.4
Depreciation and amortization⁵⁾	€ million	-83.7	-88.3	4.6
Total assets	€ million	8,390.2	9,157.6	-767.5
Non-current assets	€ million	3,565.0	3,916.8	-351.8
Current assets	€ million	4,825.1	5,240.8	-415.7
of which inventories	€ million	2,035.2	2,017.6	17.6
of which cash and cash equivalents	€ million	466.6	739.8	-273.2
Equity	€ million	3,174.6	3,636.5	-461.9
Liabilities	€ million	5,215.5	5,521.1	-305.6
Non-current liabilities	€ million	3,040.5	3,424.5	-384.0
Current liabilities	€ million	2,175.0	2,096.7	78.4
of which due to banks ⁶⁾	€ million	183.8	183.7	0.0
Net position⁷⁾	€ million	104.1	447.2	-343.1
Employees				
Personnel expenses	€ million	384.6	380.5	4.1
Core workforce	31.03.	23,450	23,683	-233
Total workforce	31.03.	25,474	25,863	-389

Disclosure of financial data in compliance with IFRS

¹⁾ 2013 restated

²⁾ EBIT = EBT + interest expenses/- interest income, EBITDA = EBIT + depreciation and amortization

³⁾ Return on capital employed (ROCE) = EBIT (= EBT + interest expenses excl. interest portion in transfers to pension provisions) divided by the sum of shareholders' equity (excl. calculation of deferred tax), tax provisions, interest-bearing liabilities (excl. pension provision) and liabilities from finance leasing, forfeiting

⁴⁾ Annualized

⁵⁾ Excluding financial investments

⁶⁾ Current and non-current bank liabilities

⁷⁾ Including investments, e.g. securities and structured investments

Summary

"Salzgitter AG 2015" program progressing well – tangible success in the first quarter of 2014

The situation on the European steel market remained tense at the beginning of 2014. The persistent imbalance between supply and demand continues to put great pressure on margins. The market environment for steel products, also unfavorable outside the EU, combined with significant capacity underutilization in the large-diameter tubes segment that eased only in April, determined the course of business in the first quarter of 2014. Nonetheless, the Salzgitter Group improved its earnings, with the "Salzgitter AG 2015" restructuring program, that has set profound processes of change in motion within the Group since mid-2013, making a major contribution. The tangible success in the sections business as well as in the precision tubes group affirms the expediency of this course of action and strengthens our motivation to vigorously forge ahead in implementing the extensive package of measures in all Group companies.

When considering the following year-on-year comparisons, it should be noted that the key data of the financial year 2013 have been restated to take account of the new Group organization structure and changes in the consolidation methods applied to participating interests under IFRS 11.

Group

- **External sales:** down by 6% to € 2,300.9 million
- Improved **Earnings before taxes:** € –8.7 million (first quarter of 2013: € –16.1 million), influenced by a positive contribution from the Aurubis investment
- **After tax result:** € –13.3 million
- **Earnings per share** (basic): € –0.26
- **Net credit balance:** € 104 million
- **Equity ratio:** 38% – remaining at a sound level

Development of the business units

- **Strip Steel:** upturn in demand for strip steel products; external sales rise; improved pre-tax result (€ –2.2 million) thanks to marginal increase in result of Salzgitter Flachstahl GmbH
- **Plate/Section Steel:** decline in shipments due to the huge downturn in the shipment volumes of Salzgitter Mannesmann Grobblech GmbH, that was still producing plate for a major order of EUROPIPE GmbH in the first quarter of 2013, as well as due to the deliberate capacity adjustments at Peiner Träger GmbH (1 Million Ton Model), external sales declined accordingly; improved pre-tax result of € –22.4 million largely reflects measures consistently implemented under the "Salzgitter AG 2015" program at Peiner Träger GmbH that generated a small pre-tax profit for the first time since 2008
- **Energy:** shipments higher year-on-year thanks to all product segments developing well; external sales rise; pre-tax result of € –12.3 million mainly determined by the negative at-equity contribution of the EUROPIPE Group due to capacity underutilization; by contrast, the precision tubes group achieves breakeven

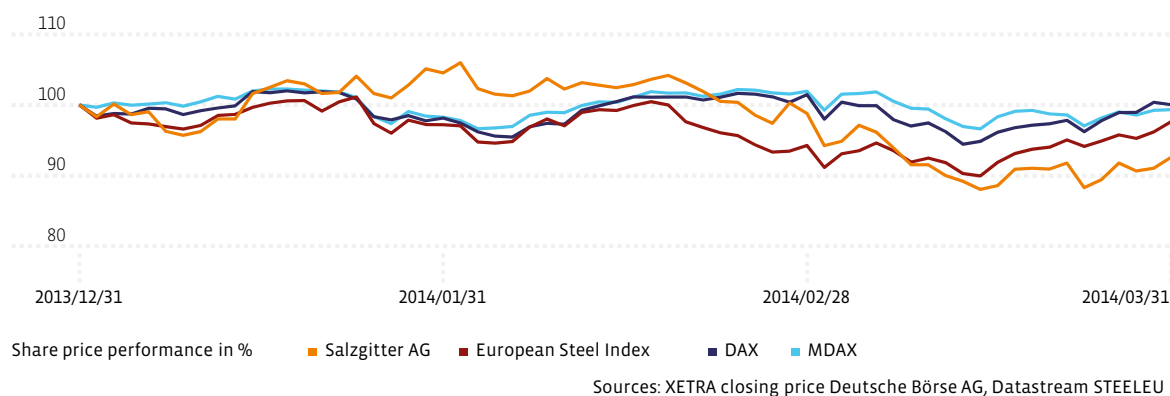
- **Trading:** shipments below year-earlier figure owing first and foremost to lower shipment volumes in international trading; decline in external sales owing to weaker price level; pretax profit of € 4.9 million still satisfactory
- **Technology:** high capacity utilization; gratifyingly lively service business and further success of the "Fit4Future" program; growth in external sales; pre-tax result of €9.2 million increased significantly
- **Other:** pre-tax profit of €14.1 million, including income totaling €8.2 million from the Aurubis investment

Guidance: Based on the planning of the individual business units and taking account of significant effects from measures and structural improvements under the "Salzgitter AG 2015" program, we anticipate sales of almost €10 billion for the Salzgitter Group in 2014 and, compared with the financial year 2013, a significant increase in the pre-tax result approximating breakeven, as well as another moderately positive return on capital employed.

Investor Relations

Capital Market and Price Performance of the Salzgitter Share

Salzgitter AG share price performance vs the European Steel Index, MDAX and DAX



During the first quarter of 2014, the **equity markets** trended sideways for the most part. In the first weeks of the year, expectations of the further recovery of Europe's economy favored the development of the leading indices, pushing the DAX to a new record high of 9,794 points on 21 January. Shortly afterwards profit taking and weakening economic indicators in the USA, as well as in a number of emerging markets heralded a phase of consolidation that, however, only lasted a few days. New benchmark highs were almost attained during another uptrend through to the end of February, before the flare-up of the Crimean crisis triggered a second price correction. In the last weeks of the reporting period, the indices climbed again, thereby compensating for lost ground. Compared with year-end 2013, the DAX remained virtually unchanged as of March 31, 2014, while the MDAX dropped 1%.

The price performance of the **Salzgitter share** in the period under review displayed greater volatility than the general market trend. At the start of the year, the share price climbed to its preliminary peak of € 33.14 on January 31, up from a level of € 31.00 at year-end 2013, boosted by the brightening economic climate in Europe as well as by the awarding of part of the South Stream Pipeline project volume to the Group's EUROPIPE, enabling the share price to outperform the leading indices during this phase. As from mid February, the altered mood of the entire market also prompted deteriorating sentiment concerning steel equities – a trend from which we were unable to disengage. March saw a renewed recovery that held steady beyond the end of the period under review. Based on a closing price of € 28.69 as of March 31, the overall price performance for the first quarter of 2014 stood at -7%.

In current **analyst coverage** conducted by 18 banks, the Salzgitter share has been assessed with the following recommendations (as per March 31, 2014): 3 buy/outperform, 7 hold/market perform, 8 sell/underperform.

The **average daily turnover** of the Salzgitter share on German stock exchanges came to around 317,000 units during the reporting period. As of March 31, 2014, Salzgitter AG therefore took 21st place measured by turnover and held 42nd place in terms of free float market capitalization in the MDAX ranking of Deutsche Börse AG.

As part of our **capital market communication**, we participated in investor conferences in Frankfurt, and New York in the period under review. Investors and analysts took advantage of the offer of visiting our plants in Salzgitter, Ilsenburg and Dortmund and of informing themselves about our company in discussions company representatives. Towards the end of the quarter in March, we presented the results of the financial year 2013 at well-attended analysts' conferences in Frankfurt and London and engaged in intensive dialog with the capital market. Once again, the information events and site visits arranged by the "Freundeskreis der Aktionäre der Salzgitter AG" (circle of friends of Salzgitter AG shareholders) met with lively interest on the part of our private investors.

Treasury shares

Salzgitter AG's portfolio of treasury shares amounted to 6,009,700 units as of March 31, 2014, unchanged from December 31, 2013, which corresponds to 10% of the shares issued.

Dividend

As before, the **dividend amount** will be geared to the profit trend. The cyclical fluctuations typical of the sector are by nature reflected in the results of the Group on the one hand, and in its share price, on the other. The separate financial statements of Salzgitter AG are decisive for the ability to pay dividend. The Salzgitter Group pursues a fundamental policy of paying out steady and attractive dividend – removed from volatile reporting-date related influences – based on the pre-requisite of achieving actual operating profit. Such payment does not necessarily have to fully reflect the cyclicity of the earnings performance. With this in mind, the Executive Board and the Supervisory Board have put forward a proposal to the Annual General Meeting of Shareholders on May 22, 2014, to pay dividend of € 0.20 per share for the financial year 2013.

Information for investors

		Q1 2014	Q1 2013
Nominal capital as of 03/31	€ million	161.6	161.6
Number of shares as of 03/31	million	60.1	60.1
Number of shares outstanding as of 03/31	million	54.1	54.1
Market capitalization as of 03/31	€ million	1,552	1,694
Closing price as of 03/31¹⁾²⁾	€	28.69	31.32
High 01/01 – 03/31	€	33.14	41.56
Low 01/01 – 03/31 ¹⁾	€	26.98	30.54
Security identification number	620200		
ISIN	DE0006202005		

¹⁾ All data relate on prices in XETRA trading

²⁾ Calculated on the basis of the respective closing price at the end of the period multiplied by the number of shares outstanding per this date

Earnings, Financial Position and Net Worth

Economic environment

The **global economy** developed positively overall continued to expand in the first quarter of 2014, driven largely by the industrial nations. Both the USA and the UK, as well as Japan reported partly strong growth rates. By contrast, development in the emerging markets was disparate: China's economy, for instance, slowed somewhat in the winter. In addition, some countries, particularly Argentina and Turkey, were impacted by considerable outflows of capital and currency depreciation. This has also been the case in Russia since the start of the Crimean crisis. Conversely, other regions benefited from positive stimulus emanating from the developed economies. Overall, the International Monetary Fund (IMF) currently anticipates global economic growth of 3.6 % in 2014.

The economy strengthened somewhat in the **euro zone** during the period under review. Although the recovery made only slow progress, it has nonetheless gained an increasing regional foothold. Only Greece, Cyprus and Finland have not yet overcome the recession. Private consumption and gross capital investment gained momentum. The export business also contributed to easing the situation. Owing to the ongoing high debt burden of the peripheral countries, however, the IMF anticipates only moderate growth of 1.2 % in the economic output in the current year.

The **German economy** was in an upswing in the first months of 2014: order intake, production and capacity utilization improved. While this development was mainly advanced by domestic demand, exports also picked up, which was largely attributable to economic conditions in the remaining euro area representing Germany's most important sales market. Against this backdrop, capital expenditure picked up momentum, although part of this development was, however, due to construction activities that were favored by the mild winter. In its most recent survey, the IMF predicted economic growth of 1.7 % in Germany, whereas the leading German economic research institutes anticipate 1.9 % in their current joint economic forecast.

		Q1 2014	Q1 2013 ¹⁾
Crude steel production	kt	1,875.0	1,926.4
External sales	€ million	2,300.9	2,448.5
EBIT before depreciation and amortization (EBITDA) ²⁾	€ million	97.1	99.0
EBIT ²⁾	€ million	13.4	10.7
Earnings before taxes (EBT)	€ million	-8.7	-16.1
Earnings after taxes	€ million	-13.3	-17.1
ROCE³⁾⁴⁾	%	0.4	0.3
Investments ⁵⁾	€ million	51.6	76.0
Depreciation and amortization ⁵⁾	€ million	-83.7	-88.3
Operating cash flow	€ million	-93.5	64.0
Net position⁶⁾	€ million	104.1	447.2
Equity ratio	%	37.8	39.7

¹⁾ 2013 restated

²⁾ EBIT = EBT + interest expenses/-interest income; EBITDA = EBIT + depreciation and amortization

³⁾ Return on capital employed (ROCE) = EBIT (= EBT + interest expenses excl. interest portion in transfers to pension provisions) divided by the sum of shareholders' equity (excl. calculation of deferred tax), tax provisions, interest-bearing liabilities (excl. pension provision) and liabilities from finance leasing, forfeiting

⁴⁾ Annualized

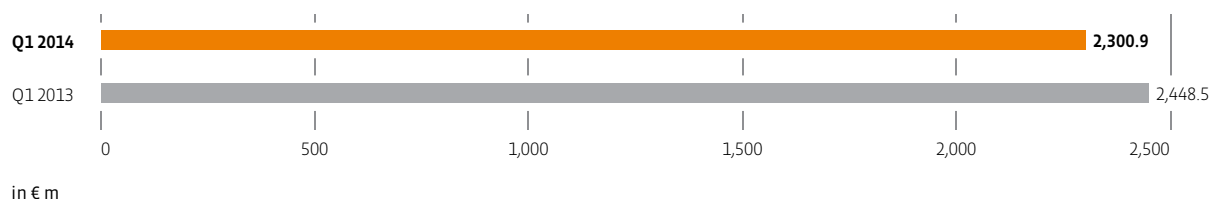
⁵⁾ Excluding financial investments

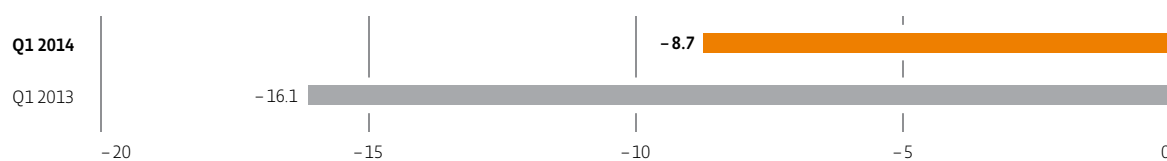
⁶⁾ Including investments, e.g. securities and structured investments

Earning Situation within the Group

The situation on the European steel market remained tense at the beginning of 2014. The persistent imbalance between supply and demand continues to put great pressure on margins. The market environment for steel products, also unfavorable outside the EU, combined with significant capacity underutilization in the large-diameter tubes segment that eased only in April, determined the course of business in the first quarter of 2014. Nonetheless, the Salzgitter Group improved its earnings, with the "Salzgitter AG 2015" restructuring program, that has set profound processes of change in motion within the Group since mid-2013, making a major contribution. The tangible success in the sections business as well as in the precision tubes group affirms the expediency of this course of action and strengthens our motivation to vigorously forge ahead in implementing the extensive package of measures in all Group companies. As of March 31, 2014, the Group's net financial position stood at € 104 million. The decline in this position resulted mainly from the higher levels of operating activity and partly due to changes in the consolidated group in the context of reporting-date related effects. The equity ratio of approximately 38% remained at a sound level.

External sales¹⁾



EBT¹⁾

in € m

¹⁾ 2013 restated

When considering the following year-on-year comparisons, it should be noted that the key data of the financial year 2013 have been restated to take account of the new Group organization structure and changes in the consolidation methods applied to participating interests under IFRS 11.

In the first quarter of 2014, the **Group's external sales** dropped below the year-earlier figure (€ 2,300.9 million; first quarter of 2013: € 2,448.5 million), owing mainly to the downtrend in the Trading and Plate/Section Steel business units caused by lower volumes and selling prices. **Earnings before taxes** amounted to € -8.7 million (first quarter of 2013: € -16.1 million), influenced by a positive contribution from the Aurubis investment. **Earnings after taxes** of € -13.3 million were recorded (first quarter of 2013: € -17.1 million), which brings earnings per share to € -0.26 (first quarter of 2013: € -0.33). The return on capital employed (ROCE) posted 0.4% (first quarter of 2013: 0.3%).

Procurement

Ore prices under pressure

The market development was determined by a notable decline in ore prices during the first three months of 2014. Whereas the spot market quotation for **fine ore** still averaged 135 USD/dmt CFR China in the fourth quarter of 2013, the following quarter saw it drop to 120 USD/dmt. In March, quotations fell to their lowest level of 105 USD/dmt since September 2012. This trend resulted from the interplay of several factors: Imports of Chinese mills, which accounted for around 70 % of seaward traded ore, marked a historical high level close to 220 million tons in the fourth quarter of 2013. In conjunction with equally record domestic production, Chinese ore inventories grew to more than 100 million tons. During the reporting period, the buying interest of Chinese customers slowed considerably. This market environment coincided with supply that was characterized by high availability due to the long-standing expansion drive, particularly by major producers, that exerted considerable pressure on ore prices.

Slump on the coking coal market

In contrast to pricing on the ore market determined by the index, the quarterly prices of **coking coal** with benchmark quality continue to be negotiated between major producers and customers. In contrast to the supply problems experienced in the preceding years (flooding and strikes lasting several months in Australia), since 2013 the market situation has eased to a great extent. The prices of qualitatively high-grade coking coal have slipped and, from the third quarter of 2013 through to the first quarter of 2014, fluctuated within a narrow band of between 143 and 152 USD/ t FOB. In the first three months of 2014, production in Australia was not hampered by the weather, and the operations of many mining facilities ran at a high level. Demand, however, was rather subdued, resulting in a slump in coking coal prices. With a price of 120 USD/t FOB agreed for the second quarter of 2014, the market reached its lowest price level since 2007.

Price fluctuations in metals and ferro-alloys

The situation on the international **metal and alloy** markets varied widely: The prices of manganese-based bulk alloys climbed in the first three months of 2014 in a quarter-on-quarter comparison, as opposed to listed materials which displayed pronounced volatility. Whereas nickel climbed swiftly in the first quarter of 2014 compared with the previous quarter, the prices of copper, zinc and alumina declined over the same period.

Downtrend in steel scrap prices

At the start of the year, prices on the **steel scrap market** remained largely stable compared with the preceding month. In February and March, they dropped within a range of 15 and 30 €/t, depending on the type of material. This development was due to the very mild winter, the capacity utilization level of the manufacturing industries and, last but not least, to the downturn in exports. As was the case in January, exporters were only able to place larger volumes on the deep sea shipping market to a limited extent. Any contracts signed were characterized by ongoing reductions in prices. Many exporters therefore attempted to sell in the domestic market, which led to excess supply and, consequently, to lower steel scrap prices.

Developments in the Steel Market

Global crude steel production grew by 2.5 % compared with the first quarter of 2013. Along with the European Union (EU), Japan and South Korea in particular have ramped up their production. By contrast, China reported below-average growth.

The **European steel market** continues to be hallmarked by fierce competitive pressure. The stabilization that took place at a low level during the second half of 2013 held steady during the reporting period, thereby boosting capacity utilization in the EU. According to Eurofer, the European Steel Association, all steel processing sectors contributed to this development.

Crude steel output in the **German steel market** climbed in the first quarter of 2014 in a year-on-year comparison; capacity utilization attained around 90 %. New orders (rolled steel) have risen compared with the year-earlier period, accompanied by an increase in the forward order backlog. Demand for steel was supported especially by inventory replenishing, as opposed to stimulus from real demand which remained subdued, emanating at most from the automotive sector.

Strip Steel Business Unit

		Q1 2014	Q1 2013 ¹⁾
Order intake	kt	1,213.7	1,190.4
Order backlog as of 03/31	kt	751.5	870.6
Crude steel production	kt	1,195.8	1,152.7
Rolled steel production	kt	903.0	971.9
Shipments	kt	1,249.0	1,221.1
Segment sales²⁾	€ million	765.0	778.6
External sales	€ million	575.4	524.1
Earnings before taxes (EBT)	€ million	-2.2	-7.3

¹⁾2013 restated

²⁾Including sales with other business units in the Group

The core competences of the **Strip Steel Business Unit** lie in the production of steel in the fully integrated steelworks of Salzgitter Flachstahl GmbH (SZFG) and in subsequent processing to produce high-grade strip steel products. The affiliated Steel Service Centers of Salzgitter Mannesmann Stahl service GmbH (SMS) serve the growing prefabrication requirements of our customers. The two processing companies Salzgitter Europlatinen GmbH (SZEP) and Salzgitter Bauelemente GmbH (SZBE) extend the value chain within the business unit with their customized products (tailored blanks and roofing and wall elements). The European Automotive industry represents the most important customer sector.

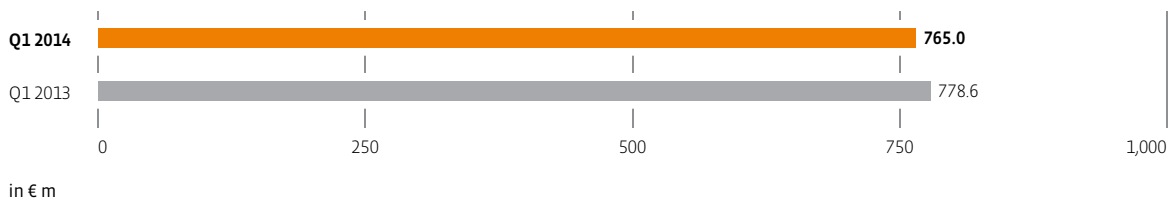
In order to strengthen the steel service center organization, the activities of Hövelmann & Lueg GmbH (HLG) and Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH (SMS) were combined with effect from January 1, 2014, by way of an asset deal, with the operations of HLG and the associated net assets being transferred to SMS. SMS has traded under the name of Salzgitter Mannesmann Stahlservice GmbH since the beginning of 2014. In addition, SZST Salzgitter Service und Technik GmbH (SZST) was integrated into SZFG in April 2014, with retrospective effect as of January 1, 2014. This measure has created the preconditions for implementing a flexible maintenance concept at SZFG.

In view of the livelier activities of the steel processing sectors in the first quarter of 2014, demand for strip steel products improved in the most important markets of the European Union (EU), including Italy and Spain. Inventory replenishment in particular boosted the demand for steel. Strip steel products imported into the EU from countries outside the EU rose again in the first quarter of 2014 compared with the last months of 2013, but nevertheless settled 7 % below the year-earlier period.

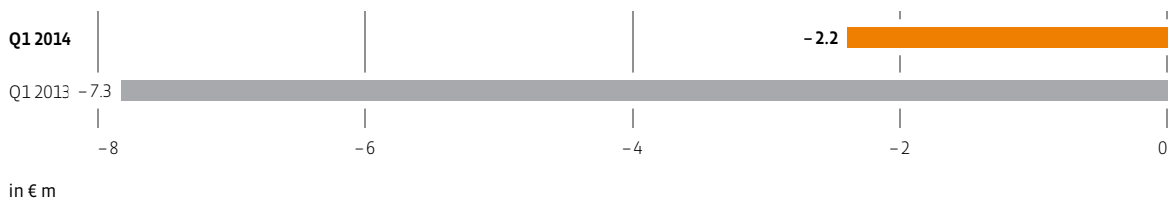
Against this backdrop, the **order intake** of the Strip Steel Business Unit remained virtually unchanged from the previous year's level in the first three months of 2014. Whereas **shipments** and **segment sales** remained almost at the same level, **orders on hand** did not match the figures achieved in the first quarter of 2013. By contrast, **external sales** posted growth. Thanks in particular to the slight improvement in SZFG's results that was also attributable to lower raw materials costs, the **pre-tax result** improved to €-2.2 million (first quarter of 2013: €-7.3 million).

In drawing a comparison with the previous year, account must be taken of the fact that the key data of Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH included in the consolidation group of Salzgitter AG in the third quarter of 2013 with retrospective effect as of January 1, 2013, have not yet been included in the first quarter of 2013. Nonetheless, the inclusion of the company in the year-earlier figures would not significantly change the overall statement on the development of the business unit.

Sales¹⁾



EBT¹⁾



¹⁾ 2013 restated

Driven by demand effects from the inventory cycle, the order intake of **Salzgitter Flachstahl GmbH** (SZFG) climbed once again in the first three months of 2014 by comparison with the gratifying figure posted in the previous year period. Orders on hand fell only marginally short of the level on the 2013 reporting date. Rolled steel output also declined, while crude steel production reported growth. The extremely good level of shipments almost attained the record figure of the year earlier. In an environment still determined by fierce competition and ongoing price pressure, raising selling prices was not possible, with the result that sales were lower in a year-on-year comparison. SZFG delivered a marginally negative pre-tax result that had nonetheless improved notably owing to the decline in raw materials costs and in electricity and natural gas volumes sourced externally.

The sales growth achieved by **Salzgitter Bauelemente GmbH** (SZBE) compared with the year-earlier period was largely due to higher shipment volumes. Although the weaker price level generated a countertrend, SZBE reported an improvement in its pre-tax result that nonetheless remained slightly negative.

The stabilization of new car registrations in Germany progressed in the first quarter of 2014, while international demand also experienced a marked upturn. Despite an increase in volumes, **Salzgitter Europlatinen GmbH** (SZEP) reported a marginal decline owing to the unfavorable steel price trend. By contrast, earnings before taxes exceeded the year-earlier figure largely on the back of lower maintenance costs.

Plate/Section Steel Business Unit

		Q1 2014	Q1 2013 ¹⁾
Order intake	kt	546.8	602.1
Order backlog as of 03/31	kt	324.6	387.5
Crude steel production	kt	281.2	380.4
Rolled steel production	kt	594.5	679.2
Shipments	kt	579.0	749.3
Segment sales²⁾	€ million	455.7	598.2
External sales	€ million	251.8	325.7
Earnings before taxes (EBT)	€ million	-22.4	-32.0

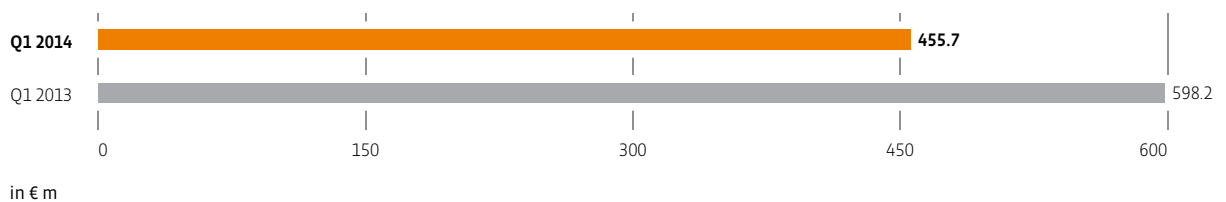
¹⁾2013 restated

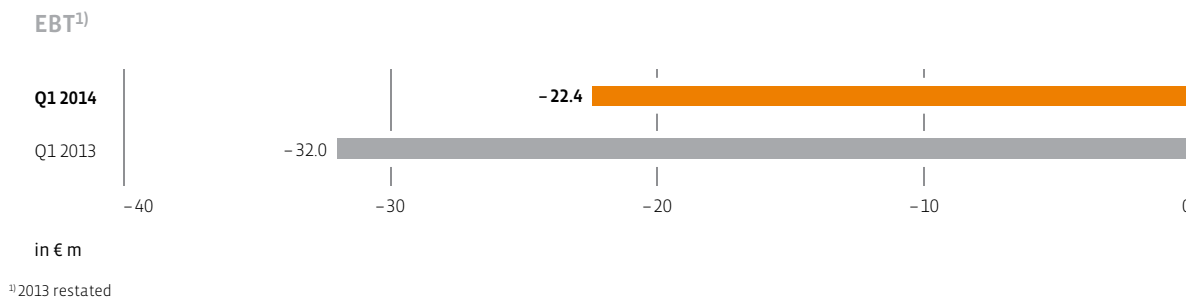
²⁾Including sales with other business units in the Group

The **Plate/Section Steel Business Unit** incorporates the companies of the Group that primarily serve customers in the project-oriented construction and infrastructure sectors. The business unit comprises Ilseburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB), on the one hand, and Peiner Träger GmbH (PTG) and HSP Hoesch Spundwand und Profil GmbH (HSP) on the other. ILG and MGB produce a wide range of high-grade plate products. Key customers are heavy machinery, pipes and tubes producers as well as wind turbine manufacturers, while PTG and HSP supply to construction and civil engineering projects throughout Europe. The integration of DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) as a scrap supplier to PTG enables closely coordinated, flexible logistics processes.

Order intake and the **rolled steel production** of the Plate/Section Steel Business Unit fell considerably short of the previous year's level. **Orders on hand** also dropped notably below the year-earlier figure as a result of downtrends at all the companies. **Shipments** declined due to the huge downturn in MGB's shipment volumes in particular – in the first quarter of 2013, the company was still producing plate for a major order of EUROPIPE GmbH (EP) for an Australian natural gas pipeline – as well as owing to deliberate capacity adjustments at PTG (1 Million Ton Model). As a result, **segment** and **external sales** also decreased notably. Although the loss of the two plate producers exceeded the previous year's level, the business unit's **pre-tax result** improved by almost one third to € -22.4 million, (first quarter of 2013: € -32.0 million). This development largely reflects the success of the measures consistently implemented under the "Salzgitter AG 2015" program at PTG that generated a small pre-tax profit for the first time since 2008.

Sales¹⁾





In the financial year 2013, **Europe's plate market** was characterized by subdued demand and low capacity utilization of manufacturers, also against the backdrop of an ailing large-diameter pipes sector. This situation was reflected by strong price pressure especially on the standard and medium-grade grade segment. The starting basis in the first quarter of 2014 was therefore very difficult. The end of January saw a slight recovery, with the contract awarded for the first leg of the South Stream Pipeline Project making a major contribution. In conjunction with somewhat brighter expectations of the economy, traders and some consumers then assumed that the market had bottomed out and might return, at least temporarily, to a somewhat more stable level again. With this in mind, there were no further delays in placing orders covering existing demand and inventory.

In the first quarter of 2014, the order intake and orders on hand of **Ilseburger Grobblech GmbH** (ILG) and **Salzgitter Mannesmann Grobblech GmbH** (MGB), both under uniform management, fell below the previous year's level. The shipments of plate producers were also notably lower than in the previous year mainly due to MGB's unsatisfactory shipment tonnage. Furthermore, the steep downturn in sales in the first three months of 2014 also reflects the selling price situation. Both ILG – despite lower input material prices and reduced processing costs – and MGB reported pre-tax losses.

The situation on the **European sections market** remained extremely difficult in the first quarter of 2014 as well. Despite favorable weather conditions for the building sector, the stockholding steel trade did not see demand rise, which led to higher levels of inventories and the continuation of the price war. Ordering patterns were extremely short term. Moreover, the increase in imports burdened the market and pricing.

Order intake and orders on hand as well as crude steel production and the shipped tonnage of **Peiner Träger GmbH** (PTG) dropped considerably below the year-earlier figures in the first three months, which was largely attributable to deliberately adjusted production capacity (1 Million Ton Model) and as a result, the discontinuation of internal slab shipments. By contrast, crude steel output rose marginally compared with the first quarter of 2013. Sales declined, pressured by lower volumes and average selling prices. PTG's pre-tax result improved appreciably, returning to a marginally positive level, on the back of the first successful and swiftly implemented measures under the "Salzgitter AG 2015" program. The company's production cuts also affected the course of business of raw materials trading company **DEUMU Deutsche Erz- und Metall-Union GmbH** (DMU) whose sales were visibly lower compared with the year-earlier period, also in conjunction with lower price levels. Thanks to improved scrap margins, however, the pre-tax result increased and reached breakeven.

There was no clear recovery in the **sheet piling market** in the first quarter of 2014 either. The sales growth of **HSP Hoesch Spundwand und Profil GmbH** (HSP) resulted exclusively from higher shipment tonnage compared with the previous year's quarter. The tight market situation triggered another decline in selling prices, with the result that the pre-tax loss was somewhat higher than in the previous year.

Energy Business Unit

		Q1 2014	Q1 2013 ¹⁾
Order intake ²⁾	€ million	287.7	285.5
Order backlog as of 03/31 ²⁾	€ million	503.1	549.8
Segment sales³⁾	€ million	455.9	455.6
External sales	€ million	338.9	318.1
Earnings before taxes (EBT)	€ million	-12.3	-11.1

¹⁾2013 restated

²⁾Tubes

³⁾Including sales with other divisions in the Group

The new **Energy Business Unit** comprises the companies of the former Tubes Division, with the exception of Salzgitter Mannesmann Grobblech GmbH (MGB). As the latter's core activity consists of supplying sheet input material to the EUROPIPE Group (EP Group), as well as pipe plate to external parties, it has been assigned to the Plate/Section Steel Business Unit. The Energy Business Unit focuses mainly on energy supply and infrastructure project business and covers a wide range of line pipe diameters. Serving customer demand is based on the mega trends of "water" and "energy".

Global steel tubes output was altogether restrained during the first quarter of 2014. Although European production rose marginally, in Germany it did not match the year-earlier level owing first and foremost to persistent weakness of the large-diameter tubes market. In the most important customer sectors, demand from the automotive industry for precision steel tubes held steady. By contrast, demand from mechanical engineering was restrained and extremely unsatisfactory from the power plant construction sector, especially in Germany.

January 2014 heralded two changes to the consolidation methods within the Energy Business Unit: the EP-Group, that had been consolidated on a proportionate 50 % basis up until December 31, 2013, will be accounted for at 50 % applying the at equity method with the pro rata after-tax result; in respect of other metrics, such as order intake, sales and shipments, it will no longer be included in the business unit. The EP-Group is nonetheless shown below for information purposes with the respective commentary. Hüttenwerke Krupp Mannesmann GmbH (HKM), 30% of which was consolidated at equity through to December 31, 2013, will be accounted for on a proportionate basis at 30% as from 2014, i.e. as from 2014, the company will be included in terms of sales and profit at 30%; conversely, it will not be included in terms of order intake and orders on hand as well as shipments, as only tubes are disclosed here whereas HKM produces input material. For the purpose of comparison, the 2013 figures were adjusted with retrospective effect.

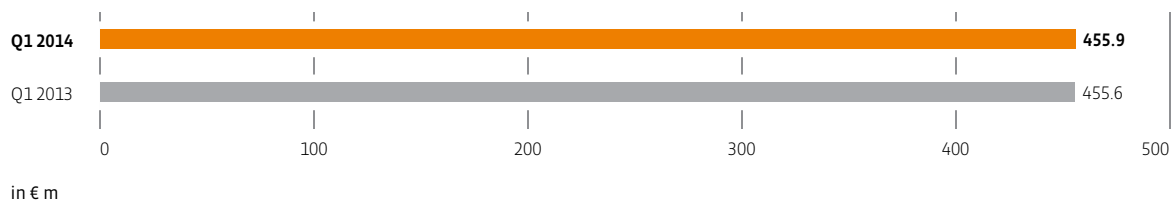
In the first three months of 2014, **new orders** of the Energy Business Unit remained at the previous year's level. Good international project business of Salzgitter Mannesmann Stainless Tubes Group (MST Group) in seamless stainless steel tubes compensated for the lack of bookings in the line pipe business of Salzgitter Mannesmann Großrohr GmbH (MGR). **Orders on hand** were down.

The major South Stream order booked at EUROPIPE GmbH (EP) is not included in the consolidated figures.

Shipments exceeded year-earlier levels, with all product segments contributing. **Segment sales** was stable. **External sales** outperformed the previous year's figures, boosted in particular by the precision tubes segment.

All in all, the Energy Business Unit delivered a **pre-tax loss** of € 12.3 million in the first quarter of 2014 impacted mainly by the negative at-equity contribution of the EP Group that was affected by low capacity utilization. By contrast, the precision tubes group achieved breakeven.

Sales¹⁾



EBT¹⁾



¹⁾ 2013 restated

Business development of the product segments:

Order intake for the EP Group's **large-diameter pipes** rose sharply in the reporting period, largely owing to the booking of the major South Stream order for 451 ktons. Accordingly, orders on hand climbed significantly, thereby securing good capacity utilization in the Mülheim mill for more than twelve months, starting with the second quarter. Due to extremely low order backlogs at the beginning of the year resulting in short-time work, both shipments and sales posted only around one quarter of the 2013 figure. Consequently, the result fell short of the year-earlier figure and was clearly negative.

The business of Salzgitter Mannesmann Line Pipe GmbH (MLP) and MGR, producers of **HFI- and spiral welded line pipes** now under uniform management, continued to be impacted by a challenging market in the first quarter of 2014. Order intake and orders on hand of the two companies dropped notably in a year-on-year comparison owing to the lack of – or smaller – project volumes. At MGR, this resulted in thoroughly unsatisfactory capacity utilization that necessitated short-time work in the Salzgitter plant during the first three months of 2014. MGR's sales and shipments were therefore appreciably lower than in the first quarter of 2013, requiring MGR to absorb a loss. Despite the clearly upturn in shipment tonnage and sales growth, MLP delivered a negative pre-tax result due to margins.

The **precision tubes market** also developed well in the first quarter of 2014 on the back of demand from high-export German premium automotive manufacturers. Starting from a low level, the French automotive market has also gained increasing momentum. Accordingly, Salzgitter Mannesmann Precision Group (SMP Group) recorded an order intake in the first quarter of 2014 that exceeded the previous year's low level and raised orders on hand. In comparison with the previous year, shipment volumes and sales revenues climbed despite extremely fierce competition on the markets, with success from the sales initiatives launched clearly recognizable. The optimization of the process and organization structure taking place under the "Salzgitter AG 2015" program, as well as the program launched in addition to improve productivity of the precision tubes group, contributed to achieving breakeven in earnings before taxes.

Thanks to the strong international project business, new orders of the **MST Group** advanced significantly compared with the previous year's period. Orders on hand were also higher than the already good figure posted in the first quarter of 2013 and secured high-capacity utilization in all locations through to the third quarter of 2014. Although sales had declined slightly, growth in shipments resulted in a pre-tax profit that exceeded the year-earlier figure.

Trading Business Unit

		Q1 2014	Q1 2013 ¹⁾
Shipments	kt	1,206.2	1,380.1
Segment sales²⁾	€ million	795.8	969.2
External sales	€ million	774.6	961.7
Earnings before taxes (EBT)	€ million	4.9	11.4

¹⁾ 2013 restated

²⁾ Including sales with other business units in the Group

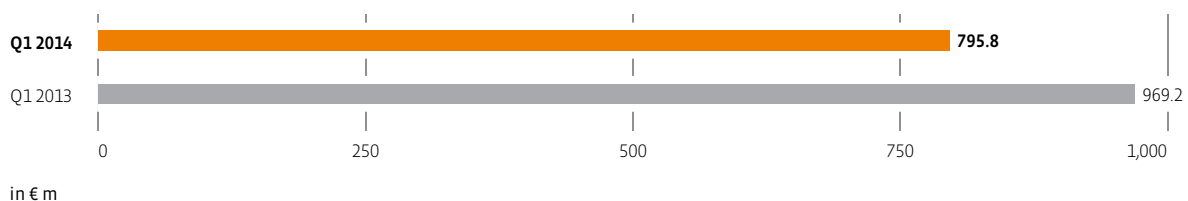
Alongside a well-developed organization in Europe of stockholding steel trading subsidiaries, the **Trading Business Unit** comprises companies specialized in plate, as well as an international trading network spanning the globe. Apart from the rolled steel, pipes and tubes products of the Salzgitter Group, it also sells the products of other manufacturers in Germany and abroad. Moreover, the Trading Division procures semi-finished products for the Group and external customers on the international markets.

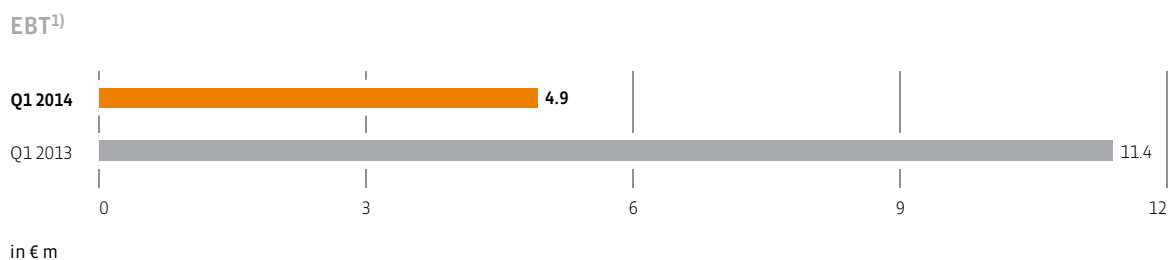
As of January 1, 2014, the steel service center activities of Hövelmann & Lueg GmbH (HLG) were assigned by way of an asset deal to Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH (SMS) that now trades under the name of Salzgitter Mannesmann Stahlservice GmbH (SMS). Both companies were reassigned from the Trading Business Unit to the Strip Steel Business Unit in order to realize synergies in market development.

Demand on the international steel markets was reticent in almost all regions and product segments during the first quarter of the current year. Moreover, especially the sections business but also the quarto plate and wide strip segments came under strong price pressure. By contrast, steel demand in Europe picked up slight momentum compared with the year-earlier period, above all due to weather conditions favoring the construction sector, which was the reason for Germany reporting sound demand overall as well.

The Trading Business Unit saw **sales volumes** decline in the first quarter of 2014, a development largely attributable to the downturn in the shipments of international trading. In conjunction with a weaker price level compared with 2013, this resulted in lower **segment** and **external sales**. The **pre-tax profit** that was still satisfactory at € 4.9 million fell short of the year-earlier figure.

Sales¹⁾





¹⁾2013 restated

In the first-quarter, the shipment volume of **Salzgitter Mannesmann Handel Group** (SMHD Group) was lower in a year-on-year comparison principally due to international trading. The lower average selling prices were reflected in a disproportionate decline in sales. The pre-tax profit did not match the previous year's figure largely due to pressure from margins.

By contrast, the European **stockholding steel trading companies** reported a positive shipment volume trend compared with the first quarter of 2013. Nonetheless, sales as of the end of March remained largely unchanged from the previous year's level owing to markedly weaker selling prices. Despite positive earnings deviations of eastern European subsidiaries, earnings before taxes were lower overall compared with the year-earlier period.

In the first three months, shipments of **international trading** fell below the tonnage reported in the first quarter of 2013. Above all, the weaker project business was not offset. Lower price levels in many markets and a changed product mix caused sales and pre-tax profit to fall below the year-earlier figures.

The **Universal Eisen und Stahl Group** (UES Group) operated in a stagnating market in Germany during the first quarter. With a disparate development in volumes that was determined by satisfactory demand from the industrial customers while also being impacted by the weak offshore and shipyard business at the same time, excess market supply did not allow for any improvements in selling prices. The Houston site reported profitable business over the past three months in North America. The gradual turnaround of the Chicago subsidiary also made a positive contribution. In the meantime, the group's shipments, sales and pre-tax result have declined, which is mainly due to the unsatisfactory market development in Germany.

Technology Business Unit

		Q1 2014	Q1 2013 ¹⁾
Order intake	€ million	292.2	322.8
Order backlog as of 03/31	€ million	600.9	542.7
Segment sales²⁾	€ million	313.1	269.9
External sales	€ million	313.0	269.7
Earnings before taxes (EBT)	€ million	9.2	2.8

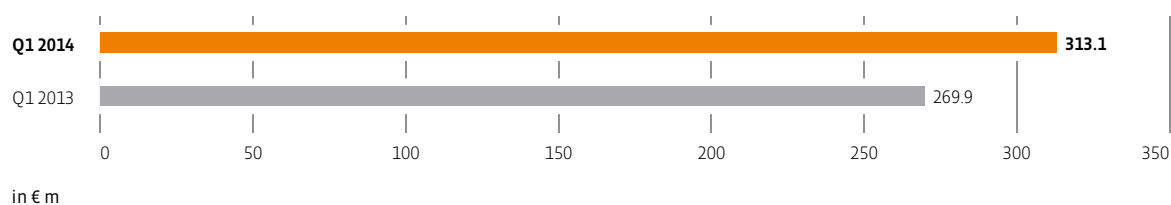
¹⁾ 2013 restated

²⁾ Including sales with other business units in the Group

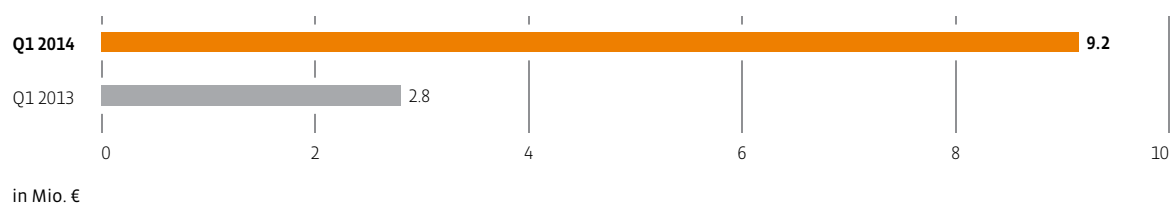
The **Technology Business** Unit comprises internationally operating mechanical engineering companies. KHS GmbH (KHSDE), a company holding a leading international position in filling and packaging technology, represents the mainstay of sales. The KHS Group is a full-line supplier, from intralogistics through processing to the filling and packaging of beverages. Other companies of the business unit sell special machinery for the shoe industry or specialize in the manufacturing of rubber and silicon injection molding machinery.

According to the statistics of the German Engineering Federation (VDMA), the sector's order intake held steady compared with the previous year's period. Although domestic demand was on the rise, demand from abroad slowed. The market for food and packaging machinery picked up momentum.

Sales¹⁾



EBT¹⁾



¹⁾ 2013 restated

During the reporting period, the **order intake** of the Technology Business Unit did not attain the previous year's level due mainly to the order intake of the KHS Group that had fallen below the high level posted in the first quarter of 2013. By contrast, the new orders of Klöckner DESMA Schuhmaschinen GmbH (KDS) and the KDE Group increased notably. The **order book** significantly exceeded the previous year's figure and ensures good capacity utilization well into the year 2014.

Segment and **external sales** climbed appreciably in comparison with the 2013 figures, with the KHS Group reporting marked sales growth. The KDE Group also lifted sales on the back of a recovery in the investment activities of the automotive industry. The Sales of KDS was solid.

In the first three months of 2014, the Technology Business Unit generated another presentable **pre-tax profit** of € 9.2 million, thereby significantly outperforming the previous year's figure. At the KHS Group, high capacity utilization, the gratifyingly lively service business, and further success under the "Fit4Future" program underpinned this positive trend. Also the KDE Group contributed to raising profit.

The KHS Group continues to stringently pursue its streamlining measures geared toward achieving sustainable competitiveness and profitability. The "Fit4Future" program launched for this purpose back in 2011 comprises eleven profit-oriented components. The program is aimed at streamlining the Group, lowering costs, enhancing the flexibility with which the volatile order intake is handled, as well as reducing complexity, also in the future, by operational excellence throughout the manufacturing network and standardizing the global product program. The program has been supplemented by adding a further component dedicated to concerted personnel development for KHS employees as well as to internal communication.

Other/Consolidation

		Q1 2014	Q1 2013 ¹⁾
Sales²⁾	€ million	222.5	222.6
External sales	€ million	47.2	49.2
Earnings before taxes (EBT)	€ million	14.1	20.1

¹⁾ 2013 restated

²⁾ Including sales with other business units in the Group

Other/Consolidation comprises activities that are not directly allocated to a business unit. As a management holding company, Salzgitter AG does not have any operations of its own. Instead it manages Salzgitter Mannesmann GmbH (SMG) and Salzgitter Klöckner Werke GmbH (SKWG) under which the major companies of the Salzgitter Group, as well as the Aurubis shareholding are held. Furthermore, the results of the companies that operate primarily within the Group are disclosed here, along with Group companies that support the core activities of the business units with their products and services.

Sales in the Other Segment, which are generated mainly by business in semi-finished products with subsidiaries and external parties, remained constant at € 222.5 million (previous year: € 222.6 million). Similarly, external sales that stood at € 47.2 million also settled close to the year-earlier level (€ 49.2 million).

Earnings before taxes came in at € 14.1 million, which is lower than in the previous year (€ 20.1 million). The result comprised a total of € 8.2 million in income from the Aurubis investment.

Explanations on the Financial Position and Net Worth

Explanations on the balance sheet

The **total assets** of the Salzgitter Group rose by € 140 million in the current reporting period compared with December 31, 2013.

Non-current assets declined owing to scheduled write-downs of non-current assets and a change (in accordance with IFRS) in the disclosure of participating interests, consolidated on a pro-rata or capitalized pursuant to the equity method. By contrast, **current assets** rose (€ +198 million), principally owing to the higher level of inventories (€ +62 million), trade receivables (€ +275 million) and other assets (€ +143 million). A countertrend emanated from the decrease in cash and cash equivalents (€ -288 million).

On the **liabilities side**, the increase in trade payables (€ +125 million) and financial liabilities (€ +30 million) in particular caused current liabilities to rise (€ +146 million). The equity ratio of 37.8% nonetheless remained at a sound level.

The **net credit balance** decreased to € 104 million by the end of the reporting period (December 31, 2013: € 303 million). The decline resulted mainly from the higher level of operating activities which incurred an increase in inventories. Moreover, trade receivables were up. This item also comprises the deferral of a claim for € 42 million from slab deliveries to a shareholder of jointly managed company HKM. Cash investment, including securities, (€ 880 million) were offset by liabilities of € 776 million (December 31, 2013: € 741 million), of which € 184 million were owed to banks, while obligations attached to convertible and exchangeable bonds accounted for € 592 million.

Explanations on the cash flow statement

The **cash flow from operating activities**, which came in at € -94 million, was clearly negative, also in comparison with the year-earlier amount (€ +64 million), which was mainly attributable to an increase in receivables as of the reporting date.

Cash outflow from investing activities (€ -203 million) was due principally to disbursements for capital expenditure (€ -84 million) and cash investment (€ -125 million), with fund outflow exceeding the previous year's figure in an amount of € 55 million.

The granting of loans (€ 13 million) and interest payments (€ -5 million) constituted **cash outflow from financing activities** of € 8 million.

Cash and cash equivalents declined by € 273 million compared with December 31, 2013.

Investments

In the first three months of the financial year 2014, **investments in property, plant and equipment and intangible assets** amounted to € 51.6 million, which is lower compared with the previous year's period (€ 76.0 million). Depreciation and amortization (€ 83.7 million) were below the year-earlier level (€ 88.3 million), but higher than the amount of investment in the reporting period.

Investments in the **Strip Steel Business Unit** are focused on the optimization and extension of existing facilities in 2014. To this end, progress was made with the following projects in particular in the first quarter 2014:

In order to reduce metallurgy costs, the green light was given in 2013 for the construction of a coal grinding, drying and injection plant at **Salzgitter Flachstahl GmbH** (SZFG). This plant will enable the substitution of oil and coke sourced externally by cheaper pulverized coal produced in the plant and subsequently injected into the blast furnace. The foundations were laid according to schedule in the first quarter of 2014. The coal grinding, drying and injection plant is due for commissioning in 2015.

The tandem mill was supplemented by an inlet system comprising strip storage and a welding machine. The performance tests of the inlet group proceeded according to plan in the reporting period. The investment permits partly continuous rolling, thereby optimizing both the mill's efficiency and the quality of the products produced.

In the **Plate/Section Steel Business Unit**, a major part of the "ILG 2015" package of measures has been concluded at **Ilsenburger Grobblech GmbH** (ILG). Various auxiliary items are currently being upgraded. Thanks to the major investment, the input volume of thick slabs (350 mm) is to be more than doubled and the plate weight raised from 21 to 28 tons.

Given the difficult financial situation, **Peiner Träger GmbH** (PTG) kept its capital expenditure measures to a minimum in the period under review.

In the first quarter of 2014, the **Trading Business Unit** invested first and foremost in updating existing and acquiring new facilities. Accordingly, **Salzgitter Mannesmann Stahlhandel GmbH** (SMHD) initiated several projects to expand the finishing capacities of the German stockholding steel trade. Examples include extending the flame cutting operations in the Plochingen site, as well as enlarging the warehouse capacity for the tubes business at the Mannheim location.

Capital expenditure in the **Energy Business Unit** will concentrate first and foremost on replacement and supplementation measures in the current financial year. At the **Salzgitter Mannesmann Stainless Tubes Group**, the extrusion press is being extended at the Montbard mill. The project is geared to expanding the product portfolio in the medium term to include larger dimension, seamless stainless steel tubes.

The **Technology Business Unit** continues to focus on replacement and streamlining measures geared to promoting the sustainable competitiveness of the **KHS Group**. Process optimizations are to be achieved through IT projects currently being carried out in Germany and in the international companies. An extensive project for the software-based configuration of KHS products and packaging lines under the name of "Product Configurator" was launched in 2012. This measure is aimed at enabling an even more efficient tendering of quotations and processing of orders based on products and processes that are standardized to a higher degree. The implementation is being carried out in close coordination with the Customer Relationship Management (CRM) system. The first machine reconfigurations were completed before the end of 2013 and the entire product portfolio of KHS is to have been mapped in the "product configurator" by the end of 2014. Emulating the successful approach to lean manufacturing adopted in the Kleve plant, continuous production is being implemented at the Worms and Bad Kreuznach plants to reduce assembly times and logistic costs.

Research and Development

Salzgitter Mannesmann Forschung GmbH (SZMF) is the central research company for the steel and tubes business. The R&D activities concentrate on material development and processing, as well as application, coating and testing technologies. In addition to the Salzgitter Group companies, customers include external companies, for example from the steel processing industry, the automotive industry, machinery and plant engineering, energy technology, as well as the construction industry.

Outstanding resource efficiency: Belt casting technology and HSD® steel

With belt casting technology, the Salzgitter Group is making a targeted investment in energy- and resource-conserving steel production of the future as part of a project backed by the German Federal Ministry for the Environment. The new pilot facilities of Salzgitter Flachstahl GmbH (SZFG) at the Peine site have successfully passed warm commissioning and are now at the break-in stage, with more than fifty casts already performed. In the downstream steps of the process, the 1,000 mm wide and 15 mm thick strip casting material is already undergoing initial hot rolling and further processing tests. The emphasis lies on the production of new high manganese content lightweight construction steels, such as HSD® steel that displays ultra-high strength combined with good formability. Since 2013, very good progress has been made with numerous customer projects dedicated to analyzing the potential of this material. Studies in different sub-segments of industry were conducted on the basis of forming, welding and simulation technology. Various prototype components made of HSD® steel have already been produced and successfully tested.

Automotive PerFORMance – Salzgitter Techday at automotive customers

The demands placed in automotive construction on lightweight construction, safety, resource conservation, and efficiency are rising steadily. The group companies of Salzgitter AG are responding to this trend with innovative and sustainable products. At in-house trade shows coordinated by SZMF, innovations designed for automotive construction were presented to selected OEM customers. The exhibition entitled "Automotive PerFORMance" featured large-scale information boards and exhibits on individual component solutions for chassis, suspension and drive application areas. The performance data displayed by the respective innovations, for instance on reducing weight or efficiency, were the topic of much discussion by the participant experts. Along with a general exchange of ideas on development trends and requirements, a series of concrete projects were agreed and launched with a view to leveraging the potential of our product and service range further.

New pipe bending testing machine at SZMF

In some regions, pipelines are exposed to extreme conditions, such as earth movements or high temperature fluctuations, that may cause line pipes to undergo significant plastic deformations. The pipes and joints must therefore offer sufficient deformation reserves to withstand these influences. For the purpose of stimulating the load-bearing behavior under extreme conditions, SZMF installed "LiSA" (Limit State Analyzer), a pipe bending testing bench. "LiSA" was used to conduct a 4-point bending experiment that can bend large-diameter tubes in ultra-high strength steel grades with exterior diameters of up to 56" by applying a maximum burden of 1,000 t, with and without simultaneous internal pressure. Bending cycles can also be applied so as to realistically simulate offshore pipelines laid by the reeling method. With reeling, whole pipeline strings are rolled onto large drums and off again when they are laid.

KHS offers cutting-edge, platform-based labeling technology

Presenting "Innoket Neo", a new modular labeling platform, KHS GmbH (KHSDE) is providing the beverages, food and non-food sector with a universal platform solution that can label from 10,000 to 72,000 containers an hour. Innoket Neo can handle glass and plastic bottles and cans as well as cylindrical and contour containers. Filling volumes may vary between 0.1 and 3 liters. The logical modular structure and the use of bi-rotational parts enable the prefabrication of individual modules that can be optionally combined depending on the order. Thanks to quick-change devices all handling parts are exchangeable tool-free. Infeed and discharge star wheels are made of polyurethane and are particularly light in design and easy to install. In addition, the open construction dispenses with the classic machine table, allowing perfect access facilitating cleaning and maintenance service at customer installations.

Employees

	2014/03/31	2013/12/31 ¹⁾	+/-
Core workforce²⁾	23,450	23,446	4
Strip Steel Business Unit	6,309	6,292	17
Plate/Sections Steel Business Unit	3,113	3,230	-117
Energy Business Unit	5,030	5,016	14
Trading Business Unit	1,877	1,844	33
Technology Business Unit	4,796	4,731	65
Other/Consolidation	2,325	2,333	-8
Apprentices, students, trainees	1,386	1,568	-182
Non-active age-related part-time employment	638	680	-42
Total workforce	25,474	25,694	-220

¹⁾ 2013 restated

²⁾ Excluding the members of executive and non-executive bodies

The **core workforce** of the Salzgitter Group came to 23,450 employees on March 31, 2014, representing an addition of 286 staff members since the beginning of the year. This figure takes account of 894 employees who were included in the personnel statistics for the first time owing to the initial consolidation of Hüttenwerke Krupp Mannesmann GmbH (HKM) that became effective on January 1, 2014. At the same time, the EUROPIPE Group (EP Group) with 612 employees was deconsolidated. Adjusted for consolidation effects, the Group's core workforce rose by only four employees. Since January 1 of this year, 185 trainees have been hired, 118 of whom were given temporary contracts. Moreover, in February 2014, 48 members of the core workforce of BSH Braunschweiger Schrotthandel GmbH (BSH) were transferred to DEUMU Deutsche Erz- und Metall-Union GmbH (DMU), and thus to the consolidated group. This transfer took place in the context of DMU's takeover of the activities of Peiner Träger GmbH (PTG).

The number of temporary staff outsourced stood at 1,238 as of March 31, which marks a decline of 107 employees under the new Group organization structure compared with the year-earlier figure.

The **total workforce** numbered 25,474 persons.

At the end of the first quarter, a total of 110 employees were affected by short-time work at Salzgitter Mannesmann Großrohr GmbH (MGR), a situation also anticipated with a look to the coming months.

Forecast, Opportunities and Risk Report

The following guidance was compiled on the basis of the new Group organization structure that took effect on January 1, 2014. Guidance on the development of the macroeconomic situation is already fundamentally subject to a great deal of uncertainty, particularly in the current environment prevailing in Europe. In addition, the impact on performance of European and German energy and climate policies is also currently still difficult to predict. The forward-looking statements below on the individual business units assume the absence of renewed recessionary development. Instead, we anticipate a relatively restrained economic recovery in volumes and selling prices in the current financial year, with markets remaining fiercely contested.

Given the pressure on selling prices arising from the ongoing underutilization of capacities in the EU, the **Strip Steel Business Unit** expects business to remain difficult in 2014. In comparison with the financial year 2013, sales are anticipated around the same level, with somewhat of an improvement in a nonetheless negative pre-tax result.

The **Plate/Section Steel Business Unit** assumes declining sales compared with 2013, while predicting a significant reduction in the pre-tax loss at the same time. This is mainly attributable to the 1 Million Ton concept that has been largely implemented and the non-recurrent charge arising in connection with impairment at Peiner Träger GmbH (PTG) in 2013. By contrast, business sentiment for plate has clouded.

A strong market recovery is not yet anticipated for the **Energy Business Unit** in 2014. With the start to production of the major South Stream order, an adequate, basic level of capacity utilization has been secured as from April through to 2015 at the Mülheim site of EUROPIPE. The Group's other European large-diameter pipe mills will, however, experience capacity underutilization, at least still during the next few months. The other tubes companies anticipate a largely more positive development of business. Overall, we anticipate a moderate uptrend in sales and a notably higher pre-tax result in comparison with the previous year.

The **Trading Business Unit** expects sales to hold steady in the current financial year. Against the backdrop of the moderate price level, the pre-tax result is likely to fall short of the previous year's level. Although the stockholding steel trade anticipates sales growth, it does not, however, expect to raise earnings due to margins. International trading anticipates a satisfactory – albeit also lower – result.

On the back of continued, good capacity utilization, the **Technology Business Unit** expects an increase in sales and a marked improvement in the results. Contributing factors here should also be somewhat better price conditions for beverages filling and packaging machinery. Additional cost reductions are targeted with the aid of the rigorously implemented "Fit4Future" program. The prospects for the other companies are consistently pleasing.

Based on planning by the individual business units, and taking account of significant effects from measures as well as structural improvements from the "Salzgitter AG 2015" groupwide project, we assume the following in the year 2014:

- **sales** of almost € 10 billion,
- a significant increase in the **pre-tax result**, approximating breakeven, compared with the financial year 2013 and
- another moderately positive **return on capital employed**.

As in recent years, we make reference to the fact that **opportunities and risks** from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as changes in the currency parity, may considerably affect performance in the course of the financial year 2014. The resulting fluctuation in the consolidated pre-tax result may, as current events show, be within a considerable range, either to the positive or to the negative. The dimensions of this range become clear if one considers that, with around 12 million tons of steel products sold by the Strip Steel, Plate / Section Steel, Energy and Trading business units, an average € 25 contraction in the margin per ton is sufficient to cause a variation in the annual result of € 300 million. Moreover, the accuracy of the company's planning is restricted by the volatile cost of raw materials and shorter contractual durations, on the procurement as well as on the sales side.

Risk Management

With regard to the individual **opportunities and risks**, we make reference to the Annual Report 2013. At the time of reporting there were no risks which could endanger the Salzgitter Group as a going concern.

In terms of risks arising in a tense market environment, including the price volatility of raw materials, especially for iron ore and coking coal whose deliveries are largely based on quarterly contracts, the effects on the result of the companies have been factored in, to the extent they can be estimated.

A one-year contract signed with an ore supplier from which a significant volume is traditionally sourced expired in March 2014. This contract included a "corridor clause" in respect of fixing prices that, in the event of fixed deviations of the spot market price from a fixed-price corridor, automatically triggered a precisely defined price adjustment. Negotiations for the new contractual year are still under way. It looks as if, however, a "corridor clause" is no longer on offer and in its place, an agreement on prices that virtually tracks the current spot market price will be concluded. Contracts with the market leader for coking coal are defined on a monthly basis. This affects around one third of the volume purchased by Salzgitter AG. From today's standpoint, we do not anticipate any fundamental change in the Group's risk position from this front.

In December 2013, the EU Commission opened a state aid investigation against the Federal Republic of Germany in connection with the German Renewable Energies Act (EEG). Among other issues, this investigation raises the question of whether limiting the EEG apportionment, particularly in conjunction with the 2012 amendment to the act, for manufacturing companies complies with EU regulations on state aid. A number of companies belonging to the Salzgitter Group with their energy-intensive production processes have so far been limited as regards the amount of the levy through a special equalization scheme under the Renewable Energies Act. In the event of being called upon to pay a higher EEG levy, these companies would be threatened by a significant deterioration in their competitiveness compared with other market players that do not have to bear these additional burdens. The Group companies of Salzgitter AG that are affected took the opportunity of submitting a statement to the EU Commission, emphasizing compatibility with EU legislation on state aid and stressing the consequences of raising levies under the EEG. The Salzgitter Group strongly emphasizes the great significance of future apportionment regulations under the EEG for the electricity intensive industry in Germany and its jobs at all political levels. In view of the EU Commission's new directive on environmental and energy state subsidies that has meanwhile been adopted, we anticipate a markedly smaller increase in the burdens than originally feared.

Events of Significance

"Salzgitter AG 2015" reorganization program:

The Salzgitter Group operates in a market environment that is determined by a structural crisis in the European steel industry. Increasingly fierce competition, emanating above all from the protracted capacity underutilization of numerous producers in southern Europe, has exerted enormous pressure on the businesses of steel producing companies.

The swift implementation of the **"Salzgitter AG 2015"** program is a precondition for securing the Salzgitter Group's competitiveness under the aggravated general conditions that are likely to persist in the medium term. In conjunction with adjusting the goals, structures and processes for the entire group of companies to the challenging conditions prevailing in the sales markets, this program forms the basis for actively shaping the Group's future.

All in all, the "Salzgitter AG 2015" program comprises a package of measures harboring profit potential of more than € 200 million. More than half of these measures concern the further development of technical processes and initiatives in logistics, procurement and data processing. Salzgitter Flachstahl GmbH (SZFG), for instance, is investing € 70 million in building a coal grinding, drying and injection plant with an annual cost saving potential in the higher double-digit million euro range. Furthermore, the "Salzgitter AG 2015" program also provides for a reduction in personnel involving more than 1,500 positions. With a view to implementing personnel-related measures, the Executive Board and employee representatives of Salzgitter AG, accompanied by IG Metall, signed a "Pact for the Future" defining the instruments available for personnel management.

A fundamental change in the Group and management structure constitutes the starting point for improving process sequences and workflows. The new Group organization structure entered into force on January 1, 2014, and comprises the following main changes:

- Realignment of the organization units

The new segmentation of the companies, geared to customer and market requirements, enables customer needs to be effectively and efficiently coordinated and fulfilled. With this in mind, the Group companies were assigned to five business units: Strip Steel, Plate/Section Steel, Energy, Trading and Technology. The service companies that primarily operate within the Group were either allocated to the business segments of their largest Group customers or are managed centrally in one of the areas of Executive Board responsibility as shared services across all business units.

- Merging of companies

The combination of companies sharing a customer base or that have tightly intermeshing value chains, as well as the dissolution of intermediary holdings, form the prerequisites for improving market penetration and promoting leaner organization structures.

Salzgitter Service und Technik GmbH (SZST) was integrated into SZFG effective April 1, 2014. The business of the former SZST was focused on maintaining the plants and equipment of SZFG. The integration forms the basis for implementing a flexible, well-balanced maintenance concept and reduces administration input.

The two steel service specialists Hövelmann & Lueg GmbH (HLG) and Stahl-Metall-Service Gesellschaft für Bandverarbeitungen mbH (SMS) have operated under the new name of Salzgitter Mannesmann Stahlservice GmbH (SMS) since January 1, 2014. Combining business with SZFG within one business unit optimizes the internal value chain and strengthens the offering for Mittelstand customers.

Introducing uniform management at the start of 2014 for plate producers Ilsenburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB), as well as of pipe and tubes manufacturers Salzgitter Mannesmann Line Pipe GmbH (MLP) and Salzgitter Mannesmann Großrohr GmbH (MGR) improved the competitive position and resulted in leaner structures.

■ **New management structure**

The Executive Board of Salzgitter AG is to be reduced from formerly six to three members comprising in future the Chief Executive Officer, the Chief Financial Officer and the Chief Personnel Officer. The activities forming part of the business units will be coordinated by a business unit manager who is a representative from the companies of the respective business unit. Since January 1, 2014, the Executive Board and the business unit heads have constituted the new Group Management Board that will directly coordinate and control the activities of the companies while incorporating operational expertise across the business units.

Capacity adjustments at the Peine site

Peiner Träger GmbH whose sectional steel products are processed by the construction industry that is in deep recession in many southern European countries operates in an extremely difficult market environment. Taking account of the specific general conditions that pose a threat to the company's existence, production capacity was scaled back in August 2013 by operating the two furnaces alternately to one million tons of crude steel and rolled steel respectively a year. In the period through to January 2014, the workforce was adjusted to around 800 employees. As part of the new corporate concept that has been largely implemented, PTG significantly improved its result in the first quarter of 2014.

Program of measures for the precision tubes group

The European Salzgitter Mannesmann Precision Group (SMP Group) is also faced with challenging economic environment owing to the collapse of the southern European automotive market, and is taking extensive counteractive measures. After streamlining the SMP Group's process and organization structure in 2013, emphasis in 2014 has been placed on the productivity improvement program that has already been initiated.

Steel industry still battling additional burdens in emission trading

Since, in its verdict of June 4, 2012, the General Court of the European Union dismissed the actions for formal reasons brought by the EUROFER, the European Steel Association, as well as by a number of steel producers in German-speaking countries against unjustified additional burdens from emissions trading resulting from the fixing of inappropriate allocation benchmarks for pig iron and sinter, steel producers plan to contest the decision at national level.

The European Court has not passed a verdict in the matter. Instead, it merely stated that a national court would first have to decide on the allocation of certificates to European steel producers. A ruling at national level or a preliminary ruling procedure would be the pre-requisite for the European Court to address itself to examining the content of the issue.

Allocations decisions have meanwhile been issued and the Group companies affected have filed opposition proceedings in a timely manner. It is to be expected that the national authority (German Emissions Trading Authority (DEHSt) will not redress these oppositions against the backdrop of European regulations. The situation is therefore likely to entail subsequent legal proceedings.

A number of steel producers, including SZFG, have meanwhile applied to the EU Commission and the national authority for inspection of the files in the context of determining the allocation benchmark for pig iron and sinter. The first documentation has already been made available. The application procedure is still pending. In addition, one steel producer has initiated a procedure against the EU Commission for inspection of the files.

The concerns of the steel industry are directed against the specific regulations governing the allocation of emission certificates as from the year 2013 and not generally against the instrument of emissions trading itself. Their claim is that the Commission has set CO₂ benchmark for pig iron and sinter products at a level that contravenes the directives on the European emissions trading, and which is technically not achievable, as well as not being in line with the implementation directives. Furthermore, a cross-section or corrections factor was contested. The European steel industry is of the opinion that it will have to confront significant additional burdens.

Interim Financial Statements

I. Consolidated Income Statement

In € million	Q1 2014	Q1 2013 ¹⁾
Sales	2,300.9	2,448.5
Increase/decrease in finished goods and work in process/other own work capitalized	8.3	-34.8
	2,309.2	2,413.7
Other operating income	58.1	59.6
Cost of materials	1,628.9	1,736.3
Personnel expenses	384.6	380.5
Amortization and depreciation of intangible assets and property, plant and equipment	83.7	88.3
Other operating expenses	239.3	267.1
Income from shareholdings	2.0	2.3
Profit or loss of associates and joint ventures accounted for using the equity method	-21.6	7.8
Finance income	9.5	8.1
Finance expenses	29.4	35.4
Earnings before taxes (EBT)	-8.7	-16.1
Income tax	4.6	0.9
Consolidated net income/loss	-13.3	-17.1
Appropriation of profit		
Consolidated net income/loss	-13.3	-17.1
Profit carried forward from the previous year	12.1	15.1
Minority interests in consolidated net loss/income for the year	0.8	0.9
Transfer from (+)/to (-) other retained earnings	14.2	18.0
Unappropriated retained earnings	12.1	15.1
Basic earnings per share (in €)	-0.26	-0.33
Diluted earnings per share (in €)	-0.26	-0.33

¹⁾2013 restated

II. Statement of Comprehensive Income

In € million	Q1 2014	Q1 2013 ¹⁾
Consolidated net income/loss	-13.3	-17.1
Recycling		
Changes in currency translation	-0.5	3.2
Change in value from hedging transactions		
Changes in current value recorded directly in equity	0.6	5.0
Recognition of sale of securities with effect on income	0.1	0.3
Changes in the value of financial assets in the "held-for-sale assets" category recorded directly in equity		
Changes in current value recorded directly in equity	-0.1	-0.0
Recognition from the sale of securities with effect on income	-	-
Adjustment from associates and joint ventures accounted for using the equity method	0.4	0.7
Deferred taxes on changes without effect on income	-0.2	-0.5
Subtotal	0.4	8.7
Non-recycling		
Remeasurement of pensions	-	-
Adjustment from associates and joint ventures accounted for using the equity method	-	-
Deferred taxes on changes without effect on income	-	-
Subtotal	-	-
Other comprehensive income	0.4	8.7
Total comprehensive income	-13.0	-8.4
Total comprehensive income due to Salzgitter AG shareholders	-13.8	-9.5
Total comprehensive income due to minority interests	0.8	1.1
	-13.0	-8.4

¹⁾ 2013 restated

III. Consolidated Balance Sheet

Assets in € million	2014/03/31	2013/12/31 ¹⁾	2013/01/01 ¹⁾
Non-current assets			
Intangible assets	112.2	116.7	114.9
Property, plant and equipment	2,407.0	2,438.0	2,608.4
Investment property	21.2	21.3	22.8
Financial assets	195.7	180.9	168.9
Investments accounted for using the equity method	599.1	632.7	736.9
Deferred income tax assets	225.4	226.1	247.7
Other receivables and other assets	4.3	6.4	4.8
	3,565.0	3,622.1	3,904.5
Current assets			
Inventories	2,035.2	1,972.5	2,103.0
Trade receivables	1,750.2	1,474.7	1,611.6
Other receivables and other assets	454.5	311.6	471.8
Income tax assets	18.5	15.5	28.5
Securities	100.1	98.4	132.5
Cash and cash equivalents	466.6	754.9	860.5
	4,825.1	4,627.7	5,207.9
	8,390.2	8,249.8	9,112.4
Equity and liabilities in € million			
Equity			
Subscribed capital	161.6	161.6	161.6
Capital reserve	238.6	238.6	238.6
Retained earnings	3,123.0	3,136.2	3,590.1
Unappropriated retained earnings	12.1	12.1	15.1
	3,535.4	3,548.5	4,005.4
Treasury shares	-369.7	-369.7	-369.7
	3,165.7	3,178.8	3,635.7
Minority interests	9.0	8.1	8.2
	3,174.6	3,186.9	3,643.9
Non-current liabilities			
Provisions for pensions and similar obligations	2,111.4	2,120.2	2,234.7
Deferred tax liabilities	48.6	49.3	54.5
Income tax liabilities	151.4	149.1	193.5
Other provisions	319.1	318.8	289.8
Financial liabilities	410.1	397.2	664.8
	3,040.5	3,034.5	3,437.2
Current liabilities			
Other provisions	333.1	324.8	327.8
Financial liabilities	451.6	422.2	201.7
Trade payables	973.9	849.3	966.7
Income tax liabilities	54.1	55.8	55.4
Other liabilities	362.3	376.3	479.8
	2,175.0	2,028.4	2,031.3
	8,390.2	8,249.8	9,112.4

¹⁾2013 restated

IV. Cash Flow Statement

In € million	Q1 2014	Q1 2013 ¹⁾
Earnings before taxes (EBT)	-8.7	-16.1
Depreciation, write-downs (+)/write-ups (-) of fixed assets	83.7	88.3
Income tax refunded (+)/paid (-)	-5.9	-22.6
Other non-cash expenses (+)/income (-)	61.9	31.5
Interest expenses	29.4	34.9
Gain (-)/loss (+) from the disposal of non-current assets	-0.8	-0.9
Increase (-)/decrease (+) in inventories	-62.6	90.7
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-307.4	-161.3
Use of provisions affecting payments, excluding income tax provisions	-71.5	-72.7
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	188.5	92.3
Cash outflow/inflow from operating activities	-93.5	64.0
Cash inflow from the disposal of fixed assets	4.5	3.0
Cash outflow for investments in intangible assets and property, plant and equipment	-84.0	-85.1
Cash inflow (+)/outflow (-) for/from investments of funds	-124.5	-69.5
Cash inflow from the disposal of financial assets	5.1	1.7
Cash outflow for investments in financial assets	-4.2	-29.1
Cash flow from investment activities	-203.1	-179.0
Cash outflow in payments to company owners	-	-
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilities	12.8	-2.0
Interest paid	-5.2	-4.5
Cash outflow/inflow from financing activities	7.6	-6.5
Cash and cash equivalents at the start of the period	754.9	860.5
Gains and losses from changes in foreign exchange rates	0.6	0.7
Payment-related changes in cash and cash equivalents	-289.1	-121.4
Cash and cash equivalents at the end of the period	466.6	739.8

¹⁾ 2013 restated

V. Statement of Changes in Equity

In € million	Subscribed capital	Capital reserve	Sale/repurchase of treasury shares	Other retained earnings	Reserve from currency translation
As of 2012/12/31¹⁾	161.6	238.6	-369.7	4,197.9	-6.2
Total comprehensive income	-	-	-	-0.2	3.2
Group transfers to(+)/from(-) retained earnings	-	-	-	-18.0	-
Other	-	-	-	0.2	-
As of 2013/03/31¹⁾	161.6	238.6	-369.7	4,179.9	-3.0
As of 2013/12/31¹⁾	161.6	238.6	-369.7	3,694.5	-17.9
Total comprehensive income	-	-	-	0.0	-0.5
Dividend	-	-	-	-	-
Group transfers to(+)/from(-) retained earnings	-	-	-	-14.2	-
Other	-	-	-	-0.0	-
As of 2014/03/31	161.6	238.6	-369.7	3,680.3	-18.4

¹⁾ 2013 restated

Changes in the value of the reserve from hedging transactions	Changes in the value reserve from „available for sale“ assets	Other changes in equity with no effect on income	Unappropriated retained earnings	Equity (excluding minority interests)	Minority interests	Equity
-3.1	-12.0	-586.5	15.1	3,635.7	8.2	3,643.9
5.3	-0.0	0.2	-18.0	-9.5	1.1	-8.3
-	-	-	18.0	-	-	-
-	-	0.9	-	1.1	-0.2	0.9
2.2	-12.1	-585.3	15.1	3,627.4	9.1	3,636.5
-2.1	-11.3	-527.0	12.1	3,178.8	8.1	3,186.9
0.8	-0.1	0.2	-14.2	-13.8	0.8	-13.0
-	-	-	-	-	-	-
-	-	-	14.2	-	-	-
-	-	0.6	-	0.6	0.0	0.6
-1.4	-11.4	-526.1	12.1	3,165.7	9.0	3,174.6

Notes

Segment Reporting ¹⁾

In € million	Strip Steel		Plate/Section Steel		Energy	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013
External sales	575.4	524.1	251.8	325.7	338.9	318.1
Sales to other segments	188.3	253.4	203.6	272.2	37.6	31.0
Sales to Group companies that cannot be allocated to an operating segment	1.2	1.2	0.3	0.3	79.4	106.5
Segment sales	765.0	778.6	455.7	598.2	455.9	455.6
Interest income (consolidated)	0.1	0.4	0.0	0.0	0.4	0.3
Interest income from other segments	-	-	0.0	0.0	-	-
Interest income from Group companies that cannot be allocated to an operating segment	2.4	2.2	-	-	0.2	0.1
Segment interest income	2.4	2.7	0.0	0.0	0.6	0.4
Interest expenses (consolidated)	4.7	6.6	1.0	1.6	2.1	1.8
Interest expenses of other segments	-	-	-	-	0.0	-
Interest expenses to Group companies that cannot be allocated to an operating segment	12.3	12.4	3.9	8.5	1.9	2.1
Segment interest expenses	17.0	18.9	4.9	10.2	4.0	4.0
of which interest portion of allocations to pension provisions	3.8	3.7	0.9	0.9	1.6	0.9
Depreciation/amortization of tangible and intangible fixed assets	42.7	44.3	13.5	18.3	13.2	11.5
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	42.7	44.3	13.5	18.3	13.2	11.5
EBIT before depreciation and amortization (EBITDA)	55.0	53.2	-4.1	-3.6	4.4	3.9
EBIT	12.3	8.9	-17.6	-21.8	-8.8	-7.5
Segment earnings before taxes (EBT)	-2.2	-7.3	-22.4	-32.0	-12.3	-11.1
of which income from associated companies	-	-	-	-	-12.0	-3.4
Investments in property, plant and equipment and intangible assets	26.3	36.5	6.9	11.3	10.0	16.7

¹⁾ 2013 restated

Trading		Technology		Total segments		Other/Consolidation		Group	
Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013
774.6	961.7	313.0	269.7	2,253.7	2,399.3	47.2	49.2	2,300.9	2,448.5
21.2	7.5	0.1	0.1	450.9	564.2	175.2	173.4	626.1	737.6
0.0	0.0	-	-	80.9	107.9	-	-	80.9	107.9
795.8	969.2	313.1	269.9	2,785.5	3,071.4	222.4	222.6	3,007.9	3,294.1
1.1	2.7	0.8	0.9	2.3	4.3	5.0	3.8	7.3	8.1
-	-	-	-	0.0	0.0	18.6	19.7	18.6	19.7
-	0.1	0.0	-	2.6	2.5	-	-	2.6	2.5
1.1	2.8	0.8	0.9	4.9	6.7	23.5	23.5	28.4	30.2
1.8	2.7	0.9	1.2	10.6	13.9	18.8	21.1	29.4	34.9
0.0	0.0	-	-	0.0	0.0	2.4	11.2	2.4	11.2
2.5	1.1	0.1	0.2	20.7	24.3	-	-	20.7	24.3
4.3	3.8	1.1	1.4	31.3	38.2	21.2	32.2	52.5	70.5
0.7	0.7	0.8	0.8	7.8	7.0	8.7	8.1	16.5	15.0
2.2	2.4	6.0	6.0	77.6	82.4	6.1	5.9	83.7	88.3
2.2	2.4	6.0	6.0	77.6	82.4	6.1	5.9	83.7	88.3
10.3	14.7	15.4	9.3	81.1	77.6	16.0	21.4	97.1	99.0
8.1	12.4	9.4	3.3	3.5	-4.8	9.9	15.5	13.4	10.7
4.9	11.4	9.2	2.8	-22.9	-36.3	14.1	20.1	-8.7	-16.1
-	-	-	-	-12.0	-3.4	-9.7	11.3	-21.6	7.8
1.6	1.5	3.2	3.8	47.9	69.8	3.7	6.1	51.6	76.0

Principles of accounting consolidation, sheet reporting and valuation methods

1. The consolidated financial report of Salzgitter AG, Salzgitter, for the reporting period from January 1 to March 31, 2014, has been prepared as a condensed report with selected notes. The report has been drawn up, as before, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) in consideration of the requirements set out under IAS 34 for condensed interim reports.
2. In comparison with the annual financial statements as at December 31, 2013, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended March 31, 2014. As of the start of this financial year, the amended version of IFRS 11 will have the following effect on the Salzgitter Group: EUROPIPE Group (EP Group) will now be included at equity as opposed to Hüttenwerke Krupp Mannesmann GmbH (HKM) where proportionate consolidation will be applied. Before this date, the EP Group was reported proportionately and the equity method was applied to HKM.

Selected explanatory notes to the income statement

1. Sales by division are shown in the segment report
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of Salzgitter AG, came to € -0.26 in the period under review. Dilution would occur if earnings per share were reduced through the issuance of potential shares from option and conversion rights. Such rights, attached to a convertible bond, existed as of the reporting date. When taken into account there is no decrease in earnings per share from continued operations, as a result of which these option and conversion rights do not have a dilutive effect. Diluted earnings per share also amount to € -0.26.

Related party disclosures

In addition to business relationships with companies that are consolidated fully and proportionately in the consolidated financial statements, relationships also exist with associated companies and shareholdings that must be designated as related companies in accordance with IAS 24.

All business transactions with related companies are conducted on terms that also customarily apply among third parties (arm's length). The deliveries and services rendered essentially comprise deliveries of input material for the manufacture of large-diameter pipes. Their volumes are shown in the table below:

In € million	Sale of goods and services	Purchase of goods and services	Trade receivables	Trade payables
	01/01-2014/03/31	01/01-2014/03/31	2014/03/31	2014/03/31
EUROPIPE Group	6.2	1.5	5.8	1.5

Information pursuant to Section 37w paragraph 5 of the German Securities Trading Act (WpHG)

This set of interim financial statements and interim report has not been subjected to an auditor's review.

Financial Calendar 2014

February 28, 2014	Key data for the financial year 2013
March 28, 2014	Publication of the consolidated financial statements for 2013 Annual Results Press Conference
March 31, 2014	Analysts' Conference in Frankfurt am Main
April 1, 2014	Analysts' Conference in London
May 15, 2014	Interim report on the first quarter of the financial year 2014
May 22, 2014	General Meeting of Shareholders in 2014
August 13, 2014	Interim report on the first half of the financial year 2014 Analysts' Conference in Frankfurt am Main
August 14, 2014	Analysts' Conference in London
November 13, 2014	Interim report on the first nine months of the financial year 2014

Legal disclaimer

Some of the statements made in this report possess the character of forecasts or may be interpreted as such. They are made upon the best of information and belief and by their nature are subject to the proviso that no unforeseeable deterioration occurs in the economy or in the specific market situation pertaining to the division companies, but rather that the underlying bases of plans and outlooks prove to be accurate as expected in terms of their scope and timing. Notwithstanding prevailing statutory provisions and capital market law in particular, the company undertakes no obligation to continuously update any forward-looking statements that are made solely in connection with circumstances prevailing on the day of their publication.

For computational reasons, rounding-off differences of +/- one unit (€, % etc.) may occur in the tables.

The Interim Report of Salzgitter AG is also available in German. In the event of any discrepancy, the German version shall prevail.

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