

H 1

Interim Report
1st Half 2014





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Salzgitter Group Figures

		H1 2014	H1 2013 ¹⁾	+/-
Crude steel production	kt	3,696.7	3,781.2	- 84.5
External sales	€ million	4,549.3	4,973.0	- 423.8
Strip Steel Business Unit	€ million	1,095.6	1,047.6	48.0
Plate/Section Steel Business Unit	€ million	556.5	596.1	- 39.6
Energy Business Unit	€ million	651.0	698.9	- 47.9
Trading Business Unit	€ million	1,560.0	1,963.3	- 403.3
Technology Business Unit	€ million	592.8	566.3	26.5
Industrial Participations/Consolidation	€ million	93.2	100.8	- 7.5
EBITDA²⁾	€ million	209.2	101.6	107.5
EBIT²⁾	€ million	40.4	- 260.2	300.6
Earnings before taxes (EBT)	€ million	- 4.2	- 300.8	296.6
Strip Steel Business Unit	€ million	- 6.9	- 15.5	8.6
Plate/Section Steel Business Unit	€ million	- 42.6	- 265.5	222.8
Energy Business Unit	€ million	- 19.8	- 14.1	- 5.7
Trading Business Unit	€ million	7.0	22.0	- 15.1
Technology Business Unit	€ million	11.5	4.6	6.9
Industrial Participations/Consolidation	€ million	46.6	- 32.4	79.1
Earnings after taxes	€ million	- 15.9	- 315.7	299.7
Basic earnings per share	€	- 0.33	- 5.87	5.54
ROCE^{3/4)}	%	1.1	- 13.2	14.3
Operating cash flow	€ million	119.0	75.3	43.7
Investments⁵⁾	€ million	111.4	148.0	- 36.6
Depreciation and amortization⁵⁾	€ million	- 168.8	- 361.8	193.1
Total assets	€ million	8,365.6	8,733.2	- 367.6
Non-current assets	€ million	3,557.3	3,612.8	- 55.5
Current assets	€ million	4,808.3	5,120.3	- 312.0
of which inventories	€ million	1,966.9	1,958.3	8.6
of which cash and cash equivalents	€ million	724.7	709.0	15.7
Equity	€ million	3,148.1	3,309.6	- 161.5
Liabilities	€ million	5,217.5	5,423.6	- 206.1
Non-current liabilities	€ million	3,048.8	3,413.6	- 364.8
Current liabilities	€ million	2,168.7	2,010.0	158.7
of which due to banks ⁶⁾	€ million	251.4	183.6	67.8
Net position⁷⁾	€ million	156.2	349.0	- 192.8
Employees				
Personnel expenses	€ million	777.1	772.6	4.5
Core workforce on the reporting date	empl.	23,357	23,668	- 311
Total workforce on the reporting date	empl.	25,318	25,730	- 412

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 Group reports significantly improved year-on-year result

The Salzgitter Group closed the first half of 2014 with a significant year-on-year improvement in its pre-tax result approaching breakeven. The effects of the "Salzgitter AG 2015" restructuring program in line with planning across all business units was the main contributing factor, along with the gratifying contribution from the Aurubis investment. With a stronger net financial position (€ 156 million) compared with the previous year's period and an equity ratio of an approximate and unchanged 38 %, Salzgitter AG enjoys a sound financial basis.

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 9 % to € 4,549.3 million
- Significant improvement in **pre-tax result:** € –4.2 million (first half of 2013: € –300.8 million, burdened by non-recurrent effects of € 185 million), influenced by a positive contribution from the Aurubis investment
- **After tax result:** € –15.9 million).
- **Earnings per share** (basic): € –0.33
- **Net credit balance:** € 156 million
- **Equity ratio:** at around 38 % – remaining at a sound level

Development of the business units:

- **Flat Steel:** increase in new orders and external sales; stable shipment volume accompanied by a somewhat lower level of intra-group business; improved pre-tax result (€ –6,9 million) on the back of higher capacity utilization and declining raw material costs
- **Plate/Section Steel:** shipments reduced owing to sharp downturn in the shipment volumes of Salzgitter Mannesmann Grobblech GmbH and due to measures consistently implemented to adjust capacity at Peiner Träger GmbH (PTG); corresponding decline in external sales; notably lower pre-tax loss of € 42.6 million compared with the year-earlier result that was impacted by impairment of € 185.0 million at PTG; effects of swiftly implemented restructuring and operational optimization in Peine constitute the main contributing factor
- **Energy:** shipments declined notably owing to lack of projects at Salzgitter Mannesmann Großrohr GmbH, with resulting lower level of external sales; pre-tax loss of € 19.8 million impacted by the results of the line pipe companies that were negative due to capacity underutilization; by contrast, the precision tubes business almost achieved breakeven, while the stainless business outperformed the year-earlier presentable pre-tax profit

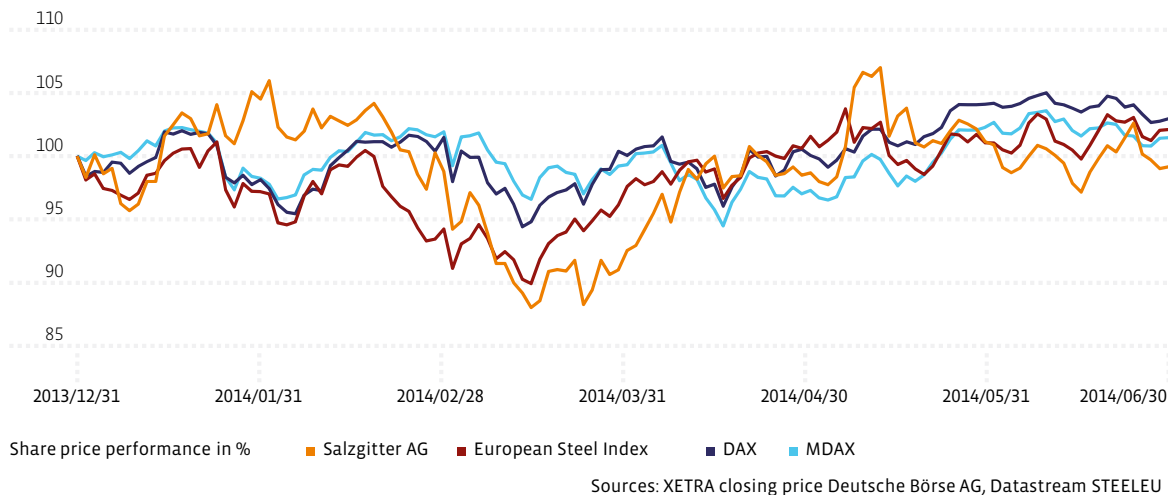
- **Trading:** shipment volumes below previous year's figure due to the decline in the shipments of international trading; external sales down also owing to the lower price level compared with 2013; earnings before taxes of € 7.0 million notably short of year-earlier figure
- **Technology:** good capacity utilization and widening margins in the project business; further success under the "Fit4Future" program; increase in external sales and pre-tax result
- **Industrial Participations/Consolidation:** earnings before taxes of € 46.6 million clearly in the black; income of € 39.2 million from the Aurubis investment

Guidance: Based on planning by the individual business units, and taking account of notable successes from measures as well as structural improvements from the "Salzgitter AG 2015" groupwide program, the Salzgitter Group affirms its guidance so far for the year. We anticipate sales of almost € 10 billion in 2014, a notable increase in the pre-tax result approaching breakeven compared with the financial year 2013, and 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



Following a brief surge in January on the **stock markets**, weakening economic indicators in the USA and a number of emerging markets – in conjunction with the Ukraine crisis – resulted in a phase of correction which lasted through to March. Subsequently, the indices climbed again, displaying considerable volatility in part. In the process, the DAX reached the 10,000 point threshold for the first time on June 5 and set a new benchmark of 10,028.80 on June 10. Many investors subsequently used the last weeks of the reporting period for profit taking. All in all, the DAX had risen by just under 3 % as per June 30, 2014, while the MDAX edged up by 1 %.

In the first six months of the financial year 2014 the **Salzgitter share** largely trended sideways. Starting from a year-end price of € 31.00, the share initially outperformed the indices through to mid-February on the back of the improved economic climate in Europe and the awarding of part of a project volume of the South Stream Pipeline to the Group company EUROPIPE GmbH (EP). Following the outbreak of the Ukraine crisis, most steel equities consolidated in line with the overall market. The end of March heralded a general recovery phase, when the Salzgitter share reached a new high for the year of € 33.81 on June 13. This performance also reflects the capital market's recognition of progress made with the "Salzgitter AG 2015" restructuring program. Mirroring the overall market, holding this level through to the end of the period proved impossible and resulted in our share price posting € 30.74 as of June 30, 2014, virtually unchanged from year-end 2013.

In the current **analyst coverage** conducted by 23 banks, the Salzgitter share has been assessed with the following recommendations (as per June 30, 2014): 7 buy/outperform, 8 hold/market perform, 8 sell/underperform.

The **average daily turnover** of the Salzgitter share on German stock exchanges came to around 277,000 units during the reporting period. As of March 31, 2014, Salzgitter AG therefore took 26th place measured by turnover and held 40th 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 Baden-Baden, Berlin, Frankfurt, New York and Nice in the period under review. In addition, we held roadshows in Munich and London. Investors and analysts took advantage of the offer of visiting our sites in Salzgitter, Ilsenburg, Mülheim and Dortmund and of informing themselves about our company in discussions with 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, information events and site visits arranged by the "Freundeskreis der Aktionäre der SZAG" (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 June 30, 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 SZAG 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. In line with these considerations, the Annual General Meeting of Shareholders approved a dividend distribution of € 0.20 per share on May 22, 2014, for the 2013 financial year.

Information for investors

		H1 2014	H1 2013
Nominal capital as of 06/30	€ million	161.6	161.6
Number of shares as of 06/30	million	60.1	60.1
Number of shares outstanding as of 06/30	million	54.1	54.1
Market capitalization as of 06/30 ¹⁾	€ million	1,663	1,369
Closing price as of 06/30¹⁾	€	30.74	25.31
High 01/01 – 06/30 ¹⁾	€	33.81	41.56
Low 01/01 – 06/30 ¹⁾	€	26.98	25.16

Securities identification number: 620200, ISIN: DE0006202006

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

Global economic growth was slower in the first six months of 2014 than originally anticipated. The main stimulus behind economic development emanated from the industrial nations. The recovery held steady in the USA, albeit initially braked by high inventory levels and a hard winter. By contrast, Japan's economy continued to firm up throughout the whole reporting period. The economic situation in the emerging markets was disparate: regulatory measures geared to curbing debt and easing the real estate market continued to hamper growth in China that remained at a high level. The effects of the Ukraine crisis exerted an increasingly negative impact on Russia's economy, while also affecting other emerging markets that were also partly suffering from considerable capital outflows. As a result, the International Monetary Fund (IMF) revised its growth forecast for the global economy down to 3.4% forthwith for 2014 as a whole.

The gradual recovery in the **Eurozone** persisted throughout the first half of 2014, although it varied widely depending on the geographical region. While Spain, in the wake of tough reforms, is meanwhile reporting an upturn in its economy, France and Italy continue to stagnate. Portugal and the Netherlands even experienced declining production. The German economy remained the euro area's most important economic driver. With a look to 2014, the IMF anticipates overall moderate growth of 1.1%. The current geopolitical crises nonetheless constitute an additional risk for the Eurozone economy. A renewed escalation of the Ukraine crisis triggered by sanctions and counter-sanctions imposed would, for instance, hardly remain without repercussions on the economy.

Germany's healthy economy continued to firm up during the reporting period, with the mild weather at the start of the year being a strong contributing factor. Moreover, capital expenditure that accelerated along with consumer spending represented an important driver. By contrast, foreign trade made only a marginal contribution to growth, as imports rose considerably more swiftly than exports. In the recent past, the geopolitical environment also had a dampening effect on the business climate indices. Nevertheless, the IMF revised its economic expectations for Germany upward to 1.9% in its most recent forecast.

		Q2 2014	Q2 2013 ¹⁾	H1 2014	H1 2013 ¹⁾
Crude steel production	kt	1,821.7	1,854.7	3,696.7	3,781.2
External sales	€ million	2,248.3	2,524.5	4,549.3	4,973.0
EBIT before depreciation and amortization (EBITDA) ²⁾	€ million	112.1	2.6	209.2	101.6
EBIT ²⁾	€ million	27.0	-271.0	40.4	-260.2
Earnings before taxes (EBT)	€ million	4.5	-284.7	-4.2	-300.8
Earnings after taxes	€ million	-2.6	-298.6	-15.9	-315.7
ROCE³⁾⁴⁾	%	1.8	-26.8	1.1	-13.2
Investments ⁵⁾	€ million	59.8	72.1	111.4	148.0
Depreciation and amortization ⁵⁾	€ million	-85.1	-273.6	-168.8	-361.8
Operating cash flow	€ million	212.5	11.3	119.0	75.3
Net position⁶⁾	€ million			156.2	349.0
Equity ratio	%			37.6	37.9

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

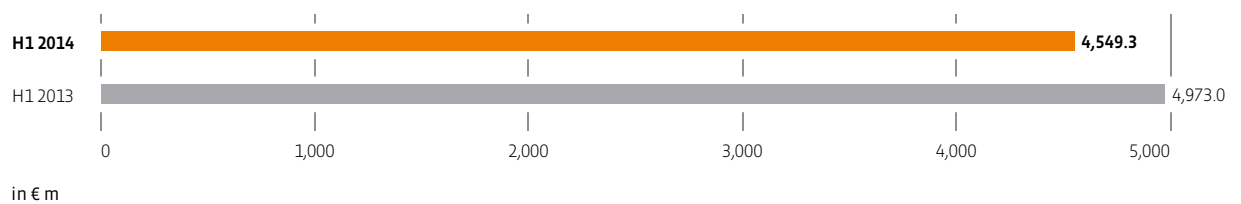
⁶⁾ Including investments, e.g. securities and structured investments

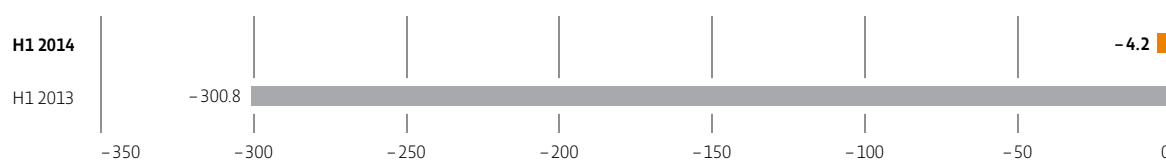
Earnings Situation within the Group

The Salzgitter Group closed the first half of 2014 with a significant year-on-year improvement in its pre-tax result approximating breakeven. The effects of the "Salzgitter AG 2015" restructuring program in line with planning across all business units was the main contributing factor, along with the gratifying contribution from the Aurubis investment. With a stronger net financial position (€ 156 million) compared with the previous quarter and an equity ratio of an approximate and unchanged 38 %, Salzgitter AG (SZAG) enjoys a sound financial basis.

In the period under review, conditions in the steel market remained difficult overall, as the pressure on the selling prices of most rolled steel products continued unabated due to the persistent capacity surplus in Europe, combined with a downtrend in raw material costs.

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.

Owing principally to the largely volume-induced decline in the contributions of the Trading Business Unit, **consolidated external sales** decreased by 9 % to € 4,549.3 million in the first half of 2014 (first half of 2013: € 4,973.0 million). The **pre-tax result**, which stood at -€ 4.2 million, nevertheless advanced notably in comparison with the year-earlier figure that was impacted by non-recurrent effects amounting to € 185.0 million (first half of 2013: € -300.8 million). The accounts include € 39.2 million in income from the Aurubis investment. The **consolidated after-tax result** posted at € -15.9 million (2013: € -315.7 million), which brings earnings per share to € -0.33 (first half of 2013: € -5.87) and delivers a positive return on capital employed of 1.1 % again (first half of 2013: -13.2 %).

Procurement

Ore prices under pressure

Market developments were determined by a notable decline in ore prices during the first half of 2014. Whereas spot market quotations for **fine ore** still averaged 135 USD/dmt CFR China in the fourth quarter of 2013, the following quarter saw prices drop to 120 USD/dmt and break through the 90 USD/dmt mark in June, representing the lowest level since September 2012. The trend is the combined result of various factors: Imports of Chinese mills, which accounted for around 70 % of seaward traded ore, marked a historical high close to 220 million tons overall in the fourth quarter of 2013. In conjunction with equally record domestic production, Chinese ore inventories grew to more than 100 million tons. However, Chinese customers' interest in buying waned considerably during the reporting period. This market environment coincided with supply characterized by excess availability due to the long-standing expansion drive, particularly by large producers, that exerted considerable pressure on ore prices. In the months ahead, spot market prices are expected to move within a range of 90 to 110 USD/dmt CFR China.

Price slump on the coking coal market

In contrast to pricing on the ore market that is determined by the index, the quarterly prices of **coking coal** with benchmark quality continue to be negotiated between large producers and customers. As opposed to the supply problems experienced in the preceding years (flooding and strikes lasting several months in Australia), the market situation has eased to a great extent. The prices of qualitatively high-grade coking coal have slipped discernibly 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, which resulted in a slump in coking coal prices. With prices of 120 USD/t FOB agreed for the second and a third quarter of 2014, the market has reached its lowest price level since 2007. Much research conducted on the outlook for the remainder of the year show a coking coal market that will be determined by significant oversupply, leaving the producers little room for price increases.

Price fluctuations in metals and ferro-alloys

The situation on the international **metal and alloy** markets varied: Prices for manganese-based bulk alloys initially tended to trend sideways, rising slightly in the second quarter of 2014 compared with the first. By contrast, listed materials displayed a great deal of volatility: Copper prices fell in the second quarter of 2014 compared with the prices for nickel, zinc and aluminum that surged in part..

Low fluctuation level of steel scrap prices

At the start of the year, prices on the **steel scrap market** remained largely stable compared with the preceding month. Prices declined initially in February and March, depending on the grade, within a range of between 15 and 30 €/t due to the very mild winter, the capacity utilization level of the manufacturing industries, and a downturn in exports. Only at the start of the second quarter did they rise again, by 15 €/t. This development was mainly attributable to the greater demand of German and European scrap consumers for scrap and an increase in the demand of Turkish importers. Holding the resulting price level proved impossible, however, due to declining overseas export, which reduced prices by up to 5 €/t.

Developments in the Steel Market

Global crude steel output grew by 2.4 % in comparison with the year-earlier period, while displaying a heterogeneous picture: Production in the European Union (EU), Asia and the Middle East expanded vigorously in part, while stagnating in the United States. China continued to report below average growth.

Demand on the **European steel market** is still running at a low level – accompanied by very widely diverging regional differences. Nonetheless, the capacity utilization of EU steel producers attained the 80 % threshold again, which is largely attributable to brisker activities in the steel processing sectors.

Crude steel output in the **German steel market** climbed in the first half of 2014 in a year-on-year comparison and capacity utilization even reached a high 90 %. In comparison to 2013, new orders for rolled steel picked up momentum, with stimulus emanating from an improvement in real demand, although the customary seasonal inventory replenishment proved moderate at best.

Strip Steel Business Unit

		Q2 2014	Q2 2013 ¹⁾	H1 2014	H1 2013 ¹⁾
Order intake	kt	1,183.4	1,139.9	2,397.1	2,330.3
Order backlog on reporting date	kt			762.5	784.2
Crude steel production	kt	1,157.4	1,110.0	2,353.2	2,262.7
Rolled steel production	kt	906.6	850.0	1,809.7	1,821.9
Shipments	kt	1,156.6	1,171.6	2,405.6	2,392.7
Segment sales²⁾	€ million	694.9	755.8	1,459.9	1,534.5
External sales	€ million	520.2	523.5	1,095.6	1,047.6
Earnings before taxes (EBT)	€ million	-4.6	-8.1	-6.9	-15.5

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 resulting in high-grade strip steel products. The affiliated Steel Service Centers of Salzgitter Mannesmann Stahlservice GmbH (SMS) cater to 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 is the most important customer sector.

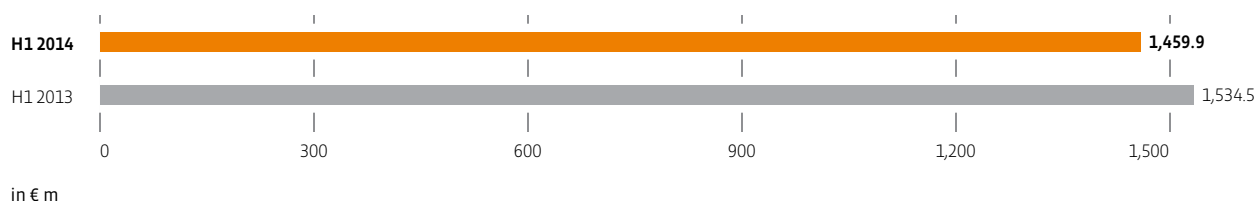
The activities of Hövelmann & Lueg GmbH (HLG) and Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH (SMS) were combined as of January 1, 2014, in order to reinforce the steel service center organization. This measure was carried out by way of an asset deal under which the operations of HLG and the associated individual assets were transferred to SMS. SMS has traded under the name of Salzgitter Mannesmann Stahlservice GmbH since the start 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.

The demand for strip steel products in the most important markets of the European Union (EU) has continued to increase, boosted by brisker activities in the steel processing industries during the reporting period. Moderate inventory replenishment in particular firmed the demand for steel. At the same time, strip steel imports into the EU by non-EU countries rose again (5 %), exerting pressure on market prices.

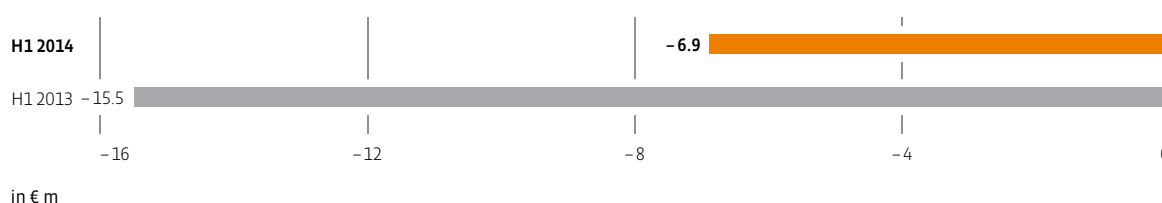
In the first half of 2014, **new orders** of the Strip Steel Business Unit were slightly higher in a year-on-year comparison. Whereas **shipments** reached the level reported a year ago, **orders on hand** and **segment sales** fell short of these figures. By contrast, **external sales** posted growth. Thanks to the improvement in SZFG's results, the resulting **pre-tax loss** of € 6.9 million (first half of 2013: € -15.5 million) was significantly lower.

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 (SZAG) in the third quarter of 2013, with retrospective effect as of January 1, 2013, had not yet been considered in the first half of 2013. Nonetheless, there would be no significant change in the overall statement on the development of the business unit even if the company were included in the year-earlier figures.

Sales¹⁾



EBT¹⁾



¹⁾ 2013 restated

Orders on hand and the order book, as well as the crude steel production of **Salzgitter Flachstahl GmbH** (SZFG), rose again in the first six months of 2014 as against with the gratifying year-earlier figure. Shipments and rolled steel output almost attained the previous year's level. Persistently fierce competition caused another downturn in selling prices, resulting in sales falling short of the figure achieved in the first half of 2013. Although SZFG's pre-tax result improved mainly due to the lower cost of raw materials and natural gas, as well as an increase in capacity utilization, it nonetheless remained negative.

Despite the marginal decline in the shipments of **Salzgitter Bauelemente GmbH** (SZBE) in a year-on-year comparison, sales nevertheless increased compared with the previous year's figure owing to the sale of higher quality products. SZBE delivered a negative pre-tax result due to declining margins.

In spite of higher shipments, **Salzgitter Europlatinen GmbH** (SZEP) reported a slight downturn in sales that came under pressure from the unfavorable steel price trend. Earnings before taxes exceeded the 2013 figure due to higher volumes and lower maintenance costs.

Plate/Section Steel Business Unit

		Q2 2014	Q2 2013 ¹⁾	H1 2014	H1 2013 ¹⁾
Order intake	kt	711.6	588.1	1,258.4	1,190.2
Order backlog on reporting date	kt			429.8	351.3
Crude steel production	kt	277.8	340.0	559.0	720.3
Rolled steel production	kt	622.7	630.7	1,217.2	1,309.9
Shipments	kt	616.5	640.2	1,195.6	1,389.5
Segment sales²⁾	€ million	488.5	500.3	944.2	1,098.4
External sales	€ million	304.7	270.5	556.5	596.1
Earnings before taxes (EBT)	€ million	-20.2	-233.5	-42.6	-265.5

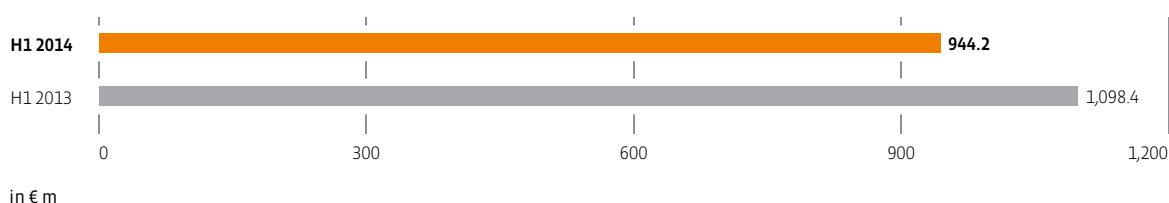
¹⁾ 2013 restated

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 include heavy mechanical engineering, pipes and tubes producers as well as wind turbine manufacturers, while PTG and HSP supply to construction and civil engineering projects throughout the whole of Europe. The integration of DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) as a scrap supplier of Peiner Träger GmbH (PTG) permits logistics processes to be more closely and flexibly coordinated.

Order intake and **orders on hand** of the Plate/Section Steel Business Unit exceeded the year-earlier level. The **production of rolled steel** fell short of the first half of 2013, largely due to the lower output of MGB and PTG. **Shipments** declined owing to the decrease in shipment volumes at MGB that had still been producing plate for a major Australian natural gas pipeline order of EUROPIPE GmbH (EP) in 2013, as well as due to capacity adjustments at PTG (1 Million Ton Model). As a result, **segment** and **external sales** also decreased notably. The **pre-tax loss** of the business unit that came in at € 42.6 million was notably lower compared with the year-earlier figure of € 185 million that was impacted by impairment at PTG (first half of 2013: € -265.5 million). A major part of this development emanated from the effects of the swiftly implemented restructuring and operational optimization in Peine.

Sales¹⁾



EBT¹⁾¹⁾ 2013 restated

The situation on **Europe's plate market** was difficult at the beginning of the year. The end of January saw a weak 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. Accordingly, there was no further delay in placing orders to cover existing demand and inventory replenishment, which created scope for slight upward price corrections. Renewed efforts during the second quarter to raise prices nonetheless failed in view of sustained surplus capacities, lower prices for plate imports, also from Ukraine and China, coupled with falling raw material prices. The export of plate suffered from the political instability in many target countries, as well as from fierce competition by European and Asian suppliers.

The order intake and orders on hand of **Ilseburger Grobblech GmbH (ILG)** and **Salzgitter Mannesmann Grobblech GmbH (MGB)**, now under uniform management, exceeded the previous year's figures, which positively reflected the acquisition of the major South Stream contract. Rolled steel output and plate producers' shipments were markedly lower, as MGB in particular reported insufficient production and shipment tonnage during the first quarter. Both companies sustained sales downturns owing to the unsatisfactory selling price situation. In spite of lower input material prices and reduced processing costs, both ILG and MGB reported pre-tax losses. In comparison with the previous year, MGB was nonetheless successful in reducing this pre-tax loss through cost savings.

The situation on the **European section market** remained tense in the first half of 2014. Despite favorable weather conditions for the construction industry, demand in the stockholding steel trade remained moderate overall in the first three months of 2014, which led to an increase in inventories. Subsequent necessary inventory adjustment measures additionally fanned the price war. At the start of the second quarter, extremely short-term oriented order patterns were exacerbated further but, in June, returned to the normal levels seen in the first quarter. Moreover, the increase in imports from non-EU countries burdened the market and the scope for pricing.

Due to the adjustments made to production capacity (1 Million Ton Model) and the discontinuation of intra-group slab shipments, order intake and orders on hand, crude steel and rolled steel output, as well as the shipments of **Peiner Träger GmbH** (PTG) were down in the first half of 2014 in a year-on-year comparison. The lower level of shipments and still unsatisfactory average selling prices caused sales to decline. In comparison with the year-earlier result that was burdened by impairment of € 185 million, PTG's pre-tax result improved considerably, but nonetheless remained slightly in the red. Moreover, success from measures swiftly implemented under the "Salzgitter AG 2015" program had a positive effect. The raw materials trading company **DEUMU Deutsche Erz- und Metall-Union GmbH** (DMU) reported a downturn in sales compared with the previous year's period due to slacker demand for steel scrap, combined with declining prices. Thanks to higher scrap margins and positive effects from the "Salzgitter AG 2015" program, the pre-tax result improved and was marginally in the black.

The **sheet piling market** failed to stage a clear recovery in the first six months of 2014. Higher shipment tonnage compared with the previous year resulted in a slight increase in the sales of **HSP Hoesch Spundwand und Profil GmbH** (HSP). The pre-tax loss was higher due to the decline in production volumes and the ensuing lower fixed cost depression.

Energy Business Unit

		Q2 2014	Q2 2013 ¹⁾	H1 2014	H1 2013 ¹⁾
Order intake ²⁾	€ million	374.1	387.4	813.5	835.3
Order backlog on reporting date ³⁾	€ million			495.8	466.2
Crude steel production	€ million	386.6	404.7	784.5	798.1
Segment sales⁴⁾	€ million	416.6	508.5	872.6	964.1
External sales	€ million	312.2	380.8	651.0	698.9
Earnings before taxes (EBT)	€ million	-7.5	-3.0	-19.8	-14.1

¹⁾ 2013 restated

²⁾ As from Q2 2014 including HKM, adjusted retrospectively

³⁾ Tubes

⁴⁾ Including sales with other business units in the Group

The **Energy Business Unit** comprises the companies that were formerly assigned to the Tubes Division, with the exception of Salzgitter Mannesmann Grobblech GmbH (MGB). Since this company's core activities consist of providing sheet input material for the EUROPIPE Group (EP Group) and pipe plate for external customers, it has been assigned to the new Plate/Section Steel Business Unit. The Energy Business Unit is primarily geared to serving the international project business in the area of energy supply and infrastructure and covers a wide range of line pipe diameters. Customer demand is served on the basis of the mega trends of "water", "energy" and "mobility".

Following a restrained first quarter, **global steel tubes output** stabilized in subsequent months, settling overall just below the year-earlier level in the first half of 2014. Key customers such as mechanical engineering and the automotive industry proved steady demand drivers, as opposed to demand from plant engineering which continued to be unsatisfactory.

In January 2014, two changes were made in the consolidation methods applied to the Energy Business Unit: The EP Group that was proportionately consolidated at 50 % up until December 31, 2013, has been reported at 50% equity since the start of 2014, with the proportionate after-tax result. The EP Group is no longer included in the other figures of the business unit, but is nonetheless disclosed in the following and annotated for information purposes. Hüttenwerke Krupp Mannesmann GmbH (HKM) that was consolidated at 30 % equity up until December 31, 2013, has been reported at 30 % on a pro-rata basis since the start of 2014, and is included accordingly in the order intake, sales and the result of the business unit at 30 %. HKM is not, however, reported in orders on hand and shipments, as it produces slabs as input material and only tubes are disclosed here. The 2013 figures were adjusted retrospectively for comparison purposes.

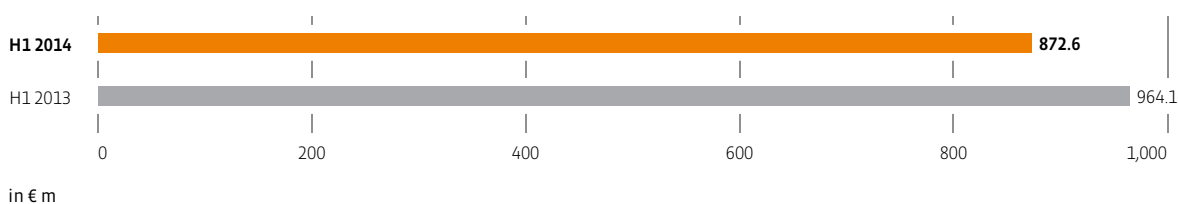
In the first six months of 2014, the Energy Business Unit's **order intake** came in marginally short of the year-earlier figure. Due to the good international project business Salzgitter Mannesmann Stainless Tubes Group (MST Group) as well as Salzgitter Mannesmann Precision Group (SMP Group) recorded increases. In contrast the line pipe business saw a decline in orders. **Orders on hand** rose as a result of the increase in precision and stainless steel tubes.

The major order for the South Stream pipeline project booked with EUROPIPE GmbH (EP) is not included in the consolidated figures.

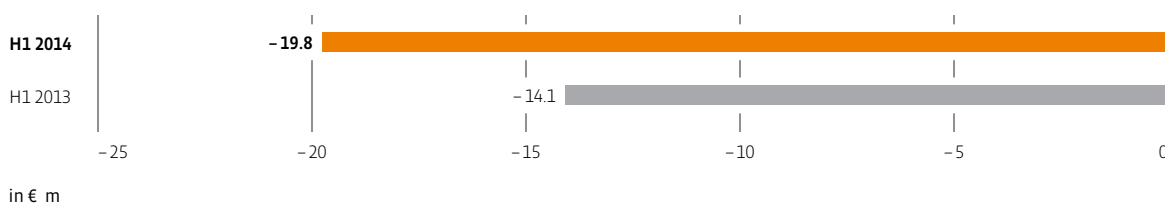
The lack of projects at Salzgitter Mannesmann Großrohr GmbH (MGR) caused a notable decline in the shipments of the Energy Business Unit compared with the previous year's figure. Consequently, **segment** and **external sales** did not repeat the 2013 level.

All in all, the Energy Business Unit reported a **pre-tax loss** of € 19.8 million in the first half of 2014. This loss was largely determined by the negative at-equity contribution of the EP Group and the clearly negative results of MGR and MLP. The MST Group reported a pre-tax profit again, while the SMP Group almost reached breakeven.

Sales¹⁾



EBT¹⁾



¹⁾ 2013 restated

Business development of the product segments:

New orders for **large-diameter pipes** rose notably in the first half of 2014 compared with the year-earlier figure thanks to the booking of the major South Stream contract. The EP Group's orders on hand also grew sharply, securing good capacity utilization in the Mülheim mill for more than twelve months, starting with the second quarter. The lack of orders at the beginning of the year and the ensuing short-time work, along with the South Stream volumes that have not yet been delivered, nonetheless resulted in shipments and sales only achieving around 30 % of the figures delivered in 2013. Accordingly, the pre-tax result was once again markedly negative.

Salzgitter Mannesmann Line Pipe GmbH (MLP) and Salzgitter Mannesmann Großrohr GmbH (MGR), both producers of **HFI and spirally welded pipes** now under uniform management, operated in a persistently difficult European and international market environment. Against this backdrop, the overall order intake and orders on hand of MLP and MGR fell below the weak previous year's figures. MGR only produced for a few weeks, which caused a significant downturn in shipment and sales figures in a year-on-year comparison. MLP outperformed its year-earlier figures thanks to the shipment of major orders booked the year before. Given the tense selling price situation, sales nonetheless remained below the level posted in 2013. Both companies reported significant pre-tax losses.

The **precision tubes market** was determined by orders from export-oriented premium German automotive manufacturers in the first six months of 2014. The situation with regard to the industrial area continued to improve, whereas the energy sector has not yet staged a turnaround. All in all, the Salzgitter Mannesmann Precision Group (SMP Group) reported an order intake that was marginally higher compared with the year-earlier level and a sharp increase in orders on hand. Shipment volumes and sales grew despite fierce competition on the markets, boosted also by the success of the sales initiatives launched. Both the optimization of the process and organization structure under the "Salzgitter AG 2015" program, as well as the program launched in addition to improve the productivity of the precision tubes group contributed to achieving almost breakeven in earnings before taxes.

The strong international project business in the first three months of 2014 compensated for the reticence displayed by the European stockholding steel trade, lifting the order intake of the **MST Group** notably above the previous year's figure. Orders on hand also exceeded the already strong figure in 2013, securing a high level of capacity utilization in all European locations virtually through to the end of the year. Sales fell short of the year-earlier level due to the unfavorable alloy price trend. The MST Group nonetheless exceeded the good pre-tax profit of the first six months of 2013 thanks to a slight increase in shipment volumes.

Trading Business Unit

		Q2 2014	Q2 2013 ¹⁾	H1 2014	H1 2013 ¹⁾
Shipments	kt	1,240.4	1,512.4	2,446.6	2,892.4
Segment sales²⁾	€ million	809.9	1,008.4	1,605.8	1,977.6
External sales	€ million	785.5	1,001.6	1,560.0	1,963.3
Earnings before taxes (EBT)	€ million	2.0	10.6	7.0	22.0

¹⁾ 2013 restated

²⁾ Including sales with other business units in the Group

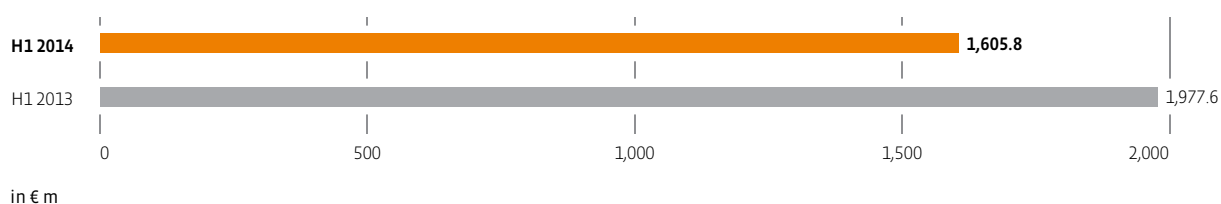
Alongside a well-developed organization of stockholding steel trading subsidiaries in Europe, the **Trading Business Unit** comprises companies specialized in plate, as well as an international trading network spanning the globe. Apart from the rolled steel, pipes and tubes products of the Salzgitter 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.

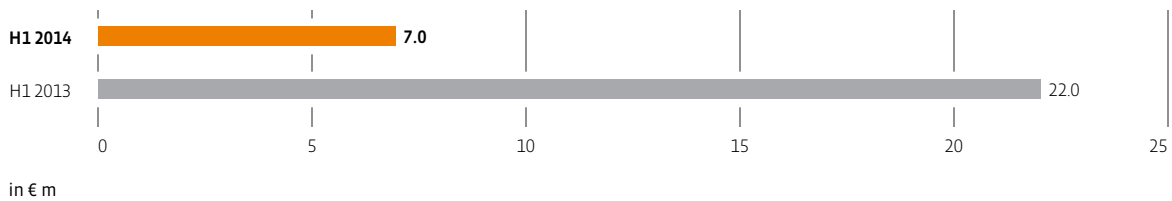
As of January 1, 2014, the steel service center activities of Hövelmann & Lueg GmbH (HLG) were assigned by way of an asset deal to Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH (SMS) that now trades under the name of Salzgitter Mannesmann Stahlservice GmbH (SMS). Both companies were reassigned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

In the first half of 2014, the market environment for steel trading proved to be generally difficult. Demand in the last six months was lackluster especially in the **international steel markets** in virtually all regions and product segments. At the same time, huge price pressure prevailed in the beams business as well as in the heavy plate and wide strip segments in Germany and on an international scale. By contrast, steel demand in Europe remained stable largely due to the favorable weather conditions for the construction sector in the first quarter. Demand remained sound overall in Germany for the same reason.

The Trading Business Unit saw **sales volumes** decline in the period under review, a development largely attributable to the downturn in the shipments of international trading. Compounded with lower price compared with 2013, this caused **segment** and **external sales** to decrease. Against this backdrop, **earnings before taxes** stood at € 7.0 million, thereby falling notably short of the prior year figure.

Sales¹⁾



EBT¹⁾¹⁾ 2013 restated

The shipment volumes of **Salzgitter Mannesmann Handel Group** (SMHD Group) declined in the first half of 2014 compared with the figures posted in the previous year's period. International trading exerted considerable influence on this result. Lower average selling prices resulted in a disproportionate sales downturn. The pre-tax profit did not match the year-earlier figure – primarily due to pressure on margins.

The **stockholding steel trade** reported a slight uptrend in volumes compared with the first half of 2013. Sales, however, settled around the previous year's level in the period under review owing to notably weaker selling prices. Despite positive earnings deviations of East European subsidiaries, the stockholding steel trade overall was unable to quite reach breakeven.

The shipments of **international trading** declined discernibly in the first half year in comparison with the volumes reported in the first six months of 2013, as weaker project business was not compensated. Unsatisfactory price levels in many markets and a changed product mix caused sales and pre-tax profit to fall below the year-earlier figures.

The shipments and sales of **Universal Eisen und Stahl Group** (UES Group) remained virtually unchanged from the previous year's level, and showed a disparate picture: The German company operated in a stagnating market. In connection with a patchy development in volumes, determined by satisfactory demand from industrial customers while also shaped by the weak offshore and shipyard business at the same time, excess market supply did not allow for improvements in selling prices. By contrast, the American company benefited from a friendly market environment, particularly at the Houston location. The Group's shipments, sales and earnings before taxes were lower overall in a year-on-year comparison essentially due to unsatisfactory market developments in Germany.

Technology Business Unit

		Q2 2014	Q2 2013 ¹⁾	H1 2014	H1 2013 ¹⁾
Order intake	€ million	259.6	281.9	551.8	604.7
Order backlog on reporting date	€ million			599.0	513.9
Segment sales²⁾	€ million	280.0	296.8	593.1	566.6
External sales	€ million	279.8	296.6	592.8	566.3
Earnings before taxes (EBT)	€ million	2.3	1.8	11.5	4.6

¹⁾ 2013 restated

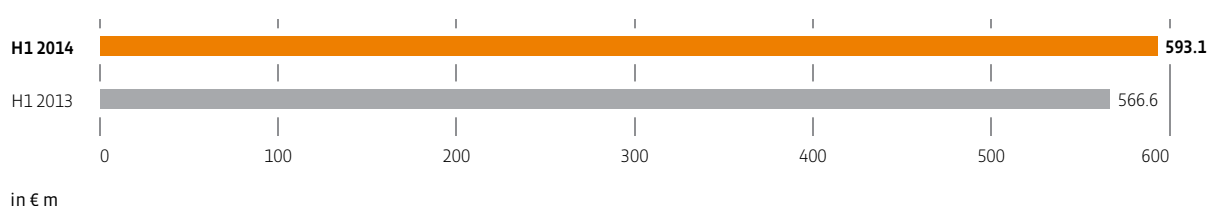
²⁾ Including sales with other business units in the Group

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.

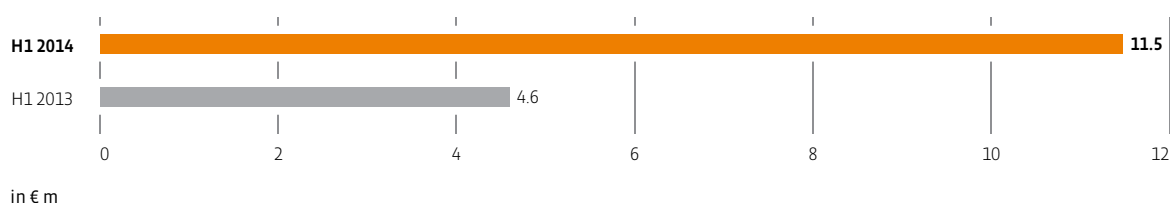
As part of the Group's restructuring process, RSE Grundbesitz und Beteiligungs- GmbH (RSE) is no longer disclosed under the Technology Business Unit. Instead, its key data is included in Industrial Participations/Consolidation.

According to the statistics of the German Engineering Federation (VDMA), the sector's order intake rose slightly compared with the previous year's period, prompted by a marginal decline in domestic demand and an upturn in international demand. The market for food and packaging machinery reported slight growth.

Sales¹⁾



EBT¹⁾



¹⁾ 2013 restated

New orders of the Technology Business Unit fell short of the figure posted in the first six months of 2013 due to lower order intake by the KHS Group. By contrast, order inflow of the KDE Group, as well as Klöckner DESMA Schuhmaschinen GmbH (KDS), was discernibly higher than a year ago. The **order book**

significantly exceeded the previous year's figure and ensures satisfactory capacity utilization over the remainder of the year 2014 as well.

Segment and **external sales** advanced above all owing to growth at KHSDE. Boosted by a recovery in the automotive sector's capital expenditure, the KDE Group also reported gains, while KDS's sales remained stable. In the first six months of 2014, the Technology Business Unit generated another presentable **pre-tax profit** of € 11.5 million, thereby once again outperforming the previous year's figure. At the KHS Group, good capacity utilization and improved margins in the project business, flanked by further success under the "Fit4Future" program, underpinned this positive trend. The KDE Group also contributed to lifting earnings.

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. It 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.

Industrial Participations/Consolidation

		Q2 2014	Q2 2013 ¹⁾	H1 2014	H1 2013 ¹⁾
Sales²⁾	€ million	185.6	213.8	408.1	436.4
External sales	€ million	46.0	51.6	93.2	100.8
Earnings before taxes (EBT)	€ million	32.5	-52.6	46.6	-32.4

¹⁾ 2013 restated

²⁾ Including sales with other business units in the Group

Industrial Participations/Consolidation comprises activities that are not directly allocated to a business unit. As a management holding company, Salzgitter AG (SZAG) does not maintain 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 investment 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 generated mainly by business in semi-finished products with subsidiaries and external parties declined marginally to € 408.1 million (previous year: € 436.4 million). Reflecting the Group's overall sales trend, external sales stood at € 93.2 million, thereby falling short of the year-earlier level (€ 100.8 million).

Earnings before taxes came in at € 46.6 million, which is a clear return to the profit zone (first half of 2013: € -32.4 million). This improvement is especially attributable to earnings of € 39.2 million from the Aurubis investment. All in all, the Group companies that are not directly allocated to a business unit also made positive earnings contributions.

Explanations on the Financial Position and Net Worth

Explanations on the balance sheet

The **total assets** of the Salzgitter Group rose by € 116 million in the current reporting period compared with December 31, 2013.

Non-current assets (€ -65 million) declined largely due to the scheduled depreciation and amortization of assets. Negative effects from a change in the accounting policy pursuant to IFRS (€ -14 million) were virtually offset by an increase in financial assets (€ +13 million). The growth in **current assets** (€ +181 million) resulted mainly from the higher level of trade receivables (€ +181 million) and other assets (€ +66 million). The decline in securities (€ -35 million) and in cash and cash equivalents (€ -30 million) had a countering effect.

On the **liabilities side**, higher trade payables (€ +68 million) and financial liabilities (€ +60 million) in particular caused current liabilities to rise (€ +140 million). The equity ratio of 37.6 % nonetheless continued to remain at a sound level.

The **net credit balance** had decreased to € 156 million by the end of the reporting period (December 31, 2013: € 303 million). The decline resulted largely from the higher level of operating activities. In this context, trade receivables grew more swiftly than trade payables. Cash investment, including securities, (€ 1.0 billion) were offset by liabilities of € 843 million (December 31, 2013: € 741 million), of which € 251 million were owed to banks while convertible and exchangeable bonds accounted for € 592 million.

Explanations on the cash flow statement

The **cash flow from operating activities**, which came in at € 119 million, was clearly higher, also in comparison with the year-earlier amount (€ +75 million), which was mainly attributable to a greater increase in current liabilities.

Cash outflow from investing activities (€ -164 million) was due principally to disbursements for capital expenditure in property, plant and equipment (€ -149 million) and cash investment (€ -24 million).

Dividend distribution (€ -11 million), as well as interest payments (€ -7 million) were more than compensated by borrowings (€ 31 million), and resulted in a **cash inflow from financing activities** of € 14 million.

Cash and cash equivalents declined by € 30 million compared with December 31, 2013.

Investments

In the first six months of the financial year 2014, **investments in property, plant and equipment and intangible assets** stood at €111.4 million, which is below the figure recorded in the previous year's period (€148.0 million). Depreciation and amortization (€-168.8 million) were lower than in the previous year (€-361.8 million) that was affected by impairment of €185.0 million at Peiner Träger GmbH (PTG).

In 2014, the **Strip Steel Business Unit** invested in new aggregates and units as well as in optimizing and extending existing facilities. To this end, progress was made with the following projects in particular in the period under review:

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) that allows the substitution of oil and coke sourced externally by cheaper pulverized coal. Both construction stages of the plant's structural work were completed in the second quarter of 2014. Commissioning is scheduled for 2015.

The tandem mill was supplemented by an inlet system comprising strip storage and a welding machine. The investment permits partly continuous rolling, thereby optimizing both the mill's efficiency and the quality of the products produced. Performance tests were successfully completed in the reporting period.

The "Converter C Renewal" investment project entails enlarging the vessel by around 50 m³ and improving the drive concept. The aim is to optimize output volumes while reducing operating costs. The facilities are due to be taken into operation at the end of 2015.

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

Peiner Träger GmbH (PTG) has restricted its investment activities in 2014 to a minimum due to the difficult economic situation.

In the first half of 2014, the **Trading Business Unit** invested first and foremost in updating existing and acquiring new facilities. **Salzgitter Mannesmann Stahlhandel GmbH** (SMSD) has initiated several projects to expand the finishing capacities of the German stockholding steel trade. This includes extending the flame cutting operations in the Plochingen site, enlarging the warehouse capacity for the tubes business in the Mannheim location, and commissioning a powder coating facility in Hanover.

Capital expenditure in the **Energy Business Unit** will concentrate first and foremost on replacement and supplementation measures in the current financial year. The extension of the extrusion press at the **Salzgitter Mannesmann Stainless Tubes Group's** Montbard mill is designed to supplement the production portfolio in the medium term by adding stainless steel tubes in larger dimensions.

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. The extensive "Product Configurator" project launched in 2012 enables an even more efficient tendering of quotations and processing of orders based on products and processes that are standardized to a high degree. The implementation is being carried out in close coordination with the Customer Relationship Management (CRM) system. The first machine reconfigurations were completed in 2013 and the entire KHS product portfolio 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 of the Strip Steel, Plate/Section Steel and Energy business units. The R&D activities are concentrated on materials development and processing, as well as application, coating and testing technologies. In addition to 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 the deployment of belt casting technology, the Salzgitter Group is making a targeted investment in the energy- and resource-conserving steel production of the future as part of a project funded by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. The new pilot facility of Salzgitter Flachstahl GmbH (SZFG) at the Peine site has successfully passed warm commissioning and is now at the break-in stage, with more than sixty casts already performed. In the downstream process steps, 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, excellent 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.

International conference on "Steels in Cars and Trucks" – SCT 2014

The fourth international conference of the automotive and supplier industries took place in Braunschweig in June 2014. Salzgitter AG (SZAG) supported the event in the role of platinum sponsor, as well as by arranging guided tours and presentations in the integrated steelworks in Salzgitter. In addition, SZMF collaborated with Group companies in contributing 14 prestigious presentations to demonstrate the quality and quantity of our dedicated R&D activities in the automotive business. The following products were presented to an international audience of almost 400 participating experts from 22 countries:

- Stroncoat®: a zinc-magnesium coating featuring significantly improved processing and corrosion protection properties
- SZBS800 and LH800: high-performance steels for the chassis area
- Ultra-ductile, high-strength dual and complex phase steels for extremely demanding car body construction requirements
- HSD® steel: high-strength, high ductility combined with reduced density enable completely new dimensions for cold-formed components
- New testing and analysis procedure: for the development and application of the aforementioned and other outstanding product innovations

Crack arrest – resistance against longitudinal cracks in pipelines

Resistance against longitudinal cracks is one of the most important properties of pipelines that transport gas. In order to enhance the respective prediction accuracy in connection with high-strength steels, SZMF has developed an approach based on intensive research that will allow an even more exact prediction of crack propagation. Recently, this approach has been offered to SZAG pipes and tubes customers in the form of customized calculations, with the aim of jointly finding an optimal solution to avoiding longitudinal cracks in demanding and sophisticated applications. In this way, SZAG is not only making a valuable contribution to customer benefits, but also further optimizing pipeline safety.

Highly flexible and sustainable packaging technology

The demands placed on conserving resources in the packaging industry are growing steadily. In the TrayShrinkPacker KHS Innopack Kisters TSP A-H, KHS GmbH (KHSDE) has developed a packing machine in the upgraded version of TPFO for flexible use that takes account of sustainability aspects, while allowing especially cost-effective production. This machine processes a wide array of very different packaging individually, as well as preformed formats in film, with tray, pad or a combination of them all. The machine can be automatically converted and rejigged within the shortest space of time for use with these different types of containers. Fully enclosed packaging (shrink film without a side opening) can also be produced, rendering the bottom cardboard underneath packs superfluous. Further highlights include savings on film consumption, reducing compressed air by up to 90 % in stretching film, as well as significant energy cost savings in the application of gas heating in the shrink tunnel.

Employees

	2014/06/30	2013/12/31 ¹⁾	+/-
Core workforce²⁾	23,357	23,446	-89
Strip Steel Business Unit	6,241	6,292	-51
Plate/Section Steel Business Unit	3,118	3,230	-112
Energy Business Unit	4,996	5,016	-20
Trading Business Unit	1,879	1,844	35
Technology Business Unit	4,804	4,731	73
Industrial Participations/Consolidation	2,319	2,333	-14
Apprentices, students, trainees	1,388	1,568	-180
Non-active age-related part-time employment	573	680	-107
Total workforce	25,318	25,694	-376

¹⁾ 2013 restated

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

As of June 30, 2014, the **core workforce** of the Salzgitter Group came to 23,357 employees, which – taking account of the Group's new structure – is therefore 89 staff less compared with December 31, 2013. As described in the Interim Report on the first three months of 2014, the value as of December 31, 2013, was adjusted to the corporate structure and already takes account of the consolidation-induced effects that occurred in the first quarter (new proportionate consolidation of Hüttenwerke Krupp Mannesmann GmbH (HKM) with 894 employees as well as a proportionate deconsolidation of the EUROPIPE Group (EP) with 612 employees. This measure was taken to facilitate comparison with the figures of the current financial year 2014. The main contributors to this decrease included severance agreements, employees leaving the company under the redundancy scheme, as well as the expiration of fixed-term contracts. Since January 1 of this year, 236 trainees have been hired, 155 of whom were given temporary contracts.

The implementation of the personnel –effects identified under our "Salzgitter AG 2015" streamlining program is going according to plan in relation to the scope. As of June 30, 2014, more than 60 % of all personnel adjustments had been implemented; measures are focused on Peiner Träger GmbH (PTG) and Salzgitter Mannesmann Precision Group (SMP Group). The personnel adjustments realized under "Salzgitter AG 2015" are offset by countereffects, resulting in the statistical change being lower than the number of adjustments. The number of employees in the international companies of KHS, for instance, has risen owing to the expansion of the business area in accordance with the strategic alignment. The good capacity utilization situation of the Salzgitter Mannesmann Stainless Tubes companies (MST companies) resulted in the corresponding increase in requirements for personnel.

The **total workforce** comprised 25,318 employees.

The number of **temporary staff** outsourced stood at 1,197 as of June 30, which marks a decline of 182 employees compared with the year-earlier figure.

At the end of the second quarter a total of 83 staff members were affected by **short-time work**, the majority of whom are employed at Salzgitter Mannesmann Großrohr GmbH (MGR).

A **collective agreement** with a minimum term of 17 months through to October 31, 2015 was negotiated for West Germany's steel industry on July 8, 2014. The agreement applies to companies that represent around 58 % of domestic Group employees, and provides for an increase in wages and salaries of 2.3 % on July 1, 2014 and another of 1.7 % as of May 1, 2015. Training allowances were raised across the board by € 36 a month for all training years.

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. The forward-looking statements below on the individual business units assume the absence of renewed recessionary development in Europe.

Given the barely satisfactory selling price trend in Europe's steel market, combined with the customary seasonal effects, the **Strip Steel Business Unit** anticipates a somewhat weaker second half-year. In comparison with the financial year 2013, sales are anticipated around the same level, with a marginal improvement in a nonetheless negative pre-tax result.

A change in the overall situation in the section steel business, and thereby stronger demand in core Europe, is not discernible at present. Projects are awarded at extremely short notice. By contrast, the business sentiment for plate has brightened somewhat recently. In comparison with 2013, the **Plate/Section Steel Business Unit** expects a downturn in sales and a significantly lower pre-tax loss, also due to the full implementation of the 1 Million Ton Concept in Peine.

The **Energy Business Unit** does not yet expect an extensive recovery in the market in 2014. With the start to the production of the major South Stream order in the second quarter of 2014, good capacity utilization has been secured at EUROPIPE GmbH's Mülheim location well into 2015. The other plants in the line pipe business, however, forecast partly still severe capacity underutilization in the coming months. The precision and stainless steel tubes producers anticipate that business will develop well overall. All in all, revenues are expected to increase slightly, with an appreciable increase in earnings before taxes, compared with the year-earlier figure, that will nonetheless remain negative.

In view of the downtrend in the volume in international trading in comparison with the previous year, the **Trading Business Unit** assumes that business volume will be lower in the current financial year. Against the backdrop of stagnating price levels, the pre-tax result is likely to fall short of the previous year's level. The stockholding steel trade anticipates an increase in shipments, yet no improvement in earnings due to margins. International trading forecasts a satisfactory result.

In conjunction with continued good capacity utilization, the **Technology Business Unit** expects sales growth and a discernible improvement in the results. Contributing factors here should also be somewhat better selling prices for beverages filling and packaging machinery. Additional cost reductions are targeted by the consistently implemented "Fit4Future" program. The prospects for the other companies are also consistently pleasing.

Based on planning by the individual business units, and taking account of notable successes from measures as well as structural improvements from the "Salzgitter AG 2015" groupwide program, the Salzgitter Group affirms its guidance to date for the year. We anticipate the following in 2014:

- **sales** of almost € 10 billion,
- a significant increase in the **pre-tax result**, approaching 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 more than € 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.

As regards risks arising from strained market conditions, including the volatility of raw material prices, especially for iron ore and coking coal, the effects on the results of the companies have been factored in to the extent they can be estimated.

A price agreement geared more strongly to the spot market price has been agreed for the new contractual year (April 2014 through March 2015) on a quarterly basis and has been signed with one ore supplier from which a significant volume is traditionally sourced. Contracts with the market leader for coking coal are defined monthly. This affects around one quarter of the volume purchased by Salzgitter AG (SZAG). From today's standpoint, we do not anticipate any fundamental change in the Group's risk position from this front.

The Salzgitter Group strongly emphasizes at all political levels the great significance of exemptions from the general apportionment regulations applicable under the German Renewable Energies Act (EEG) for the electricity intensive industry in Germany and its jobs. In December 2013, the EU Commission opened a state aid investigation against the Federal Republic of Germany in connection with the EEG. Among other issues, this investigation raises the question of whether capping 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 SZAG 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. Furthermore, in order to safeguard their legal interests, they have taken the precaution of bringing an action for annulment against the European Commission's aid decision, together with the German Steel Association and other steel companies. In view of the new environmental and energy aid directives meanwhile ratified by the EU Commission, the advanced process of reconciliation between the German government and the EU Commission, and the EEG amendment finally approved by the German Bundesrat on July 11, 2014, we anticipate a noticeable increase in burdens, but not as high as originally feared. However, the possibility of individual Group companies being obliged to make back payments for apportionments saved in the years 2013/14 on the basis of today's EEG exemption regulations should not be excluded. At present, we do not have any detailed insights. The issue of the burden concerning industry's consumption of electricity it produces itself has recently also been addressed by the EU Commission, with the result that exemption from apportionment for existing plants, such as our power plants in Salzgitter, has been made subject to an evaluation proviso in 2017.

Events of Significance

"Salzgitter AG 2015" – more than 50 % of the measures expected to have been realized by the end of 2014

In a market environment determined by the structural crisis in Europe's steel industry, the "Salzgitter AG 2015" program is geared to securing the Salzgitter Group's competitiveness. The implementation of the package of measures yielding an overall potential of more than € 200 million is proceeding according to plan. By the end of 2014, more than half the measures are expected to have been realized. Moreover, measures beyond the "Salzgitter AG 2015" program that take account of market developments are being pursued with the aim of consistently improving profit and brought to the implementation stage.

Steel industry still battling unfair 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 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 continue to contest the decision, initially, however, at a national level.

The European Court has not passed a verdict in the matter. Instead, it merely stated that the respectively competent national court would first have to decide on the legality of the allocation of certificates to European steel producers. A ruling at national level or a preliminary ruling procedure would be the prerequisite 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, not only concerning the allocation benchmarks, but also with regard to the inappropriately calculated cross-sector correction factor that places further restrictions on the number of allowances. It is to be expected that the competent national authority (Federal Environmental Agency (UBA) – German Emissions Trading Authority (DEHSt)) will not redress these oppositions against the backdrop of European regulations, resulting in the likelihood of further legal action. In this context, a group of German steel producers plan to initiate model proceedings, using the example of one of the participating companies, the outcome of which will apply equally to the other steel producers.

A number of steel producers, including Salzgitter Flachstahl GmbH (SZFG), have meanwhile applied to the EU Commission and the competent 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. The EU Commission itself is, however, apparently unwilling to allow access to the documentation relevant to the appraisal, citing confidentiality requirements, which is in our view unjustified. One steel producer has therefore brought an action against the EU Commission before the Court of the European Union in respect of access to documents.

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. The EU Commission has set the CO₂ benchmarks for pig iron and sinter products at a level that contravenes the directives on European emissions trading, because it is technically not achievable, and does not correspond to the implementation directives. Furthermore, the cross-sector correction factor was contested, as the European steel industry is of the opinion that it will be confronted with significant additional burdens resulting from this.

Interim Financial Report

I. Consolidated Income Statement

In € million	Q2 2014	Q2 2013 ¹⁾	H1 2014	H1 2013 ¹⁾
Sales	2,248.3	2,524.5	4,549.3	4,973.0
Increase/decrease in finished goods and work in process/other own work capitalized	-4.1	-50.4	4.2	-85.2
	2,244.3	2,474.2	4,553.5	4,887.9
Other operating income	73.6	22.4	131.8	82.0
Cost of materials	1,591.6	1,796.9	3,220.6	3,533.2
Personnel expenses	392.5	392.1	777.1	772.6
Amortization and depreciation of intangible assets and property, plant and equipment	85.1	273.5	168.8	361.8
Other operating expenses	244.7	240.2	483.9	507.3
Income from shareholdings	3.4	5.9	5.4	8.2
Profit or loss of associates and joint ventures accounted for using the equity method	19.7	-68.0	-1.9	-60.2
Finance income	7.6	7.3	17.1	15.4
Finance expenses	30.2	23.7	59.6	59.1
Earnings before taxes (EBT)	4.5	-284.7	-4.2	-300.8
Income tax	7.1	13.9	11.7	14.8
Consolidated net income/loss	-2.6	-298.6	-15.9	-315.7
Appropriation of profit				
Consolidated net income/loss	-2.6	-298.6	-15.9	-315.7
Profit carried forward from the previous year	-	-	12.1	15.1
Minority interests in consolidated net loss/income for the year	1.0	1.2	1.9	2.1
Dividend payment	-10.8	-13.5	-10.8	-13.5
Transfer from (+)/to (-) other retained earnings	3.6	299.7	17.8	317.7
Unappropriated retained earnings	-10.8	-13.6	1.3	1.5
Basic earnings per share (in €)	-0.07	-5.54	-0.33	-5.87
Diluted earnings per share (in €)	-0.07	-5.54	-0.33	-5.87

¹⁾ 2013 restated

II. Statement of Comprehensive Income

In € million	Q2 2014	Q2 2013 ¹⁾	H1 2014	H1 2013 ¹⁾
Consolidated net income/loss	-2.6	-298.6	-15.9	-315.7
Recycling				
Changes in currency translation	2.0	-6.1	1.5	-2.9
Change in value from hedging transactions				
Changes in current value recorded directly in equity	-13.2	-1.7	-12.5	3.3
Recognition of sale of securities with effect on income	-0.2	-0.1	-0.1	0.2
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	1.1	-0.0	1.0	-0.0
Recognition from the sale of securities with effect on income	-	-	-	-
Adjustment from associates and joint ventures accounted for using the equity method	-0.5	-1.7	-0.1	-1.0
Deferred taxes on changes without effect on income	-0.4	0.1	-0.6	-0.4
Subtotal	-11.1	-9.6	-10.7	-0.8
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	-11.1	-9.5	-10.7	-0.8
Total comprehensive income	-13.7	-308.1	-26.6	-316.5
Total comprehensive income due to Salzgitter AG shareholders	-14.7	-309.4	-28.5	-318.9
Total comprehensive income due to minority interests	1.0	1.2	1.9	2.4
	-13.6	-308.1	-26.6	-316.5

¹⁾ 2013 restated

III. Consolidated Balance Sheet

Assets in € million	2014/06/30	2013/12/31 ¹⁾	2013/01/01 ¹⁾
Non-current assets			
Intangible assets	109.6	116.7	114.9
Property, plant and equipment	2,382.7	2,438.0	2,608.4
Investment property	21.2	21.3	22.8
Financial assets	193.9	180.9	168.9
Investments accounted for using the equity method	618.4	632.7	736.9
Deferred income tax assets	225.5	226.1	247.7
Other receivables and other assets	6.0	6.4	4.8
	3,557.3	3,622.1	3,904.5
Current assets			
Inventories	1,966.9	1,972.5	2,103.0
Trade receivables	1,655.6	1,474.7	1,611.6
Other receivables and other assets	377.7	311.6	471.8
Income tax assets	19.7	15.5	28.5
Securities	63.7	98.4	132.5
Cash and cash equivalents	724.7	754.9	860.5
	4,808.3	4,627.7	5,207.9
	8,365.6	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	3,109.1	3,136.2	3,590.1
Unappropriated retained earnings	1.3	12.1	15.1
	3,510.6	3,548.5	4,005.4
Treasury shares	-369.7	-369.7	-369.7
	3,140.9	3,178.8	3,635.7
Minority interests	7.2	8.1	8.2
	3,148.1	3,186.9	3,643.9
Non-current liabilities			
Provisions for pensions and similar obligations	2,102.9	2,120.2	2,234.7
Deferred tax liabilities	48.5	49.3	54.5
Income tax liabilities	153.7	149.1	193.5
Other provisions	317.2	318.8	289.8
Financial liabilities	426.4	397.2	664.8
	3,048.8	3,034.5	3,437.2
Current liabilities			
Other provisions	341.0	324.8	327.8
Financial liabilities	481.9	422.2	201.7
Trade payables	916.8	849.3	966.7
Income tax liabilities	22.3	55.8	55.4
Other liabilities	406.6	376.3	479.8
	2,168.7	2,028.4	2,031.3
	8,365.6	8,249.8	9,112.4

¹⁾ 2013 restated

IV. Cash Flow Statement

In € million	H1 2014	H1 2013 ¹⁾
Earnings before taxes (EBT)	-4.2	-300.8
Depreciation, write-downs (+)/write-ups (-) of fixed assets	168.8	361.8
Income tax refunded (+)/paid (-)	-43.2	-33.7
Other non-cash expenses (+)/income (-)	63.9	149.5
Interest expenses	59.3	56.0
Gain (-)/loss (+) from the disposal of non-current assets	0.8	-1.9
Increase (-)/decrease (+) in inventories	7.5	143.2
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-171.0	-231.1
Use of provisions affecting payments, excluding income tax provisions	-124.8	-135.6
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	162.0	67.9
Cash outflow/inflow from operating activities	119.0	75.3
Cash inflow from the disposal of fixed assets	5.2	7.1
Cash outflow for investments in intangible assets and property, plant and equipment	-148.6	-159.0
Cash inflow (+)/outflow (-) for/from investments of funds	-23.5	-4.6
Cash inflow from the disposal of financial assets	8.2	2.6
Cash outflow for investments in financial assets	-5.3	-30.9
Cash flow from investment activities	-164.0	-184.7
Cash outflow in payments to company owners	-10.8	-13.5
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilities	31.4	-18.5
Interest paid	-6.8	-7.8
Cash outflow/inflow from financing activities	13.8	-39.8
Cash and cash equivalents at the start of the period	754.9	860.5
Gains and losses from changes in foreign exchange rates	1.0	-2.3
Payment-related changes in cash and cash equivalents	-31.2	-149.2
Cash and cash equivalents at the end of the period	724.7	709.0

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
Initial consolidation of affiliated companies so far not consolidated due to materiality reasons	-	-	-	-	-
Total comprehensive income	-	-	-	-0.3	-2.9
Dividend	-	-	-	-	-
Group transfers to(+)/from(-) retained earnings	-	-	-	-317.7	-
Other	-	-	-	0.3	-
As of 2013/06/30¹⁾	161.6	238.6	-369.7	3,880.2	-9.1
As of 2013/12/31¹⁾	161.6	238.6	-369.7	3,694.5	-17.9
Total comprehensive income	-	-	-	0.0	1.5
Dividend	-	-	-	-	-
Group transfers to(+)/from(-) retained earnings	-	-	-	-17.8	-
Other	-	-	-	-0.0	-
As of 2014/06/30	161.6	238.6	-369.7	3,676.6	-16.4

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
-	-	-	-	-	-	-
3.5	-0.0	-1.4	-317.8	-318.9	2.4	-316.5
-	-	-	-13.5	-13.5	-	-13.5
-	-	-	317.7	-	-	-
-	-	-1.4	-	-1.2	-3.1	-4.3
0.4	-12.1	-589.3	1.5	3,302.2	7.4	3,309.6
-	-	-	-	-	-	-
-2.1	-11.3	-527.0	12.1	3,178.8	8.1	3,186.9
-12.6	1.0	-0.6	-17.8	-28.5	1.9	-26.6
-	-	-	-10.8	-10.8	-	-10.8
-	-	-	17.8	-	-	-
-	-	1.4	-	1.3	-2.8	-1.4
-14.7	-10.2	-526.2	1.3	3,140.9	7.2	3,148.1

Notes

Segment Reporting ¹⁾

In € million	Strip Steel		Plate/Section Steel		Energy	
	H1 2014	H1 2013 ¹⁾	H1 2014	H1 2013 ¹⁾	H1 2014	H1 2013 ¹⁾
External sales	1,095.6	1,047.6	556.5	596.1	651.0	698.9
Sales to other segments	363.5	484.4	387.2	501.7	67.2	238.1
Sales to Group companies that cannot be allocated to an operating segment	0.7	2.5	0.5	0.6	154.3	27.0
Segment sales	1,459.9	1,534.5	944.2	1,098.4	872.6	964.1
Interest income (consolidated)	1.3	0.5	0.0	0.1	0.5	0.4
Interest income from other segments	–	–	0.0	0.0	–	–
Interest income from Group companies that cannot be allocated to an operating segment	0.0	4.5	–	–	0.5	0.3
Segment interest income	1.3	5.0	0.0	0.1	1.0	0.6
Interest expenses (consolidated)	9.4	11.3	2.0	2.6	5.0	3.0
Interest expenses of other segments	–	–	–	–	–	–
Interest expenses to Group companies that cannot be allocated to an operating segment	19.3	24.4	8.1	17.6	3.8	4.9
Segment interest expenses	28.7	35.7	10.0	20.2	8.8	7.9
of which interest portion of allocations to pension provisions	7.6	7.5	1.8	1.7	3.2	1.7
Depreciation/amortization of tangible and intangible fixed assets	85.2	88.3	27.2	221.7	27.8	23.1
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	85.2	88.3	27.2	36.7	27.8	23.1
EBIT before depreciation and amortization (EBITDA)	105.7	103.5	–5.4	–23.6	15.8	16.3
EBIT	20.5	15.2	–32.6	–245.3	–11.9	–6.8
Segment earnings before taxes (EBT)	–6.9	–15.5	–42.6	–265.5	–19.8	–14.1
of which income from associated companies	–	–	–	–	–14.6	–13.7
Investments in property, plant and equipment and intangible assets	53.8	67.1	15.6	28.9	21.2	28.4

¹⁾ 2013 restated

Trading		Technology		Total segments		Industrial Participations/ Consolidation		Group	
H1 2014	H1 2013 ¹⁾	H1 2014	H1 2013 ¹⁾	H1 2014	H1 2013 ¹⁾	H1 2014	H1 2013 ¹⁾	H1 2014	H1 2013 ¹⁾
1,560.0	1,963.3	592.8	566.3	4,456.0	4,872.2	93.2	100.8	4,549.3	4,973.0
45.7	14.3	0.3	0.3	863.9	1,238.9	314.9	335.6	1,178.8	1,574.5
0.0	0.0	–	–	155.5	30.1	–	–	155.5	30.1
1,605.8	1,977.6	593.1	566.6	5,475.4	6,141.2	408.1	436.4	5,883.5	6,577.6
2.3	3.9	1.4	2.0	5.5	6.7	9.2	8.7	14.7	15.4
–	–	–	–	0.0	0.0	45.7	42.9	45.7	42.9
–	0.1	0.0	0.0	0.5	4.9	–	–	0.5	4.9
2.3	4.0	1.4	2.0	6.1	11.6	54.9	51.5	60.9	63.2
3.6	4.7	1.6	2.1	21.6	23.8	37.5	32.2	59.1	56.0
–	–	–	–	–	–	–4.1	19.9	–4.1	19.9
4.9	3.2	0.4	0.3	36.4	50.5	–	–	36.4	50.5
8.4	7.9	2.0	2.5	58.0	74.3	33.4	52.1	91.3	126.4
1.5	1.4	1.6	1.6	15.6	13.9	17.3	16.1	33.0	30.1
4.4	4.7	12.1	11.9	156.7	349.8	12.1	12.0	168.8	361.8
4.4	4.7	12.1	11.9	156.7	164.8	12.1	12.0	168.8	176.8
17.5	30.7	24.2	17.1	157.7	144.1	51.4	–42.5	209.1	101.6
13.1	26.0	12.0	5.1	1.0	–205.8	39.3	–54.5	40.4	–260.3
7.0	22.0	11.5	4.6	–50.9	–268.4	46.7	–32.4	–4.2	–300.8
–	–	–	–	–14.6	–13.7	12.7	–46.5	–1.9	–60.2
4.0	4.1	9.0	7.2	103.6	135.7	7.8	12.3	111.4	148.0

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 June 30, 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 fundamental changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended June 30, 2014, apart from the following exception. 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 applied to HKM.

Selected explanatory notes to the income statement

1. Sales by business segment 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 € –0.33 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 balance sheet 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 € –0.33.

Disclosures on fair value

Fair value disclosures comply with the standards set out under IFRS 13 "Fair Value Measurement". A significant deviation between the book value and fair value results from the reporting of a convertible bond and a bond exchangeable into shares at amortized cost.

The calculation of fair value disclosures for assets and liabilities not accounted for applying fair value is always carried out by discounting future cash flows. In this instance, a term-dependent interest rate was applied that reflected the risk-free rate and the specific default risk derived from a peer group of the Salzgitter Group. In divergence from this practice, the fair value (€ 310.0 million) was calculated for a bond issued having been derived from the market value of the bond to the exclusion of an embedded derivative. The embedded derivative was measured using a generally recognized method (Black-Scholes). This value depends specifically on the share price of a listed company. The calculation parameters are based on data sourced from directly and indirectly observed input factors. The fair value disclosures are therefore allocable overall to Level 2.

Book value and fair value of the bonds:

In € million	Convertible bond and exchangeable bond	
	2013/12/31	2014/06/30
Book value	569.4	579.4
Fair value	599.5	608.2

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 provided 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/-30/06/2014	01/01/-30/06/2014	2014/06/30	2014/06/30
EUROPIPE Group	71.9	3.7	28.4	0.1

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

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

Assurance from the Legal Representatives

"We give our assurance that, to the best of our knowledge and in accordance with the accounting principles applicable to interim reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and that the course of business, including the business result and the position of the Group, are portrayed in such a way in the interim Group Management Report that a true and accurate picture is conveyed and that the significant opportunities and risks of the Group's future development over the remainder of the financial year are fairly described."

Salzgitter, August 2014

The Executive Board of Salzgitter AG



Fuhrmann



Becker



Eging



Groschke



Kieckbusch

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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