Annual Report 2014

SALZGITTER AG
Stahl und Technologie

Annual Report 2014

Financial Year
from January 1 to December 31, 2014

SALZGITTER AG
Stahl und Technologie

Who we are.

Salzgitter AG ranks as one of Germany's companies rooted in a long tradition. Our business activities are concentrated on steel and technology. Through its sustainable organic and external growth, our company has advanced to take its place as one of Europe's leading steel and technology groups – with external sales of € 9 billion in 2014, a crude steel capacity of more than 7 million tons and a workforce of over 25,000 employees. The primary objective of our company – now and in the future – is the preservation of our independence through profitability and growth.

Our Group comprises around 200 domestic and international subsidiaries and holdings and has been structured into the business units of Strip Steel, Plate / Section Steel, Energy, Trading and Technology since 2014.

The share of Salzgitter AG is listed on the MDAX index of Deutsche Börse AG.

Salzgitter Group in Figures

		2014	2013[1]
Crude steel production	**kt**	**7,287**	**7,149**
External sales	**€ m**	**9,040**	**9,310**
Strip Steel Business Unit	€ m	2,060	2,018
Plate / Section Steel Business Unit	€ m	1,119	1,088
Energy Business Unit	€ m	1,227	1,309
Trading Business Unit	€ m	3,255	3,575
Technology Business Unit	€ m	1,198	1,118
Industrial Participations / Consolidation	€ m	182	202
EBIT before depreciation and amortization (EBITDA)[2]	**€ m**	**484**	**138**
Earnings before interest and taxes (EBIT)[2]	**€ m**	**98**	**– 393**
Earnings before taxes (EBT)	**€ m**	**– 15**	**– 483**
Strip Steel Business Unit	€ m	– 9	– 85
Plate / Section Steel Business Unit	€ m	– 130	– 403
Energy Business Unit	€ m	– 41	– 52
Trading Business Unit	€ m	60	31
Technology Business Unit	€ m	25	13
Industrial Participations / Consolidation	€ m	79	13
Net income/loss for the financial year	**€ m**	**– 32**	**– 490**
Earnings per share – basic	**€**	**– 0.6**	**– 9.1**
Return on capital employed (ROCE)[3]	**%**	**1.8**	**– 10.5**
Cash flow from operating activities	**€ m**	**599**	**141**
Investments[4]	**€ m**	**270**	**359**
Depreciation and amortization[4]	**€ m**	**– 382**	**– 530**
Balance sheet total	**€ m**	**8,493**	**8,250**
Non-current assets	**€ m**	**3,575**	**3,622**
Current assets	**€ m**	**4,918**	**4,628**
Inventories	€ m	1,992	1,973
Cash and cash equivalents	€ m	774	755
Equity	**€ m**	**2,875**	**3,187**
Liabilities	**€ m**	**5,618**	**5,063**
Non-current liabilities	€ m	3,116	3,035
Current liabilities	€ m	2,502	2,028
of which due to banks[5]	€ m	342	159
Net position[6]	**€ m**	**403**	**303**
Employees			
Personal expenses	€ m	– 1,601	– 1,587
Core workforce on the reporting date[7]	empl.	23,555	23,446
Total workforce on the reporting date[8]	empl.	25,529	25,694

Disclosure of financial data in compliance with IFRS
[1] 2013 restated
[2] EBIT = EBT + interest expenses/–interest income; EBITDA = EBIT + depreciation and amortization
[3] 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 provisions) and liabilities from finance leasing, forfaiting
[4] Property, plant and equipment and intangible assets, excluding financial assets
[5] Current and non-current bank liabilities
[6] Including investments, e.g. securities and structured investments
[7] Excl. trainee contracts and excl. non-active age-related part-time work
[8] Incl. trainee contracts and incl. non-active age-related part-time work

HIGHLIGHTS OF THE 2014 FINANCIAL YEAR

01

The group organization structure established under the "Salzgitter AG 2015" reorganization project enters into force on January 1, 2014. The Group's organization structure is much more strongly aligned to customer and market requirements than before and, along with restructuring the business units, also entails the combination of companies and a new management structure.

02

Salzgitter AG (SZAG) releases key data for the financial year 2013. The company's economic situation is dominated by the crisis in Europe's industry. Guidance for the new financial year compared with 2013 includes a significance increase in the pre-tax result close to break-even and a once again moderately positive return on capital employed.

03

The Executive Board presents the Annual Report 2013 at the Annual Results Press Conference on March 28, 2014. The Board subsequently engages in discussion with capital markets representatives at well-attended analysts' conferences in Frankfurt am Main and London.

04

Assembly work commences on the plant technology of the pulverized coal injection plant investment project at Salzgitter Flachstahl GmbH (SZFG). The plant that is due for commissioning in the summer of 2015 is expected to notably reduce metallurgy costs.
Together with its subsidiaries, the Salzgitter Group showcases material inventions for the steel processing industries at the Hanover trade fair. Special focus is placed on automotive lightweight construction and the topic of resource efficiency. The innovative direct digital printing procedure of subsidiary KHS GmbH (KHSDE) for embellishing PET bottles is nominated for the Hermes Award at the trade fair.
With the "MANNESMANN. Tubes" and "Mannesmann is at Home with Us" trade fair slogans, the Salzgitter Group highlights the significance of the internationally acclaimed Mannesmann brand as synonymous with steel tubes of a quality that traditionally excels.

05

Around 600 shareholders and shareholder representatives attend SZAG's General Meeting of Shareholders in Braunschweig on May 22. They approve the items on the agenda by a large majority.
Dividend for the year 2013 amounts to € 0.20 per share, reflecting the fact that SZAG continues to pursue a policy of steady dividend distribution.

06

The Salzgitter Group is one of the main sponsors of the "Steels in Cars and Trucks" (SCT) international conference in Braunschweig. The company supports the high profile event with presentations, an exhibition and guided tours of the integrated steelworks in Salzgitter.

07

SZAG takes part for the first time in Windforce, a trade fair of the offshore wind industry in Bremen. German and international exhibitors present the entire value chain of the sector against the backdrop of symposiums held for national and international experts to discuss markets, projects, environmental protection and research.

08

The Salzgitter Group closes the first half of 2014 with a significant year-on-year improvement in its pre-tax result close to breakeven. The effect of the "Salzgitter AG 2015" restructuring program proceeding soundly in line in all business units also contributes to this result.
The US-based group subsidiaries Berg Steel Pipe Corp. (BSPC) and Berg Spiral Pipe Corp. (BSPM) are to deliver 430,000 tons of large-diameter pipes for the ET Rover pipeline project. This is the largest single contract in the history of the two companies. Another two major contracts for 346,000 tons worth of pipes follow on in the fourth quarter.

09

VPS Verkehrsbetriebe Peine-Salzgitter GmbH (VPS) looks back on a history of 150 years. The company is the central logistics provider to the Salzgitter Group's steel companies. On the occasion of its anniversary, VPS invites employees and partners to an open day.

10

SZFG presents its new brand strategy under the slogan of "Names Sharpen the Image" at EuroBLECH in Hanover. HSD® (High Strength and Ductility) steel applications feature among the further highlights on show at this trade fair.

11

The Salzgitter Group stages an impressive turnaround in the first nine months of 2014 and delivers earnings before taxes of € 5.5 million.
German Federal President Joachim Gauck awards the "Deutscher Zukunftspreis – the German President's Award for Innovation in Science and Technology" in Berlin, honoring the joint "Horizontal Belt Casting of Steel – New High Performance Materials" project. The project is one of three innovations that are put forward for the prize following the selection procedure. The project partners are SZFG, SMS Siemag AG and Clausthal University of Technology.

12

The KHS Group impresses many of the 37,000 visitors from Germany and abroad with its innovations showcased at BrauBeviale in Nuremberg. The presentation of a test machine for the ground-breaking direct digital printing of PET bottles features among the KHS exhibits that elicit particular interest. A specialist jury of the German Packaging Award sponsored by the Federal Ministry of Economics and Technology and open to international contestants selects "Direct Print" in combination with Nature MultiPackTM, also newly developed, as this year's most innovative solutions.

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Preface by the Executive Board

Ladies and Gentlemen,

The results of the financial year 2014 say more than many words!

The “Salzgitter AG 2015” project is being rigorously implemented, and the pre-tax loss in 2014 was less than a thirtieth of the 2013 result. We have halted cash outflow from the Group. This undisputed success should not detract from the fact that we still have our work cut out for us on the way to achieving allround satisfactory financial performance.

The year 2014 was therefore one of transition, a year packed with dynamics throughout our Group – with the Group’s new organization structure and the measures to increase profits in connection with “Salzgitter AG 2015” as no isolated examples. In the context of our coherent and holistic 360 Degree Concept, we are working on shaping a successful future for the Salzgitter Group. Our customers are at the heart of this concept. It is for them that we are developing our current areas of business by making even better use of existing opportunities in the future. Numerous, entirely new ideas for products and processes have the potential of becoming marketable innovations. All this will call for an open-minded corporate culture promoted through our new mission statement. You will find more on this in the text and in the story behind the illustrations in this year’s annual report.

Together with our employees, we are taking the Group forward. Tangible success is increasingly evident, which motivates us for the challenges that lie ahead. We are not relying on a rapid economic recovery, especially in the steel market in Europe, as our main market. There is as little likelihood of this happening as a genuinely consistent implementation of a European policy that is aimed at strengthening our domestic industry.

Executive Board and
Business Unit Heads (f.l.):
Prof. Dr.-Ing. Matthias Niemeyer,
Michael Kieckbusch, Burkhard Becker,
Prof. Dr.-Ing. Heinz Jörg Fuhrmann,
Dr.-Ing. Roger Schlim, Ulrich Grethe,
Prof. Dr. jur. Gerd Schöler,
Wolfgang Eging

We have taken the initiative, and the results have delivered markedly positive earnings contributions in 2014 that are to be improved upon in 2015. Although we are faced with a cold headwind in many relevant markets – take the major South Stream pipeline contract suspended in December 2014, for example –, our aim in 2015 is to generate a pre-tax profit again. This was the original goal associated with the extensive package of measures under the "Salzgitter AG 2015" project.

We delivered on this promise in 2014 and, despite adverse external circumstances, we intend to do so again in 2015 – without making much ado in the media, which merely distracts from the work we have on our agenda.

As we believe our confidence is well founded, we propose to distribute dividend of € 0.20 per share for the financial year 2014 – despite the losses sustained.

We would like to thank you, as valued shareholders and business partners of Salzgitter AG, also on behalf of our committed employees, for the trust you have vested in our company.

Sincerely,

Prof. Dr.-Ing. Heinz Jörg Fuhrmann | Burkhard Becker | Michael Kieckbusch

Report of the Supervisory Board

Rainer Thieme, Chairman of the Supervisory Board

The financial year 2014 was largely determined by a slight recovery in the European steel market that was, however, still suffering from very weak demand overall, an increase in our production output that was nonetheless accompanied by a price-induced, as well as a further decline in revenues, falling raw materials costs and a still negative, though markedly improved result. Apart from the significantly lower level of impairment, the main factors contributing to improving the results comprised first and foremost the groupwide "Salzgitter AG 2015", supported by the Supervisory Board, as well as gratifying earnings from the holding in Aurubis AG (NAAG). Notwithstanding this success, work on optimizing the results must be vigorously expedited.

Monitoring and advising the Executive Board in the exercising of its management duties

The Supervisory Board kept itself continuously informed about the situation of the Group and the development of business. It deliberated on the prospects and risks with the Executive Board in four meetings. Transactions requiring the approval of the Supervisory Board, as well as discrepancies between the development of business and corporate planning, were questioned in detail and discussed. Furthermore, between meetings, the Chairman of the Supervisory Board was regularly informed by the Executive Board Chairman about current topics.

The attendance rate at the Supervisory Board meetings exceeded 90%. No conflicts of interest were brought to the attention of the Supervisory Board, neither by the Supervisory Board members nor by members of the Executive Board.

Focus of the consultations of the Supervisory Board

Against the backdrop of the persistently difficult conditions for the business activities of the Strip Steel, Plate / Section Steel and Energy business units, the Supervisory Board concentrated primarily on promoting a sustainable improvement in the results in 2014. To this end, it used regular reports in particular to keep abreast of progress made in implementing the measures under the “Salzgitter AG 2015” restructuring program. The realization of the organizational improvement envisaged by the program, personnel adjustments and plant and equipment optimization is in line with planning to date, but has not yet been concluded. At the same time, the Supervisory Board gave its approval to considerable investments in the company’s future, despite the difficult economic situation. Such measures included in particular the construction of new facilities for the vacuum treatment of crude steel to satisfy the more sophisticated demands placed by our customers on our flat steel products. We see a further need for action in eliminating weak points in order to shore up the company sustainably for the future. We are very concerned about the growing burden on the energy supply in the form of levies and the more stringent environmental legislation envisaged, specifically the European Council’s most recent CO_2 climate change goals, especially as our competitors outside Europe are not affected to the same extent. In December, the Supervisory Board dealt mainly with the corporate planning for the financial years 2015 to 2017.

Work of the Committees

In order to prepare for its consultations and decisions, the Supervisory Board has formed presiding, audit, strategy and nomination committees.

The Presiding Committee met five times in the financial year. These meetings dealt with important issues concerning the course of business, the stage reached in the implementation of the “Salzgitter AG 2015” restructuring program, as well as regulations on succession pertaining to the newly established Group Management Board that supports the Executive Board in its management tasks.

The Audit Committee met four times during the period under review. It discussed the interim reports of the company, published on a quarterly basis throughout the year, with the Executive Board and prepared the audit and ratification of the 2014 financial statements at company and at Group level by the Supervisory Board, as well as the Board’s decision on a dividend proposal to be put forward to the General Meeting of Shareholders inspite the negative result. In addition, the committee placed particular emphasis on the accounting process, the effectiveness of the internal control systems, internal audit and risk management, the independence of the external auditor and compliance. The Audit Committee reported to the entire Supervisory Board on the results of its deliberations.

The Strategy Committee met once in the period under review. It discussed the strategy and course to be charted for the sustainable development of the Salzgitter Group together with the Executive Board.

The Nomination Committee called two meetings and deliberated on matters concerning the future composition of the Supervisory Board.

Audit of the Annual Financial Statements of Salzgitter AG and Consolidated Financial Statements

In our meeting on March 26, 2015, we examined the financial statements of Salzgitter AG (SZAG) and of the Group, both drawn up as of December 31, 2014, as well as the joint management report on the company and the Group for the financial year 2014. Prior to this meeting, the independent auditor PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, Germany, selected by the General Meeting of Shareholders, reviewed both sets of financial statements and issued an unqualified auditor's opinion. The auditor thereby confirmed that the accounting, valuation and consolidation carried out in the consolidated financial statements complied with the International Financial Reporting Standards (IFRS). Furthermore, as part of its assessment of the early risk detection system, the auditor ascertained that the Executive Board had taken the steps required by the German Stock Corporation Act (AktG) for the early recognition of risks that could endanger the company as a going concern.

The annual financial statements of SZAG, the consolidated financial statements of the Group, the joint management report on the company and the Group, the Executive Board's proposals for the appropriation of the retained earnings, as well as the auditor's reports were available to us for examination. The representatives of the independent auditor took part in the discussions of the annual financial statements and the consolidated financial statements and elaborated on the most important findings of their audit.

Our examination of the annual financial statements, the consolidated financial statements and the joint management report did not lead to any objections. We therefore approved the findings of the auditor's review and ratified the annual financial statements and the consolidated financial statements. The annual financial statements are thereby adopted. We gave our approval to the proposal made by the Executive Board on the appropriation of retained earnings.

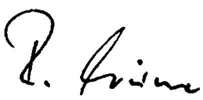
Changes to the Supervisory Board
Mr. Thomas Lehne, employee representative, laid down his mandate on February 28, 2015. The Supervisory Board thanks Mr. Lehne for his activities to promote the good of the company. The Braunschweig Local Court appointed Ms. Gabriele Handke to the Supervisory Board as his successor, effective March 1, 2015.

Changes to the Executive Board
Messrs Wolfgang Eging and Heinz Groschke withdrew from the Executive Board with effect from September 30, 2014, on account of their age. The Supervisory Board thanks them both for their long-standing and strong commitment to the company. In particular, Mr. Groschke built up international trading to take its place as an important segment within the Trading Business Unit. Mr. Eging advanced the development of various investments of the Group in the Energy Business Unit with his prudent approach. Owing to the reduction in the size of the Executive Board, decided in the context of the new Group organization structure in 2013, it was not necessary to appoint successors.

Our thanks go to the Executive Board and all the employees of the Group for their dedicated work and sound commitment throughout the financial year 2014.

Salzgitter, March 26, 2015

The Supervisory Board



Rainer Thieme
Chairman

Corporate Governance

Declaration of Conformity and Corporate Governance Report

The corporate governance of Salzgitter AG (SZAG) is geared to ensuring the sustainable development and long-term success of the company in harmony with the principles of a social market economy and in observance of its corporate responsibility for people and the environment. It is based on the provisions set out under German stock corporation law and the recommendations laid down in German Corporate Governance Code (www.corporate-governance-code.de/index-e.html).

2014 Declaration of Conformity with the recommendations of the German Corporate Governance Code
The Executive Board and the Supervisory Board of SZAG submitted the following declaration in respect of the recommendations of the German Corporate Governance Code, pursuant to Section 161 of the German Stock Corporation Act (AktG), on December 16, 2014:

> "Salzgitter Aktiengesellschaft has and currently continues to conform to all of the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, with the exception of the recommendation included in Code item 5.4.1 that specific targets should be set for the composition of the Supervisory Board.
>
> In its nominations submitted to the General Meeting of Shareholders for the election of shareholder representatives and other members, the Supervisory Board complies with all statutory requirements and all recommendations made in the Code regarding the personal qualifications for supervisory board members. It is the professional and personal competence of potential candidates – regardless of gender – that is of primary importance, while taking company-specific requirements into special consideration, in ensuring that the nominees, if elected, generally possess the knowledge, skills and professional experience necessary for carrying out their duties. In assessing their competence, the Supervisory Board also bears in mind the company's international activities, potential conflicts of interest, the number of independent Supervisory Board members, the defined age limit for Supervisory Board members, as well as diversity. At this point in time, the Board does not consider it necessary to set specific targets."

Ethical standards of SZAG
Beyond the statutory requirements placed on managing companies and the recommendations of the German Corporate Governance Code, a new mission statement by the name of "**YOU**NITED" has been developed for our Group. In cooperation with employees from all Group companies across all hierarchical levels, this process involved defining a shared system of values, among other things. Such values include liability, fairness and sustainability. You will find our mission statement on our website at http://www.salzgitter-ag.com/en/company/mission-statement-younited.html. Further information is provided in the section on "Employees".

The shareholders of SZAG

The shareholders principally exercise their rights at general meetings of shareholders. Each shareholder of SZAG is entitled to participate in the General Meeting of Shareholders, which takes place at least once a year, and to address the Meeting about items on the agenda, to ask pertinent questions and submit relevant motions and to exercise their voting rights. Fundamental decisions affecting the company, such as changes to the Articles of Incorporation, the appropriation of annual profit, the election of shareholder representatives to the Supervisory Board, the raising or lowering of capital or the selection of the annual independent auditor can only be carried out subject to approval by the General Meeting of Shareholders. The General Meeting of Shareholders also decides on the remuneration of the Supervisory Board. We facilitate the process of shareholders exercising their voting rights without having to personally take part in the General Meeting of Shareholders: they can appoint a proxy of the company and instruct this person on how they wish to exercise their voting rights.

The results of the 2014 General Meeting of Shareholders are available on our website at:
www.salzgitter-ag.com/en/investor-relations/shareholders-meeting.

The Executive Board of SZAG

The Executive Board manages the company under its own responsibility in accordance with the German Stock Corporation Act. It determines the strategic direction and the future development of the company together with the Supervisory Board. In carrying out these activities, the Executive Board is bound by the interests of the company. It strives to achieve the highest possible return on capital employed within the scope of the corporate purpose. The Supervisory Board has determined that certain business transactions may only be carried out with Supervisory Board approval.

The Executive Board currently comprises three members, namely the Chief Executive Officer, the Chief Financial Officer and the Chief Personnel Officer. The Supervisory Board has assigned each Executive Board member a portfolio of responsibilities for specific organization units and has specified the decisions for which all Executive Board members are jointly responsible. The management of the five business units is the joint responsibility of all the Executive Board members. A Group Management Board is at hand to assist them. Members of this board are the three Executive Board members and one manager from each of the five business units who will coordinate the activities of their respective business unit (business unit managers).

The members of the Executive Board are liable to the company for any dereliction of duty. The company’s D&O insurance provides for an appropriate deductible that accords with statutory requirements.

Working practices of the Executive Board

The Executive Board holds regular meetings and telephone conferences for the purpose of discussion and decision-making. It has not currently formed any standing committees.

The Executive Board deploys the following instruments, among others, in its management and control of the subsidiaries and affiliates:

- rules and regulations on reporting duties and approval requirements in corporate guidelines and the articles of association of Group companies pertaining to specific areas of business,
- defining of the Group's management principles in the policy entitled "Management and Organization",
- obligation of all Group companies to prepare annual shipment and sales budgets as well as investment, financial and personnel planning,
- the regular monitoring of progress made throughout the year in all Group companies; if necessary, the taking of appropriate measures,
- regular audits and special case-by-case audits performed by an internal audit department,
- operating of a groupwide monitoring system for the early detection of risks and a risk management system,
- agreeing goals and deciding a performance-oriented remuneration component for managers and senior executives of the Group companies.

The Supervisory Board of SZAG

The core tasks of the Supervisory Board are to advise and supervise the Executive Board in its management of the company. In accordance with the law, certain fundamental decisions may only be made with its approval. It has determined that, in addition, certain types of transactions may only be carried out with its approval.

The Supervisory Board comprises 21 members, specifically ten shareholder and ten employee representatives plus one other member. This composition has been laid down under the provisions of the Co-Determination Amendment Act of 1956 applicable to the company in its current version, in conjunction with Article 7 of the company's Articles of Incorporation. The members of the Supervisory Board are liable to the company for any dereliction of duty. The company's D&O insurance provides for a suitable deductible in accordance with the recommendation of the German Corporate Governance Code.

Working practices of the Supervisory Board

The Supervisory Board meets a minimum of four times a year, has the Executive Board report in detail and discusses the development of business and the situation of the company with the Executive Board. It takes receipt of written reports submitted at regular intervals by the Executive Board on the course of business and the performance of the company.

The Supervisory Board deploys the following instruments in particular in performing its advisory and supervisory function:

- defining the allocation of duties at Executive Board level, with clear assignment of areas of competence,
- obligation of the Executive Board to submit regular, timely and comprehensive reports to the Supervisory Board,
- regular discussion of the planning, business development and the strategy with the Executive Board,
- determination of the type of transactions and measures of the Executive Board that may only be carried out with Supervisory Board approval,
- obligation of the Executive Board to submit a long-term corporate plans on an annual basis and to report on the execution of such plans and
- when determining the remuneration of the Executive Board members, agreement on the variable components, geared toward the commercial success of the company and the overall performance of each individual Executive Board member.

Working practices of the committees of the Supervisory Board

In order to prepare its meetings and decisions the Supervisory Board has currently formed four standing committees:

The Presiding Committee undertakes the preparatory work in connection with the appointing of Executive Board members and, in place of the Supervisory Board plenum, makes decisions on business measures requiring urgent approval. The Presiding Committee confers whenever necessary in the form of meetings or telephone conferences.

The Audit Committee deals with the following in particular:

- the financial reports during the year and the supervision of the annual auditing of the accounts, especially the independence of the external auditor
- the effectiveness of the internal control system, the internal audit system and the risk management system,
- compliance with the provisions applicable to the company (corporate compliance) and
- the assignment of the audit mandate and the determination of key audit areas.

The Audit Committee meets at least four times a year and has the Executive Board report in writing and verbally on the individual issues to be discussed, as well as having representatives of the independent auditor explain the report on their audit of the financial statements at company and at Group level.

The Strategy Committee is tasked with discussing the strategy of the company with the Executive Board in depth. It meets for this purpose whenever required.

The Nomination Committee, which is exclusively comprised of representatives of the shareholders, proposes suitable candidates to the Supervisory Board that, in turn, presents its proposals to the General Meeting of Shareholders for the election of shareholder representatives to the Supervisory Board. It becomes especially active in the run-up to the new elections to the Supervisory Board and advises in a suitable capacity.

The names of the members of the committees are listed in the section in the Group Management Report on “Management and Control/Committees of the Supervisory Board”.

Corporate compliance

The Executive Board is responsible for compliance with the relevant statutory requirements and company guidelines. It acts through the Group companies with the aim of ensuring compliance. The Executive Board has expressly committed itself in our mission statement to observing and complying with legal framework conditions and ethical values. The obligation of managers at all levels also entails adherence to the relevant regulations in their respective areas of tasks and responsibilities. To this end, each superior must give his/her staff clear instructions as to their tasks and areas of responsibility and must document this accordingly. This responsibility includes ensuring that staff members have the competences necessary for fulfilling their compliance duties and the monitoring of this compliance. The regular requesting of appropriate reports is part of guaranteeing that compliance tasks are monitored. The Executive Board has defined this process in detail in a set of corporate guidelines. The Executive Board regularly reports to the Supervisory Board on compliance.

Transparency of the company

Along with the annual report, SZAG also publishes condensed interim accounts and an interim management report at the end of the first, second and third quarter of a financial year. This ensures that our shareholders are kept informed about the business performance and the situation of the company in a timely manner. The dates of publication are announced in the financial calendar that is also made accessible on the company's website. Furthermore, the Executive Board explains the results of each financial year elapsed at an annual results press conference, reported on by the media, that takes place directly after the meeting of the Supervisory Board when the financial statements are adopted.

In addition to this, we organize regular analysts' conferences for analysts and institutional investors in Frankfurt am Main and London. Finally, the Executive Board ensures that information that could, if made public, have a considerable impact on the share price is published immediately in the form of ad-hoc releases disseminated simultaneously throughout Europe. All reports and statements are available on the company's website (salzgitter-ag.de) in both German and English.

Salzgitter, March 26, 2015

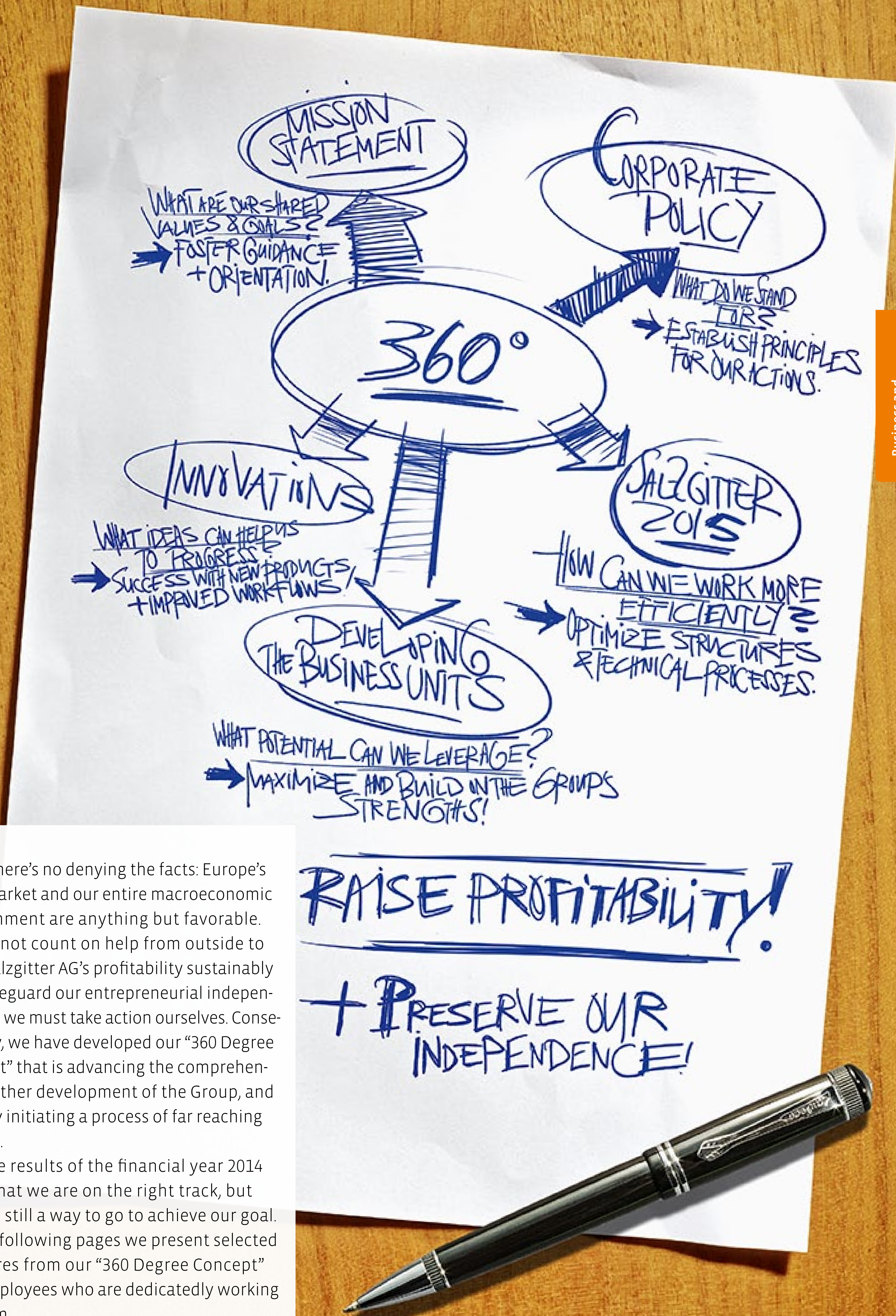
The Executive Board

Prof. Dr.-Ing. Heinz Jörg Fuhrmann
Chairman

The Supervisory Board

Rainer Thieme
Chairman

"WE ARE WORKING ON SHAPING A SUCCESSFUL FUTURE FOR THE SALZGITTER GROUP."



There's no denying the facts: Europe's steel market and our entire macroeconomic environment are anything but favorable. We cannot count on help from outside to raise Salzgitter AG's profitability sustainably and safeguard our entrepreneurial independence – we must take action ourselves. Consequently, we have developed our "360 Degree Concept" that is advancing the comprehensive further development of the Group, and thereby initiating a process of far reaching change.

The results of the financial year 2014 show that we are on the right track, but there is still a way to go to achieve our goal. On the following pages we present selected measures from our "360 Degree Concept" and employees who are dedicatedly working on them.

I. Business and Organization

1. Group Structure and Operations

With a crude steel capacity of more than 7 million tons, above 25,000 employees and external sales totaling € 9 billion in 2014, the Salzgitter Group ranks among Europe's leading steel technology and plant engineering corporations. Worldwide, the Group comprises almost 200 subsidiaries and affiliated companies.

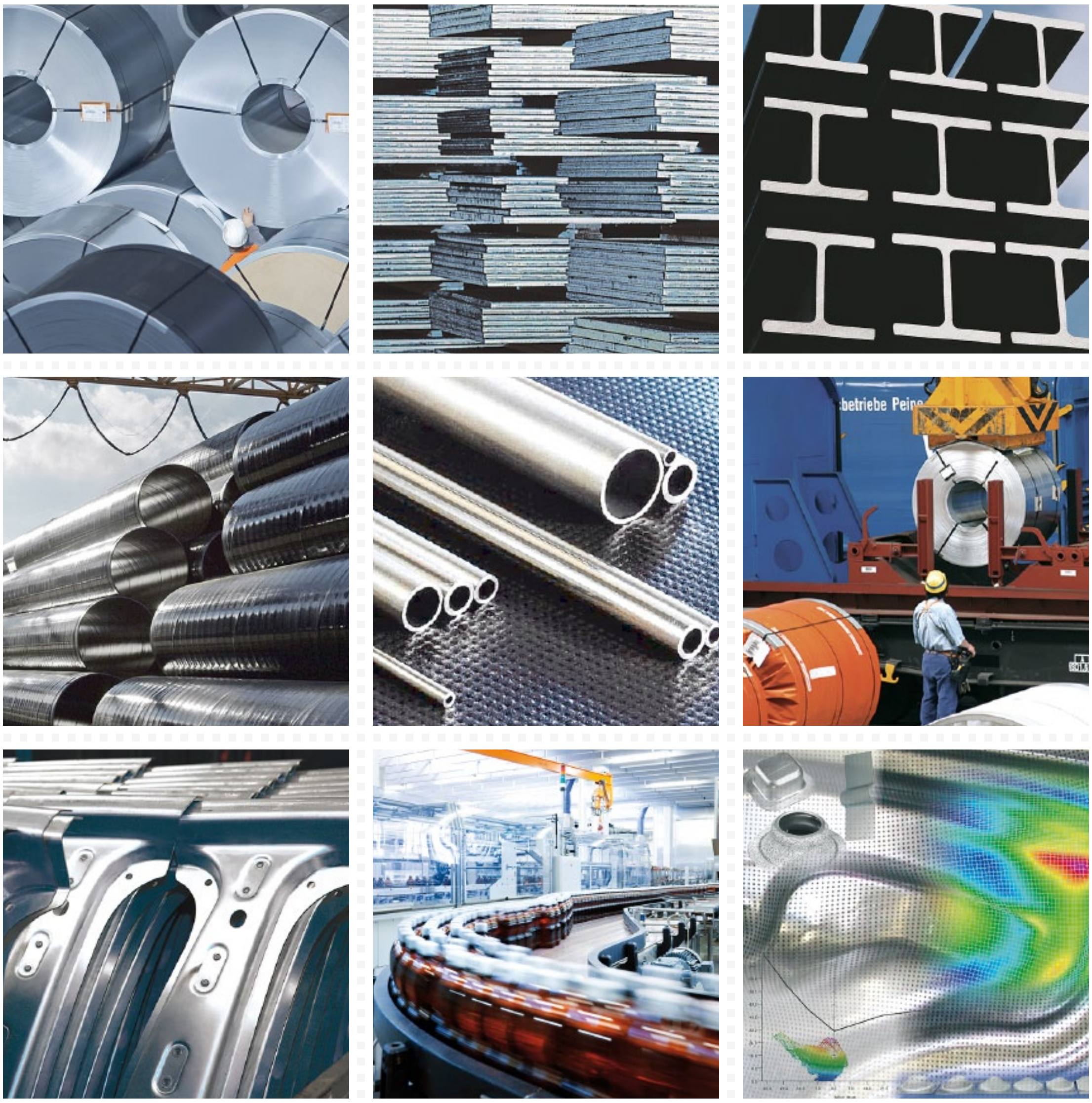
Global presence

Headquarter of Salzgitter AG

Our core competences lie in the production and processing of rolled steel and tubes products and trading in these products. We are also successfully active in the special machinery and plant engineering areas.

Steel and Technology

- Steel strip
- Plate
- Section steel
- Engineering
- Logistic services
- Injection molding machines
- Pipeline tubes
- Precision tubes
- Seamless steel tubes
- Stockholding trading
- International trading
- Beverage filling facilities



Since January 1, 2014, the Group, headed by Salzgitter AG (SZAG) as the holding company, has been divided into the five business units of Strip Steel, Plate / Section Steel, Energy, Trading and Technology.

All major companies belonging to the Salzgitter Group are combined together under the intermediate holding of Salzgitter Klöckner-Werke GmbH (SKWG). This structure allows us to carry out centralized and unrestricted financial management for the Group, among other tasks. As the management holding, SZAG manages SKWG, along with all associated companies, via the intermediate holding Salzgitter Mannesmann GmbH (SMG). The Executive Board of SZAG is composed of the same persons as the Executive Board of SMG and the Management Board of SKWG. The management and control of the Group are therefore carried out by the executive bodies responsible for SZAG (Executive Board, Supervisory Board). The activities of the business units have been coordinated by the heads of the business units since January 1, 2014. They are also the chief operating officers each of a large company belonging to their respective unit. The Executive Board and business unit heads form the new Group Management Board. This structure ensures that the activities of the companies are directly coordinated and managed across the business units, while incorporating the respective operational expertise.

Legal factors

Industrial production is subject to the decisive influence of the respective legal requirements prevailing in the specific locations. As the Group's production sites are largely based in Germany and in other European countries, the rules and regulations of Germany and the European Union on taxation and environmental protection are important for the associated business.

The structure of the Salzgitter Group is shown in the chart on the next page. The holdings are listed in the "Notes to the Consolidated Financial Statements". More information on the individual business units is included in the section on "General Business Conditions and Performance of the Business Units".

Business Units

Salzgitter AG

Salzgitter Mannesmann / Salzgitter Klöckner-Werke

BU Strip Steel	BU Plate / Section Steel	BU Energy	BU Trading	BU Technology	Industrial Participations / Consolidation
Salzgitter Flachstahl	Ilsenburger Grobblech	Mannesmannröhren-Werke	Salzgitter Mannesmann Handel	KHS	Verkehrsbetriebe Peine-Salzgitter
Salzgitter Europlatinen	Salzgitter Mannesmann Grobblech	Europipe 50 %	Salzgitter Mannesmann Stahlhandel	KHS Corpoplast	Hansaport 51 %
Salzgitter Bauelemente	Peiner Träger	Salzgitter Mannesmann Line Pipe	Salzgitter Mannesmann International	KHS Plasmax	Gesis Gesellschaft für Informationssysteme
Salzgitter Mannesmann Stahlservice	HSP Hoesch Spundwand und Profil	Salzgitter Mannesmann Großrohr	Universal Eisen und Stahl	Klöckner DESMA Elastomertechnik	Telcat
	DEUMU Deutsche Erz- und Metall-Union	Salzgitter Mannesmann Precision		Klöckner DESMA Schuhmaschinen	Salzgitter Mannesmann Forschung
		Salzgitter Mannesmann Stainless Tubes			Salzgitter Automotive Engineering
		Hüttenwerke Krupp Mannesmann 30 %			Salzgitter Hydroforming
		Borusan Mannesmann Boru 23 %			RSE Grundbesitz und Beteiligung
					Salzgitter Mannesmann Personalservice
					Glückauf Immobilien
					Aurubis 25 %

BU = Business Unit

Organization chart
as of August 2014

2. Management and Control

The Executive Board

The members of the Executive Board of Salzgitter AG (SZAG) are appointed by the Supervisory Board. The Supervisory Board can rescind the appointment for an important reason. The Executive Board represents, heads up the company and manages the company's business under its own responsibility. A restriction that certain transactions may only be concluded subject to the approval of the Supervisory Board has been imposed. The General Meeting of Shareholders can only decide matters affecting the management of the Group if this has been requested by the Executive Board.

In the financial year 2014, the following members belonged to the Executive Board of SZAG:

Prof. Dr.-Ing. Heinz Jörg Fuhrmann
Chairman

a)
- Aurubis AG, Hamburg (Chairman)
- Hüttenwerke Krupp Mannesmann GmbH, Duisburg
- Ilsenburger Grobblech GmbH, Ilsenburg (Chairman)
- KHS GmbH, Dortmund (Chairman)
- Mannesmannröhren-Werke GmbH, Mülheim/Ruhr (Chairman)
- Öffentliche Lebensversicherung Braunschweig, Braunschweig
- Öffentliche Sachversicherung Braunschweig, Braunschweig
- Peiner Träger GmbH, Peine (Chairman)
- Salzgitter Flachstahl GmbH, Salzgitter (Chairman)
- Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr, since March 13, 2014 (Chairman since March 21, 2014)
- Salzgitter Mannesmann Handel GmbH, Düsseldorf (Chairman)
- TÜV Nord AG, Hanover

b)
- Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr, (Joint Advisory Council, Chairman) since June 4, 2014

Burkhard Becker
Finance

a)
- Aurubis AG, Hamburg
- EUROPIPE GmbH, Mülheim/Ruhr
- Ilsenburger Grobblech GmbH, Ilsenburg, since March 13, 2014
- KHS GmbH, Dortmund
- Mannesmannröhren-Werke GmbH, Mülheim/Ruhr
- Nord/LB Asset Management AG, Hanover
- Peiner Träger GmbH, Peine
- Salzgitter Flachstahl GmbH, Salzgitter
- Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr, since February 18, 2014
- Salzgitter Mannesmann Handel GmbH, Düsseldorf
- Salzgitter Mannesmann Precision GmbH, Mülheim/Ruhr

b)
- Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr, (Joint Advisory Council) since June 4, 2014

a) Membership in other Supervisory Boards formed subject to the definition of Section 125 German Stock Corporation Act (AktG)
b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises

Wolfgang Eging
Energy Business Unit until September 30, 2014
Chairman of the Executive Board of
Mannesmannröhren-Werke GmbH, Mülheim/Ruhr
a) ▪ EUROPIPE GmbH, Mülheim/Ruhr (Chairman)
▪ Hüttenwerke Krupp Mannesmann GmbH, Duisburg (Chairman)
▪ Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr (Chairman until March 21, 2014)
▪ Salzgitter Mannesmann Handel GmbH, Düsseldorf
▪ Salzgitter Mannesmann Line Pipe GmbH, Siegen (Chairman)
▪ Salzgitter Mannesmann Precision GmbH, Mülheim/Ruhr (Chairman)
b) ▪ Borusan Mannesmann Boru Yatirim Holding A.S., Istanbul, Turkey (Board of Administration, Vice Chairman)
▪ Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr, (Joint Advisory Council) since June 4, 2014

Heinz Groschke
Trading Business Unit until September 30, 2014
Chairman of the Executive Board of
Salzgitter Mannesmann Handel GmbH, Düsseldorf
a) ▪ EUROPIPE GmbH, Mülheim/Ruhr
▪ Ilsenburger Grobblech GmbH, Ilsenburg, since March 15, 2014
▪ KHS GmbH, Dortmund
▪ Salzgitter Flachstahl GmbH, Salzgitter
▪ Salzgitter Mannesmann Line Pipe GmbH, Siegen
b) ▪ Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr, (Joint Advisory Council) since June 4, 2014
▪ Salzgitter Mannesmann (España) S.A., Madrid, Spain (Board of Administration)
▪ Salzgitter Mannesmann International (Asia) Pte. Ltd., Singapore (Board of Administration)
▪ Salzgitter Mannesmann International (Canada) Inc., Vancouver, Canada (Board of Directors, Chairman)
▪ Salzgitter Mannesmann International (HK) Ltd., Hong Kong, China (Board of Administration)
▪ Salzgitter Mannesmann International (México) S. A. de C. V., Mexico City, Mexico (Board of Directors, Chairman)
▪ Salzgitter Mannesmann International (USA) Inc., Houston/Texas, USA (Board of Directors, Chairman)
▪ Salzgitter Mannesmann (Italia) S. r. l., Milan, Italy (Board of Administration)
▪ Salzgitter Mannesmann Pentasteel International (India) Pvt. Ltd., Mumbai, India (Board of Directors, Chairman)
▪ Salzgitter Mannesmann (Scandinavia) AB, Lulea, Sweden (Board of Administration)
▪ Salzgitter Mannesmann Trade (Beijing) Co. Ltd., Beijing, China (Board of Directors, Chairman)
▪ Salzgitter Mannesmann (UK) Ltd., Harrogate, UK (Board of Directors, Chairman)

Michael Kieckbusch
Personnel
a) ▪ KHS GmbH, Dortmund
▪ Ilsenburger Grobblech GmbH, Ilsenburg,
▪ Mannesmannröhren-Werke GmbH, Mülheim/Ruhr
▪ Peiner Träger GmbH, Peine
▪ Salzgitter Flachstahl GmbH, Salzgitter
▪ Salzgitter Mannesmann Handel GmbH, Düsseldorf
▪ SZST Salzgitter Service und Technik GmbH, Salzgitter, (Chairman) until March 31, 2014
▪ Verkehrsbetriebe Peine-Salzgitter GmbH, Salzgitter (Chairman)
b) ▪ Allianz für die Region GmbH, Braunschweig (Supervisory Board)
▪ Hansaport Hafenbetriebsgesellschaft mbH, Hamburg (Supervisory Board, Chairman)
▪ Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr, (Joint Advisory Council) since June 4, 2014
▪ Industriepark Salzgitter-Watenstedt Entwicklungs-GmbH, Salzgitter (Supervisory Board, Vice Chairman)
▪ Wohnungsbaugesellschaft mbH Salzgitter, Salzgitter (Supervisory Board)

a) Membership in other Supervisory Boards formed subject to the definition of Section 125 German Stock Corporation Act (AktG)
b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises

Group Management Board

Prof. Dr.-Ing. Heinz Jörg Fuhrmann
Chairman

Burkhard Becker
Finance

Wolfgang Eging
Energy Business Unit

Ulrich Grethe
Strip Steel Business Unit

Heinz Groschke
Trading Business Unit until September 30, 2014

Michael Kieckbusch
Personnel

Prof. Dr.-Ing. Matthias Niemeyer
Technology Business Unit

Dr.-Ing. Roger Schlim
Plate / Section Steel Business Unit

Prof. Dr. jur. Gerd Schöler
Trading Business Unit since October 1, 2014

a) Membership in other Supervisory Boards formed subject to the definition of Section 125 German Stock Corporation Act (AktG)
b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises

The Supervisory Board

Rainer Thieme
Chairman
Chairman of the Management Board of Wilhelm Karmann GmbH, retired, Osnabrück
a) ▪ Köster Holding AG, Osnabrück

Dr. Hans-Jürgen Urban
Vice Chairman
Member of the Management Board of Industriegewerkschaft Metall, Frankfurt am Main
a) ▪ Salzgitter Flachstahl GmbH, Salzgitter, since June 1, 2014 (Vice Chairman since June 18, 2014)
▪ Treuhandverwaltung IGEMET GmbH, Frankfurt am Main

Konrad Ackermann
Chairman of the General Works Council of KHS GmbH, Dortmund
a) ▪ KHS GmbH, Dortmund

Bernhard Breemann
Chairman of the General Works Council of Salzgitter Mannesmann Stahlhandel GmbH
Chairman of the Works Council of Salzgitter Mannesmann Stahlhandel GmbH, Gladbeck
a) ▪ Salzgitter Mannesmann Handel GmbH, Düsseldorf

Ulrike Brouzi
Member of the Executive Board of Norddeutsche Landesbank Girozentrale, Hanover
a) ▪ NORD/LB Asset Management AG, Hanover
b) ▪ NORD/LB Luxembourg S. A., Luxembourg (Supervisory Board)
▪ NORD/LB Covered Finance Bank S. A., Luxembourg (Supervisory Board)

Annelie Buntenbach
Managing Member of the National Executive Board of the Trade Union Federation, Berlin
▪ No membership in other governing bodies

Hasan Cakir
Chairman of the Group Works Council of Salzgitter AG, Salzgitter
Chairman of the Works Council of Salzgitter Flachstahl GmbH, Salzgitter
a) ▪ Salzgitter Flachstahl GmbH, Salzgitter

Ulrich Dickert
Chairman of the Works Council of Salzgitter Mannesmann Stainless Tubes Deutschland GmbH, Remscheid
a) ▪ Mannesmannröhren-Werke GmbH, Mülheim/Ruhr, since December 1, 2014

Dr. Thea Dückert
Member of the Bundestag, retired
Visiting lecturer at the Carl von Ossietzky Universität Oldenburg, Department of Business Administration, Economics, and Law, Oldenburg
b) ▪ Norddeutscher Rundfunk, Hamburg (Board of Administration)

Karl Ehlerding
Managing Director of KG Erste "Hohe Brücke 1" Verwaltungs-GmbH & Co., Hamburg
a) ▪ Elbstein AG, Hamburg
▪ KHS GmbH, Dortmund
▪ Lloyd Werft Bremerhaven AG, Bremerhaven
▪ MATERNUS-Kliniken AG, Berlin
▪ WCM Beteiligungs- und Grundbesitz-AG, Frankfurt am Main
b) ▪ German Dry Docks GmbH & Co. KG, Bremerhaven (Board of Administration)

Roland Flach
Chairman of the Executive Board of Klöckner-Werke AG, retired, Duisburg
Chairman of the Executive Board of KHS AG, retired, Dortmund
a) ▪ KHS GmbH, Dortmund
b) ▪ Klöckner DESMA Machinery Pvt. Ltd., Ahmedabad, India, (Board of Directors) until March 26, 2014

Gabriele Handke
Since March1, 2015
Vice Chairman of the Works Council of Peiner Träger GmbH, Peine
▪ No membership in other governing bodies

Prof. Dr.-Ing. Dr. h.c. Jürgen Hesselbach
President of the Technische Universität Carolo-Wilhelmina zu Braunschweig, Braunschweig
a) ▪ Öffentliche Lebensversicherung Braunschweig, Braunschweig
▪ Sachversicherung Braunschweig, Braunschweig

Ulrich Kimpel
Chairman of the Works Council of Hüttenwerke Krupp Mannesmann GmbH, Duisburg
a) ▪ Mannesmannröhren-Werke GmbH, Mülheim/Ruhr

Dr. Dieter Köster
Managing Shareholder of HomeStead GmbH & Co. KG, Osnabrück
Chairman of the Executive Board of Köster Holding AG, retired, Osnabrück
a) ▪ Köster Holding AG, Osnabrück (Chairman)

Bernd Lauenroth
Secretary of the Managing Board of Industriegewerkschaft Metall, Branch Office Düsseldorf
a) ▪ Georgsmarienhütte Holding GmbH, Georgsmarienhütte

Thomas Lehne
Until February 28, 2015
Chairman of the Works Council of SZST Salzgitter Service und Technik GmbH, Salzgitter, until March 31, 2014
Vice Chairman of the Works Council of Salzgitter Flachstahl GmbH, Salzgitter, since June 1, 2014
a) ▪ SZST Salzgitter Service und Technik GmbH, Salzgitter, until March 31, 2014
▪ Salzgitter Flachstahl GmbH, Salzgitter, since June 1, 2014

a) Membership in other Supervisory Boards formed subject to the definition of Section 125 German Stock Corporation Act (AktG)
b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises

Volker Mittelstädt
Chairman of the Works Council of Ilsenburger Grobblech GmbH, Ilsenburg, since March 14, 2014
b) ▪ Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr, (Joint Advisory Council) since June 4, 2014

Prof. Dr. Hannes Rehm
President of the Hanover Chamber of Industry and Commerce (IHK), Hanover
Chairman of the Executive Board of Norddeutsche Landesbank Girozentrale, retired, Hanover
▪ No membership in other governing bodies

Peter-Jürgen Schneider
Minister of Finance of the Federal State Lower Saxony
a) ▪ Bremer Landesbank, Bremen (Vice Chairman)
▪ Deutsche Messe AG, Hanover
▪ Norddeutsche Landesbank Girozentrale, Hanover (Chairman)

Dr. Werner Tegtmeier
State Secretary, retired, of the Federal Ministry of Labor and Social Affairs
a) ▪ Mannesmannröhren-Werke GmbH, Mülheim/Ruhr
▪ Salzgitter Mannesmann Precision GmbH, Mülheim/Ruhr

Dr. Johannes Teyssen
Chairman of the Board of Directors of E.ON SE, Düsseldorf
a) ▪ Deutsche Bank AG, Frankfurt am Main

a) Membership in other Supervisory Boards formed subject to the definition of Section 125 German Stock Corporation Act (AktG)
b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises

Committees of the Supervisory Board

Presiding Committee:
Rainer Thieme, Chairman
Hasan Cakir
Peter-Jürgen Schneider
Dr. Hans-Jürgen Urban

Audit Committee:
Prof. Dr. Hannes Rehm, Chairman
Konrad Ackermann
Bernd Lauenroth
Rainer Thieme

Strategy Committee:
Rainer Thieme, Chairman
Hasan Cakir
Ulrich Kimpel
Prof. Dr. Hannes Rehm
Peter-Jürgen Schneider
Dr. Hans-Jürgen Urban

Nomination Committee:
Peter-Jürgen Schneider
Rainer Thieme

Remuneration of the Executive Board and of the Supervisory Board

Remuneration of the Executive Board

The remuneration of the members of the Executive Board is determined by their tasks and their own individual performance as well as by the success of the company. The amount of remuneration is based overall on the level customary in the comparable business environment.

Under the current remuneration system, remuneration consists of the following components: an annual fixed basic salary, paid out in equal monthly installments, supplementary benefits consisting mainly in making a company car available for private use, variable annual remuneration and a pension commitment. Variable remuneration depends partly on the personal performance of the individual Board member in the respective financial year, measured by the extent to which agreed personal goals are achieved, and partly on the success of the company measured by the return on capital employed (ROCE) calculated as an average of the past five years. The multi-year assessment basis has an incentive effect that promotes the sustainable development of the company. The performance-based component is capped.

The amount of pension commitment depends on the length of service to the Group and is a maximum 60% of the fixed salary. The variable remuneration components are not relevant for pension commitments. Pension entitlement is valid when an Executive Board member reaches the age of 65. If Prof. Dr.-Ing. Fuhrmann retires from the company at its request at the age of 59 or at his own wish at the age of 62, he will be deemed eligible for payments as if he had already reached the age of 65. In the event of premature termination of Executive Board member activities due to a change of control, the Board members are entitled to settlement in the amount of overall remuneration for the remaining term of their contracts of employment. This settlement is, however, capped to the value of three years of remuneration. Should Executive Board activities be terminated without an important reason, the Executive Board members are entitled to the remuneration agreed until expiry of the contract. However, this entitlement is restricted to the amount of two years' remuneration (fixed and variable components). No benefits were granted or pledged by external parties to the individual members of the Executive Board in the financial year 2014 or in 2013 for their activities as Executive Board members.

Remuneration received by the individual members of the Executive Board (benefits accorded for the year)

	Prof. Dr.-Ing. Heinz Jörg Fuhrmann CEO				Burkhard Becker CFO			
In k€	2013	2014	2014 (min.)	2014 (max.)	2013	2014	2014 (min.)	2014 (max.)
Fixed remuneration	924	948	948	948	475	480	480	480
Benefits	20	20	20	20	22	24	24	24
Total	**944**	**968**	**968**	**968**	**497**	**504**	**504**	**504**
One-year variable remuneration	602	602	602	602	280	280	0	280
Multi-year variable remuneration	0	0	0	741	0	0	0	400
Total	**1,546**	**1,570**	**1,570**	**2,311**	**777**	**784**	**504**	**1,184**
Pension expenses[1]	297	244	244	244	143	115	115	115
Total remuneration	**1,844**	**1,814**	**1,814**	**2,555**	**921**	**900**	**620**	**1,300**

	Michael Kieckbusch Personnel since 2013/02				Wolfgang Eging Energy Business Unit until 2014/09				Heinz Groschke Trading Business Unit until 2014/09			
In k€	2013	2014	2014 (min.)	2014 (max.)	2013	2014	2014 (min.)	2014 (max.)	2013	2014	2014 (min.)	2014 (max.)
Fixed remuneration	361	420	420	420	492	378	378	378	492	378	378	378
Benefits	32	40	40	40	21	16	16	16	29	29	29	29
Total	**393**	**460**	**460**	**460**	**513**	**394**	**394**	**394**	**521**	**407**	**407**	**407**
One-year variable remuneration	205	245	0	245	294	221	0	221	294	221	0	221
Multi-year variable remuneration	0	0	0	350	0	0	0	315	0	0	0	315
Total	**598**	**705**	**460**	**1,055**	**807**	**614**	**394**	**929**	**815**	**627**	**407**	**942**
Pension expenses[1]	66	142	142	142	209	0	0	0	195	197	197	197
Total remuneration	**664**	**848**	**603**	**1,198**	**1,016**	**614**	**394**	**929**	**1,010**	**824**	**604**	**1,139**

[1] Service cost pursuant to IAS 19

Remuneration received by the individual members of the Executive Board (income for the year)

	Prof. Dr.-Ing. Heinz Jörg Fuhrmann CEO		Burkhard Becker CFO		Michael Kieckbusch Personnel since 2013/02		Wolfgang Eging Energy Business Unit until 2014/09		Heinz Groschke Trading Business Unit until 2014/09	
In k€	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Fixed remuneration	924	948	475	480	361	420	492	378	492	378
Benefits	20	20	22	24	32	40	21	16	29	29
Total	**944**	**968**	**497**	**504**	**393**	**460**	**513**	**394**	**521**	**407**
One-year variable remuneration	602	602	280	280	205	245	294	221	294	221
Multi-year variable remuneration	0	0	0	0	0	0	0	0	0	0
Total	**1,546**	**1,570**	**777**	**784**	**598**	**705**	**807**	**614**	**815**	**627**
Pension expenses[1]	297	244	143	115	66	142	209	0	195	197
Total remuneration	**1,844**	**1,814**	**921**	**900**	**664**	**848**	**1,016**	**614**	**1,010**	**824**

[1] Service cost pursuant to IAS 19

Overall remuneration for active Executive Board members in financial year 2014 stood at k€ 5,000 (previous year: k€ 5,988, including total remuneration for the former Executive Board members Nonn and Schneider who retired from the Board during the financial year 2013).

Pensions

		Annual payment	Allocation to pension provision		Present value of the obligation	
In €		upon pension eligibility	according to HGB	according to IFRS	according to HGB	according to IFRS
Prof. Dr.-Ing. Heinz Jörg Fuhrmann	2014	568,800 [1]	751,467	2,630,248	6,302,838	10,162,406
Chairman	2013	568,800 [1]	1,060,368	779,211	5,551,371	7,532,158
Burkhard Becker	2014	288,000 [1]	348,878	1,328,032	2,691,690	4,644,588
	2013	288,000 [1]	716,518	738,570	2,342,812	3,316,556
Wolfgang Eging	2014	326,592 [1][2]	358,134	1,236,106 [3]	5,389,475	7,308,356 [4]
until 2014/09/30	2013	308,448 [1][5]	823,407	602,884	5,031,341	6,072,250
Heinz Groschke	2014	340,200 [1][6]	884,403	1,871,073 [7]	5,578,091	7,589,956 [8]
until 2014/09/30	2013	322,056 [1][5]	492,530	262,839	4,693,688	5,718,883
Michael Kieckbusch	2014	252,000 [1]	37,813	732,978	1,873,186	3,369,713
since 2013/02/20	2013	252,000 [1]	1,178,771	1,736,589	1,835,373	2,636,735

[1] Including a former employer's pension commitment taken over against compensation
[2] Pension entitlement at the end of the contract with MRW 2015/09/30, age > 65
[3] Pro rata temporis with SZAG and MRW
[4] Accounted for at MRW until 2014/12/31
[5] Pension entitlement at the end of the contract with SZAG 2014/09/30, age > 65
[6] Pension entitlement at the end of the contract with SMHD 2015/09/30, age > 65
[7] Pro rata temporis with SZAG and SMHD
[8] Accounted for at SMHD until 2014/12/31

Remuneration of the Supervisory Board

Since the start of the current Supervisory Board's term of office on May 23, 2013, each member of the Supervisory Board has received a fixed amount of € 60,000 in accordance with a resolution passed by the 2013 Annual General Meeting of Shareholders. The fixed remuneration is double the amount for the Vice Chairman and three times the amount for the Chairman. In addition, each member receives € 5,000 for committee activities, the respective committee chairmen and members of the Audit Committee € 10,000 and the chairman of the Audit Committee € 30,000. The Chairman of the Supervisory Board and the Vice Chairman are not remunerated for membership in the committees. An attendance fee of € 500 is paid for participation in each Supervisory Board meeting; participation and decision-making by way of telephone do not count as participating in a meeting.

During the previous term of office of the Supervisory Board – in accordance with a resolution passed by the 2010 Annual General Meeting of Shareholders – the following arrangement was latterly applied to remuneration: Each member of the Supervisory Board received annual remuneration which consists of a fixed and variable component. The fixed remuneration component amounted to € 40,000 for each member of the Supervisory Board. The variable component was geared to the success of the company in the long term and amounted to € 300.00 per full € 5 million on the portion of the pre-tax result – prior to deduction of minority interest in the consolidated financial statements of the company (EBT) – which exceeded € 150 million on average over the last three financial years (including the year when remuneration is paid). The Chairman of the Supervisory Board received double and the Vice Chairman one and a half times the amount from the addition of the respective remuneration components. The sum total of both remuneration components paid annually was limited to € 160,000 for the Chairman of the Supervisory Board, to € 120,000 for the Vice Chairman of the Supervisory Board and to € 80,000 for all other Supervisory Board members. In addition, attendance fees were paid out to each Board member and, wherever appropriate, for membership of the committees.

Remuneration received by the individual members of the Supervisory Board

In €		Annual remuneration			
		Fixed remuneration	Committee remuneration	Attendance fees	Total
Rainer Thieme, Chairman	2014	180,000	0	8,000	188,000
	2013	138,333	8,333	7,500	154,167
Dr. Hans-Jürgen Urban, Vice Chairman	2014	120,000	0	5,000	125,000
	2013	95,000	4,167	5,000	104,167
Konrad Ackermann	2014	60,000	10,000	4,000	74,000
	2013	40,000	6,667	2,500	49,167
Bernhard Breemann	2014	60,000	0	1,000	61,000
	2013	51,667	0	2,000	53,667
Ulrike Brouzi	2014	60,000	0	2,000	62,000
	2013	40,000	0	1,500	41,500
Annelie Buntenbauch	2014	60,000	0	2,000	62,000
	2013	40,000	0	1,500	41,500
Hasan Cakir	2014	60,000	10,000	5,000	75,000
	2013	51,667	9,167	4,500	65,333
Ulrich Dickert	2014	60,000	0	2,000	62,000
	2013	51,667	0	2,000	53,667

In €		Annual remuneration			
		Fixed remuneration	Committee remuneration	Attendance fees	Total
Dr. Thea Dückert	2014 2013	60,000 40,000	0 0	2,000 1,000	62,000 41,000
Karl Ehlerding	2014 2013	60,000 51,667	0 0	1,500 2,000	61,500 53,667
Hannelore Elze until 2013/05/23	2014 2013	0 16,667	0 2,083	0 2,000	0 20,750
Roland Flach	2014 2013	60,000 40,000	0 0	2,000 1,500	62,000 41,500
Prof. Dr.-Ing., Dr. h.c. Jürgen Hesselbach	2014 2013	60,000 51,667	0 0	2,000 2,000	62,000 53,667
Ulrich Kimpel	2014 2013	60,000 51,667	5,000 5,000	2,500 3,000	67,500 59,667
Dr. Dieter Köster	2014 2013	60,000 51,667	0 0	2,000 2,000	62,000 53,667
Bernd Lauenroth	2014 2013	60,000 51,667	10,000 6,667	4,000 3,000	74,000 61,333
Thomas Lehne	2014 2013	60,000 40,000	0 0	2,000 1,500	62,000 41,500
Volker Mittelstädt	2014 2013	60,000 51,667	0 0	2,000 2,000	62,000 53,667
Dr. Arno Morenz until 2013/05/23	2014 2013	0 16,667	0 0	0 1,000	0 17,667
Hartmut Möllring until 2013/05/23	2014 2013	0 16,667	0 4,167	0 2,500	0 23,333
Prof. Dr. Hannes Rehm	2014 2013	60,000 51,667	35,000 26,667	2,000 5,000	97,000 83,333
Dr. Rudolf Rupprecht until 2013/05/23	2014 2013	0 16,667	0 0	0 1,000	0 17,667
Peter-Jürgen Schneider	2014 2013	60,000 40,000	10,000 3,333	4,500 2,000	74,500 45,333
Christian Schwandt until 2013/03/31	2014 2013	0 10,000	0 1,250	0 1,000	0 12,250
Dr. Werner Tegtmeier	2014 2013	60,000 51,667	0 0	2,000 2,000	62,000 53,667
Dr. Johannes Teyssen	2014 2013	60,000 51,667	0 0	1,500 1,500	61,500 53,167
Helmut Weber until 2013/05/23	2014 2013	0 16,667	0 2,083	0 2,000	0 20,750
Prof. Dr. Martin Winterkorn until 2013/05/23	2014 2013	0 16,667	0 0	0 500	0 17,167
Total	**2014** 2013	**1,440,000** 1,243,333	**80,000** 79,583	**59,000** 65,000	**1,579,000** 1,387,917

In addition, the following Supervisory Board members received remuneration for Supervisory Board mandates of subsidiaries:

In €		Annual remuneration			
		Fixed remuneration	Committee remuneration	Attendance fees	Total
Konrad Ackermann (KHS)	2014	10,000	0	750	10,750
	2013	10,000	0	750	10,750
Bernhard Breemann (SMHD)	2014	10,000	0	200	10,200
	2013	10,000	0	300	10,300
Hasan Cakir (SZFG)	2014	8,000	0	300	8,300
	2013	8,000	0	400	8,400
Ulrich Dickert (MRW)	2014	833	0	100	933
	2013	0	0	0	0
Karl Ehlerding (KHS)	2014	10,000	0	500	10,500
	2013	10,000	0	500	10,500
Roland Flach (KHS)	2014	10,000	0	750	10,750
	2013	10,000	0	750	10,750
Ulrich Kimpel (MRW)	2014	10,000	0	300	10,300
	2013	10,000	0	300	10,300
Thomas Lehne (formerly SZST)	2014	1,250	0	100	1,350
	2013	5,000	0	400	5,400
(SZFG)	2014	4,667	0	300	4,967
	2013	0	0	0	0
Volker Mittelstädt (Joint ILG/MGB Advisory Council)	2014	1,750	0	300	2,050
	2013	0	0	0	0
Dr. Werner Tegtmeier (MRW)	2014	10,000	0	300	10,300
	2013	10,000	0	300	10,300
(SMP)	2014	5,000	0	200	5,200
	2013	5,000	0	300	5,300
Dr. Hans-Jürgen Urban (formerly SZS)	2014	0	0	0	0
	2013	15,000	0	400	15,400
(SZFG)	2014	7,000	0	300	7,300
	2013	0	0	0	0
Total	**2014**	**88,500**	**0**	**4,400**	**92,900**
	2013	93,000	0	4,400	97,400
Sum total	**2014**	**1,528,500**	**80,000**	**63,400**	**1,671,900**
	2013	1,336,333	79,583	69,400	1,485,317

The employee representatives who are members of trade unions have declared that they will remit their remuneration to the Hans Böckler Foundation in accordance with the provisions of the German Trade Union Confederation.

3. Corporate Governance and Declaration of Conformity

The declaration on the management of the company corresponds to the Corporate Governance Report and can be accessed on the company's website at www.salzgitter-ag.de/en/Investor_Relations/Corporate_Governance/ at any time.

4. Employees

Our employees make a decisive contribution to maintaining and developing the Salzgitter Group, which is why we ensure a healthy working environment, invest concertedly in developing junior staff and promote our employees through attractive development opportunities. Our aim is to offer a motivating working environment where every employee can optimally integrate their talents. These are elements that bolster the Salzgitter Group's competitive ability against the backdrop of the current business challenges and changing demographic conditions.

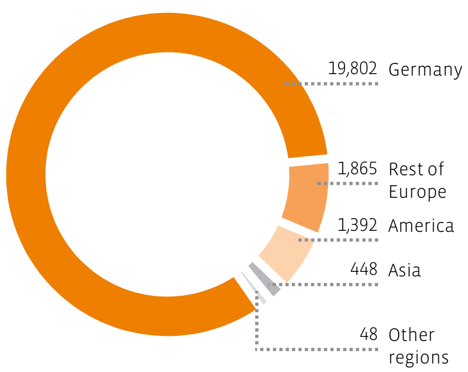
Trends in the workforce

	2014/12/31	2013/12/31[1]	Change
Core workforce Group[2]	**23,555**	**23,446**	**109**
Strip Steel Business Unit	6,192	6,292	– 100
Plate / Section Steel Business Unit	3,108	3,230	– 122
Energy Business Unit	4,959	5,016	– 57
Trading Business Unit	1,888	1,844	44
Technology Business Unit	4,899	4,731	168
Industrial Participations / Consolidation	2,509	2,333	176
Apprentices, students, trainees	1,548	1,568	– 20
Non-active age-related part-time employment	426	680	– 254
Total workforce	**25,529**	**25,694**	**– 165**

[1] 2013 restated
[2] Excluding the members of executive and non-executive bodies

As of December 31, 2014, the core workforce of the Salzgitter Group numbered 23,555 employees, which is 109 people more, and corresponds to an increase of 0.5% compared with the end of the financial year 2013. The comparable figure has been adjusted to take account of the Group's new structure and includes the effects from the proportionate initial consolidation of Hüttenwerke Krupp Mannesmann GmbH (HKM) with 894 employees and from the deconsolidation of the EUROPIPE Group (EP Group) with 612 employees. The increase in our core workforce in 2014 was attributable to the initial consolidation of various Group companies that took place in the third quarter and resulted in a total of 340 employees being included in the personnel statistics for the first time. In addition to the adjustments realized as part of "Salzgitter AG 2015", other developments also had an impact on workforce numbers. Alongside the aforementioned effects of changes in the group of consolidated companies, the number of employees in KHS's international companies grew in line with the expansion of the business and in accordance with the strategy. The positive development in capacity utilization at Salzgitter Mannesmann Stainless Tubes

Regional distribution of the workforce



Group (MST Group) also necessitated hiring additional staff. Including trainees and employees in non-active age-related part-time work, the core workforce stood at 25,529 employees.

At the end of the year we had 945 temporary employees, which corresponds to 3.9% of the sum total of core workforce members and staff outsourced. The year-on-year reduction, adjusted for effects from consolidation effects in 2014, amounted to eight employees. Whereas 520 workforce members were still affected by short time work as of December 31, 2013, this number had fallen to three by the end of 2014.

Personnel expenses amounted to € 1,601.3 million in 2014, which is 0.9% higher than in the year-earlier period, a development also attributable to wage increases from collective bargaining and the expansion of the group of consolidated companies; counter effects emanated from the “Salzgitter AG 2015” reorganization program.

“Salzgitter AG 2015”

The implementation of the “Salzgitter AG 2015” concept is generally proceeding according to plan. By December 31, 2014, we had realized 76% of the reduction potential estimated at more than 1,500 jobs within the Group. As far as possible, we make personnel adjustments in line with socially compatible practice. Implementation is based on a Pact for the Future signed back in 2013 between the Executive Board and employee representatives, accompanied by IG Metall. Since launching the program, the instruments largely used comprised the signing of severance agreements and natural fluctuation. In 2014, addressing structural issues focused on Peiner Träger GmbH (PTG) and the Salzgitter Mannesmann Precision Group (SMP Group).

As part of the “Salzgitter AG 2015” program, we developed numerous process optimization measures. For instance, centers of excellence were set up throughout the Group in order to combine expertise in various fields. These centers are aimed at providing strategic, conceptual and advisory services in future for member Group companies. They will pursue their activities in accordance with instructions from the parent company and be linked with existing structures through their integration into the Group companies. We anticipate a more efficient use of the resources available and greater standardization of workflows.

For the purpose of handling fundamental personnel processes we set up shared services structures in pension and payroll accounting at a prior point in time, aligned with counterpart processes in accounting.

In order to foster groupwide collaboration, and with a view to coordinating the implementation of personnel strategies more closely, we agreed to establish a Human Resource (HR) Board during the process of concluding the Pact for the Future. This board met once in the financial year ended. Its participants are made up of the personnel general managers of the reporting and management companies belonging to the respective business units and the Group’s Chief Personnel Officer. The HR Board establishes the principles and guidelines of our personnel policy and also discusses topical issues affecting the various business units.

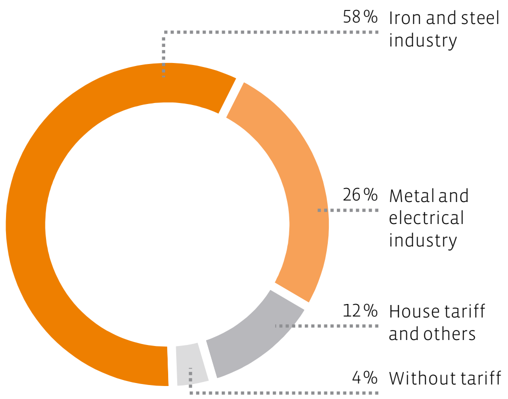
A further component of the Pact for the Future consists of a joint declaration by the Group’s Executive Board and representatives of the employees to meet the challenges of demographic change by finding solutions at the operational level. Salzgitter AG (SZAG) has been engaged in developing appropriate strategies as part of its groupwide “GO – Generation Campaign 2025 of Salzgitter AG” since 2005. Endeavors are geared to further developing the measures already established in ongoing dialog with employee representatives. In this context, the HR Board and the Group Works Council maintain close contact.

More information on the "Salzgitter AG 2015" program is included in the section on "Management and Control of the Company, Goals and Strategy".

Collective bargaining rounds in Germany

The West German steel industry reached a collective bargaining agreement in July 2014 that was subsequently adopted by the tariff area in the east. The agreement includes an increase of 2.3% in wages and salaries as of July 1, 2014, and another rise of 1.7% from May 1, 2015, onward. As from July 1, 2014, training allowances were raised across the board by € 36 a month for all training years. The collective bargaining agreement may be terminated on October 31, 2015, at the earliest. The respective adjustments are being implemented with a six month delay for the employees of PTG.

Breakdown of tariffs within the Group (domestic)



The collective agreement in the metal and electronics industry expired on December 31, 2014. On February 24, 2015, the parties to collective bargaining in Baden-Württemberg reached a pilot agreement that includes an increase of 3.4% in wages from April 1, 2015, onward and may be terminated on March 31, 2016, at the earliest. For the months from January to March 2015, employees will receive a one-off payment of € 150 and trainees € 55.

The increase in actual remuneration of 1.8% agreed in the previous year had been largely implemented with effect from June 1, 2014, for the majority of employees in the Trading Business Unit.

Human resources planning

SZAG has opted for versatile activities primarily aligned to the long term in order to win well-qualified junior staff. Offers to assist in choosing vocational training and higher education already provide children and young people with insights into technical and scientific areas of employment. Alongside the personal contact at information days and university career fairs, school partnerships and cooperations with universities, as well as the extensive mentoring of trainees, form further key components of our human resources planning as well.

School leavers can apply for vocational training in one of the 29 careers and for dual degree courses offered in the Group companies throughout Germany. While the main emphasis is on technical fields, we also train young people in commercial professions, IT and logistics.

At the end of 2014, 1,251 young employees within the Group were embarking on their careers, having opted for vocational training or degrees that combine theoretical and practical experience. In addition, we employed 297 interns, student trainees and other trainees, which means that our trainee ratio was once again in excess of our own requirements. This is how we are secure the next generation of employees while making a contribution to society.

As with training young people, hiring university graduates is also one of the most important measures for counteracting the shortage of expert employees in technical and scientific professions forecast for the coming years. The “Best Recruiters” study recognized SZAG for the quality of its recruiting processes by awarding it first place in the iron/metal industry. In an overall comparison spanning all industries, we took 14th place among more than 500 employers surveyed throughout Germany. The activities tested included handling spontaneous applications, accessibility by telephone, the content of career websites, online job advertisements and social media activities.

Personnel development

SZAG views continuous professional development for its employees as an important investment in the future. We therefore consistently continued to promote young professionals, experts and managers in 2014. Our groupwide programs dovetail and are geared to various target groups, depending on the professional experience and length of service to the company.

Having extended our personnel development concept to include a mentoring program for women in 2012, the second round of this offer was launched in the financial year under review. Qualified women employees receive effective support in their management careers. In addition, we developed an orientation program entitled “Career Paths for Women” in 2014 that commenced in January 2015. This program is designed for women in all functions and provides orientation in the decision they take when choosing an expert or management career.

Training and continuous professional development (CPD)

We want to offer our employees continuous professional development and training at all stages of their working lives. In the newly created CPD Center of Excellence, we have a dedicated organization unit within the Group that systematically combines further training for the Group companies located in Salzgitter, Peine and Ilsenburg and will increasingly offer strategic and conceptual services in the future. Moreover, the Center for Vocational Training at Salzgitter Flachstahl GmbH (SZFG) offers specific and general courses, individual training in line with customer specifications as well as – supplementary to the Group’s personnel development programs – seminars for operations executives.

Occupational safety and occupational health management

We view the health of our employees as a high-priority and valuable asset. Based on this premise, occupational safety and occupational health management are consistently implemented and practiced. Our responsibility is anchored in our duty of care for the wellbeing and physical integrity of all our employees, as well as the employees of partner companies, customers, suppliers and visitors.

Intensive activities in the area of occupational safety have allowed us to optimize the technical and organizational conditions in the past, which has meanwhile served to substantially reduce the number of accidents caused. Our activities are therefore currently focused on measures that promote a change in the attitude and behavior of all employees and managers.

A prime example is the “EUVIA” initiative (changing attitudes and behavior in respect of occupational safety) at Salzgitter Mannesmann Grobblech GmbH (MGB). All employees, including managers, are systematically made aware of the importance of their behavior in special courses. Using this as a platform, we launched broad-based seminars on observation and discussion techniques at MGB in 2014 for all employees with managerial authority, the aim being to give them tools to reinforce a culture of operational safety through targeted dialog.

Prevention and early detection measures, promoting the individuals’ responsibility for their own health, the training of managers and our rehabilitation concept (BeReKo) that has won multiple awards also formed a key part of our comprehensive occupational health management. This concept takes the form of a modular program that encompasses prevention, swift recovery and rehabilitation in the case of musculoskeletal disorders and psychological problems and features a systematic network linking all the relevant internal and external experts. In the financial year ended, the offering was supplemented by adding special components for the occupational group of crane operators and for adipose employees with the associated diseases.

Communication

We hold a Group Forum every year to keep our senior executives informed about topical issues within the company. This year’s event was organized under the motto of “**YOU**NITED – Achieving More Together”, our mission statement that has recently been approved. The Executive Board presented the 360 Degree Concept that is dedicated to comprehensively developing the Salzgitter Group and the current stage in the implementation process. Other areas of focus were presentations on current processes and projects in the Group’s new business units. A keynote speech was given by Dr. Gunter Dunkel, Chief Executive Officer of NORD LB, on the topic of “Europe and its Industry – Comments from the Standpoint of a Banker”. All in all, 345 executives, general managers and executive employees from the domestic and international companies took part in the Group Forum.

YOUNITED corporate mission

We completed the process of developing the Group’s new mission statement in the financial year elapsed. “**YOU**NITED” uses the components of “Goals – Paths – Values” to formulate the Group’s most important principles and lays down guidelines for our day-to-day activities. The fundamental statement of “Achieving More Together” underscores our chosen aspiration and reflects our groupwide identity.

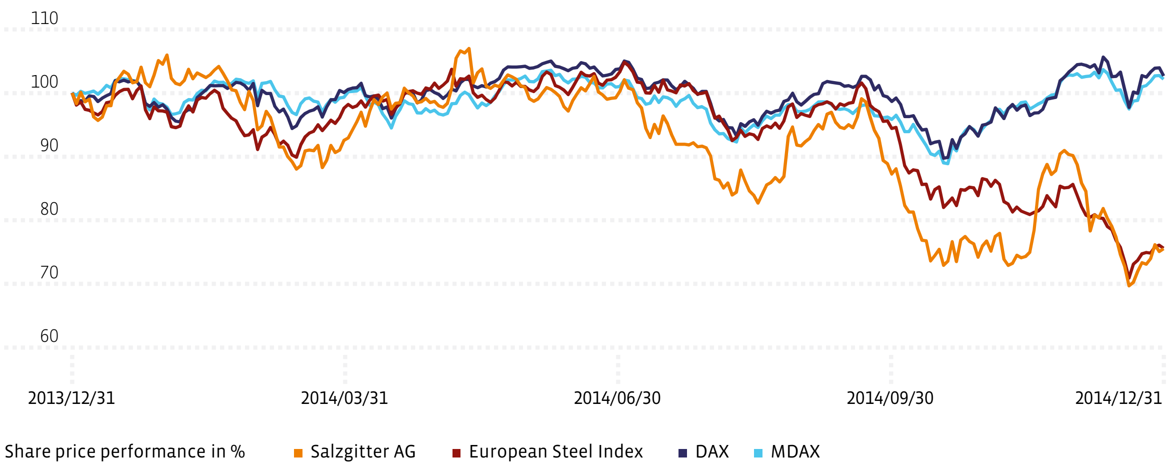
The corporate mission evolved in a process initiated back at the end of 2012 with the collaboration of employees throughout the entire Group across all hierarchical levels and was discussed on a broad basis to ensure employee participation and acceptance. The six fundamental values are now to be introduced one after the other as “Value of the Year” and lived through initiatives, starting with the value of “Innovation”. To this end, we launched the groupwide competition for ideas in 2014. Innovative approaches in all areas of production and administrative processes, in the organization and in the range of product and services are eligible for awards. Our intention in running this program is to address all employees directly and to involve them intensively, thereby fostering creativity and entrepreneurial action, which are both key components in developing our corporate culture, throughout the Group.

5. The Salzgitter Share

Capital Market and Price Performance of the Salzgitter Share

Against the backdrop of an extremely volatile political and economic environment, the **stock markets** did not form any longer-term trend in 2014. After a favorable start to the year, the emerging Ukraine crisis and weaker-than-expected economic data from the USA triggered a consolidation before the end of the first quarter. The subsequent countermovement saw the DAX break through the 10,000 point barrier for the first time at the start of June. Shortly afterwards, cooling economic sentiment indicators led to a second period of correction that persisted through to October, apart from a short-lived bullish phase in the second half of August. The renewed upturn in growth data from the USA and positively received statements by various central banks at the end of the year resulted in a fourth uptrend that brought the DAX to 10,093.03 points on December 5, thereby marking a new record level. The DAX achieved an overall performance of 3%, while the MDAX climbed by 2% in the period under review.

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



Sources: XETRA closing price Deutsche Börse AG, Datastream STEELEU

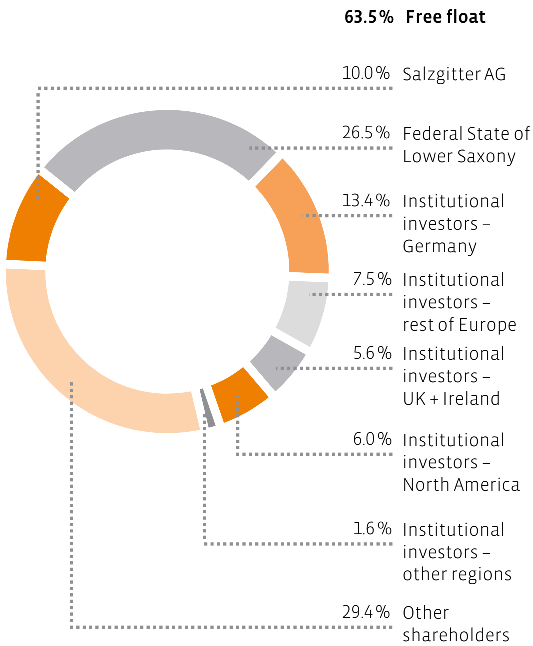
The ongoing structural crisis in the European steel industry, coupled with the fragile economic and political environment in Europe, were the main factors influencing the price trend of the majority of steel equities in the financial year 2014 as well. They therefore reacted more sensitively to news than the equities of other sectors. Accordingly, starting from a closing price of € 31.00 in 2013, the **Salzgitter share** rose more sharply than the leading index through to mid-February, bolstered by the improved economic outlook in Europe and the awarding of part of the South Stream pipeline project volume to EUROPIPE GmbH (EP), a 50 % participation. After the first price correction, the share reached a new high for the year during the second uptrend on June 13 when it posted € 33.81. The beginning of the second half of 2014 saw it decline below the general downtrend again. The presentation of the nine-monthly figures – very positively received by the capital market – supported another uptrend that once more significantly outperformed the general market development. In the last few months of the reporting period, steel equities decoupled from the leading index and underwent a renewed consolidation owing to dampened economic expectations. In addition, the announcement of the suspension of the South Stream contract burdened the share price. Altogether, the overall performance of the Salzgitter share posted –24 % in 2014.

The average daily turnover of our share on Germany's stock exchanges stood at 310,000 in the period under review, thereby falling almost 11% below the year-earlier figure. With an accumulated trading volume of € 2.1 billion, Salzgitter AG (SZAG) took 21st place in the MDAX ranking of Deutsche Börse AG on December 30, 2014. A free float market capitalization of approximately € 907 million placed the company in 47th place measured by this criterion.

Shareholder structure

According to a survey commissioned in November 2014, the shareholder structure of SZAG has changed only slightly in comparison with year-end 2013. Apart from 10% in treasury shares, shareholders registered in Germany, including the Federal State of Lower Saxony as a major investor, held at least 39.9% of the Salzgitter shares, which is around 2.0% lower than in the previous year (2013: 41.9%). The stake held by German institutional investors rose to 13.4% (2013: 15.4%); the share of foreign investors declined to 20.7% (2013: 19.9%). 29.4% of our investors could not be identified. The latter are likely to be private domestic and foreign investors, as well as institutional investors with no reporting requirements, such as insurance companies and trust foundations. Salzgitter shares in free float remain unchanged at 63.5%.

Shareholder structure



As per 2014/12

Treasury shares

SZAG's portfolio of treasury shares came to 6,009,700 units as per December 31, 2014, and is unchanged from December 31, 2013.

Information for investors

		2014	2013	2012	2011	2010
Nominal capital[1]	€ m	161.6	161.6	161.6	161.6	161.6
Number of shares[1]	units m	60.1	60.1	60.1	60.1	60.1
Number of shares outstanding[1]	units m	54.1	54.1	54.1	54.1	54.1
Market capitalization[1][2]	€ m	1,266.2	1,676.7	2,132.4	2,089.4	3,124.6
Year-end closing price[1][3]	€	23.41	31.00	39.43	38.63	57.77
Stock market high[3]	€	33.81	41.56	48.95	65.64	74.32
Stock market low[3]	€	21.07	24.54	27.03	32.43	45.76
Earnings per share/EPS[4][5]	€	–0.64	–9.11	–1.89	4.31	0.55
Cashflow per share/CPS[4][5]	€	11.07	2.61	7.90	–3.63	21.96
Dividend per share (DPS)	€	0.20[6]	0.20	0.25	0.45	0.32
Total dividend	€ m	12.0[6]	10.8	13.5	24.3	17.3

Securities identification number: 620200, ISIN: DE0006202005

[1] All information as per December 31
[2] Calculated on the basis of the respective year-end closing price multiplied by the number of shares outstanding as per December 31
[3] All data relate to prices in XETRA trading
[4] Calculated by taking account of the weighted average number of shares outstanding
[5] 2013 restated
[6] Subject to approval by the General Meeting of Shareholders

Dividend

The Executive and Supervisory Boards propose that the General Meeting of Shareholders approve a dividend payment of € 0.20 per share for the financial year 2014. Based on a nominal share capital of € 161.6 million, the dividend distribution proposed totals € 12.0 million.

Investor Relations

We used various channels to communicate intensively with our private and institutional investors in 2014 as well. We presented the results of the financial year 2013, along with those of the first six months of 2014, at well-attended analyst conferences in Frankfurt and London and engaged in intensive dialog with capital market representatives. We arranged telephone conferences when the reports were published for the first quarter and the first nine months of 2014. We also made presentations at investor conferences and road shows in Germany, Europe and the US. A large number of investors and analysts were eager to take the opportunity of visiting our production sites where they informed themselves on location about the relevant processes, facilities and products. In addition, the business situation and the potential of the Salzgitter Group were discussed in depth with Executive Board members and other managers on these occasions.

The “Freundeskreis der Aktionäre der Salzgitter AG” (circle of friends of Salzgitter AG shareholders) arranged a series of events for our private investors who were able to gain an insight into current developments within the Group and its business environment. Members of the Executive Board and of the Group Management Board also gave keynote presentations and reported on their areas of responsibility.

Recommendations and company reports on SZAG were issued by a minimum of 24 financial institutions in the financial year 2014. At year-end their ratings were:

- 8 buy/outperform
- 9 hold/neutral
- 7 sell/underperform

At present, the institutions listed below report regularly on the Salzgitter Group:

Alphavalue	Jefferies
Baader Bank	JP Morgan
Bank of America/Merrill Lynch	Kepler Cheuvreux
Bankhaus Lampe	LBBW
BHF Bank	Macquarie Capital
Citigroup	MainFirst
Commerzbank	Metzler
Credit Suisse	M.M. Warburg
Davy	NORD/LB
Deutsche Bank	S&P Capital IQ
DZ-Bank	Société Générale
EXANE BNP Paribas	Steubing
Goldman Sachs	UBS
HSBC	

"WE ARE WORKING ON ALWAYS BEING THE BEST POSSIBLE PARTNER FOR OUR CUSTOMERS."

The "360 Degree Concept" is anchored in our corporate policy in which we have defined the goals and the principles of our actions. Alongside professionalism, discipline, identity and liquidity, agility is a key principle that plays a special role in the daily work of the Trading Business Unit: Our globally active team responds rapidly and flexibly to customer wishes.

We also keep a close watch on the constantly changing markets and adjust our range of products and services to new requirements.

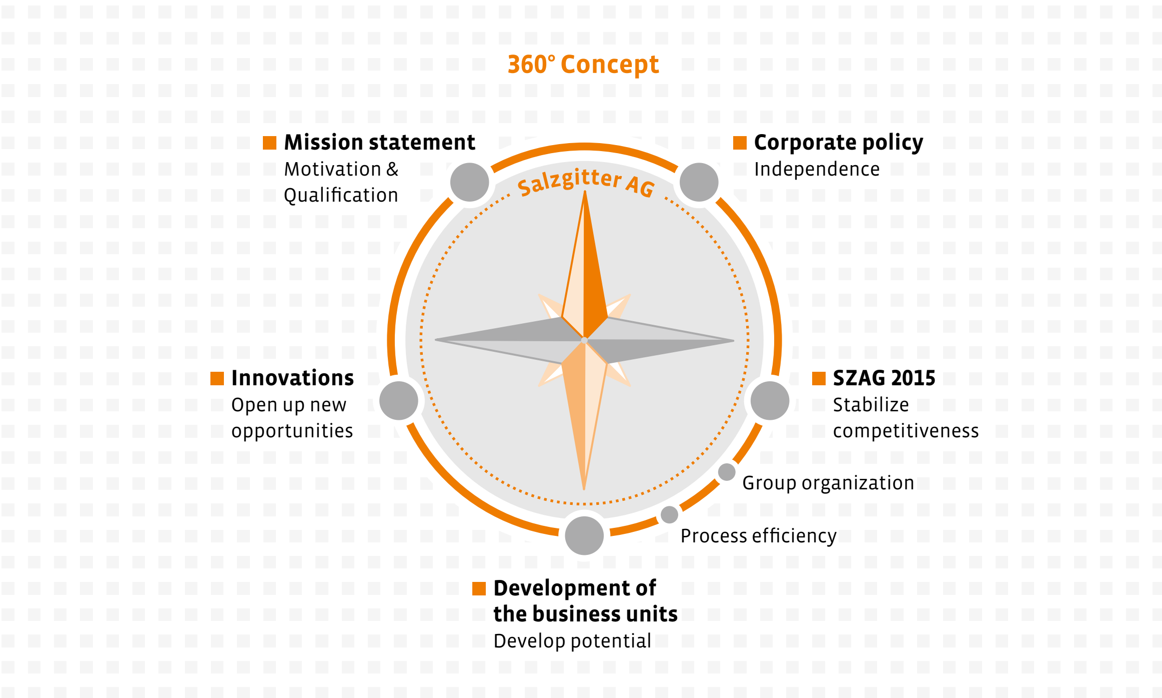
Our further processing capabilities, for instance, are currently being expanded, which will enable us to increasingly offer a range of processing services from a single source. This is an example of how each business unit goes about implementing the principles of our policy in the best possible manner, with the aim of permanently securing our Group's competitiveness.

II. Goals and Key Factors for Success

1. Management and Control of the Company, Goals and Strategy

We develop the Group with an integrated, holistic 360 Degree Concept that is geared to actively shaping the Group. Starting with the corporate policy, the concept comprises the short to medium-term development of our business units as a further key component flanking the "Salzgitter AG 2015" program, opening up new opportunities, also in the long term, through innovations, and a new mission statement as a medium for developing the company's corporate culture.

Core components of the 360 Degree Concept



Corporate policy – independence as a core prerequisite

The primary objective of the Salzgitter Group's corporate policy is to retain its independence. Our strategy as well as the decisions derived from it and tactical measures are geared to optimizing the value of the Group and its companies and to implementing the corporate policy that is anchored in self-determination.

The prerequisites for ensuring the Group's sustainable success to the benefit of all stakeholders include financial stability and a sound balance sheet and, equally important, the Group's ability to adjust to the accelerating pace of change in market and environmental conditions.

Stabilizing competitiveness

The Salzgitter Group's market environment is subject to an ongoing structural crisis in Europe's steel industry. Increasingly fierce competition, emanating above all from the protracted capacity underutilization of numerous producers in southern Europe, continues to exert huge pressure on steel producing companies.

Against this backdrop, the swift realization of the "Salzgitter AG 2015" program constitutes the prerequisite for securing the Salzgitter Group's competitiveness. In conjunction with adjusting the goals, structures and processes for the entire group of companies to the challenging conditions prevailing in the sales markets, this program forms the basis for actively shaping the Group's future.

We made fundamental changes to the group and management structure in 2014 as an integral part of the "Salzgitter AG 2015" program. The new organization structure is aligned to a high degree of customer and market orientation, along with transparent, lean management structures. In addition, it functions as the starting point for extensive measures designed to enhance process workflows.

The implementation of this package of measures harboring an overall profit improvement potential in excess of € 200 million is proceeding according to plan. By the end of 2014 we had realized more than half the measures. Special contributions to sustainably improving the results were made by the rigorously and swiftly implemented restructuring program of Peiner Träger GmbH (PTG) and the precision tubes group, as well as KHS's "Fit4Future" program. Furthermore, the service organization units have made significant progress. We will continue to forge ahead with the "Salzgitter AG 2015" program as a high priority in 2015 as well. Accordingly, the construction measures involved in building the pulverized coal injection (PCI) plant are progressing according to plan. The new unit will contribute to substantially lowering metallurgy costs in the Salzgitter location once it is commissioned in 2015.

Establishing the Accounting Shared Service Center (SSC), a process we launched in 2012 as one of the first steps toward realigning our core processes, was successfully concluded at the Salzgitter site in 2013. November 2014 saw SSC accounting in Mülheim take up operations; the KHS Group's accounting based in Dortmund was integrated one month later. There are plans to combine the two North Rhine-Westphalian SSC locations in Dortmund in the next one to two years, which will enable us to centrally manage accounting for a large part of the Group. We anticipate substantial cost savings from these optimized processes, such as those already achieved through centralizing pension and payroll accounting.

Development of the business units – leveraging potential

The activities of the business units are oriented first and foremost toward customer and market requirements. They are designed to deliver premium, innovative products as well as to ensure a broad-based footing for the Group. We develop potential in a targeted manner by focusing on sustainable profitability in the business units. The necessary investments and acquisitions undergo detailed screening.

Strategy of the business units

The core competencies of the **Strip Steel Business Unit** lie in the production of steel in the fully integrated steelworks of Salzgitter Flachstahl GmbH (SZFG) and subsequent processing to produce high-grade strip steel products. We use the affiliated Steel Service Centers of Salzgitter Mannesmann Stahlservice GmbH (SMS) to serve the growing prefabrication requirements of our customers. The two processing companies Salzgitter Europlatinen GmbH (SZEP) and Salzgitter Bauelemente GmbH (SZBE) extend the value chain within the business unit with their customized products for the automotive and construction industries. Moreover, the companies of the Salzgitter Group that serve the automotive industry and SZFG maintain active dialog with customers, which fosters the development of innovative component solutions made of steel together with and for the automotive industry. In order to meet the steadily rising demands customers are making on steel as a material, SZFG is expanding its production facilities in a targeted manner, as is currently the case with secondary metallurgy. In addition, technological measures designed to flexibilize and improve the use of energy and resources play a significant role. SZFG is investing in the energy-saving and resource-conserving future production of steel through developing belt casting technology. This innovative technology is focused on the production of new high manganese content lightweight construction steels, such as HSD® steel that displays ultra-high strength combined with good formability. More information can be found in the section on "Research and Development".

The **Plate / Section Steel Business Unit** incorporates the companies of the Group that primarily serve customers from the construction and infrastructure sectors in project-oriented transactions. The concentration of heavy plate activities under this business unit, with the associated supplementation of the product range, facilitates optimized market development. 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 coordinated and flexibly managed. In our heavy plate business we positioned ourselves at an early stage to take advantage of growth in the wind turbine industry's market. The investments already committed and up and running in this business strengthen our leading position as a vendor of input material. As an important supplier to the large-diameter pipe industry, we align our plate production flexibly to the industry's requirements through joint plant cooperations. We counteracted the tense situation in the European section steel market in 2014 through adjusting capacities at PTG. The rigorous implementation of measures under the 1 Million Ton Concept resulted in significant improvement in the earnings situation in 2014. Moreover, against the backdrop of the structurally induced difficult market conditions of Europe's sheet piling business, we have initiated the investigation of all options at Hoesch Spundwand GmbH (HSP) to improve the economic situation for the Salzgitter Group.

The Group's tubes activities are concentrated under the **Energy Business Unit**. A major part of these activities are focused on infrastructure projects in the energy sector and are of a typically late cyclical nature due to the industry's requirements being generally oriented towards the long term. The portfolio is complemented through leading producers of precision steel tubes for the automotive industry and industrial application as well as stainless steel and nickel based alloy tubes. The Group's subsidiaries that supply the markets for the transportation of agents (media such as gas) reliant on pipelines are especially set to benefit – as before – from their excellent competitive position and the fact that access to energy and water are indispensable prerequisites underpinning society's prosperity. The BRIC countries' growing demand for energy, the development of the USA toward becoming self-sufficient in oil and gas, accompanied by a downturn in energy demand in industrial nations induced by efficiency gains now mean that growth opportunities are to be found especially outside western Europe, albeit against the backdrop of fiercer competition in some markets. In line with these developments, the Energy Business Unit intends to expand its globally oriented structures and reinforce collaboration with strong partners such as the Group's international trading business. Against the backdrop of protracted and considerable economic problems over the years, EUROPIPE France SA (EPF), a wholly-owned subsidiary of EUROPIPE GmbH (EP), has commenced the process of restructuring the company. With this in mind, management initiated the procedure defined under French law for informing and consulting the Works Council on the economic reasons for the planned restructuring on September 30, 2014. The Dunkirk site has a workforce of 160 employees.

The global network of the **Trading Business Unit** is the link between our production companies and the sales and procurement markets. Accordingly, alongside a well-developed organization of stockholding steel trading subsidiaries, Trading also comprises companies specialized in plate and a globalized international trading network, all of which gives access to growth markets such as the USA, the BRIC countries and Eastern Europe. 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. Changes in market and competitive conditions have resulted in the product and service offerings evolving and have been accounted for by investments in the European stockholding steel trade. Measures to expand processing capacities are intended to strengthen Trading's market position and enhance its value added. Examples include stepping up further processing in Peine with, for instance, sectional girders in concrete, and expanding the processing offerings and tubes business in southern Germany. Moreover, developing locations in the Netherlands and Romania also contribute to securing the future of the European stockholding steel trade.

The **Technology Business Unit** continues to focus on products that excel in terms of technology and quality. Accordingly, maintaining service and technological leadership remains the central aspiration of the KHS Group as a vendor of filling and packaging machinery for the beverages industry. Production sites in all the main markets and a global service and sales network ensure customer proximity. Improving resource efficiency constitutes a focal point of development activities. With the aim of improving the company's earnings position and performance, the successful "Fit4Future" restructuring program under way from 2011 until 2014 is to be continued in a successor "Fit4Future 2.0" corporate development program. Turnkey, resource-conserving system solutions for the production of rubber and silicon molded parts with the aid of an injection molding machine designed by Klöckner DESMA Elastomertechnik GmbH (KDE) meet the highest standards of the elastomer processing industry. This special market position is to be strengthened further through sustainable qualitative and quantitative growth as well as through actively selling innovative products. Klöckner DESMA Schuhmaschinen GmbH (KDS) is the leading producer of machines and molding equipment for the direct soling of shoes and sole production processes. Backed by a long tradition, the company concentrates on innovative automation concepts that open up more direct ways of manufacturing individual shoes, accompanied by highest caliber service.

Innovations – tapping new opportunities through targeted research and development

The Salzgitter Group's research and development (R&D) philosophy extends well beyond the conventional development of existing products and processes: Innovations are generally the result of systematically controlled processes, ranging from trend analysis in clearly defined product and technology clusters through generating ideas and evaluating their strategic and financial significance, intellectual property analysis, the R&D activities themselves and on to the actual implementation of the results at an operational level. Delivering customer benefit is the focal point of all activities. For more information please see the section on "Research and Development".

Corporate mission – motivation and qualification

The sustainable competitive and innovative capability of the Salzgitter Group is especially dependent on motivated and well qualified employees. Consequently, forward-looking further training, the systematic fostering of the workforce and the winning of highly qualified junior staff has always held high strategic priority for us. The new "**YOU**NITED – Achieving More Together" mission statement reflects the groupwide identity, thereby strengthening the long-term alignment of the Group. More information can be found in the section on "Employees".

Management and control instruments

We strive to steadily and sustainably enhance the competitive ability of the Salzgitter Group. With this in mind, we deploy a range of management and control instruments, alongside the regular coordination of goals at Executive Board level, flanked by the respective reporting to the supervisory and controlling bodies:

- return on capital employed (ROCE),
- Profit Improvement Program (PIP) and
- agreeing individual objectives for executives and non-tariff employees.

Apart from ROCE, the Salzgitter Group uses sales and earnings before taxes as key financial indicators. Other parameters of control include order intake, shipment volumes and the development of the cash flow.

Management and control system applied within the company – ROCE

The quantitative, performance-related target set for the Group consists of a return on capital employed (ROCE) of at least 12% over an economic cycle that we generally define as a period of five years. ROCE shows the relationship of EBIT I to capital employed and measures the return on capital employed:

$$\textbf{ROCE}\ (\%) = \frac{\textbf{EBIT I}}{\textbf{Capital employed}} \times 100\ \%$$

EBIT I (earnings before interest and taxes), used in the calculation of ROCE, is the result before taxes and interest expenses, adjusted for the interest portion of transfers to pension provisions. Interest income remains part of EBIT I as it is considered to be part of ordinary activities and therefore contributes to the return on capital employed.

In € m	2014	2013[1]
EBT	–15.2	–482.8
+ Interest expenses	146.3	125.2
– Interest expenses for pension provisions	–67.1	–65.1
= EBIT I	**63.9**	**–422.7**

[1] 2013 restated

Capital employed is interest-bearing equity and debt.

This ratio is calculated by deducting pension provisions and non-interest-bearing balance sheet items from the total assets:

In € m	2014	2013[1]
Total assets	8,493	8,250
– Pension provisions	–2,442	–2,120
– Other provisions excluding provision for income taxes	–635	–681
– Liabilities excluding bonds, bank liabilities and notes payable, liabilities from finance leasing and forfaiting	–1,594	–1,188
– Deferred tax claims	–296	–226
= Capital employed	**3,526**	**4,034**

[1] 2013 restated

Pension provisions and related interest expenses are eliminated in the calculation of ROCE as these components cannot be influenced by management decisions in the short to medium term.

The figures used for the calculation of the ratios are taken from the consolidated financial statements as per the reporting date.

Since the ROCE target (12%) is to be achieved within the Group as an average over the economic cycle, it is more of a medium to long-term target. We derive specific strategic objectives from this target for each individual business unit and company. These objectives are taken account of in medium-term planning – in an updated form whenever necessary.

In the period from 2005 up until and including 2014, we delivered a ROCE of 11.6%, thereby virtually achieving our profitability target despite the currently unsatisfactory earnings performance. In 2014, we generated a ROCE of 1.8% (previous year: –10.5%). Upon elimination of the net cash investments held at banks, ROCE from industrial operations stood at 1.3% (previous year: –14.0%).

Profit Improvement Program (PIP)
We view the sustainable improvement of the Group's competitiveness as one of our permanent management tasks to be achieved by optimizing our value chain processes on an ongoing basis. We place special emphasis on the systematic and consistent leverage of the existing potential in all our business units. To this end, we introduced the concept of our Profit Improvement Program (PIP) as a groupwide, uniform management instrument into the Salzgitter Group back in 1996.

All explicitly defined measures designed to improve the performance and results of the Group's companies are combined under PIP to the extent that the impact of these measures is measurable and assessable, based on a set of financial ratios. All projects are subject to a stringently systematic procedure for measuring success to which binding and standardized assessment criteria are applicable. The measures underpinning the "Salzgitter AG 2015" program reflect these assessment criteria and are also integrated into PIP. They represent a profit improvement potential of more than € 200 million. The measures under the "Salzgitter AG 2015" program – more information can be found under the section on Strategy – are directed first and foremost to reducing costs and improving productivity from re-engineered, leaner processes and combining competences in maintenance and logistics. References to particular companies include, among others, the "Fit4Future" program (KHS Group), the "1 Million Ton Concept" (PTG) and the major investment in the Pulverized Coal Injection (PCI) plant. In terms of all the business units, lowering the costs of IT and other areas of administration is being targeted. The degree to which goals are achieved under the "Salzgitter AG 2015" program is measured month by month. In addition, we have set up Personnel Controlling to monitor personnel-related measures.

Employees play an active part in PIP

In contrast to pure top-down approaches, the commitment of all involved under the PIP concept ensures the successful implementation of the steps agreed. Accordingly, our employees' suggestions for improvement are also incorporated into PIP. The acceptance of the program, which relies mainly on our employees initiative and their willingness to use the structures and mechanisms established to consistently improve the profitability of their own projects, therefore remains very high across all management levels. PIP is synonymous with efficient and sustainable business conduct based on the premise of initiatives and has become firmly anchored in the Group's corporate culture over the years.

Project success stories

The successful implementation of measures resulting from "Salzgitter AG 2015" and those that extend beyond the program are reflected in PIP. These measures are currently increasingly focused on improving internal performance. Furthermore, the concepts for a large number of new measures are being drawn up at present and will be subsequently integrated into PIP.

PIP's gratifying result is due to the contributions of various areas of the company: Alongside improved workflows in production and administration, as well as streamlining the use of material and external services, this includes activities in the sales markets, with products delivering higher value added. Moreover, an expansion of sales channels has resulted in considerable potential. Achieving the goals set for the Group involves an increase in expenses in some areas, such as higher capital expenditure, that are reflected in our income statement.

Agreeing individual objectives for executives and non-tariff employees

Agreements on objectives serve to transmit corporate goals and cascade them down to the level of each individual employee's personal endeavors. SZAG divides these objectives up into individual targets for executives and non-tariff employees and a collective, quantitative component reflecting the Group's goal of achieving a return on capital employed (ROCE) of at least 12%. Part of this process is to define a target for each individual subsidiary. The individual goals are derived from the goals of the next organization unit up in the hierarchy and agreed between superior and employee. Beyond this, we are concerned to ensure that the interaction between the various targets of the employees in their entirety has a positive impact on achieving the overall results of the Group.

2. Investments

As in previous years, the investments measures of the Salzgitter Group focused on the Strip Steel Business Unit in the financial year 2014. The most important projects are explained in the detailed sections which follow on the individual business units.

Additions to non-current assets from investments totaled € 278 million (2013: € 401 million). Capitalized investments from these additions in property, plant and equipment and in intangible assets (€ 270 million) were covered by scheduled depreciation and amortization (€ 339 million). Financial assets rose by € 8 million, which was largely attributable to an increase in the securities portfolio for deferred compensation.

Along with the Strip Steel Business Unit (€ 117 million), major investments in property, plant and equipment and intangible assets were made this financial year in the Energy (€ 48 million) and Plate / Section Steel (€ 37 million) business units.

Investments/depreciation and amortization[1]

	Investments[1]		Depreciation/amortization[2][3]	
In € m	Group	Strip Steel BU and Plate / Section Steel BU[4]	Group	Strip Steel BU and Plate / Section Steel BU[4]
2014	**270**	**155**	**382**	**261**
2013	359	193	530	423
2012	325	187	358	248
2011	361	233	359	249
2010	497	410	377	275
Total	**1,811**	**1,178**	**2,006**	**1,456**

[1] Property, plant and equipment and intangible assets, excluding financial assets
[2] 2013 restated
[2] Scheduled and unscheduled write-downs
[4] 2010–2012 Steel Division

Depreciation includes unscheduled depreciation totaling € 42.7 million (2013: € 185.0 million)

Investments/depreciation and amortization by business unit[1]

	Investments		Depreciation/amortization[2]	
In € m	2014	2013[3]	2014	2013[3]
Strip Steel	117.4	131.8	168.1	173.3
Plate / Section Steel	37.4	61.3	92.6	249.5
Energy	48.4	110.0	60.0	48.6
Trading	9.4	9.6	9.2	9.4
Technology	20.5	17.6	24.6	24.6
Industrial Participations / Consolidation	37.0	28.3	27.5	24.4
Group	**270.2**	**358.6**	**381.9**	**529.8**

[1] Property, plant and equipment and intangible assets, excluding financial assets
[2] Scheduled and unscheduled write-downs
[3] 2013 restated

In 2014, the **Strip Steel Business Unit** invested in optimizing and extending its existing facilities as well as in new aggregates. To this end, the following projects in particular were advanced.

In order to reduce metallurgy costs, Salzgitter Flachstahl GmbH (SZFG) commenced with the construction of a **pulverized coal injection plant** that enables the substitution of oil and coke sourced externally by cheaper pulverized coal in 2013. The steel construction of the building to house the plant was completed in 2014. Commissioning is scheduled for mid-2015.

SZFG is investing € 80 million in the construction of **Ruhrstahl-Heraeus facilities** for the vacuum treatment of crude steel in order to maintain its competitive edge: The production of decarburized and desulphurized steels and grades of the highest purity is intended to satisfy ever increasing customer requirements for specified metallurgic composition and ease the capacity bottleneck in secondary metallurgy. The facilities are due to be ramped up in 2017.

The **tandem mill** was supplemented by an inlet system comprising strip storage and a welding machine at the end of 2013. This measure permits partly continuous rolling, thereby perfecting the mill's efficiency as well as the quality of the products produced. Once the performance tests had been successfully completed in the second quarter of 2014, the project was completed, as scheduled.

A further project entails the **"Relining of Blast Furnace B"**. The refractory linings of a blast furnace are exposed to wear and tear during operation and need to be replaced after several years. This is exclusively a replacement investment. Plans have been made to implement the measure in the third quarter of 2015 over a period of around 90 days.

The **"Converter C Renewal"** involves enlarging the converter vessel by around 50 m^3 and improving the drive concept. This is also a replacement investment. An additional aim is to optimize output volumes while reducing operating costs. Engineering work on the facilities commenced in the summer of 2014 for installment in the second half of 2015, in parallel with the relining of Blast Furnace B.

The "ILG 2015" package of measures was completed at **Ilsenburger Grobblech GmbH** (ILG) in the **Plate / Section Steel Business Unit**, with all auxiliary items having been upgraded. Thanks to this 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, with another key area focused on optimizing operational process workflows and the product quality.

Given the difficult economic situation, **Peiner Träger GmbH** (PTG) kept its capital expenditure measures to a minimum in 2014.

Salzgitter Mannesmann Line Pipe GmbH (MLP) that belongs to the **Energy Business Unit** continued to implement its program of upgrading the Siegen mill to accommodate higher wall thicknesses and grades as well as investing in a new pre-forming stand.

At the Holzhausen site, **Salzgitter Mannesmann Precision GmbH** (SMP) investments were made in an inert gas plant, while a drum drawing machine was installed at the Brackwede works as a fully automated production cell to be used for high-performance diesel injection pipes.

Salzgitter Mannesmann Stainless Tubes Group (MST Group) concentrated its investment activity primarily on replacement and complementary measures in 2014. The extension of the extrusion press at the Montbard mill in France is designed to supplement the production portfolio in the medium term by adding stainless steel tubes in larger dimensions.

The **Trading Business Unit** modernized existing facilities and acquired new ones in the financial year 2014. In this context, Salzgitter Mannesmann Stahlhandel GmbH (SMSD) initiated several projects to expand the finishing capacities of the German stockholding steel trade. This included extending the flame cutting operations in the Plochingen site, enlarging the warehouse capacity for the tubes business in Mannheim and commissioning a powder coating facility in Hanover. The end of the year saw new drilling and new conservation machines go into operation in Oosterhout.

In 2014, the **Technology Business Unit** continued to focus on replacement and streamlining measures geared to promoting the sustainable competitiveness of the KHS Group. IT projects in Germany and in the international companies are currently being carried out to further optimize workflows. Production machinery was replaced in domestic and foreign companies, which further enhanced productivity, product quality and process stability. 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. Implementation is being carried out in close coordination with the Customer Relationship Management (CRM) system. Great progress was made in implementing the CRM system in 2014, which will allow the testing and introduction phase to commence in 2015. Emulating the successful approach to lean manufacturing adopted in the Kleve and Worms plants, and in part also at the Bad Kreuznach plant, continuous production geared to reducing assembly times and logistic costs is currently being implemented at two product segments in Dortmund as well. These measures will be supplemented by building another new production facility in the Kleve plant to meet the steady growth in customer demand.

3. Research and Development

Salzgitter Mannesmann Forschung GmbH (SZMF), one of Europe's leading steel research institutes, coordinates the Salzgitter Group's research and development (R&D) for the Strip Steel, Plate / Section Steel and Energy Business Units. SZMF is part of a tight network with prestigious universities, research institutes and industrial partners, most particularly in the context of numerous national and international research projects. The resulting research cooperations are viewed as clearly preferable to buying in external know-how, which is also the reason that no commensurately high expenses have been incurred during the reporting period. In addition, SZMF actively participates in defining relevant standardizations, also in the international arena.

Activities at the Salzgitter site are concentrated on the development and optimization of new steels and coatings in the hot-rolled and cold-rolled strip segments. They cover the entire process chain of steel production, coating and processing. In order to offer full-line solutions, the complex further processing sequences of customers are incorporated right through to final component engineering.

The Duisburg site concentrates on the tubes, sections and heavy plate segments. The company's range of expertise in the tubes segment covers welded and seamless precision tubes as well as line pipes right through to large pipelines. In this segment, numerical simulations and experimental trials are deployed to develop new steels and processing know-how. Other areas of expertise comprise engineering analyses of materials and building component mechanics, structural mechanical and metal forming tests, along with the development and construction of non-destructive testing facilities and services encompassing industrial property rights and standardization.

Tradition and innovation go hand in hand in the Technology Business Unit, as R&D underpins the future viability and sustainability of products. Innovation and product development processes consistently reflect customer and market requirements. The emphasis is on maintaining technological leadership with high-quality products.

The ability to innovate is our strength: Proof of our innovative capabilities is shown by the increase in the total number of patents and patent applications in the Technology Business Unit to 4,453 (2013: 4,190) and by the rise in registered trademarks to 575 (2013: 524). All in all, the entire Group held more than 5,182 registered patents (2013: 4,907) and 1,458 trademark rights by the end of 2014 (2013: 1,399).

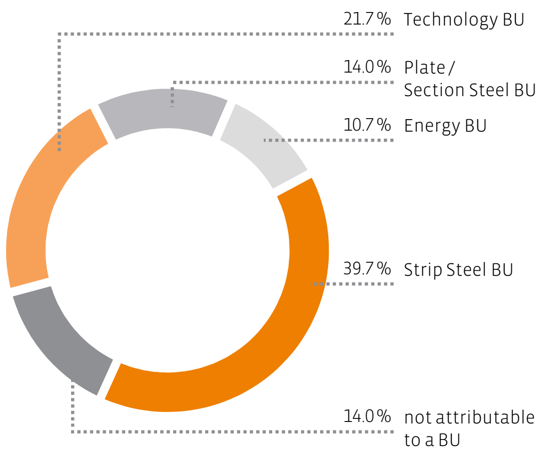
R&D spend

In 2014, the Salzgitter Group incurred expenses totaling € 101.6 million for research and development and relating activities; of which € 12.5 million for external customers. A breakdown of expenditure by business unit is shown in the adjacent chart:

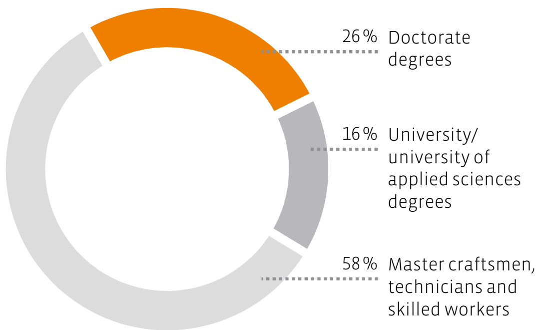
The R&D activities of Salzgitter AG (SZAG) were leveraged through cooperation projects with other market participants and research institutions, bringing the overall project budget to more than € 150 million. R&D-related expenses contributing to value added within the Group came to 5.3% (2013: 7.4%). The change in the value add resulted especially from a reduction in inputs which caused a year-on-year decline of R&D intensity.

As of December 31, 2014, 784 employees in our Group were engaged in research and development activities. Of this number, 294 members of staff work at SZMF and 490 at the operating companies. This allocation underscores how strongly our R&D activities are focused on processes – and therefore on our customers.

Research and development expenses



Breakdown of qualifications at SZFM



R&D focus areas in 2014

The R&D focus areas are based on market and customer requirements. Demand is not only for products but also increasingly for end-to-end technological solutions. The series of "Salzgitter Techdays" held in 2014 at selected automotive customers show that we have our finger on the pulse of the market. Part of these activities included presenting current developments in strip steel and tubes, such as the new xpand® grades. Another key area is the belt casting technology that is geared to a resource-efficient production of conventional and innovative high-performance steels, such as HSD® steels. The Energy Business Unit also puts the customer at the heart of its activities, as evidenced by the issue of safety that plays a major role in the line pipe market. "LiSA", a new pipe testing machine, facilitates the simulation of extreme demands placed on pipelines true to scale in diameters of up to 1.4 m, which allows improvements to be identified. Another example is the avoidance of longitudinal cracks of pipelines under extreme stress. SZMF has developed a predictive model for this purpose. The Technology Business Unit focuses on flexibility and sustainability in its development activities aimed at securing long-term corporate success for its customers.

More detailed information on the aforementioned projects:

“Automotive PerFORMance” – Salzgitter Techday at automotive customers

The demands placed in automotive construction on lightweight construction, safety, conserving resources and efficiency are rising steadily. SZAG’s Group companies respond to this trend with innovative and sustainable products. At in-house trade shows coordinated by SZMF, innovations designed for automotive construction were presented to selected OEM customers. The “Automotive PerFORMance” exhibition showcased individual component solutions for chassis, suspension and drive application areas. The performance data displayed by the respective innovations, for instance on reducing weight or efficiency, gave the participant experts much to discuss. Along with a general exchange of ideas on development trends and requirements, a series of concrete projects were agreed and launched with a view to leveraging the potential of our product and service range further.

Hot-dipped galvanized dual-phase steel (DP steel) with properties that excel

SZMF has developed a hot-dipped galvanized DP steel that excels through its superior forming properties, as evidenced by its hole expansion capability, a performance criterion that is playing an increasingly important role, particularly in the automotive industry. This capability is ascertained through an experiment in which mandrel is driven into a hole prepared in a material sample to see how far it will widen. SZFG is the first steel producer to guarantee hole expansion capabilities of up to 50%, and thus a particularly high edge cracking insensitivity. SZFG offers hot-dipped galvanized DP steel up to 3 mm thick and 1,800 mm wide under the name of xpand®.

Outstanding resource efficiency: belt casting technology and HSD® steel

With belt casting technology, the Salzgitter Group is making a targeted investment in the energy-saving and resource-conserving fuel 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 SZFG at the Peine site has successfully passed warm commissioning and is now at the break-in stage, with more than 85 casts of construction steels and, increasingly in 2014, steels with a high manganese content, already performed. In the downstream steps of the process, the 1,000 mm wide and 15 mm thick strip casting material is rolled in a rolling mill that already produces hot-rolled coils of construction steel with a sheet thickness between 2.5 and 5 mm. The emphasis of work to be done 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. Excellent progress has been made with a number of customer projects dedicated to analyzing the potential of this material in 2014 as well. 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 cast and successfully tested. Owing to its innovative nature and potential for saving on resources, belt casting technology ranks among the three projects that, having undergone a selection procedure, were nominated for the “Deutscher Zukunftspreis 2014” – the German Federal President’s Award for Innovation in Science and Technology.

SZMF's new pipe bending testing machine in the Duisburg location

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

Numerous large-diameter pipes from various production processes have meanwhile been examined at SZMF. The results provide important insights into pipe development and production as well as input data for safety criteria in laying pipelines and predictions on the pipeline behavior during operation.

Crack arrest – resistance against longitudinal cracks in pipelines

Resistance against longitudinal cracks is one of the most important properties of pipelines that transport gas. To be in a better position to predict cracking with high-strength steels, SZMF has developed an approach based on intensive research that will allow an even more exact prediction of crack propagation. Pipes and tubes customers of SZAG have been recently offered this approach in the form of customized calculations, with the aim of jointly finding an optimal solution to avoiding longitudinal cracks in sophisticated applications. SZAG is therefore not only making a valuable contribution to customer benefits but also further enhancing pipeline safety.

Highly flexible and sustainable packaging technology

The demands placed on conserving resources in the packaging industry are on the rise. In its TrayShrinkPacker KHS Innopack Kisters TSP A-H, KHS GmbH (KHSDE) has developed a modular shrink packer with a revised TPFO option that can be used flexibly and which takes account of sustainability aspects, while enabling particularly cost-effective production. The machine processes specially shaped individual packaging and preformed formats as well as conventional cans, glass and plastic containers and can be automatically and quickly converted for the various container shapes. 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.

Sustainable bottling of cans with unique selling propositions

The computer controlled Innofill Can DVD achieves a filling capacity of up to 132,000 cans per hour with volumes of between 0.1 and 1 liter for various non-carbonated and carbonated beverages. Can rims are sealed under aseptic conditions. The newly developed low pressure rinsing process for cans boasts an extremely advantageous design: It reduces the CO_2 consumption with 0.5 l cans by a maximum of 20% and the residual oxygen content in the field product by up to 50%. The development of the first no-front-table can filler also significantly cuts down on maintenance costs by dispensing with mechanical drives.

Future key areas of R&D within the Group

The megatrends in mobility, energy and raw materials have a direct impact on the future use of steel. We are untiring in our extensive research and development endeavors to ensure that our material continues to deliver innovative and especially sustainable solutions. Specific examples are, on the one hand, material developments for lightweight automotive construction and concepts for the construction of wind farms and, on the other, for solar thermal power plants, cutting-edge fossil fuel high-temperature power stations with high efficiency coefficients, as well as diesel engines with more efficient combustion and injection pipes that can withstand greater pressure.

Our product developments in the Technology Business Unit explicitly combine customer benefits and sustainability by using the minimum in resources and maximizing efficiency, which sharpens our competitive edge. The modular structure of plants and machinery will remain a focal point for us to achieve the greatest possible flexibility based on standardized kits.

Multi-year overview of research and development

		2014	2013[1]	2012	2011	2010	2009	2008	2007[2]	2006[2]	2005[2]
R&D expenses[3]	€ m	89	88	82	79	78	81	80	60	58	58
R&D employees	empl.	784	828	879	910	972	916	983	725	688	706
R&D ratio[4]	%	1.0	0.9	0.8	0.8	0.9	1.2	0.6	0.6	0.7	0.8
R&D intensity[5]	%	5.3	7.4	5.1	4.4	4.9	9.0	3.0	2.2	2.0	2.9

[1] 2013 restated
[2] KHS GmbH not consolidated
[3] R&D expenses in relation to goods and services for Group companies
[4] R&D expenses in relation to Group sales
[5] R&D expenses in relation to Group value added

4. Environmental Protection

Energy and climate policy framework conditions in Germany

In terms of energy-intensive industry, discussions on energy and climate policies in 2014 were dominated above all by two aspects: On the one hand, the state aid investigation initiated by the EU Commission toward the end of 2013 concerning the Germany's Renewable Energies Act (EEG) and ensuing considerations on amending the act in the first half of the year and, on the other, by EU Council decisions of October 23, 2014, that determine the key points for regulating emissions trading after 2020, which is highly significant for the steel industry.

The Salzgitter Group strongly emphasizes at all political levels the great significance of exemptions from the general apportionment regulations applicable under the EEG for the electricity-intensive industry in Germany and its jobs. The EU Commission initiated a state aid investigation concerning the EEG against the Federal Republic of Germany in December 2013. Among other issues, this investigation raised 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 have so far been limited as regards the amount of the levy through a special equalization scheme under the EEG that takes account of their energy-intensive production processes. After having to assess the additional burdens initially feared as a veritable threat to our survival, we now anticipate an appreciably smaller increase in the burdens in view of the new guidelines on environmental and energy-related state aid meanwhile passed by the EU Commission, the decision of the EU Commission on November 25, 2014 to end the state aid investigation, as well as the EEG amendment that entered into force on August 1, 2014. However, the issue of the burden concerning the consumption of self-generated electricity by industry has recently unfortunately also been addressed by the EU Commission, with the result that exemption from apportionment for existing plants, such as our works power plant in Salzgitter, has been made subject to an evaluation proviso in 2017.

On October 23, 2014, the Council of the European Union outlined the framework for climate and energy policy through to 2030 in its conclusions. Salzgitter AG (SZAG) views the decisions on governing emission trading after 2020 as particularly critical: On the one hand, sub-categorizing the rules, particularly in respect of the annual reduction coefficient, also for the steel and other energy-intensive industries, would also lead to hugely increased additional costs which our competitors outside Europe do not have to contend with. On the other, the commitments on the protection of Europe's energy-intensive industry to prevent carbon leakage have not been specified in sufficient detail. Even the most efficient plants in Europe would therefore be faced with additional costs in emissions trading that would be detrimental to competitiveness. SZAG does not consider retaining or adopting a partially more stringent approach to today's regulations on the free allocation of emission allotments through to 2030 as expedient in effectively and sustainably counteracting the threat of relocating production capacities of the basic materials industry away from the EU.

Additional waste heat turbine at Ilsenburger Grobblech GmbH

Ilsenburger Grobblech GmbH (ILG) commissioned a steam turbine with an output of 1.2 MW at mid-year. This turbine exclusively uses surplus steam from the cooling systems of the two rolling mill furnaces and is therefore likely to generate around 6.5 GWh of electricity a year without producing additional CO_2 emissions. The electricity is measured in via the generator's measuring equipment and is fully used by ILG itself, which allows the company to cover 8 % of its annual electricity requirements.

Salzgitter Mannesmann Precision GmbH wins award for energy savings

Salzgitter Mannesmann Precision GmbH (SMP) produces seamless precision steel tubes in its Holzhausen mill that are used primarily in the automotive industry. Among other components, the tubes drawing plant consists of an energy-intensive facility for heat treatment and pipe surface preparation, including a pickling plant. SMP introduced an ambitious project designed to lower the amount of electricity and gas needed to operate the pickling plant. Individual project components, such as process improvements and investment in the facilities, paid off after only one year: electricity consumption has fallen by 25 % and natural gas consumption by as much as 50 %. The amount of chemicals used has also been reduced, with a simultaneous improvement in the quality of chemical baths. This outstanding performance won the “WIRE 2014” efficiency prize of the junior entrepreneurs of South Westphalia in cooperation with the Siegen Chamber of Industry and Commerce and the North Rhine-Westphalian energy efficiency agency.

Groundbreaking progress with KHS products

In Nature MultiPack™, a subsidiary of KHS has succeeded in producing a revolutionary technology for packaging systems in the beverages industry. The process consists of sticking containers together with dots of special adhesive, enabling the beverages industry to achieve considerable resource savings. Compared with multipacks wrapped in film, Nature MultiPack™ requires up to 85 % less packaging material and saves up to two thirds in the energy needed for production.

The KHS team collaborated with internationally operating technology partners in developing special adhesives, firstly for PET, then for cans and in future for glass bottles as well. This technology joins the containers and glues them in a single or double line arrangement. The first installed application can process a six-pack made up of two times three 1.5 l PET water bottles, with a throughput of 42,000 bottles an hour. Together with the Direct Print system for the digital direct printing of PET bottles, this forward-looking innovation was nominated for the German Packaging Award 2014 and selected the winner out of 230 submissions. The holistic concept of an especially sustainable and environmentally compatible packaging solution convinced the expert jury.

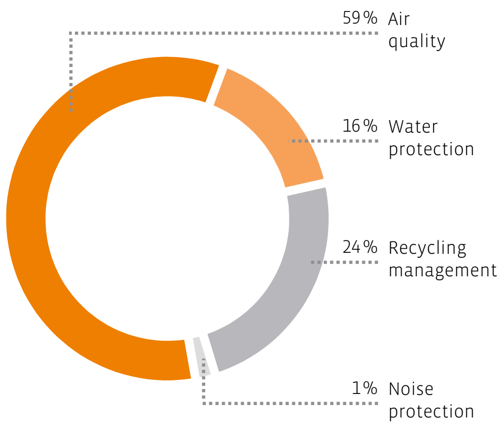
Environmental protection spend

The total spend of the Strip Steel Business Unit on environmental protection came to around € 142 million in the financial year 2014. The corresponding expense in the Plate / Section Steel Business Unit amounted to approximately € 26 million.

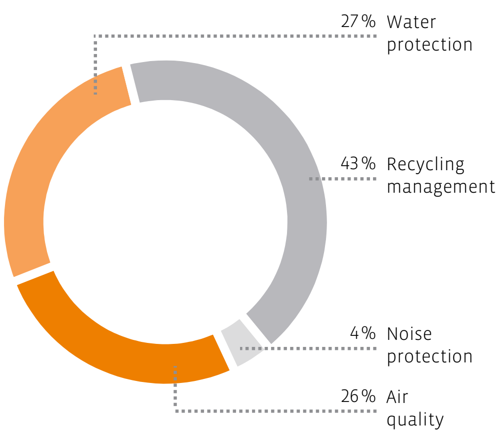
The Energy Business Unit's companies (excl.uding HKM) based in Germany spent approximately € 6 million on environmental protection.

The charts show the allocation of funds committed:

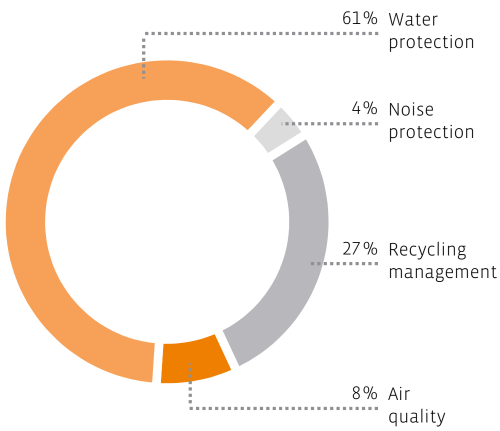
Environmental protection spend
Strip Steel Business Unit



Environmental protection spend
Plate / Section Steel Business Unit



Environmental protection spend
by domestic companies
of the Energy Business Unit (excl. HKM)



“WE ARE WORKING ON
BECOMING EVEN MORE
EFFICIENT.”

As part of the “360 Degree Concept” we also took a close look at the existing structures and processes to uncover optimization potential: Under the “Salzgitter AG 2015” program, we have launched an extensive array of efficiency enhancing measures. These measures comprise a new Group structure that enables us to act and make decisions more quickly, as well as various projects geared to optimizing technical production processes.

A concrete example is our investment in a cutting-edge pulverized coal injection plant for Salzgitter Flachstahl GmbH that will enable future annual savings in the double-digit million range in the production of pig iron.

III. Performance Report

1. Global Business Conditions

Economic environment[1)]

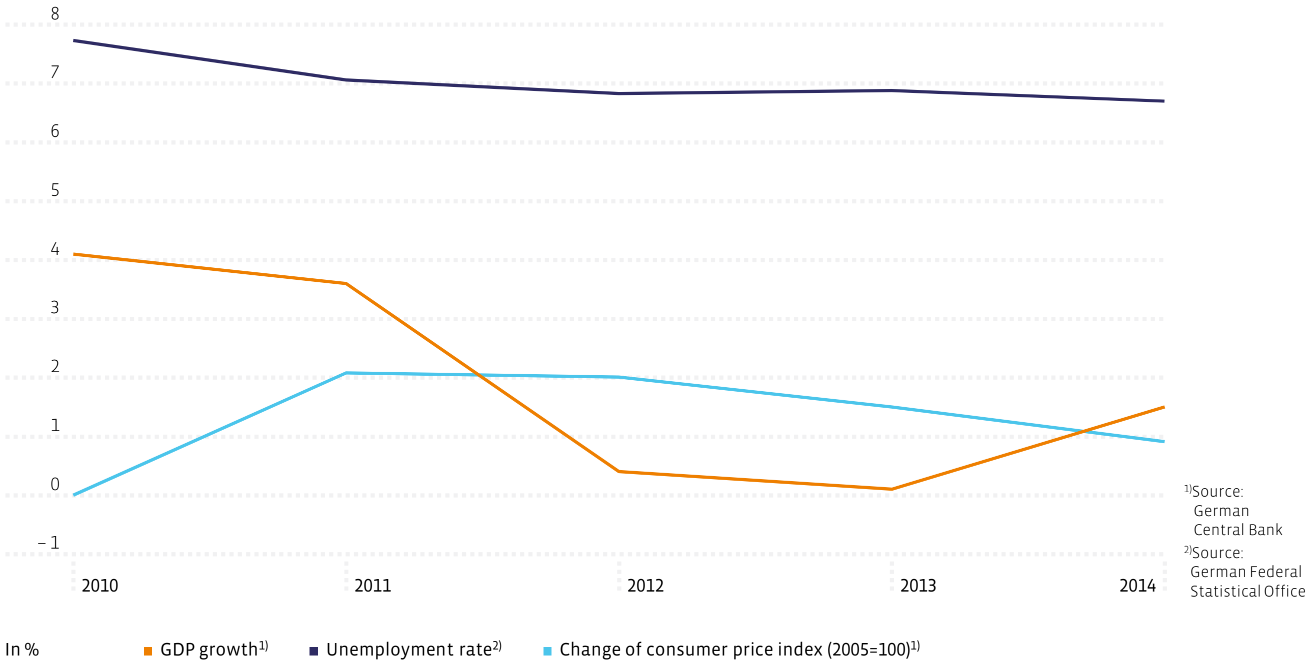
The development of the **global economy** remained generally stable in 2014, albeit with momentum swinging in favor of the advanced economies, driven mainly by the unexpectedly strong upturn in the USA in the second half of the year. Especially the halving of oil prices since September is likely to have driven these developments. Whereas other industrial nations also reported stronger growth rates, the expansion of Japan's economy slowed due to the increase in consumption tax. The economies of most emerging countries also slackened for various reasons. The slowdown in investment in China acted as a brake, while falling raw material prices burdened many South American countries. Russia was additionally impacted by the negative effect of the Ukraine conflict. The International Monetary Fund (IMF) recently estimated global economic growth at 3.3 % in 2014 (2013: similarly, 3.3 %).

The **eurozone** staged a turnaround in the reporting period, thereby returning to a positive growth rate. The underlying economic trend, however, remained weak owing to the tense situation in many large euro countries and the decline in gross capital investment. France's economy, for instance, stagnated during a large part of the year, with Italy even falling back into recession in the spring. By contrast, Spain's economy began to expand again, and most of the smaller euro countries reported signs of recovery. The IMF currently estimates economic growth of 0.8% in the eurozone at 0.8 % in 2014 as a whole (2013: –0.5 %).

Germany's economy continued its path of gradual recovery in 2014. Following a very positive start to the year favored by the weather conditions, growth slowed significantly as from the spring. The second quarter even reported a decline in output, above all due to the downturn in investment. This development was mainly attributable to lackluster economic conditions in most European countries, coupled with sanctions against Russia in connection with the Ukraine crisis. By contrast, private consumption expended substantially, boosted by the increase in disposable income. The economy picked up momentum again in the fourth quarter. All in all, Germany's economy grew by 1.5 % according to the IMF (2013: 0.2 %).

[1)] Information was obtained mainly on the basis of the following sources: International Monetary Fund (January 2015): World Economic Outlook Update, German Steel Federation: Steel Forecast 2015, BDI – Federal Association of German Industry (BDI), Autumn Report 2014; German Federal Statistical Office, January 2015

Overall economic indicators – Germany



Procurement

Huge slump in ore prices

The development of the international raw materials markets was determined by a severe slump in ore prices in 2014. Whereas spot market quotations for fine ore still averaged 135 USD/dmt CFR China in the fourth quarter of 2013, the following quarters saw prices drop from an average of 120 USD/dmt down to 103 USD/dmt and 90 USD/dmt, ultimately settling at 74 USD/dmt CFR China in the final quarter of 2014. The 70 USD/dmt threshold was breached at the end of November, marking the lowest price level since June 2009. This was attributable to a number of factors: Although the imports of Chinese mills – amounting to somewhat more than 900 million tons (approximately 70 % of seaward traded ore) – represented a historical high, growth rates nonetheless fell short of expectations. In conjunction with similarly record domestic production, ore inventories in Chinese ports grew to more than 100 million tons. This market environment coincided with supply that was characterized by excess availability due to the long-standing expansion, particularly by the large Australian producers, which exerted considerable pressure on ore prices. The future price trend will depend above all on the Chinese steel market and the export volumes of Australia and Brazil as the large producer countries.

Decline in coking coal prices

In contrast to pricing on the ore market determined by the index, the quarterly prices of coking coal with benchmark quality continue to be negotiated between large producers and customers. As opposed to the supply problems experienced in the past (flooding and strikes lasting several months in Australia), the market situation has eased to a great extent since 2013. The price of premium coking coal declined appreciably, settling around a level of 143 USD/t FOB in the first quarter of 2014. In the absence of weather-induced effects hampering production in Australia in 2014, and as the mining operations of many mining facilities continued to run at a high level despite rather subdued demand, coking coal prices continued their downtrend. Prices of 120 USD/t FOB agreed for the second and third quarter and 119 USD/t FOB for the final quarter of 2014, marked the lowest price level since 2007. Many research studies show a coking coal market in 2015 that will be determined by significant oversupply, leaving the producers little scope for price increases.

Sea freights at a low level

The freight market remained impacted by huge surplus capacities in 2014. With new tonnage continuing to flood the market, the freight rates remained low on most routes. Whereas the average Tubarão–Rotterdam benchmark rate still stood at 14.50 USD/t at the end of 2013, it declined to an average of 9.30 USD/t in 2014. Sea freights can be expected to display high volatility, as before, and the shipping market is likely to react extremely nervously to positive and negative news.

Price fluctuations in metals and ferro-alloys

The international markets for metals and alloys presented a very disparate picture in 2014: Whereas the prices of manganese-based alloys stabilized as the year progressed, listed metals, such as nickel, zinc, copper and aluminum displayed a great deal of volatility. These metals climbed steeply in the first nine months and subsequently declined appreciably again from September 2014 onward.

At last count, the prices quoted for liquid reduction agents significantly weaker

The price of liquid reduction agents (heavy heating oil and substitute reduction agents) held relatively steady through to October 2014. Similar to the crude oil market trends, this phase was followed by strong corrections down to a level last seen in 2009. Taken as an annual average, however, the oil price of North Sea Brent Crude declined by a mere 8%.

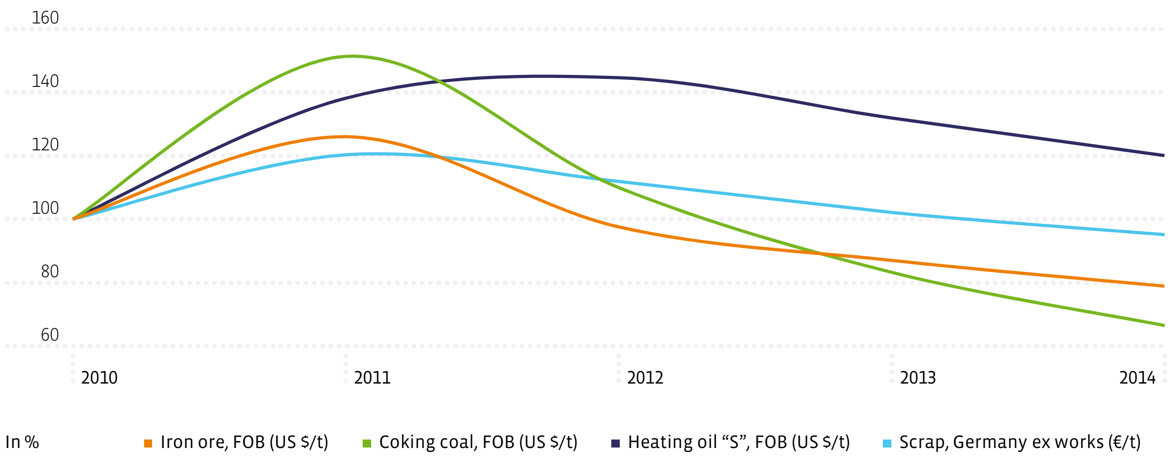
Lower price of electricity sourced externally

The Salzgitter Group’s annual electricity requirements total around 2.7 TW hours (TWh) a year. By their nature, the largest electricity consumers are the two large steel producing mills of Salzgitter Flachstahl (SZFG) and Peiner Träger (PTG) that use around 2.2 TWh overall. SZFG covers virtually all its electricity requirements through its own power plant. By contrast, PTG sources electricity externally on the futures and spot markets. Compared with 2013, the average price of electricity sourced externally (energy price plus the statutory charges and grid fees) to be paid by PTG declined notably. The development of the individual components making up the electricity price varied: Whereas the charge levied on combined heat and energy and renewable energies remained unchanged, the cost of using the grid increased substantially. This was more than compensated by a marked decline in the pure energy price.

Significant downturn in the price of natural gas

SZFG and PTG are also the largest consumers of natural gas. Up until 2013, the price of natural gas purchased for the SZFG/PTG interconnected plants was linked through a sliding scale to light and heavy heating oil. Thanks to a change in contractual conditions under which the procurement price now tracks the short-term natural gas market price, a considerable price reduction was achieved in 2014 compared with the previous year.

Price development of selected raw materials and energy sources



Balance in the markets for operating supplies

Supply and demand for operating supplies largely balanced out during the reporting period. Prices for the large majority of materials hardly changed at all compared with 2013 – slight increases only had to be absorbed for some special products with niche competition.

Halt to falling prices for steel scrap at year-end

During the first nine months of 2014, steel scrap prices declined within a range of between 10 and 15 €/t, depending on the various grades, owing to the lower level of capacity utilization in the manufacturing industries and an export downtrend. The months of October and November subsequently brought further price corrections on the German steel scrap market of up to €25/t as, on the one hand, European scrap exports to Turkey as the most important buyer country declined sharply due to the difficult economic situation there and, on the other, owing to the concerted pressure on end product prices exerted by Chinese steel imports. This trend halted towards the end of the fourth quarter thanks to a renewed upturn in demand driven by the low level of scrap inventories.

Input material – volatile semi-finished price trend

Following a notable increase in slab prices in the second half of 2013, the market stabilized at a high level in the first six months of 2014. Towards mid-year prices then declined marginally, albeit to a lesser extent in comparison with the development of the steel market at large.

As before, there are two main options used by the **Energy Business Unit** for sourcing input materials internally that can be supplemented by purchasing from strategic partners: The delivery volume of Hüttenwerke Krupp Mannesmann GmbH (HKM) earmarked for Salzgitter Mannesmann GmbH (SMG) is used primarily to supply Salzgitter Mannesmann Grobblech GmbH (MGB) as part of the Plate / Section Steel Business Unit with slabs for its plate production used as input material for longitudinally welded large-diameter pipes. In addition, the precision tube companies are supplied with tube rounds for the production of seamless precision tubes. The energy companies' requirements for hot-rolled strip are mainly covered by SZFG's hot strip mill. The capacities of HKM are also tapped to supply the companies of the Strip Steel and Plate / Section Steel business units as part of an optimization strategy.

The **Technology Business Unit's** procurement volume increased slightly in tandem with sales. Cooperation between the individual subsidiaries was stepped up, with the main emphasis on expanding international framework agreements with key suppliers. This approach yielded improved procurement conditions, among other benefits, as well as higher availability for the global locations. Moreover, it also served to optimize the supplier portfolio, with the aim of responding even better to the delivery times for end products required by the market. The business unit also focused on consistently expanding its product group management and on incorporating procurement at an early stage into development and the project business, coupled with embedding the construction into the procurement process in order to achieve further progress in standardizing the manufacturing of special machinery.

Distribution Structures

The companies of the Salzgitter Group maintain manifold supplier relationships with domestic and international customers in a wide variety of sectors where economic cycles do not move in parallel or may even partly run counter to one another. Consequently, managing sales structures plays an important role. The various forms are differentiated as follows:

Monthly and quarterly contracts

A major share of the delivery volumes of Salzgitter Flachstahl GmbH (SZFG) and Ilsenburger Grobblech GmbH (ILG) continues to be sold to customers by way of quarter-year contracts. Due to the ongoing price volatility in the procurement markets, both the base prices as well as dimension- and grade-related markups, generally announced every quarter by the respective rolled steel manufacturers, are now negotiated and signed with an increasing number of customers for individual months. PTG's delivery contracts are largely concluded through short-term monthly agreements. The precision tubes companies sell their products primarily to the automotive industry, as well as to the mechanical engineering, retail and wholesale and energy sectors. Production is tailored to the customer and relates exclusively to the respective order. Whereas past deliveries were based primarily on longer-term price agreements, contracts are now realized mostly with terms of between three and a maximum of six months or prices are index-linked. The terms for prices agreed in the stockholding steel trade business have also become shorter.

Longer-term contracts

SZFG agrees contracts for part of its sales under which prices are fixed in regular negotiations for a period of time exceeding one quarter. Customer groups typical of this type of supplier relationship include the automotive industry and its suppliers, specialized manufacturers of cold rolled strip and steel service centers (SSC). Automotive manufacturers are increasingly involving the SSC in resale models and negotiate prices, volumes and the specifications of their steel requirements to be covered by the SSC directly with the steel producers. The tendency toward curtailing contractual terms (duration) and the resulting potentially wider fluctuations in procurement require raw material trends to be taken into account through appropriate contractual provisions when longer-term contracts are concluded. As part of the Plate / Section Steel Business Unit, Ilsenburger Grobblech GmbH (ILG) sells up to a quarter of its output through supplier agreements based on prices agreed over longer terms (for instance, the project business in tank and steel engineering and the wind offshore business). Peiner Träger GmbH (PTG) has always sold only small tonnages under longer-term contracts.

Spot market transactions

Business transactions consisting of delivery, acceptance and payment of a defined volume of products are settled directly in the spot market. The Trading Business Unit largely transacts its shipments through such short-term supply agreements, whereby this type of relationship with key customers in Germany and abroad has generally developed over the course of many years. Medium and smaller steel traders that operate independently, steel construction companies, as well as mechanical and plant engineering companies are typical customer sectors.

Project deliveries

The Energy Business Unit supplies its customers mainly via project contracts. Alongside international pipeline projects, deliveries for newly constructed power plants and chemical plants are also taken under this type of contract. The same applies to some of the products of the strip steel and plate business, sheet piling and trapezoidal profiles for instance, that are used in civil engineering undertakings, as well as sheet steel for energy cables. The Trading Business Unit acquires and supplies international projects as a stockholder and, additionally, also in the role of an intermediary acting as an interface between the steel and tubes manufacturers of the Group, or producers external to the Group on the one hand, and the end customers on the other. The conditions are usually valid over the entire term of the respective project, although some contracts have been concluded with adjustment agreements or price adjustment clauses. The products of the Technology Business Unit include turnkey plants and individual machinery that are manufactured to an increasingly greater degree of standardization based on individual orders.

As a matter of principle, the Salzgitter Group does not disclose contractual details such as prices, other conditions and terms (duration). Officially released spot market price information can be used for orientation purposes with many steel and tubes products, but are only valid for purely standard products that make up only a very small part of the delivery program.

2. Overall Statement by Management on the Economic Situation

2014 earnings forecast achieved – consolidated result raised by almost € 500 million

Against the backdrop of a challenging environment on the European steel market, the Salzgitter Group raised its pre-tax result by almost € 500 million in the financial year 2014 and closed – in line with the forecast – with a result close to breakeven. The groupwide "Salzgitter AG 2015" restructuring program made a considerable contribution to this result. Achievements particularly noteworthy in this context included the turnaround at Peiner Träger GmbH (PTG) and the positive and sustainable earnings development delivered by the Salzgitter Mannesmann Precision Group (SMP Group). The program is increasingly bearing fruit in many other Group companies as well. A gratifying increase was reported in the cash flow from operating activities that lifted the net financial position as of December 31, 2014, to €403 million, corresponding to an improvement of one third compared with the year-earlier reporting date. Together with an equity ratio of 34 %, Salzgitter AG (SZAG) enjoys a very sound balance sheet and financial structure.

Owing to weaker average selling prices for most steel products, the Salzgitter Group's external sales that came in at € 9,040.2 million fell marginally short of the previous year's figure (2013: € 9,309.8 million). The pretax result rose to € –15.2 million, representing an increase in a year-on-year comparison (2013: € –482.8 million). This figure comprises € 31.2 million in profit contribution from the Aurubis investment, as well as a balance of € –43.0 million from non-recurrent accounting-related effects. The after-tax result stood at € –32.4 million (2013: € –490.0 million), which brings basic earnings per share to € –0.64 (2013: € –9.11). The now positive return on capital employed (ROCE) rose to 1.8 % (2013: –10.5 %).

3. Performance and General Business Conditions of the Business Units

Salzgitter AG (SZAG) as the management holding company coordinated the five business units of Strip Steel, Plate / Section Steel, Energy, Trading and Technology. In the following, the business performance of these business units in the financial year 2014 are outlined on the basis of the annual reports of the individual companies drawn up pursuant to the International Financial Reporting Standards (IFRS).

Industrial Participations / Consolidation is not a segment within the meaning of IFRS. The derivation of the sum total of segment assets and liabilities to form the consolidated balance sheet total and the derivation of the sum total of segment revenues and results to form the consolidated revenues and the earnings before tax of the Group are shown in the "Notes to the Consolidated Annual Financial Statements".

Steel market developments

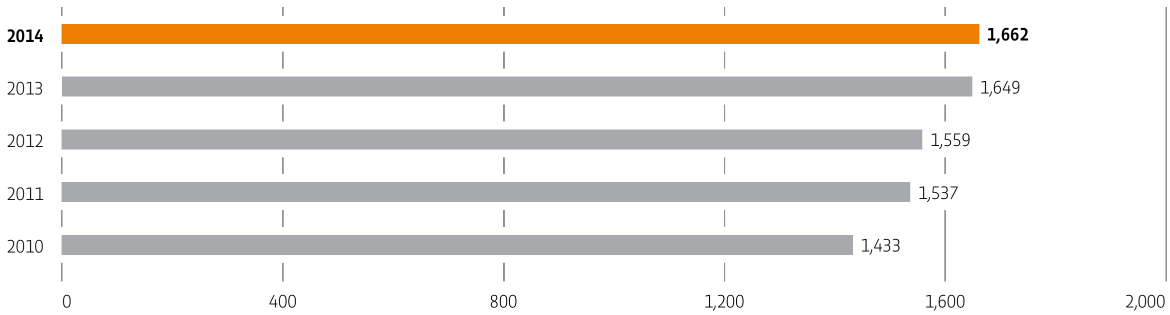
Steel markets remain downbeat

Global crude steel production reported only moderate growth of 1% in 2014, while varying depending on the region: In important emerging markets such as Brazil, Ukraine or Turkey, crude steel output was in decline. By contrast, Russia lifted production by 2.6%, as opposed to China where it stagnated. North America reported growth (121 million tons, +2.0%). As a result of the ongoing ramping up of steel capacities, global capacity utilization remained below the 80% threshold for the third year in a row.

Europe's steel market staged a slight recovery, with the market supply increasing by 2.8%. The expansion in production (169 million tons, +1.7%) was, however, constrained by the sharp increase in imports from countries outside the EU.

The market supply of rolled steel products on the **German steel market** rose for the first time in three years (+2%), which was attributable to the generally healthy capacity utilization of German steel processors, with the automotive and construction industries in particular reporting strong output growth. By contrast, starting from an already very low level, steel tubes manufacturing declined further. Crude steel production edged up to around 43 million tons. Although capacity utilization climbed by two percentage points to 86%, it nonetheless remained below the long-standing average.

Crude steel production – world



In m tons

Source: World Steel Association 2015/01/21 (previous years adjusted accordingly)

Strip Steel Business Unit

Key data[1]		2014	2013
Order intake	kt	**4,627**	**4,429**
Order backlog as of 12/31	kt	**768**	**872**
Crude steel production Salzgitter Flachstahl	kt	**4,681**	**4,391**
Rolled steel production Salzgitter Flachstahl	kt	**3,474**	**3,451**
Shipments	kt	**4,644**	**4,485**
Salzgitter Flachstahl	kt	4,451	4,294
Salzgitter Mannesmann Stahlservice	kt	568	534
Salzgitter Bauelemente	kt	43	44
Salzgitter Europlatinen	kt	71	71
Consolidation	kt	–489	–459
Segment sales[2]	€ m	**2,781.9**	**2,859.3**
Salzgitter Flachstahl	€ m	2,596.6	2,678.7
Salzgitter Mannesmann Stahlservice	€ m	351.6	339.3
Salzgitter Bauelemente	€ m	48.2	48.9
Salzgitter Europlatinen	€ m	71.1	72.0
Consolidation	€ m	–285.6	–279.6
Sales to other segments	€ m	**–721.8**	**–841.7**
External sales[3]	€ m	**2,060.1**	**2,017.6**
Earnings before taxes (EBT)	€ m	**–8.8**	**–85.0**
Salzgitter Flachstahl	€ m	–11.8	–86.5
Salzgitter Mannesmann Stahlservice	€ m	–2.6	–4.5
Salzgitter Bauelemente	€ m	0.0	0.4
Salzgitter Europlatinen	€ m	3.4	3.1
Consolidation	€ m	2.2	2.5
EBIT before depreciation and amortization (EBITDA)[4]	€ m	**238.1**	**149.3**
Earnings before interest and taxes (EBIT)[4]	€ m	**70.0**	**–24.1**

[1] 2013 restated
[2] Including sales with other business units in the Group
[3] Contribution to consolidated external sales
[4] EBIT = EBT + interest expenses/ – interest income; EBITDA = EBIT + depreciation and amortization

The core competences of the Strip Steel Business Unit lie in the production of steel in the fully integrated steelworks of Salzgitter Flachstahl GmbH (SZFG) and in subsequent processing to produce high-grade strip steel products. The affiliated Steel Service Centers of Salzgitter Mannesmann Stahlservice GmbH (SMS) serve the growing prefabrication requirements of our customers. The two processing companies Salzgitter Europlatinen GmbH (SZEP) and Salzgitter Bauelemente GmbH (SZBE) extend the value chain within the business unit with their customized products (tailored blanks and roofing and wall elements). The European automotive industry 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 beginning of 2014. In addition, Salzgitter Service und Technik GmbH (SZST) was integrated into SZFG in April 2014, with retrospective effect as of January 1, 2014, thereby laying the foundations for implementing a new flexible maintenance concept at SZFG.

The individual companies of the business unit are listed in the "Notes to the Consolidated Financial Statements".

Whereas demand for strip steel products in the most important markets of the European Union (EU) surged in the first half of the year, growth slowed in the second half, dampened by the diminishing economic momentum. Moreover, strip steel imports into the EU by non-EU countries rose compared with the previous year's period, exerting even more pressure on market prices.

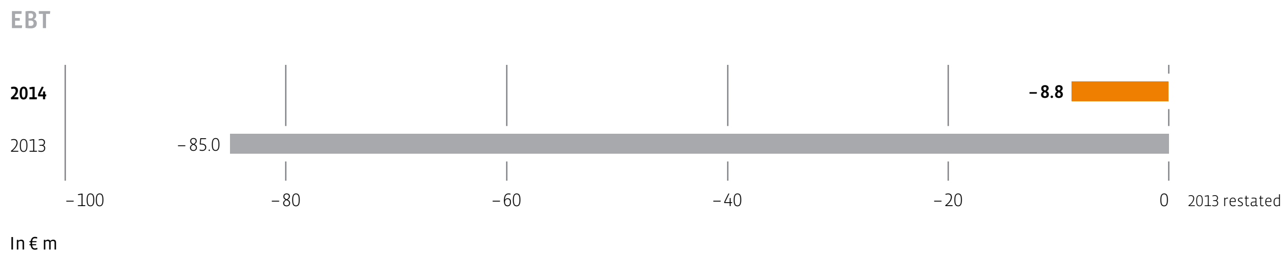
Business development

The **order intake** of the Strip Steel Business Unit in 2014 exceeded the year-earlier figure, as opposed to **orders on hand** that were marginally lower. Despite the upturn in **shipments**, **segment sales** declined in the financial year ended owing to the significant downturn in selling prices induced by raw material costs. **External sales** posted moderate growth.

Sales

In € m

Thanks in particular to the gratifying increase in SZFG's result, the business unit's **pre-tax result** climbed to € –8.8 million (2013: € –85.0 million).



New orders received by **Salzgitter Flachstahl GmbH** (SZFG) exceeded the already healthy year-earlier level, as opposed to orders on hand that declined slightly. While rolled steel production rose only marginally, crude steel production even reported notable growth, as extensive blast furnace repairs had been carried out in the prior-year period. Owing to the considerable decline in raw material prices, particularly iron ore, and the ensuing erosion in selling prices, sales fell short of the year-earlier period. Margins continued to be unsatisfactory due to persistent surplus capacities in the steel market. Together with an increase in shipments and the non-recurrence of extraordinary charges in 2013 (blast furnace repairs and restructuring expenses under "Salzgitter AG 2015"), SZFG lifted its pre-tax result significantly, though this figure remained negative.

The consistent implementation of the joint sales strategy with SZFG boosted the tonnage shipped by **Salzgitter Mannesmann Stahlservice GmbH** (SMS) above the levels posted in 2013 despite fiercer competition. Consequently, sales also rose. SMS reported a pre-tax loss, although volume growth and cost reductions significantly improved the earnings situation.

Salzgitter Bauelemente GmbH (SZBE) almost matched the shipment tonnage and sales achieved in 2013. Against the backdrop of declining margins, SZBE delivered breakeven in its pre-tax result.

The shipments and sales of **Salzgitter Europlatinen GmbH** (SZEP) continued to run at a high level. The pre-tax result was higher year on year, also owing to an optimized cost structure.

Plate / Section Steel Business Unit

Key data[1]		2014	2013
Order intake	**kt**	**2,505.1**	**2,245.2**
Order backlog as of 12/31	**kt**	**517.0**	**337.9**
Crude steel production Peiner Träger	**kt**	**1,063.4**	**1,190.1**
Rolled steel production	**kt**	**2,411.3**	**2,432.1**
Ilsenburger Grobblech / Salzgitter Mannesmann Grobblech	kt	1,222.4	1,179.1
Peiner Träger	kt	1,000.6	1,047.5
HSP Hoesch Spundwand	kt	188.3	205.5
Shipments	**kt**	**2,375.4**	**2,493.1**
Ilsenburger Grobblech / Salzgitter Mannesmann Grobblech	kt	1,192.0	1,215.2
Peiner Träger	kt	995.1	1,222.9
HSP Hoesch Spundwand	kt	188.7	192.3
Consolidation	kt	–0.4	–137.2
Segment sales[2]	**€ m**	**1,879.5**	**1,945.0**
Ilsenburger Grobblech / Salzgitter Mannesmann Grobblech	€ m	883.0	886.9
Peiner Träger	€ m	545.6	694.8
HSP Hoesch Spundwand	€ m	151.3	158.0
DMU Group	€ m	679.9	720.6
Consolidation	€ m	–380.2	–515.3
Sales to other segments	**€ m**	**–760.8**	**–856.6**
External sales[3]	**€ m**	**1,118.8**	**1,088.4**
Earnings before taxes (EBT)	**€ m**	**–130.0**	**–403.4**
Ilsenburger Grobblech / Salzgitter Mannesmann Grobblech	€ m	–42.1	–85.1
Peiner Träger	€ m	0.8	–290.9
HSP Hoesch Spundwand	€ m	–97.4	–28.7
DMU Group	€ m	0.9	–4.4
Consolidation	€ m	7.8	5.7
EBIT before depreciation and amortization (EBITDA)[4]	**€ m**	**–16.2**	**–114.9**
Earnings before interest and taxes (EBIT)[4]	**€ m**	**–108.8**	**–364.4**

[1] 2013 restated
[2] Including sales with other business units in the Group
[3] Contribution to consolidated external sales
[4] EBIT = EBT + interest expenses/ – interest income; EBITDA = EBIT + depreciation and amortization

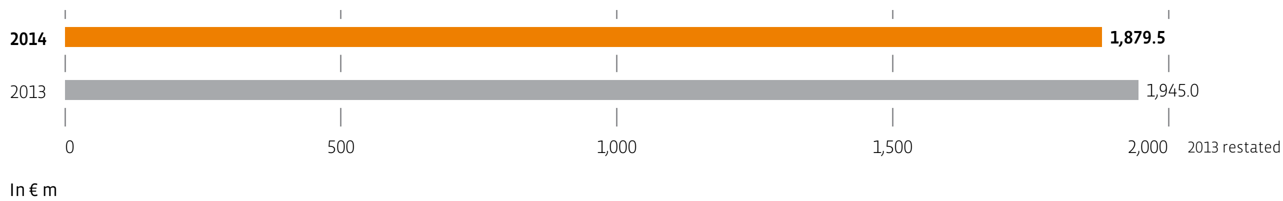
The Plate / Section Steel Business Unit incorporates the companies of the Group that primarily serve customers in the project-oriented construction and infrastructure sectors. The business unit comprises Ilsenburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB), on the one hand, 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), together with its subsidiary BSH, as a scrap supplier of PTG permits logistics processes to be more closely and flexibly coordinated.

As of September 30, 2014, BSH Braunschweiger Schrotthandel GmbH (BSH), a company belonging to the Plate / Section Steel Business Unit, was newly included in the group of consolidated companies of Salzgitter AG (SZAG) with retrospective effect as of January 1, 2014.

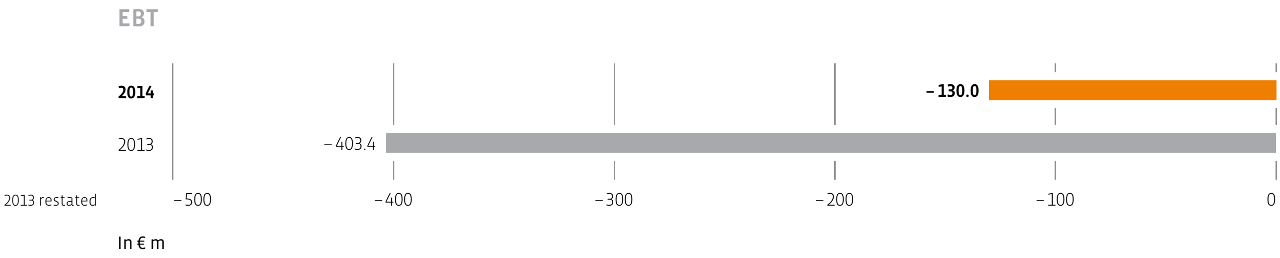
When drawing comparisons with 2013, it should be noted that the key data of BSH are not included in the third quarter of 2013. Nonetheless, there would be no significant change in the overall statement on the development of the business unit even if the company had been included in the year-earlier figures.

Order intake and **orders on hand** of the Plate / Section Steel Business Unit notably exceeded the year-earlier level, boosted in particular by the awarding of the major South Stream contract to EUROPIPE GmbH (EP) and MGB's associated plate production. **Rolled steel production** settled around the 2013 level. Capacity adjustments at PTG were largely offset by greater volumes at ILG and MGB. **Shipments** fell short of the year-earlier level. **Segment sales** reported a volume- and selling price-induced decline, as opposed to **external sales** that increased slightly.

Sales



The business unit's **pre-tax loss** stood at € 130.0 million, representing a notable improvement compared with the year-earlier result (2013: € –403.4 million). Whereas the 2013 result was burdened by restructuring expenses and € 185 million in impairment at PTG, the 2014 financial statements comprise total expenses of € 64.4 million in connection with restructuring and impairment at HSP. Conversely, the turnaround at PTG delivered a major part of the business unit's positive earnings trend.



After an initially difficult start to the year, the situation on the **European plate market** has meanwhile improved. This development commenced with winning the contract for the first leg of the South Stream Pipeline project. In conjunction with somewhat brighter economic expectations, traders and some consumers assumed that the market had bottomed out and that it might be returning, at least temporarily, to a somewhat more stable level again. Without further delays, orders were placed for current demand and inventory replenishments. At the start of the second quarter, this created scope for upward price corrections that were subsequently followed by prices trending sideways. It was not possible to implement further price increases. Over the course of the year, numerous political crises and the significant deterioration in the economic outlook exerted growing pressure on sentiment and demand in the heavy plate market. As a supplier of line pipe plate, MGB is now confronted with a special situation as the production of the South Stream contract was halted in December 2014, and completion of the contract for the first pipeline has been suspended.

The order intake and orders on hand of **Ilsenburger Grobblech GmbH** (ILG) and **Salzgitter Mannesmann Grobblech GmbH** (MGB), both now under uniform management, exceeded the previous year's figures, reflecting the positive effects from acquiring the major South Stream contract in particular. Constrained by insufficient capacity utilization at MGB during the first quarter, the rolled steel output of the two mills was only slightly higher than in 2013, and the plate producers' shipments fell marginally short of the year-earlier figures overall. ILG sustained a sales decline owing to unsatisfactory selling prices. MGB improved selling prices on the basis of its contracts, thereby lifting sales. Both ILG – despite lower input material prices and reduced processing costs – and MGB reported significant pre-tax losses, although MGB was able to pare down the loss markedly in comparison to 2013 thanks to cost savings.

The downtrend in the **European section market** persisted in 2014. Producer capacity utilization was already low at the start of the year. While orders rose over the course of the year due to the stockholding steel trade's inventory-oriented ordering patterns, this development was short-lived. All in all, production was determined by a weak inflow of new orders placed at very short notice, and the awarding of steel construction projects remained very reticent. Against this backdrop, price-led competition among producers intensified, causing margins to narrow significantly in comparison with 2013. The attempt of most European producers to sidestep sparse demand in core Europe by tapping export markets also exacerbated the price pressure here as well. Moreover, the increase in imports from non-EU countries burdened the market and scope for pricing.

Due to the adjustments made to production capacity (1 Million Ton Model) and the discontinuation of intra-group slab shipments, the order intake as well as crude steel and rolled steel output of **Peiner Träger GmbH** (PTG) dropped below 2013 level in the reporting period. Orders on hand increased. Lower shipments and still unsatisfactory average selling prices caused sales to decline. Compared with the previous year's loss of close to € –90 million – this figure excludes special charges –, the pre-tax result rose appreciably thanks to notably reduced costs and success achieved with process optimizations and was even marginally positive. The lower level of steel scrap demand in conjunction with falling prices caused the sales of the **DMU Group** to decline in a year-on-year comparison. The pre-tax result advanced nonetheless thanks to higher scrap margins and cost reductions and turned positive again.

Demand on the sheet piling market continued to stagnate at an unsatisfactory level. Although shipment volumes were matched, the weaker selling prices commanded by **HSP Hoesch Spundwand and Profil GmbH** (HSP) led to a sales downturn in the reporting period. The difficult structurally-induced market conditions in the sheet piling business necessitated restructuring expenses of € 25.7 million in the financial year ended. In addition, impairment of € 38.7 million was also incurred. Even excluding these non-recurrent effects, the pre-tax loss was somewhat higher than a year ago due to the lower production volume and the resulting diseconomies of scale. In view of the persistently negative earnings performance, all options for sustainably improving the economic situation of HSP within the Salzgitter Group are currently being investigated.

Energy Business Unit

Key data[1]		2014	2013
Order intake	**€ m**	**1,523**	**1,618**
Order backlog as of 12/31	**€ m**	**476**	**482**
Crude steel production Hüttenwerke Krupp Mannesmann (30 %)	**kt**	**1,543**	**1,568**
Shipment tubes	**kt**	**569**	**596**
Salzgitter Mannesmann Großrohr / Salzgitter Mannesmann Line Pipe	kt	254	296
Salzgitter Mannesmann Precision Group	kt	282	268
Salzgitter Mannesmann Stainless Tubes Group	kt	33	32
Segment sales[2]	**€ m**	**1,693.9**	**1,791.2**
Salzgitter Mannesmann Großrohr / Salzgitter Mannesmann Line Pipe	€ m	245.1	324.0
Salzgitter Mannesmann Precision Group	€ m	484.4	463.4
Salzgitter Mannesmann Stainless Tubes Group	€ m	349.3	356.1
Hüttenwerke Krupp Mannesmann (30 %)	€ m	724.2	751.7
Consolidation	€ m	–109.0	–104.1
Sales to other segments	**€ m**	**–467.4**	**–482.3**
External sales[3]	**€ m**	**1,226.5**	**1,308.9**
Earnings before taxes (EBT)	**€ m**	**–40.6**	**–51.6**
EUROPIPE Group (at equity)	€ m	–30.2	–31.2
Salzgitter Mannesmann Großrohr / Salzgitter Mannesmann Line Pipe	€ m	–27.3	–10.6
Salzgitter Mannesmann Precision Group	€ m	–7.2	–32.9
Salzgitter Mannesmann Stainless Tubes Group	€ m	28.7	18.4
Hüttenwerke Krupp Mannesmann (30 %)	€ m	–0.3	0.6
Other	€ m	0.6	0.3
Consolidation	€ m	–5.0	3.7
EBIT before depreciation and amortization (EBITDA)[4]	**€ m**	**36.0**	**12.3**
Earnings before interest and taxes (EBIT)[4]	**€ m**	**–24.0**	**–36.3**

[1] 2013 restated
[2] Including sales with other business units in the Group
[3] Contribution to consolidated external sales
[4] EBIT = EBT + interest expenses/ – interest income; EBITDA = EBIT + depreciation and amortization

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. The portfolio is supplemented by leading suppliers of precision steel tubes for the automotive industry and industrial applications, as well as stainless steel and nickel-based alloy tubes. Long-term customer demand will be shaped by the megatrends in the areas of "water", "energy" and "mobility".

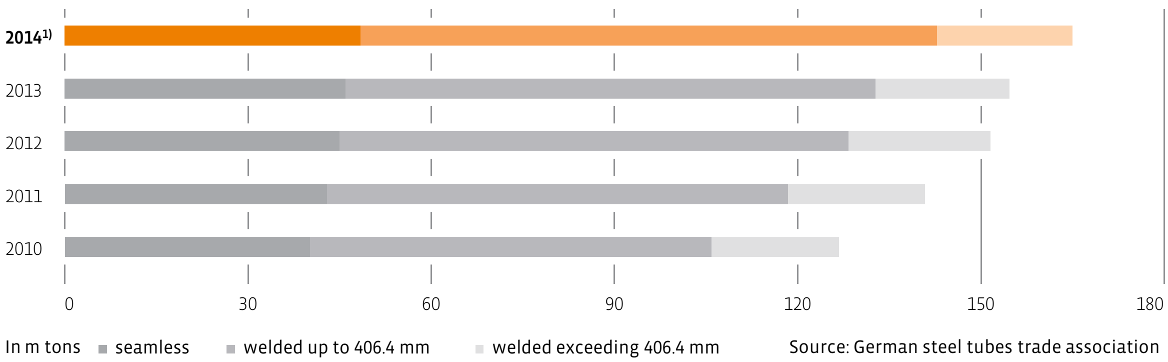
The business unit has its own supply of crude steel in the form of a 30% stake in Hüttenwerke Krupp Mannesmann GmbH ([HKM], technical crude steel capacity of 6 million tons), a cutting-edge plate mill assigned to the Plate / Section Steel Business Unit, and a semi-finished material production site for the manufacturing of seamless tubes. The Energy Business Unit also makes intensive use of our trading organization to procure semi-finished material and to ship its products.

The individual companies of the business unit are listed in the "Notes to the Consolidated Financial Statements".

Steel tubes market characterized by surplus capacity in 2014

At 165 million tons, global steel tubes output grew by around 6% in 2014, posting a further record. China reported the strongest expansion again with an increase of almost 10% to 85 million tons.

Global steel tubes production by production method



[1)] Extrapolation

Global seamless tube production rose by almost 6% to 49 million tons, with 32 million tons produced by China alone. The production of welded steel tubes with external diameters of up to 406 mm stood at 94 million tons, with China accounting for 50% of this volume for the first time. Large-diameter pipes production stagnated at 22 million tons, with marginal growth in the CIS countries, China and Japan. The Western world's output of large-diameter pipes fell short of the previous year's volume, with the USA reporting particularly steep declines compared with the extremely high 2013 figure.

EU production of steel tubes recovered somewhat from an excessively weak year in 2013, climbing almost 9% to 13 million tons but nonetheless remaining considerably below the figures posted in the record years of 2006 and 2007.

Various sources: including Steel Guru, Metal Bulletin Research, SBB

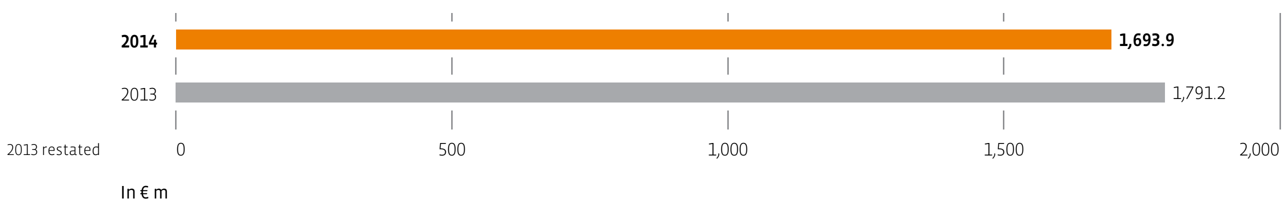
Business development

In January 2014, two changes were made to the consolidation methods applied in the Energy Business Unit: The EP Group that was proportionately consolidated at 50% up until December 31, 2013, is now reported at equity at 50%, with the proportionate after-tax result. It is no longer included in the other figures of the business unit but, given its importance, 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 proportionate basis since the start of 2014, and is included accordingly in the order intake, sales and the result of the business unit at 30%. Conversely, it is not reported in terms of orders on hand and shipments, as only tubes are disclosed here, and HKM produces input material. The 2013 figures were adjusted retrospectively to facilitate comparison.

In 2014, the **order intake** of the Energy Business Unit fell marginally short of the 2013 figure. Outside the Group's scope of consolidation, EUROPIPE, in which a 50% stake is held, more than trebled incoming orders on the back of the major South Stream project and the ETC Rover project in the USA. **Orders on hand** remained virtually unchanged from the 2013 level.

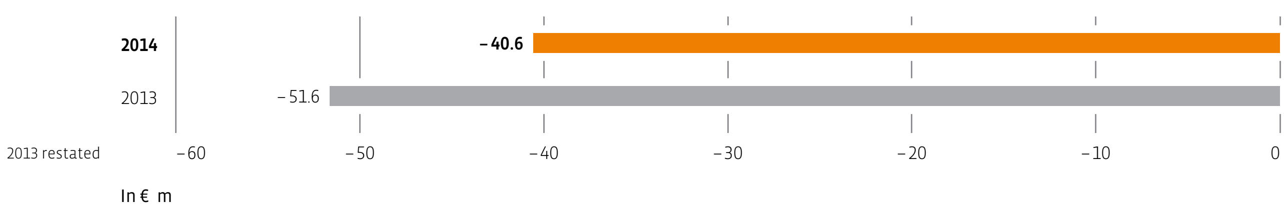
The poor capacity utilization situation of Salzgitter Mannesmann Großrohr GmbH (MGR) resulted in lower **shipments** in a year-on-year comparison, despite the growth generated in precision and stainless steel tubes. **Segment** and **external sales** did not quite match the year-earlier figures either.

Sales



The Energy Business Unit delivered a **pre-tax loss** of € –40.6 million, representing an improvement compared with the previous year. Capacity underutilization, mainly in the first half of 2014, and the negative result of the line pipe companies that was burdened by non-recurrent valuation effects of € 13.1 million at MGR and the EP Group had a significant impact on the result. The SMP Group reported a loss, also owing to restructuring provisions of € 5.5 million, as opposed to the MST Group that made another remarkable contribution to profit.

EBT



Whereas the North American line pipe market picked up notable momentum on the back of brisker oil and gas exploration activities and sharp growth in shale gas production, the European line pipe market remained weak against the backdrop of a dampened economy and growing concerns about the political situation in Russia. At the end of January, the **EP Group** booked a major part of the first leg of the planned South Stream offshore pipeline, which secured a satisfactory basic level of capacity utilization for the German site from the second quarter onward, until its suspension by South Stream Transport B.V. in mid-December 2014. In conjunction with several large-scale projects acquired in the USA, order intake was therefore appreciably higher than in the previous year. The lack of orders at the start of the year and the resulting short time work prevented shipments and sales from reaching 2013 levels. Moreover, given the ongoing considerable economic problems experienced by the Dunkirk site, measures were initiated that burdened the earnings contribution of the EP Group with € 9.1 million, leading to another significant loss.

Owing in particular to healthy demand from NAFTA and the favorable EUR-USD exchange rate, the order intake of **HFI and spiral welded pipes** produced by **Salzgitter Mannesmann Line Pipe GmbH** (MLP) and **Salzgitter Mannesmann Großrohr GmbH** (MGR) improved in the second half of the year. MGR's order book exceeded the very low year-earlier figure, whereas that of MLP fell markedly below. Although MLP reported a significant increase in shipments volumes, sales did not keep pace, pressured by increasingly fierce competition, above all due to the capacity underutilization of producers in southern Europe and Asia as well as to declining input material prices. The weak EU core market and the ensuing considerable lack of projects resulted in MGR producing during only half the year at a lower production rate. Consequently, shipments and sales entered into a steep decline and reached all-time lows. Both companies delivered substantial pre-tax losses, thereby significantly underperforming the negative figures of the year before. MGR's result includes impairment of € 4.0 million.

The uptrend experienced by the **Salzgitter Mannesmann Precision Group** (SMP Group) in the first six months of 2014 slowed somewhat as the year progressed. Order intake overall dropped below the year-earlier figure, with orders on hand remaining virtually unchanged. Shipments and sales were higher in a year-on-year comparison. Bolstered by a steady stream of orders from domestic premium automotive manufacturers, the German mills of the SMP Group enjoyed a healthy order situation. Industrial business showed signs of a slight recovery, as opposed to the energy sector where there was no trend reversal. The optimization of the process and organization structure under the "Salzgitter AG 2015" program, coupled with the additional program launched to improve the productivity of the SMP Group, has delivered sustainable success. The pre-tax result was impacted by restructuring provisions of € 5.5 million and, although significantly improved compared with the previous year, remained negative.

The **Salzgitter Mannesmann Stainless Tubes Group** (MST Group) can look back on an extremely successful year in its project business and another strong order level in its high-margin export business. Conversely, demand in the standard pipe segment remained subdued. The low oil price and the ensuing shelving of projects led to a slowdown in the second half of the year that is reflected in the marginal downturn in order intake and orders on hand. Sales fell short of the 2013 performance owing to the decline in the price of alloys. Thanks to an increase in shipments, the MST Group delivered a pre-tax profit that considerably outperformed the already presentable year-earlier figure.

Trading Business Unit

Key data[1]		2014	2013
Shipments	**kt**	**5,075**	**5,399**
Salzgitter Mannesmann Handel Group	kt	4,858	5,181
Universal Eisen und Stahl Group	kt	220	222
Consolidation	kt	– 4	– 4
Segment sales[2]	**€ m**	**3,347.1**	**3,623.8**
Salzgitter Mannesmann Handel Group	€ m	3,133.3	3,408.3
Universal Eisen und Stahl Group	€ m	219.7	221.4
Consolidation	€ m	– 5.9	– 6.0
Sales to other segments	**€ m**	**– 92.3**	**– 49.2**
External sales[3]	**€ m**	**3,254.8**	**3,574.6**
Earnings before taxes (EBT)	**€ m**	**60.1**	**31.4**
Salzgitter Mannesmann Handel Group	€ m	48.1	24.8
Universal Eisen und Stahl Group	€ m	11.9	6.6
EBIT before depreciation and amortization (EBITDA)[4]	**€ m**	**78.8**	**52.2**
Earnings before interest and taxes (EBIT)[4]	**€ m**	**68.8**	**41.4**
Inventories	**€ m**	**343**	**297**

[1] 2013 restated
[2] Including sales with other business units in the Group
[3] Contribution to consolidated external sales
[4] EBIT = EBT + interest expenses/ – interest income; EBITDA = EBIT + depreciation and amortization

Alongside a well-developed organization of stockholding steel trading subsidiaries in Europe with a wide range of processing capabilities, 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, it procures semi-finished products for the Group and external customers on the international markets.

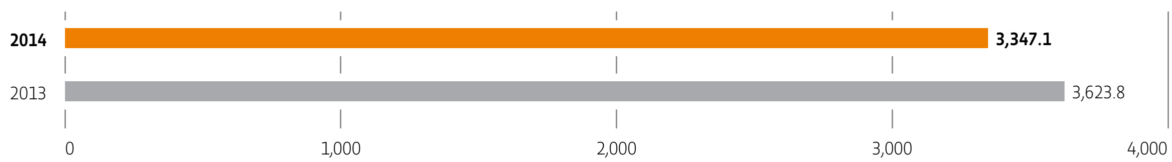
As of January 1, 2014, the steel service center activities of Hövelmann & Lueg GmbH (HLG) were assigned by way of an asset deal to Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH (SMS) that now trades under the name of Salzgitter Mannesmann Stahlservice GmbH (SMS). Both companies were reassigned from the Trading Business Unit to the Strip Steel Business Unit in order to realize synergies in market development. In addition, the consolidation scope of the Salzgitter Group grew in the third quarter with retrospective effect as of January 1, 2014, through the addition of Salzgitter Mannesmann (UK) Ltd. (SMUK), Salzgitter Mannesmann (France) SARL (SMFR) and Salzgitter Mannesmann (España) SA (SMSP). These companies, including SMUK that also maintains its own stockholding operations, function as agencies of the Group companies, thereby extending the sales reach for our Group's products in their respective countries.

The individual companies of the business unit are listed in the "Notes to the Consolidated Financial Statements".

The financial year 2014 was characterized by a divided market: Demand for steel in Europe held relatively stable in the first three months, due first and foremost to the favorable weather conditions for the construction sector. 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. The Trading Business Unit recorded largely subdued demand in all international steel markets across almost all regions and product segments over the course of the entire year.

Business development
Against this backdrop, the Trading Business Unit reported a decrease in **shipment volumes** compared with the previous year that was largely attributable to the lower level of shipments in international trading. In conjunction with a weak and unabated price downtrend, **segment** and **external sales** also declined.

Sales

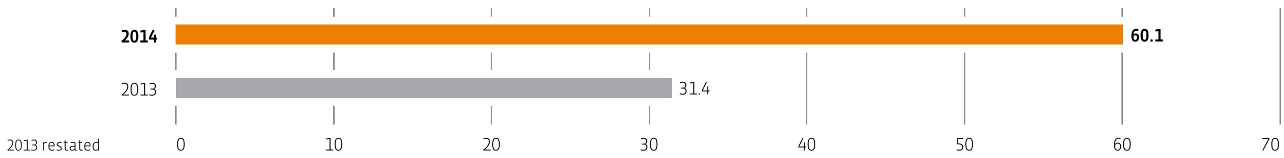


2013 restated

In € m

The Trading Business Unit nonetheless delivered gratifying earnings before taxes. Taking account of the disbursement of earnings retained over a multi-year period from companies formerly not consolidated and other non-recurrent accounting-related effects totaling € 40.0 million, the **pre-tax profit** that stood at € 60.1 million was appreciably higher than the year-earlier figure.

EBT



In € m

The Trading Business Unit's companies developed as follows:

In the financial year 2014, the shipment volume of **Salzgitter Mannesmann Handel Group** (SMHD Group) fell short of the previous year's volume, due mainly to the lower volume of project business in international trading. Moreover, lower average selling prices were reflected in a disproportionate decline in sales. Thanks to the disbursement of earnings retained over a multi-year period from companies formerly not consolidated and non-recurrent accounting-related effects, the pre-tax results was higher in a year-on-year comparison.

The European **stockholding steel trading companies** reported shipment volumes that had developed well overall compared with 2013 volumes. As a result of considerably weaker selling prices, however, sales settled around the previous year's level. Despite the positive results of Eastern European subsidiaries and steel trading in the Netherlands, earnings before taxes were considerably lower than in the financial year 2013 due to the tense situation in the German stockholding business.

The shipments of **international trading** fell short of the previous year's tonnage due to weak project business. The lower price level in many markets and changes in the product mix caused sales to drop below the previous year's figure. Taken in conjunction with disbursement of earnings retained over a multi-year period from companies formerly not consolidated as well as non-recurrent accounting-related effects, the pre-tax result of international trading was higher year on year.

The **Universal Eisen und Stahl Group** (UES Group) operated in a stagnating market in Germany during the entire financial year. With disparate development in volumes, determined by satisfactory demand from industrial customers – while being impacted by weak offshore and shipyard business at the same time –, excess market supply did not allow for improvements in selling prices. Business in North America in 2014 was determined by the profitable performance of the Houston location. The gradual turnaround of the Chicago subsidiary also contributed to a positive development. Consequently, the Group's shipments and sales held a virtually steady level. The pre-tax result of the UES Group that also comprised disbursement of earnings retained over a multi-year period was notably higher than in the previous year.

Technology Business Unit

Key data[1]		2014	2013
Order intake	**€ m**	**1,227**	**1,246**
Order backlog as of 12/31	**€ m**	**706**	**597**
Segment sales[2]	**€ m**	**1,198.8**	**1,118.8**
KHS Group (consolidated)	€ m	1,076.8	1,017.8
KDE Group (consolidated)	€ m	78.5	61.3
Klöckner DESMA Schuhmaschinen	€ m	43.3	39.0
Other	€ m	11.8	2.8
Consolidation	€ m	–11.6	–2.1
Sales to other segments	**€ m**	**–0.6**	**–0.6**
External sales[3]	**€ m**	**1,198.2**	**1,118.2**
Earnings before taxes (EBT)	**€ m**	**25.2**	**12.7**
KHS Group (consolidated)	€ m	15.8	10.6
KDE Group (consolidated)	€ m	5.6	1.8
Klöckner DESMA Schuhmaschinen	€ m	5.1	3.2
Other	€ m	–1.1	–2.9
Consolidation	€ m	–0.2	0.0
EBIT before depreciation and amortization (EBITDA)[4]	**€ m**	**54.7**	**38.8**
Earnings before interest and taxes (EBIT)[4]	**€ m**	**27.1**	**14.2**

[1] 2013 restated
[2] Including sales with other business units in the Group
[3] Contribution to consolidated external sales
[4] EBIT = EBT + interest expenses/ – interest income; EBITDA = EBIT + depreciation and amortization

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 process of restructuring the Group, RSE Grundbesitz und Beteiligungs- GmbH (RSE) is no longer disclosed under the Technology Business Unit. Instead, its key data is included under Industrial Participations / Consolidation. On September 30, 2014, the following companies belonging to the business unit were newly admitted to the group of consolidated companies of Salzgitter AG (SZAG) with retrospective effect as of January 1, 2014:

- KHS UK Ltd. (KHSGB)
- Klöckner Holstein Seitz S.A. (KHSSP)
- KHS Skandinavien Aps (KHSDK)
- KHS Ukraine OOO (KHSUK)

In drawing a comparison with the previous year, account must be taken of the fact that the key data of the companies that are now part of SZAG's consolidation group with retrospective effect as of January 1, 2014, had not been included in the financial year 2013. There would nonetheless be no significant change in the overall statement on the development of the business unit even if the companies had been included in the year-earlier figures.

The individual companies of the business unit are listed in the "Notes to the Consolidated Financial Statements".

Slight uptrend in German mechanical engineering order intake

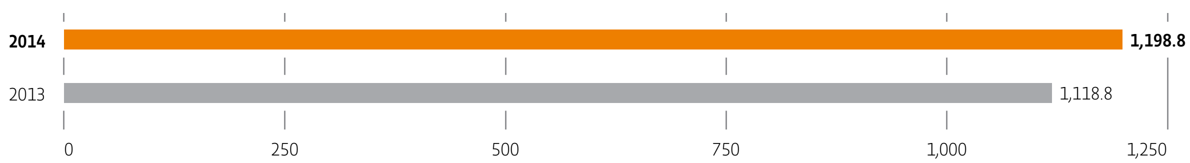
According to the statistics of the German Engineering Federation (VDMA), the sector's order intake increased slightly in 2014 compared with the previous year's period, with domestic and international demand both rising. By contrast, the market for food and packaging machinery stagnated.

Business development

The Technology Business Unit's **order intake** almost matched the good figures posted in the year 2013 despite marginally lower incoming orders of the KHS Group and Klöckner DESMA Schuhmaschinen GmbH (KDS). By contrast, new orders received by the KDE Group settled well above the 2013 level. Contracts awarded to the KHS Group, above all in the second half of the year, will secure high capacity utilization well into the year 2015. The business unit's **orders on hand** were considerably higher than the year-earlier figure.

Segment and **external sales** expanded, boosted primarily by the growth of the KHS Group. The KDE Group also reported marked sales growth thanks to a recovery in the automotive sector's capital expenditure, as did KDS.

Sales

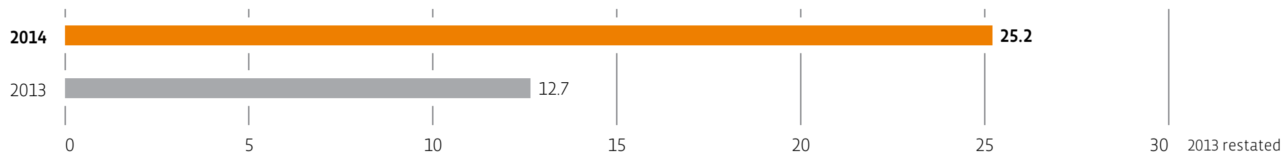


2013 restated

In € m

The business unit generated a **pre-tax profit** of € 25.2 million in the reporting period, thereby almost doubling its results compared with the previous year's period. This success was due first and foremost to the consistently high capacity utilization of the production sites of all companies. KDS reported the highest profit ever in the history of its company in 2014, and the KDE Group more than trebled its pre-tax result in a year-on-year comparison.

EBT



In € m

In 2014 as well, the companies of the Technology Business Unit participated in numerous trade fairs, such as the BrauBeviale 2014. At this trade fair KHS demonstrated the company's consistent orientation toward pursuing its "First Choice in Technology and Service" vision by unveiling impressive innovative technology offerings. The company presented (brewery specific) innovations that deliver significant customer benefits, as well as excelling with their sustainability and economic handling of resources. Among other highlights, KHS Direct Print, a global innovation that dispenses with labeling and allows PET bottles to be embellished with non-migrating UV inks instead, featured prominently. Alongside technical discussions, negotiations on specific projects were brought to a conclusion. In addition, KHS showcased its comprehensive service portfolio. KDE presented compelling customer-oriented mechanical engineering solutions at its in-house exhibition, underscoring its technology leadership in the niche market of injection molding machines for elastomers geared to the production of technical molded articles of rubber and silicon. On the occasion of its in-house fair in September, KDS exhibited its entire range of shoe technologies for automated traditional manufacturing types and cutting-edge process and production technology solutions, as well as robotics. The innovative automation concepts open up new options for customized shoe manufacturing and outperform the required efficiency in terms of greater productivity, economy and quality.

With the goal of achieving sustainable competitiveness and profitability, the KHS Group has been highly successfully implementing its three-year "Fit4Future" restructuring program. Measures under this program have resulted in a leaner KHS Group, as well as reduced costs and enhanced flexibility with regard to the volatile order intake. Complexity has been reduced thanks to operational excellence in the production network and by standardizing the global product program. A further component is dedicated to the targeted development of KHS employees and to internal communication. In order to strengthen its profitability and performance in the next two years, the restructuring program now concluded is to be continued under the successor "Fit4Future 2.0" corporate development program.

Industrial Participations / Consolidation

Key data[1]		2014	2013
Sales	**€ m**	**788.1**	**825.0**
Industrial Participations	€ m	341.2	355.8
Other	€ m	447.0	469.2
Sales to other segments	**€ m**	**– 606.2**	**– 622.8**
External sales[2]	**€ m**	**181.9**	**202.1**
Earnings before taxes (EBT)	**€ m**	**78.9**	**13.2**
Industrial Participations	€ m	11.4	7.7
Aurubis (at equity) incl. bond-related option [3]	€ m	31.2	– 17.2
Other/Consolidation	€ m	36.3	22.7
EBIT before depreciation and amortization (EBITDA)[4]	**€ m**	**92.3**	**0.4**
Earnings before interest and taxes (EBIT)[4]	**€ m**	**64.9**	**– 24.1**

[1] 2013 restated
[2] Contribution to consolidated external sales
[3] 2013: Earnings after taxes included at equity
[4] EBIT = EBT + interest expenses/ –interest income; EBITDA = EBIT + depreciation and amortization

Industrial Participations / Consolidation comprise activities that are not directly allocated to a business unit. As a management holding company, Salzgitter AG (SZAG) does not have any operations of its own. Instead it manages Salzgitter Mannesmann GmbH (SMG) and Salzgitter Klöckner Werke GmbH (SKWG) under which the major companies of the Salzgitter Group are held. In addition, results of companies operating primarily within the Group as well as those of Group companies that support the core activities of the business units with their products and services are recorded here.

Sales in the Industrial Participations / Consolidation segment, which are based mainly on business in semi-finished products with subsidiaries and external parties, declined slightly to € 788.1 million in the financial year 2014 (2013: € 825.0 million) owing to the lower level of input material prices. **External sales** also dropped (€ 181.9 million; 2013: € 202.1 million).

Earnings before taxes stood at € 78.9 million, which is considerably higher than the prior year (€ 13.2 million). In particular, the Aurubis investment made a positive contribution to profit (€ 31.2 million; 2013: €–17.2 million), which comprised € 25.5 million in proportionate earnings after taxes of Aurubis and € 5.7 million in valuation gains of a bonds exchangeable that, among other factors, depend on the share price performance of Aurubis. In addition, interest income from cash management within the Group, reporting-date related valuation effects from foreign exchange and derivatives positions, as well as the release of risk provisions no longer required made a significant contribution to the gratifying result. Group companies not assigned directly to a business unit also bolstered earnings to a greater extent than in 2013.

4. Comparison between Actual and Forecasted Performance

At the time when the financial statements for the financial year 2013 were published, forecasts on the development of the macroeconomic situation in the current environment prevailing in Europe were subject to a great deal of uncertainty. In addition, the impact on earnings performance of European and German energy and climate policies was difficult to predict. We based assumptions in 2014 on the absence of a renewed recessionary development in Europe. Instead, we anticipated a relatively restrained economic recovery in volumes and selling prices, with markets remaining fiercely contested. Based on the new Group structure that entered into force on January 1, 2014, and taking account of tangible effects from the measures and structural improvements under the "Salzgitter AG 2015" program, we anticipated sales of around € 10 billion, a significant year-on-year increase in the pre-tax result close to breakeven and a once again moderately positive return on capital employed (ROCE).

The situation on the European steel market remained tense at the beginning of 2014. The persistent imbalance between supply and demand continued to put great pressure on margins. The Salzgitter Group nonetheless achieved a pre-tax result of € –8.7 million in the first quarter of 2014, representing an improvement in earnings compared with the prior year, with the "Salzgitter AG 2015" program making major contributions. The earnings forecast was affirmed, and we put a figure of almost € 10 billion on our sales forecast for the financial year 2014.

The Salzgitter Group closed the first half of 2014 with a pre-tax result approaching breakeven. Above all, this achievement reflected the effects of the "Salzgitter AG 2015" restructuring program in line with planning, along with the gratifying contribution from the Aurubis investment. We kept our forecast for the Salzgitter Group unchanged.

In the first nine months of 2014, the Salzgitter Group generated a pre-tax profit, thereby delivering the first positive nine-month result since 2011. This impressive turnaround was determined in particular by the growing impact of the groupwide restructuring program, combined with income from the Aurubis investment. We revised our sales guidance downward to take account of declines in rolled steel selling prices caused by lower raw materials prices as well as the downturn in shipment volumes. Net of non-recurrent effects in the context of drawing up the annual accounts, we then assumed sales of € 9 billion in the financial year 2014: The earnings forecast to date was affirmed.

Against the backdrop of a challenging environment on the European steel market, the Salzgitter Group raised its pre-tax result by almost € 500 million in the financial year 2014 and closed – in line with the forecast – with a result close to breakeven. The groupwide "Salzgitter AG 2015" restructuring program made a considerable contribution to this result. Achievements particularly noteworthy in this context included the turnaround at Peiner Träger GmbH (PTG) and the positive and sustainable earnings development delivered by the Salzgitter Mannesmann Precision Group (SMP Group). The program is increasingly bearing fruit in many other Group companies as well. Owing to weaker average selling prices for most steel products, the Salzgitter Group's external sales that came in at € 9,040.2 million fell short of the level anticipated. The forecast of a moderately positive return on capital employed was achieved at 1.8 %.

In our published statements we always made specific reference to the opportunities and risks that may influence the results in the financial year 2014. We explained that additional positive or negative effects may potentially arise from structural and methodological changes and may be within in a considerable range, either to the positive or negative. These effects particularly include measurement pursuant to IFRS standards and their application. For instance, the annual financial statements pertaining to the financial year include, among other items, impairment carried out on non-current assets, restructuring expenses as well as various non-recurrent items.

Given the pressure on selling prices arising from the ongoing underutilization of capacities in the EU, the **Strip Steel Business Unit** expected business to remain difficult in 2014. In comparison with the financial year 2013, sales were anticipated around the same level, with expectations for a marginally improved, but nonetheless still negative, pre-tax result. The forecast was fulfilled, with sales remaining at a virtually stable level and a year-on-year increase in the pre-tax result that stood at € –8.8 million.

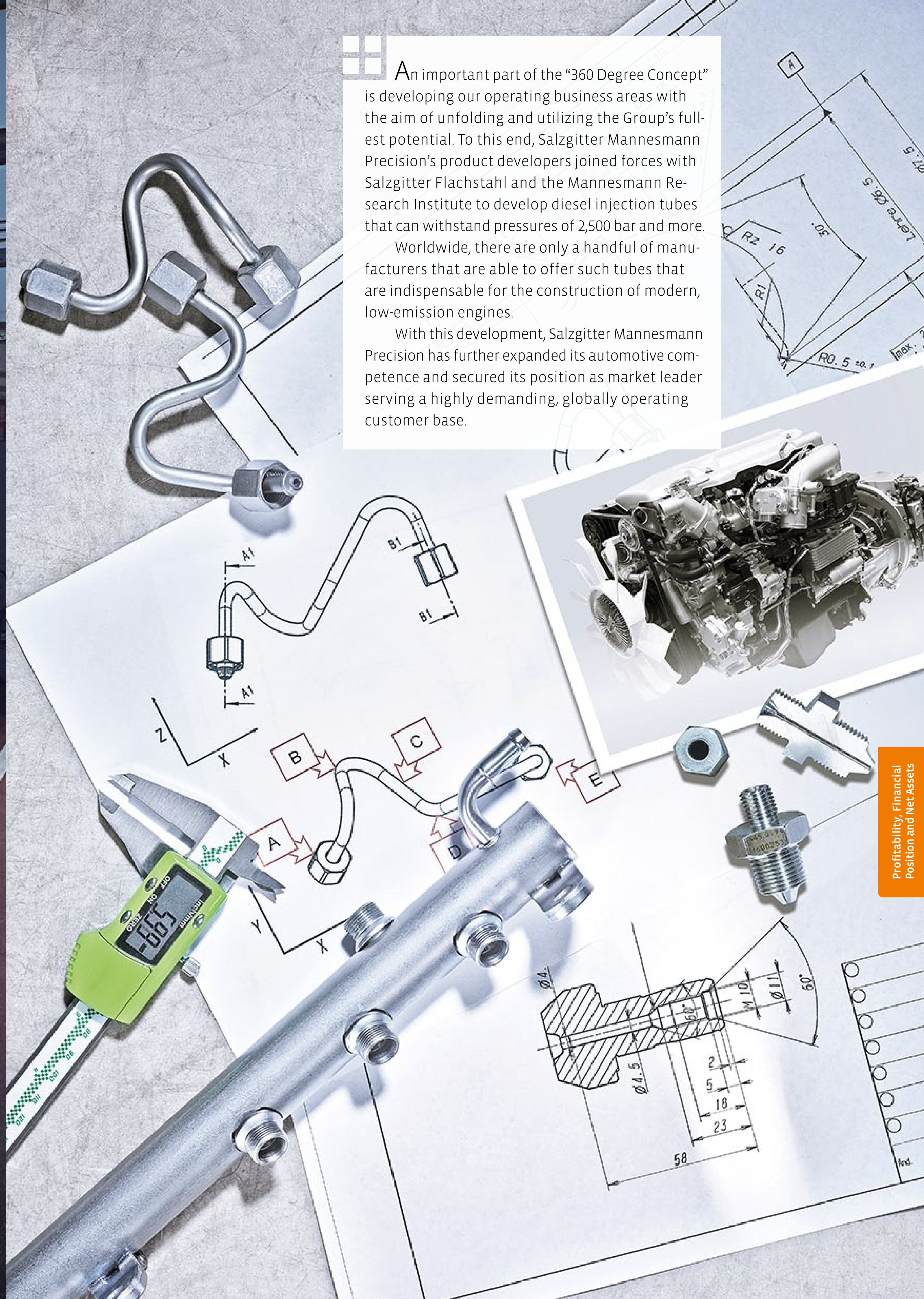
The **Plate / Section Steel Business Unit** expected sales to increase slightly compared with 2013, along with a significant reduction in the pre-tax loss. This was mainly attributable to the 1 Million Ton concept that had been largely implemented and the non-recurrent charge arising in connection with impairment at PTG in 2013. As predicted, sales rose slightly during the reporting period. The pre-tax result was impacted by an overall amount of € 64.4 million in restructuring expenses and impairment at HSP Hoesch Spundwand und Profil GmbH (HSP), accompanied nonetheless by a considerable reduction in the pre-tax loss (€ 130.0 million) compared with the prior year period. The successful turnaround at PTG delivered a major part of the business unit's positive earnings trend.

A strong market recovery in 2014 was not yet anticipated for the **Energy Business Unit**. Overall, we anticipated a marginal uptrend in sales and a notably higher pre-tax result in comparison with the previous year. The slight downturn in sales fell short of expectations. The Energy Business Unit delivered a pre-tax loss of € –40.6 million, representing an improvement compared with 2013. The negative influence of capacity underutilization at the line pipe companies, mainly in the first half of 2014, non-recurrent valuation effects of € 13.1 million at Salzgitter Mannesmann Großrohr GmbH and the EUROPIPE Group, as well as restructuring provisions of € 5.5 million at the SMP Group had a significant impact on the result. The Salzgitter Mannesmann Stainless Tubes Group (MST Group) made a substantial contribution to profit.

The **Trading Business Unit** budgeted for a slight increase in sales and a pre-tax result around the year-earlier level in 2014. A marginal downtrend in shipment volumes coincided with persistently weak, declining selling prices, which caused sales to drop. A gratifying pre-tax result was nonetheless achieved: Disbursement of earnings retained over a multi-year period from companies formerly not consolidated and other accounting-related effects contributed to a pre-tax profit of € 60.1 million that was significantly higher than the year-earlier figure (2013: € 31.4 million).

Judging by the trend of new orders and the high level of orders on hand, the **Technology Business Unit** anticipated an increase in sales and a significantly higher result. Sales growth was anticipated at the KHS Group, as well as better selling prices. The "Fit4Future" program, launched back in 2011 and consistently implemented, was geared to achieving additional cost reductions, thereby generally lifting the pre-tax result. The prospects for the other companies were also positive. The business unit's order intake almost repeated the year-earlier figure, and sales were lifted. Earnings before taxes that came in at € 25.2 million were almost doubled compared with the previous year's period, due first and foremost to the consistently high capacity utilization of the production sites of all companies. Klöckner Desma Schuhmaschinen GmbH (KDS) reported the highest profit ever in the history of its company in 2014, while the KDE Group more than trebled its pre-tax result in a year-on-year comparison.

“WE ARE WORKING ON CONTINUOUSLY DEVELOPING OUR OPERATING BUSINESS AREAS.”



An important part of the “360 Degree Concept” is developing our operating business areas with the aim of unfolding and utilizing the Group’s fullest potential. To this end, Salzgitter Mannesmann Precision’s product developers joined forces with Salzgitter Flachstahl and the Mannesmann Research Institute to develop diesel injection tubes that can withstand pressures of 2,500 bar and more.

Worldwide, there are only a handful of manufacturers that are able to offer such tubes that are indispensable for the construction of modern, low-emission engines.

With this development, Salzgitter Mannesmann Precision has further expanded its automotive competence and secured its position as market leader serving a highly demanding, globally operating customer base.

IV. Profitability, Financial Position and Net Assets

1. Profitability of the Group

Against the backdrop of a challenging environment on the European steel market, the **Salzgitter Group** raised its pre-tax result by almost € 500 million in the financial year 2014 and closed – in line with the forecast – with a result close to breakeven. The groupwide “Salzgitter AG 2015” restructuring program made a considerable contribution to this result. Achievements particularly noteworthy in this context included the turnaround at Peiner Träger GmbH (PTG) and the sustained positive earnings development delivered by the Salzgitter Mannesmann Precision Group. The program is increasingly bearing fruit in many other Group companies as well.

External sales declined slightly to € 9,040.2 million (–3 %) and were accounted for by the business units as follows:

Consolidated sales by business unit

	2014		2013[1]		
	In € m	%	In € m	%	Change
Strip Steel	2,060	23	2,018	22	2 %
Plate / Section Steel	1,119	12	1,088	12	3 %
Energy	1,227	14	1,309	14	–6 %
Trading	3,255	36	3,575	38	–9 %
Technology	1,198	13	1,118	12	7 %
Industrial Participations / Consolidation	182	2	202	2	–10 %
Group	**9,040**	**100**	**9,310**	**100**	**–3 %**

[1] 2013 restated

The regional distribution of sales revenues remained virtually unchanged: As before, the business activities of the Salzgitter Group are therefore focused on the European Union (€ 6.1 billion; 67 % share of sales). Germany remained by far the largest single market with sales of € 4.3 billion, equivalent to a share of 47 %. It should be noted in this context, however, that many of our products are supplied to export-oriented German businesses and therefore ultimately find their way abroad.

Consolidated sales by region

	2014		2013[1]	
	In € m	%	In € m	%
Germany	4,252	47	4,246	46
Other EU countries	1,847	20	1,865	20
Rest of Europe	314	3	364	4
America	1,042	12	1,064	11
Asia	781	9	826	9
Other regions	803	9	947	10
Group	**9,040**	**100**	**9,310**	**100**

[1] 2013 restated

The **pre-tax result** rose to € –15.2 million, representing an improvement in comparison with the year-earlier result (2013: € –482.8 million). This figure comprises € 31.2 million in profit contribution from the Aurubis investment, as well as a balance of € –43.0 million from non-recurrent accounting-related effects.

The business units delivered the following results:

The **Strip Steel Business Units** reported a marked improvement in its pre-tax result (€ –8.8 million; 2013: € –85.0 million) thanks to a substantial year-on-year increase in the earnings generated by Salzgitter Flachstahl GmbH (SZFG).

The **Plate / Section Steel Business Unit's** pre-tax loss stood at € 130.0 million, corresponding to a notable improvement compared with the year-earlier figure (2013: € –403.4 million). Whereas the 2013 result was burdened by impairment and restructuring costs at PTG, the 2014 financial statements include a total of € 64.4 million in connection with restructuring and impairment at HSP Hoesch Spundwand und Profil GmbH (HSP). By contrast, the turnaround at PTG generated a major part of the business unit's positive earnings trend.

The **Energy Business Unit** delivered a pre-tax loss of € –40.6 million, which corresponds to a significantly reduced loss compared with the year-earlier figure (2013: € –51.6 million). The negative influence of capacity underutilization of the line pipe companies, mainly in the first half of 2014, non-recurrent valuation effects of € 13.1 million at Salzgitter Mannesmann Großrohr GmbH (MGR) and the EUROPIPE Group (EP Group), as well as restructuring provisions of € 5.5 million at the SMP Group had a significant impact on the result. The Salzgitter Mannesmann Stainless Tubes Group (MST Group) made a substantial contribution to profit.

The **Trading Business Unit** generated a satisfactory pre-tax result. Disbursement of earnings retained over a multi-year period from companies formerly not consolidated and other accounting-related effects totaling € 40.0 million contributed to a pre-tax profit of € 60.1 million that was significantly higher than the year-earlier figure (2013: € 31.4 million).

The **Technology Business Unit** posted earnings before taxes of € 25.2 million in the reporting period, thereby almost doubling its results compared with the previous year's period. This success was due first and foremost to the consistently good capacity utilization of the production sites of all companies. KDS reported the highest profit ever in the history of its company in 2014, while the KDE Group more than trebled its pre-tax result in a year-on-year comparison.

Industrial Participations / Consolidation delivered earnings before taxes of € 78.9 million (2013: € 13.2 million). This performance was mainly attributable to the significant swing to the positive of the Aurubis investment that delivered a profit contribution of € 31.2 million (2013: € –17.2 million).

Results by business unit and consolidated net income/loss for the year

In € m	2014	2013[1]
Strip Steel	–8.8	–85.0
Plate / Section Steel	–130.0	–403.4
Energy	–40.6	–51.6
Trading	60.1	31.4
Technology	25.2	12.7
Industrial Participations / Consolidation	78.9	13.2
Earnings before taxes (EBT)	**–15.2**	**–482.8**
Tax	16.7	7.2
Consolidated net income/loss for the financial year[2]	**–31.9**	**–490.0**

[1] 2013 restated
[2] Including minority interests

Development of selected income statement items

The consolidated income statement is explained in detail in the "Notes to the Consolidated Financial Statements". Selected items are explained in the following.

The "Increase/decrease in goods and work in process/other own work capitalized" item rose owing to the higher level of product inventories in the energy and steel businesses as of the reporting date. In particular, price reductions in volumes, raw materials, semi-finished goods and steel products sourced externally were reflected in the lower cost of materials. Income from companies accounted for using the equity method was determined by share of loss, emanating especially from the 50% stake held in the EUROPIPE Group (EP Group), as opposed to Aurubis AG (NAAG) that made a positive earnings contribution.

Adjusted for € 16.7 million in tax expenses, a consolidated net loss of € 31.9 million was recorded. One third of the current tax expenses amounting to € 33.3 million was levied on income from domestic Group companies. Moreover, € 16.6 million in deferred income taxes had a positive effect.

Multi-year overview of earnings

In € m	2014	2013[1]	2012	2011	2010	2009	2008	2007	2006	2005
EBT	–15.2	–482.8	–29.4	201.6	48.9	–496.5	1,003.4	1,313.9	1,854.8	940.9
EBIT I[2]	63.9	–422.7	59.8	264.7	102.9	–468.1	1,072.1	1,350.7	1,900.5	970.0
EBIT[3]	97.9	–393.2	98.0	304.5	159.8	–411.3	1,026.9	1,312.4	1,891.6	1,017.4
EBITDA[4]	483.6	138.1	462.7	666.8	539.7	156.9	1,317.2	1,543.1	2,092.9	1,233.5
EBT margin	–0.2	–5.2	–0.3	2.1	0.6	–6.4	8.0	12.9	22.0	13.2
EBIT margin[4]	1.1	–4.2	0.9	3.1	1.9	–5.3	8.2	12.9	22.4	14.2
EBITDA margin[4]	5.4	1.5	4.5	6.8	6.5	2.0	10.5	15.1	24.8	17.3
ROCE %	1.8	–10.5	1.3	5.6	2.2	–10.5	21.9	28.0	47.8	38.9
ROCE % from industrial operations[5]	1.3	–14.0	0.7	6.2	2.7	–17.3	26.9	46.9	55.1	49.4

Values 2005 until 2012 not restated

[1] 2013 restated
[2] Excluding interest expansions for provisions
[3] EBT + interest expenses/ – interest income
[4] EBT + interest expenses/ – interest income + amortization and depreciation
[5] Adjusted for the net cash position and interest income thereon

Value added in the Salzgitter Group

The operational value added of the Group amounted to € 1,688 million in 2014. The increase of 41.3% in value added compared with the previous year allowed personnel expenses (€ 1,668 million) to be covered. The public sector received 1.0% in the form of taxes and levies (2013: 0.6%). Lenders accounted for a portion of 2.0% which was marginally lower than the year-earlier figure (2.8%). Value added worth 0.7% has been earmarked as dividend for the shareholders (including treasury shares) to be disbursed for the financial year ended (2013: 1.0%). An amount of € 2.9 billion from the value added has remained within the Group since 2003. In 2014, funds of only € 43 million were deployed.

Value added

	2014/12/31		2013/12/31[1]	
	In € m	%	In € m	%
Sources				
Group outputs	9,488	100.0	9,430	100.0
Inputs	7,800	82.2	8,235	87.3
Value added	**1,688**	**17.8**	**1,195**	**12.7**
Appropriation				
Employees	1,668	98.8	1,652	138.3
Public sector	17	1.0	7	0.6
Shareholders (dividend)	12	0.7	12	1.0
Lenders	34	2.0	34	2.8
Remaining within the Group	–43	–2.5	–511	–42.7
Value added	**1,688**	**100.0**	**1,195**	**100.0**

[1] 2013 restated

2. Financial Position and Net Assets

Financial management

Salzgitter Klöckner-Werke GmbH (SKWG), a wholly-owned subsidiary of Salzgitter AG (SZAG), has carried out cash and foreign currency management principally on a centralized basis for the companies belonging to the Salzgitter Group since January 1, 2012. Joint venture companies are not included.

The internal financing of Group companies is fundamentally conducted through making Group credit lines available in the context of Group financial transactions and, in individual cases, external loan guarantee commitments. To cover the financial requirements of foreign Group companies, in particular those outside the euro area, the Salzgitter Group also makes use of local lending markets. At the same time, it draws on the liquidity surplus of the Group companies for financing. Supplies and services within the Salzgitter Group are settled via internal accounts. Central finance management enables us to procure external capital at favorable conditions and has a positive impact on interest income. We calculate the Group's liquidity requirements through financial planning with a multi-year planning horizon and a monthly rolling liquidity planning with a six-month forecasting horizon. Funds invested, medium-term bilateral credit lines, a syndicated credit limit and the use of bond markets guarantee that our liquidity requirements are covered.

Our international business activities also generate cash flows in a number of different currencies. In order to secure against the resulting currency risk, Salzgitter Group companies must hedge foreign currency positions at the time when they arise in accordance with Group guidelines. Internal Audit monitors compliance with these regulations. For transactions denominated in USD, which make up a major portion of our foreign currency transactions, the option of setting off sales and purchasing items (netting) is considered first within the Group. Any surplus amounts are covered by way of hedging transactions that are customary in the market.

Pension provisions still play a significant role in corporate financing. On the basis of a lower actuarial interest rate (2.00%) derived from the current level of capital market rates, they currently amount to € 2,442 million (2013: € 2,120 million at 3.25%). In accordance with the standards of international accounting, the effect was reported in the statement of comprehensive income in equity with no effect on net income.

Cash flow statement

The cash flow statement (detailed disclosure in the section on the "Consolidated Annual Financial Statements") shows the source and application of funds. The cash and cash equivalents referred to in the cash flow statement correspond to the balance sheet item "Cash and cash equivalents".

Cash and Cash Equivalents

In € m	2014	2013[1)]
Cash inflow from operating activities	598.5	141.2
Cash outflow from investment activities	–347.5	–194.9
Outflow from financing activities	–237.8	–51.5
Change in cash and cash equivalents	**13.2**	**–105.1**
Changes in the Group of consolidated companies/changes in exchange rates	5.9	–0.4
Cash and cash equivalents on the reporting date	**774.0**	**754.9**

[1)] 2013 restated

The Group generated € 599 million in cash flow from operating activities (2013: € 141 million). The year-on-year increase is mainly attributable to the significant improvement in the consolidated result. The cash outflow from investment activity (€ 348 million) rose in comparison with the year-earlier period (€ 195 million), largely owing to repaid cash investments.

Due to disbursements to the holders of the convertible bond (€ 239 million), the cash flow from financing activities, which stood at € 238 million (2013: € –52 million), remained negative in the financial year 2014. In addition, dividend distribution for the financial year 2013 to shareholders of SZAG amounted to approximately € 11 million, which equates to € 0.20 per share.

The net credit balance of € 403 million increased significantly in comparison with 2013 (€ 303 million). The higher level of cash investments, including securities (€ 1,097 million), as per the end of 2013 were offset by liabilities owed to banks of € 694 million (2013: € 741 million), of which € 353 million in obligations attached to convertible and exchangeable bonds.

The liquidity and debt-to-equity ratios in the financial year 2014 are as follows:

Multi-year Overview of Earnings

	2014	2013[1]	2012	2011	2010	2009	2008	2007	2006	2005
Solvency I (%)[2]	116	130	156	169	192	211	157	211	252	150
Solvency II (%)[3]	196	227	262	287	287	302	281	317	365	253
Dynamic debt burden (%)[4]	26.0	6.8	22.0	–12.1	30.1	406.8	64.9	–304.5	–95.5	41.3
Gearing (%)[5]	195.4	158.9	145.1	120	125.9	106.2	100.3	98.0	101.9	169.1
Cash flow (€ m) from operating activities	599	141	427	–197	209	1,190	547	781	488	468
Net bank debt (€ m)[6]	–403	–303	–497	–508	–1,272	–1,561	–991	–2,115	–2,283	–822

Values 2005 until 2012 not restated

[1] 2013 restated

[2] $\frac{\text{(current assets – inventories) x 100}}{\text{current liabilities + dividend proposal}}$

[3] $\frac{\text{current assets x 100}}{\text{current liabilities + dividend proposal}}$

[4] $\frac{\text{cash flow from operating activities x 100}}{\text{non-current and current borrowings (including pensions) – investments}}$

[5] $\frac{\text{non-current and current liabilities (including pensions) x 100}}{\text{equity}}$

[6] – ≙ cash in bank, + ≙ liabilities

Asset position

In comparison with the 2013 reporting date (€ 8,250 million), the Group's total assets had risen by 2.9 % to € 8,493 million. The decline in non-current assets (€ –47 million) was ultimately attributable to the decrease in property, plant and equipment (€ –51 million). Higher income tax assets (€ 296 million; 2013: € 226 million) were offset in particular by the lower level of loans extended (€–22 million) and investments (€ –31 million), accounted for using the equity method. The current assets rose largely owing to the increase in receivables (€ +172 million) as well as other assets (€ +63 million).

Asset and Capital Structure

In € m	2014/12/31	%	2013/12/31[1]	%
Non-current assets	3,575	42.1	3,622	43.9
Current assets	4,918	57.9	4,628	56.1
Assets	**8,493**	**100.0**	**8,250**	**100.0**
Equity	2,875	33.9	3,187	38.6
Non-current liabilities	3,115	36.7	3,035	36.8
Current liabilities	2,502	29.5	2,028	24.6
Equity and liabilities	**8,493**	**100.0**	**8,250**	**100.0**

[1] 2013 restated

As part of non-current assets, investments in property, plant and equipment and intangible assets (€ 270 million) were lower than depreciation and amortization (€ 339 million). An additional negative impact on non-personnel assets emanated from impairment (€ 42.7 million). Working capital stood at € 2,487 million (–4.3 %), which is marginally below the year-earlier figure.

The equity ratio (33.9 %) declined markedly in comparison with the previous year (38.6 %). Determining factors here were the increase in pension provisions due to the reporting-date related decrease in the actuarial rate to 2.00 % (previous year: 3.25 %). Current liabilities rose commensurately with an increase in trade payables (€ +301 million). In addition, the repayment amount associated with the exchangeable bond has been reclassified under current financial liabilities.

Multi-year Overview of the Asset Position

	2014	2013[1]	2012	2011	2010	2009	2008	2007	2006	2005
Asset utilization ratio (%)[2]	42.1	43.9	42.5	41.8	39.7	39.5	33.5	25.8	23.4	35.1
Inventory ratio (%)[3]	23.4	23.9	23.2	23.9	19.9	18.2	29.3	24.8	23.7	26.6
Depreciation/amortization ratio (%)[4]	15.3	20.7	13.6	13.5	14.2	21.3	11.7	11.7	13.9	14.5
Debtor days[5]	66.5	57.8	54.2	53.7	51.7	49.3	48.4	54.5	47.9	44.9
Capital employed (€ m)	3,526	4,034	4,481	4,733	4,596	4,457	4,886	4,829	3,974	2,496
Working capital (€ m)	2,487	2,598	2,694	2,753	2,193	1,981	3,338	2,845	2,159	1,809

Values 2005 until 2012 not restated

[1] 2013 restated

[2] non-current assets x 100 / total assets

[3] inventories x 100 / total assets

[4] write-downs on property, plant and equipment/intangible assets x 100 / property, plant and equipment/intangible assets

[5] trade receivables x 365 / sales

3. The Annual Financial Statements of Salzgitter AG

The annual financial statements of Salzgitter AG (SZAG) for the financial year 2014 have been drawn up in application of the accounting policies and valuation methods of the German Commercial Code, taking account of the supplementary provisions set out under the German Stock Corporation Act, and have been approved without qualification by the auditor PricewaterhouseCoopers, Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover. The complete text is published in the German Federal Gazette.

As before, SZAG as the management holding company heads up the Group's business units that are responsible at the operational level. Consequently, the profitability of the company depends on the business progress made by its subsidiaries and shareholdings and on the extent to which they retain their value.

The main associated companies are held by its wholly-owned subsidiary Salzgitter Klöckner-Werke GmbH (SKWG) via the wholly-owned company Salzgitter Mannesmann GmbH (SMG). There are no profit transfer agreements, neither between SZAG and SMG nor between SMG and SKWG. There is, however, a contractual agreement on the voluntary assumption of losses.

As a non-operational holding company, SZAG is an integral part of the Salzgitter Group's management and control concept and is therefore subject to the same control parameters and the same opportunities and risks as the Salzgitter Group. The legal requirements placed on managing and controlling SZAG have been taken into account here.

Balance Sheet of Salzgitter AG (condensed)

In € m	2014/12/31	%	2013/12/31	%
Non-current assets	**49.2**	**6.4**	**44.4**	**4.3**
Property, plant and equipment[1]	19.7	2.5	20.7	2.0
Financial investments	29.5	3.8	23.8	2.3
Current assets	**723.6**	**93.6**	**989.4**	**95.7**
Trade receivables and other assets[2]	723.6	93.6	989.4	95.7
Cash and cash equivalents	0.0	0.0	0.0	0.0
Assets	**772.8**	**100.0**	**1,033.8**	**100.0**
In € m	2014/12/31	%	2013/12/31	%
Equity	381.4	49.4	381.4	36.9
Provisions	308.0	39.9	337.8	32.7
Liabilities	83.3	10.8	314.6	30.4
due to banks	[0.0]		[0.0]	
Equity and liabilities	**772.8**	**100.0**	**1,033.8**	**100.0**

[1] Including intangible assets
[2] Including prepaid expenses

The receivables from the liquidity (€ 650 million) provided to the subsidiary SKWG as part of a groupwide cash management continue to form the main items on the assets side. The treasury shares are disclosed separately from equity in accordance with the regulations prescribed by the German Commercial Code (HGB).

On the liabilities side, pension obligations of € 281 million as well as repayment obligations (€ 57 million) in respect of the Dutch issuer of a convertible bond are disclosed, alongside equity. An amount of € 239 million was paid back in October 2014 to service the holders' option of calling the convertible bond for redemption. As a result, the equity ratio has risen to 49.4 % (2013: 36.9 %).

Income Statement of Salzgitter AG (condensed)

In € m	2014	2013
Other operating income	26.1	27.1
Personnel expenses	19.1	22.4
Depreciation/amortization[1]	1.7	1.2
Other operating expenses	31.9	24.0
Income from shareholdings	58.8	63.4
Net interest result	–25.1	–31.7
Earnings before taxes (EBT)	**7.1**	**11.3**
Taxes	3.8	–0.6
Extraordinary result	0.0	–0.1
Net income for the financial year	**10.8**	**10.5**

[1] Including write-downs on financial assets and marketable securities

Other operating income includes gains from the levying of a Group contribution and from asset disposal. Income from shareholdings consisted almost exclusively of the contribution to the result received by SMG. As per December 31, 2014, the company had a workforce of 155 employees.

Disclosures pursuant to Sections 289 para. 4 and 315 para. 4 of the German Commercial Code (HGB)

The subscribed capital consisted of 60,097,000 ordinary bearer shares with a notional value per share of € 2.69 in the capital stock on the reporting date. All shares are subject to the same rights and obligations laid out under the German Stock Corporation Act (AktG).

To the knowledge of the Executive Board, the only restrictions on the voting rights or the assignment of shares on the reporting date were as follows: The company was not entitled to any voting rights from its treasury shares (6,009,700 units), and the members of the Executive and Supervisory boards were not entitled to any voting rights from their shares in respect of the resolution passed on their own ratification and discharge.

A participating interest of more than 10% of the voting rights as per the reporting date accrued to Hannoversche Beteiligungsgesellschaft Niedersachsen mbH (HanBG), Hanover, that announced in its notification on April 2, 2002, that it owned 25.5% of the voting rights in Salzgitter AG (SZAG); as a proportion of the total number of shares issued that has fallen since then, this corresponds to a share of 26.5% in the voting rights. Sole shareholder of HanGB is the Federal State of Lower Saxony.

There are no shares with special rights that confer powers of control. The Executive Board does not know of any employees participating in the capital who do not exercise their power of control directly.

The appointing and dismissing of members of the Executive Board and amendments to the Articles of Incorporation are carried out solely within the provisions set out under the German Stock Corporation Act (AktG).

Based on the resolutions passed by the General Meeting of Shareholders, the Executive Board has the following four options of issuing or buying back shares:

- Upon approval by the Supervisory Board, the Executive Board may issue 30,048,500 new no par bearer shares against payment in cash or in kind on or before May 23, 2017 (Authorized Capital 2012), whereby a maximum of 12,019,400 units may be issued excluding the subscription rights of the shareholders (20% of all shares issued on May 24, 2012). The 20% cap is reduced by the proportionate amount in the capital stock to which the following relate: the option or conversion rights and the option or conversion obligations attached to the warrants, convertible bonds, profit participation rights and/or participating bonds or a combination of these instruments which have been issued, with subscription rights excluded, since May 24, 2012.
- Moreover, upon approval by the Supervisory Board, the Executive Board may issue bonds in a total nominal amount of up to € 1 billion on or before May 22, 2018, and grant the holders of the respective bonds conversion rights to shares of the company in a total amount of up to 26,498,043 units (Contingent Capital 2013). The shareholders' subscription rights can be precluded up to a total nominal amount of bonds with which conversion rights to shares are combined, of which the pro rata amount in the capital stock may not exceed 10% of the capital stock. Bonds with conversion rights excluding shareholder subscription rights may only be issued provided that shares making up a proportion of 20% of the capital stock, excluding subscription rights, from the Authorized Capital have not been issued since May 23, 2013. By the reporting date there had been no shares issued since May 23, 2013, from the Authorized Capital.

- On October 6, 2009, the Executive Board made use of the authorization to issue a bond in the form of a convertible bond to the exclusion of shareholder subscription rights with conversion rights pertaining to up to 3,550,457 new shares from contingent capital (Contingent Capital 2009), exercisable until September 27, 2016. By the reporting date, no holder of convertible bonds had yet exercised their conversion rights.
- The Executive Board is authorized to purchase the company's own shares equivalent to a proportion of the capital stock of up to 10% in the period on or before June 7, 2015, and to use these shares for all purposes permitted under the law.

Subject to the condition of change of control following a takeover offer, there are material agreements of the company that have the following effects:

- In the case of the 2009 convertible bond of € 296 million, which was valued at € 57 million on the reporting date, and the 2010 bond of € 295 million exchangeable into shares, all bondholders are entitled to request the repayment of their bonds within a certain period in the event of a change of control; moreover, should bondholders exercise their conversion and/or exchange rights within a certain period, the convertible and/or exchangeable ratio will be adjusted in application of a specific formula.
- Under a contract agreed in 2012 with a banking syndicate on a credit line of € 500 million, each syndicate bank is entitled in the event of a change of control to terminate its participation in the credit line and, if desired, to request repayment.
- Under an agreement of the shareholders of EUROPIPE GmbH (EP), Mülheim an der Ruhr, 50 % of whose shares are held by the Group, the company may, in the event of a change of control, retract shares without the consent of the shareholder affected in the event that the business activities of the third party that has attained a controlling influence stand in direct competition to the company's business activity. In place of retracting the shares, the other shareholders may request that shares are assigned to a designated purchaser.

In the event of a takeover offer, the members of the Executive Board have the right to terminate their contracts of employment under certain preconditions and are entitled to settlement in an amount of the total remuneration over the residual term of their respective contracts. There is, however, a cap on the maximum amount of this entitlement.

Appropriation of the profit of Salzgitter AG

SZAG reported annual net income of € 10.8 million in the financial year 2014. Including the profit carryforward (€ 1.3 million), unappropriated retained earnings amount to € 12.1 million.

The Executive Board and the Supervisory Board will propose to the General Meeting of Shareholders that these unappropriated retained earnings (€ 12.1 million) be used to fund payment of a dividend of € 0.20 per share (based on the capital stock of € 161.6 million divided into 60,097,000 shares) and that the remaining amount be carried forward to new account.

If the company holds treasury shares on the day of the General Meeting of Shareholders, the proposed appropriation of profit will be adjusted accordingly at the Meeting as treasury shares are not eligible for dividend.

"WE ARE WORKING ON SURPRISING THE MARKETS WITH INNOVATIVE PRODUCTS."

Innovations are an integral part of the "360 Degree Concept" and are fostered in all business units of the company to the greatest extent possible. KHS has set an excellent example: With its "Nature MultiPack" packaging system, the company has developed a revolutionary product that was the talk of the beverages and packaging industry in 2014. Specially developed adhesive dots glue PET bottles and beverage cans together to form a user-friendly multipack, with no need for outer packaging. In combination with the "Direct Print" process that dispenses with labeling material, the KHS Group has presented a sustainable overall concept that won the German Packaging Award 2014.

It is ideas and products like this that make us successful in the market.

V. Opportunity and Risk Report, Guidance

1. Opportunity and Risk Management System

We comment on expectations of the medium-term development of the economy and the potential impact on our company, while taking account of the opportunities and risks, in the section on "Overall Statement on Anticipated Group Performance".

Differentiation between risk and opportunity management

We treat risk and opportunity management separately as a matter of principle. A separate reporting system documents and supports the monitoring of risks. By contrast, the recording and communication of opportunities forms an integral part of the management and controlling system that operates between our subsidiaries/associated companies and the holding company. The identification, analysis and implementation of operational opportunities are incumbent on the management of the individual companies. Together with the holding company of the Group, goal-oriented measures are devised to reinforce strengths and to tap strategic growth potential. The Group has a series of instruments at its disposal for this purpose. These instruments are described under the section entitled "Management and control instruments".

Opportunities and opportunity management

The ongoing monitoring and analysis of the relevant developments affecting the products, technology, markets and competition in the Group's environment are an integral part of opportunity management dedicated to the identification, seizing and realization of opportunities.

The implementation of the "Salzgitter AG 2015" program enabled us to complete a fundamental change in the Group's organization and management structure in 2014. The new organization allows us to shape structures and workflows to make them more efficient and effective. The challenging and dynamic environment harbors market opportunities that we are now able to seize more swiftly and in a more selective way. Combined with a comprehensive package of measures to enhance process efficiency, the "Salzgitter AG 2015" program serves to strengthen our competitiveness, while forming an important basis for rigorously leveraging potential.

The development of the business units is clearly aligned to customer and market requirements and geared to premium, innovative products as well as to ensuring the broadest base possible for the Group's business. Business opportunities are to be specifically used under the aspect of sustainable profitability. Alongside measures to promote organic growth, we also screen external options with regard to their potential contribution to securing the Salzgitter Group's success. More information can be found in the sections entitled "Management and Control of the Company, Goals and Strategy".

Extensive investments in recent financial years have bolstered the expansion of our production program, thereby setting in place the prerequisites for us to make even better use of market opportunities in the future. Plant productivity and efficient resource deployment as well as the continuous optimization of product quality are also components that are critical to our Group's success. More detailed explanations can be found in the section on "Investments".

Opportunities arise most notably from our numerous and diverse research and development activities. Information on projects currently under way has been included in the section on “Research and Development”.

Risks and risk management

In the past year our risk management system has proven its worth and effectiveness, also in the light of the impact of the financial, debt and European steel crisis.

Business activity as defined by our Articles of Incorporation makes risk-taking unavoidable in many instances, as this is frequently a precondition for exploiting opportunities. As far as possible, all relevant risks must therefore be containable and kept within certain limits by the management of the company. For this reason, foresighted and effective risk management is an important and value-creating component of management that is geared toward safeguarding the company as a going concern, along with our investors’ capital and jobs.

Qualified top-down set of rules and regulations

It is the task of the management holding company to put guidelines in place to form the basis on which a uniform and adequate consideration and communication of risks can be ensured throughout the Group. We communicate the relevant concept to our subsidiaries and associated companies with the aid of a risk policy that sets out principles concerning the

- identification,
- assessment,
- management,
- communication and
- documentation

of the risks based upon which the groupwide risk inventory is standardized, with the ultimate aim of guaranteeing the informative value for the entire Group. We develop our risk management system on a steady basis in response to requirements.

Identification

With risk management within the Salzgitter Group in mind, we identify situations in the business units that we have yet incorporated – or been able to incorporate – into our planning or in our forecast. The damage or the amount of loss is based on the potential divergence from our forecast or our anticipation of the result. The risk coordinators in the companies ensure that this is a continuous process. We have drawn up a checklist that can be used to identify risks. At the same time, the various situations are assigned to risk types. The categorization of the different types of risks in the Salzgitter Group consists of the following four main groups:

- general external risks,
- performance risks,
- financial risks and
- general internal risks.

In order to ensure a fundamental methodology, we record and monitor mandatory risks for a series of risks in our inventory – irrespective of the amount of loss – such as performance risks, for instance, arising from sales, procurement, stocks and production downtime. External risks comprise environmental protection risks relating to the operation of our plants as well as, more recently, also risks inherent in environmental and energy policies that are particularly significant for our Group. Examples of the financial component include rolling, short-term liquidity planning, and, in the case of internal risks, evaluating information technology. Experience has shown that this selection covers the main risks in our Group's risk portfolio.

Assessment

We generally document the quantitative extent of the potential calculated loss or damage in the light of all influencing factors in order to track and assess the risks. In this process, provisions and impairment are deducted from the amount of loss, which is noted in the risk documentation.

Risks from fire damage, operational downtime and other damage and liabilities claims covered by our insurance policies are not recorded. Severe loss incurred by the aforementioned risks is passed to our insurance providers, with the exception of any excess. We continuously review the scope and content and make adjustments whenever necessary to ensure that our insurance cover always reflects the status quo.

With regard to the extent of loss or damage, we distinguish between major risks in excess of a gross amount of at least € 25 million and other risks involving loss or damage of less than a gross amount of € 25 million.

In deriving net loss from gross loss we take account of all measures to contain loss.

We make a distinction between five categories based on the likelihood of their occurrence: three "unlikely" and two "likely". Risks in the "unlikely" categories are events that, after careful commercial, technical and legal consideration, are deemed unlikely to occur. In the case of risks in the "likely" categories, loss accruing to the company from an undesirable event can no longer be ruled out.

Dealing with risk

Measures that would need to be taken for evaluating and overcoming each respective risk are documented and reported as described below.

Communication and documentation

We generally include all the consolidated companies of our business units in our risk management. In addition, this also applies to a number of non-consolidated companies.

We include risks as an integral part of our intra-year forecasting, medium-term planning and strategy discussions. We have defined a set of different procedures, rules, regulations and tools with the aim of avoiding potential risks and of controlling and managing the risks that arise and taking preventive measures. Our internal control system that incorporates the principles of the COSO model is an integral instrument in minimizing risk. The COSO model is based on the "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of the high degree of transparency achieved with regard to developments that involve risk, we as a Group are able to take appropriate countermeasures and implement them in a targeted manner at an early stage. The conditions that must be fulfilled for these measures to be effective are documented, periodically examined and updated if necessary.

We use our groupwide reporting system to ensure that Group management is provided with the necessary and pertinent information. The Group companies report on the risk situation in accordance with reporting thresholds in monthly controlling reports or ad hoc, which they do directly to the Executive Board. We analyze and assess the risks at Group level, monitor them punctiliously and align them to our overall business situation.

We limit the risks arising from joint ventures in which we do not hold a majority stake by way of appropriate reporting and consultation structures, through participation in supervisory committees and through contractual arrangements. Members of SZAG's Executive Board are, for instance, represented on the Supervisory Board of EUROPIPE GmbH (EP), a joint venture, and Hüttenwerke Krupp Mannesmann GmbH (HKM) in order to ensure the transparency. Moreover, two Executive Board members of our company serve on the Supervisory Board of Aurubis AG (NAAG), one of our participations.

For its part, the Executive Board reports to the Supervisory Board on the risk position of the Group as well as – where appropriate – on the status of individual risks. The Supervisory Board has formed an Audit Committee that is tasked with addressing issues relating to risk management in its regular meetings.

2. Individual Risks

Business unit allocations

The main price and procurement risks inherent in the raw materials and energy required primarily affect the Strip Steel, Plate / Section Steel and Energy business units in the Salzgitter Group. This is similarly applicable to production downtime risks relating essentially to key plant equipment and machinery such as the rolling mills. The economic risks for companies belonging to the corporate finance and fiscal group are coordinated and controlled by the management holding across all business units.

Sectoral risks

Starting with macroeconomic changes in the international markets, the trends of

- prices on the sales and procurement markets,
- the exchange rates (above all USD-EUR) and
- energy prices

are particularly significant for the Salzgitter Group.

In order to minimize the associated business risks, we monitor the relevant trends and take account of them in risk forecasts. This is also true of potential restrictions resulting from financial or political measures affecting international business. Especially the South Stream contract needs to be seen in this context. It has been suspended at present and the whole pipeline is currently under discussion. Uncertainty prevails as to how this situation will develop.

The crisis in Europe's steel industry continues to exert a considerable burden on the Salzgitter Group. The ongoing recession in some European countries and the associated downturn in the demand for steel are the cause of significant capacity underutilization, particularly in southern Europe. The nationalization of peer competitors harbors a threat of further competitive distortion. As a consequence of the ensuing fierce competition, the selling prices that can be commanded for many rolled steel products scarcely cover the manufacturing costs, despite an easing effect from the downturn in raw material prices. Our Strip Steel and Plate / Section Steel business units are still particularly affected.

Salzgitter AG (SZAG) produces rolled steel and steel tubes as well as focusing on trading and technology. This broad-based holding portfolio goes some way to reducing the Group's dependency on the strongly cyclical nature of the steel industry. We limit risks from changes in the steel and tubes markets by ensuring fast decision-making processes which allow us to adapt rapidly to new market conditions. From today's standpoint, there are no risks anticipated from developments in the relevant sectors that could constitute a threat to our company as a going concern.

With regard to the current discussions on climate and energy policy, we make reference to the section entitled "Environmental Protection". Policies on the climate and energy, the German Renewable Energies Act (EEG), along with emission trading and energy systems, for instance, are already causing burdens today. Due to the evaluation proviso under the amended EEG concerning electricity generated for own consumption, we see a risk of additional burdens of around € 140 million a year from 2017 onward.

Furthermore, our Group will likely have to purchase CO_2 allowances for the fourth EST trading period commencing 2021. Indirectly associated in this context is the risk of a price increase in the electricity sourced externally. In terms of these two aspects, we assess risk to be in the order of approximately € 150 million a year.

We view the probability of occurrence as likely due to the nature of EEG and CO_2-related topics. The amount of loss will hinge on the development of the political environment.

Beginning with the cost aspect, using all energy sources sparingly is an important aspect for us. With this in mind, we have stepped up groupwide energy monitoring in order to counteract the influence of a general price uptrend.

Price risks of essential raw materials
The procurement prices of iron ore and coking coal have fallen in comparison with the previous year. From today's standpoint, we do not anticipate any risks to the company as a going concern from rising prices, as we always endeavor to smooth price fluctuations for raw materials through natural hedging. The Group applies a permanent system of monitoring sales and procurement to ensure congruence between the fixed-price procurement of raw materials and the fixed-price sale of our products. This system enables changes to be recognized at an early stage so that any resulting risk can be dealt with in time. Moreover, we use hedging to a limited extent for ore.

Procurement risks
We counteract the general risk from supply shortfalls of raw materials (iron ore, coal) and energy (electricity, gas) by safeguarding their procurement, firstly by way of long-term framework contracts, and secondly through ensuring our supply from several regions and/or a number of suppliers. In addition, we also operate appropriate inventory management. Our assessment of our supply sources confirms our opinion that the medium-term availability of these raw materials in the desired quantity and quality is ensured. We procure our electricity largely on a contractually secured basis if our needs exceed our own generating capacity. In addition, we have launched a groupwide project to sustainably enhance energy efficiency. In order to be equipped for power cuts, though infrequent, we invest in emergency power generators for particularly sensitive areas, such as the computer center. For the reasons cited above, we believe that supply bottlenecks are unlikely, and no adverse effects are therefore anticipated.

The scheduled and punctual rail transport of iron ore and coal from the international port in Hamburg to the Salzgitter site is especially important. Our contractual partner in guaranteeing this logistics task is DB Schenker Rail Deutschland AG, the freight subsidiary of Deutsche Bahn AG. We have developed a detailed contingency plan to deal with any adverse effects, such as strikes. This plan includes foresighted stockholding and intensive coordination between DB Schenker and ourselves to keep train transport running regularly to the greatest possible extent. Another viable alternative is the more intensive use of the railway facilities owned by the Group, as well as resorting to inland waterways to transport partial shipments. Moreover, we counteract possible constraints that could hinder the supply of materials by rail at the weekend and public holidays through closely coordinating activities with railway operators or opting to use our own means of transport more intensively.

Selling risks

A risk typical of our business may also result from sharply fluctuating prices and volumes in our target markets. In assessing the current economic environment with regard to the outlook for the financial year 2015, we refer to the section entitled “Overall Statement on Anticipated Group Performance”.

We counteract the general risk to our company as a going concern by maintaining a diversified portfolio of products, customer sectors and regional sales market to achieve a certain balance in our risk portfolio. Owing to the aforementioned steel crisis and uncertainty in the project business on the large-diameter pipes market, the economic impact on the individual business units is not fully offset, even given an improvement in capacity utilization.

Production downtime risks

We counteract the risk of unscheduled, protracted downtime of our key plant equipment and machinery through regular plant and facility checks, a program of preventive maintenance, as well as a continuous process of modernization and investment. In order to contain other potential loss or damage and the associated production downtime, as well as other conceivable compensation and liabilities claims, the Group has concluded insurance policies that guarantee that the potential financial consequences are curtailed, if not fully excluded. The scope and content of insurance cover is reviewed on an ongoing basis and adjusted, if necessary. We consider the probability of events occurring that are not covered by appropriate insurance – and the associated potential loss – to be low.

Legal risks

In order to exclude potential risks arising from a possible breach of the manifold fiscal, environmental, competition-related rules and regulations and other legal provisions we require our employees’ strict compliance. We seek extensive legal advice from our experts as well as, on a case-by-case basis, from qualified external specialists.

To coordinate the Group’s initiatives with respect to policies relating to the steel industry and its associations, as well as to ensure that these initiatives are pursued on a systematic basis, we have installed an international affairs contact within the Group.

In our opinion, there are no discernible material legal risks in this area.

Financial risks

The financial structure is determined by our management holding that coordinates the funding and manages the interest rate and currency risks of companies financially integrated into the Group. The risk horizon that has proven to be expedient is a rolling period of up to three years aligned to the planning framework. The guidelines issued require all companies belonging to the group of consolidated companies to hedge against financial risks at the time when they arise. For instance, risk-bearing open positions or financing in international trading must be reported to Salzgitter Klöckner-Werke GmbH (SKWG) by the respective subsidiaries. SKWG then decides on hedging measures, taking account of the Group’s exposure at the time. On principle, we permit financial and currency risks only in conjunction with processes typical to steel production and trading. Please also see the sections on “Currency risks” and “Interest rate risks”.

In relation to the operating risks, the financial risks are of lesser importance.

Currency risks

Our procurement and sales transactions in foreign currencies naturally harbor currency risks. The development of the dollar, for instance, exerts a major influence on the cost of procuring raw materials and energy, as well as on revenues in the tubes product segment or in mechanical engineering, for example. Although the effects are mutually counteracting, the need for dollars for procurement activities predominates owing to the business volumes that vary greatly. We generally set off all EUR-USD denominated cash flows within the consolidated group, a process known as netting, thereby minimizing the risk potential.

To limit the volatility of financial risks, we conclude derivative financial instruments with terms whose value develops counter to our operational business. The development of the market value of all derivative financial instruments is ascertained on a monthly basis. Moreover, for the purpose of the annual financial statements, we simulate the sensitivity of these instruments in accordance with the standards laid down under IFRS 7 (see the section entitled "Notes to the Consolidated Financial Statements"). Hedging arrangements are not disclosed as hedge accounting positions in the accounts.

Default risks

We counter our receivables risks by practicing stringent internal exposure management. We limit around two thirds of these risks through trade credit insurance and other collateral. As opposed to the notable curtailment of limits or even full retraction of cover by trade credit insurers at the start of the financial crisis, measures that, from our perspective, first and foremost affected the automotive supplier sector and customers in Eastern Europe, the granting of cover has returned to normal levels over the period since the financial year 2010. We nonetheless continue to observe and assess the development of unsecured positions with the utmost caution and take this into account in our business.

We do not hedge translation risks arising from the converting of positions held in a foreign currency into the reporting currency, as these are of secondary importance in relation to the consolidated balance sheet. More information can be found in the "Notes to the Consolidated Financial Statements". As a result of the preventive measures, we believe that currency risks do not constitute a threat to the company as a going concern.

Liquidity risks

The management holding monitors the liquidity situation within the Group by operating a central cash and interest management system for all the companies that are financially integrated into the Group. This system defines internal credit lines for the subsidiaries. If subsidiaries have their own credit lines, they are responsible for minimizing the associated risk themselves and for reporting on potential risks in the context of the Group management and controlling structures. Risks may also arise from the necessary capital and liquidity measures taken on behalf of the subsidiaries and holdings if their business should develop unsatisfactorily in the longer term. We do not, however, anticipate any burdens from this area of risk that could constitute a going concern risk. We counteract this risk by means of rolling liquidity planning. In view of the cash and credit lines available, we do not perceive any danger to our Group as a going concern at this time.

Interest rate risks

The cash and cash equivalents item, significant in relation to the balance sheet total, is exposed to interest rate risk. Our investment policy is fundamentally oriented toward low-risk investment categories with appropriate credit ratings while, at the same time, ensuring the availability of the assets. In order to monitor on the interest rate risk, we regularly conduct interest rate analyses; the results of which are directly incorporated into investment decisions. Long-term structural interest rate risk may arise from a persistent gap between the deposit interest rate and interest- and income-induced developments in pension obligations. This type of risk is currently not discernible; if – unexpectedly from today's standpoint – it should arise, the Group's robust balance sheet constitutes a good basis for corrective measures.

Tax risks

The recording and documenting of tax risks are carried out by the companies integrated into the tax group in close coordination with the holding company's tax department. SZAG, Salzgitter Mannesmann GmbH (SMG) and SKWG are responsible for provisioning, for example, in respect of the risks inherent in audits conducted on their tax group. Subsidiaries taxable as individual entities, above all international companies belonging to the Trading, Energy and Technology business units, are responsible for their own provisioning. Provisions have been set up to cover any identifiable tax risks.

Since the spring of 2014, the Braunschweig public prosecutor's office has been investigating various Group companies on grounds of suspected tax evasion. The investigation proceedings concerning the formation of allegedly fiscally impermissible provisions, as well as commission payments and credit notes not recognized under tax legislation, are ongoing. SZAG and its subsidiaries are cooperating unconditionally with the investigating authorities and have hired external attorneys to investigate the matter comprehensively. We believe that the tax returns in question submitted by the Group companies are in compliance with the statutory regulations. In view of current knowledge, and taking the overall circumstances into account, there is no serious or overwhelming probability of a quantifiable demand for back taxes on the part of the fiscal authorities.

Personnel risks

SZAG actively competes on the market to attract qualified specialists and managers. The company counters the risk of fluctuation and the associated loss of knowledge by means of broad-based measures designed to develop its personnel. To this end, specialist career paths have been explicitly introduced with the aim of creating appropriate career prospects for our specialists. In our knowledge transfer, which is applied groupwide, we have developed an instrument that, in the case of successor staff, ensures continuity in the transfer of all knowledge-based information, contact and business connections pertaining to the respective professional activity. Moreover, we also offer attractive company pension schemes that, given the dwindling benefits under the state pension scheme, are becoming increasingly important.

We initiated the "GO – Generation Campaign 2025 of Salzgitter AG" back in 2005 against the backdrop of demographic trends with the aim of responding in good time to the impact of these trends on our Group, thereby securing our innovative strength and competitiveness in the long term. The project is focused on the systematic preparation of all employees for a longer working life. Given our manifold measures, we believe that we are well prepared in this area of risk. Please also see the section on "Employees".

Product and environmental risks

We meet the challenge of product and environmental risks with a multitude of measures aimed at securing quality. Examples include:

- certification in accordance with international standards,
- continuous modernization of plants,
- ongoing development of our products and
- comprehensive environmental management.

SZAG's head of Environmental Protection and Energy Policies is tasked with centralizing and coordinating environmental and energy policy issues affecting all companies, representing the Group externally in matters relating to the environment and energy policies and managing individual projects affecting the whole Group, as exemplified by the program to sustainably raise energy efficiency.

Risks from owning land and property may arise, particularly from inherited contamination. We counteract these risks, for instance, by fulfilling our clean-up duties. In terms of financial precautions, an appropriate amount of provisions are formed. To our knowledge there are no unmanageable circumstances arising from this type of risk.

Information technology risks

The growing integration of information systems and the demand for their permanent availability place increasingly greater requirements on the information technology (IT) and the IT infrastructure deployed.

We counteract potential risks and guarantee the availability and security of our information systems by using cutting-edge hard- and software and ensuring the ongoing technological upgrading of our IT infrastructure.

In the context of a multi-year program, the Group is endeavoring to harmonize IT structures that have evolved heterogeneously over time with a view to replacing them by a largely standardized EDP infrastructure. Alongside the necessary economic aspect, the compatibility and security of the IT systems and databases are guaranteed. The risks from this area are deemed manageable, and we estimate the probability of an adverse event occurring to be low.

Corporate strategy risks

In order to secure our future earnings strength, we have regularly invested considerable sums in past years, especially at our Group locations in Salzgitter and Peine. For more detailed information please see the sections on "Investments" and "Management and Control of the Company, Goals and Strategy". We nonetheless see a need for restructuring that we are addressing in a targeted way (please also see the reorganization of the EUROPIPE GROUP [EP Group] in the Group Management Report). We consider the risks inherent in this restructuring to be manageable.

3. Overall Statement on the Risk Position of the Group

Evaluation of the risk position by management

Having reviewed the overall risk position of the Salzgitter Group, we can conclude that there were no risks endangering either the individual companies or the entire Group as going concerns at the time when the 2014 annual financial statements were drawn up. This evaluation applies to the individual companies, as well as to the Group as a whole.

The developments in the Russia/Ukraine conflict and uncertainty in the Near and Middle East emanating from the terrorist activities of Islamic State in Iraq and Syria extremists group (ISIS) pose the main risks to the global economy's development.

Based on the premise that this situation and the European crisis of confidence, of the economy and sovereign debt can be overcome, we view the financial year 2015 with cautious optimism despite the structural crisis in the European steel industry. Along with these political, economic and structural aspects, decisions made in the context of German and European energy and environmental policies may give rise to further risks that may, under certain circumstances, prove a threat to the company as a going concern

Although the accuracy of planning achievable is still far removed from returning to pre-crisis levels, we believe that we are well equipped in the current situation to master this phase in which the challenges of managing opportunities and risks are considerably greater. Our business policy, which takes due account of risks and is geared toward sustainability, and our sound strategic alignment form the basis for this assessment.

The independent auditor has examined the early warning system installed at SZAG applicable to the entire Group in accordance with the German Stock Corporation Act (AktG). This audit verified that the early warning system fulfills its functions and fully satisfies all requirements under company law.

As an independent authority, SZAG's Internal Audit Department examines the systems used throughout the Group in terms of their adequacy, security and efficiency and provides impetus for their further development when and as required.

Rating of the company

No official rating has been issued for SZAG by international rating agencies recognized in the capital market. From our perspective, there is currently no need for such a rating as we have achieved a financial standing that is above average in a peer comparison and have maintained this position also in the face of the financial and debt crisis.

Description of the main features of the accounting-related internal control system and the risk management system with respect to the (Group) accounting process (Sections 289 para. 5 and 315 para. 2 item 5 of the German Commercial Code [HGB])

To supplement the information already contained in the risk report, the main features of the internal control and risk management system implemented within the Salzgitter Group in respect of the (Group) accounting process can be described as follows:

The accounting-related internal control system is operated in cooperation with the controlling, legal, internal audit, accounting and treasury departments where the functions are clearly segregated and to which clearly delineated areas of responsibility have been assigned.

The aim is to use control mechanisms implemented to sufficiently ensure that, despite potential risks, the consolidated financial statements are drawn up in accordance with rules and regulations.

To ensure the effectiveness, efficiency and regularity of accounting and compliance with pertinent statutory provisions the control system encompasses all the necessary principles, procedures and measures.

The Executive Board is responsible for the implementation of and compliance with statutory provisions. It reports to the Audit Committee (Supervisory Board) regularly on the financial position of Salzgitter AG (SZAG). The Audit Committee is also tasked with monitoring the effectiveness of the internal control system. An agreement has been made with the external auditor that the Chairman of the Supervisory Board will be informed without delay about all material findings and events connected with the auditing of the annual financial statements which are relevant to the tasks of the Supervisory Board.

The Salzgitter Group is decentralized, which means that responsibility for compliance with legal standards rests with the executive and supervisory bodies of the various companies. The Executive Board works towards ensuring compliance i.a. through the holding departments.

SZAG's Internal Audit examines the operations and transactions relevant to the accounting of SZAG and its subsidiaries and holdings independently and on behalf of the Executive Board in observance of regulatory requirements. The planning and carrying out of the audit by Internal Audit takes account of the risks in the (consolidated) financial statements and the accounting process. These tasks are carried out by members of staff specially qualified in accounting. The basis of activities is the annual audit plan that is determined in accordance with statutory requirements. Group Internal Audit informs the Executive Board of Salzgitter AG and the Group's external auditor of the outcome of audits by way of audit reports. Group Internal Audit follows up on the implementation of measures and recommendations agreed in the audit reports.

SZAG's Group Accounting Department draws up the consolidated annual financial statements. Independent auditors issue an audit opinion on the financial statements of the companies included. To ensure that statutory requirements are complied with, Group guidelines are formulated on an annual basis and disseminated to the companies. These guidelines form the basis of a uniform, due and proper ongoing accounting process, both with respect to accounting as defined under the German Commercial Code (HGB), as well under the International Financial Reporting Standards (IFRS). Along with general accounting principles and methods, rules and regulations on the balance sheet, income statement, notes to the financial statements, management report, cash flow statement and segment report are first and foremost defined, taking into account the legal position prevailing within the European Union. Accounting regulations also lay down specific formal requirements relating to the consolidated financial statements. In addition to determining the group of consolidated companies, the components of the reporting packages which Group companies must prepare is similarly defined in detail. A standardized and comprehensive set of forms is used for this purpose. The Group guidelines also include explicit instructions for the presentation and processing of offsetting procedures within the Group, with the respective process for reconciling balances and the calculation of the fair value of holdings. The heads of accounting in the companies are informed about changes under the law in regular events organized by the Group.

The financial statements of the consolidated companies are recorded with the aid of a uniform IT-based workflow used throughout the Group. This workflow comprises a permissions concept, along with checking routines and check digits. These control and surveillance mechanisms have been devised for process integration as well as for functioning independently of processes. A major part of this is, for instance, made up of manual process controls in application, among other things, of the principle of dual control, alongside automated IT-based processes controls. Moreover, the Group has an integrated accounting and consolidation system. At Group level, the control activities geared specifically to ensuring proper and reliable consolidated accounting comprise the analysis of the reporting packages submitted by the Group companies, taking account of the audit reports provided by the external auditors. In application of the control mechanisms and plausibility controls already established in the consolidation software, reporting packages containing errors are corrected – once the Group companies in question have been informed and respective external auditor consulted – already prior to the consolidation process.

The application of uniform, standardized measurement criteria to impairment tests is ensured by way of centralized processing for the – from the Group's perspective – individual cash generating units.

The valuation of pensions and other reserves, among other items, is also subject to uniform regulations by centrally determining the parameters applicable to throughout the Group.

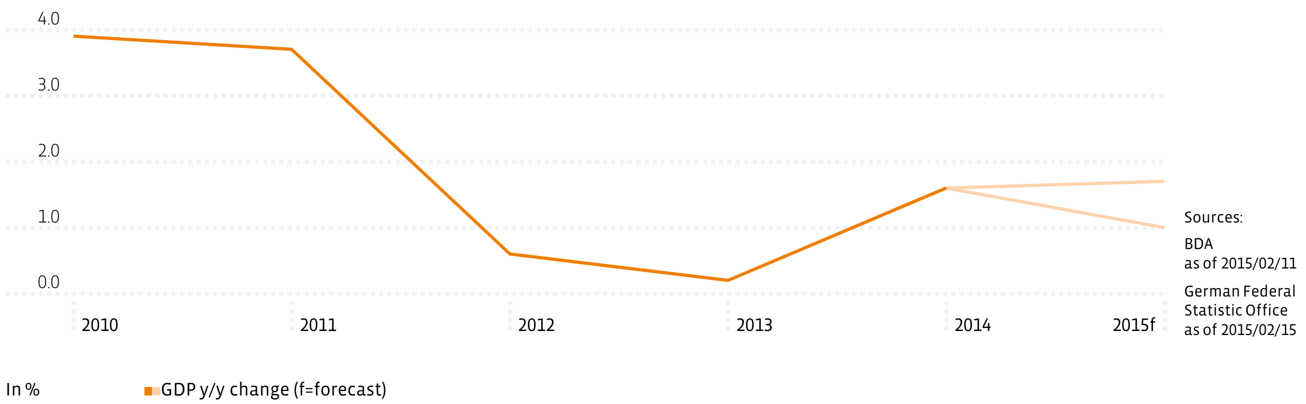
4. General Business Conditions in the Coming Year

According to the International Monetary Fund (IMF), the growth rate of the **global economy** in 2015 is set to be slightly higher than in the previous year. An important factor here is the low price of crude oil that should bolster the economies of countries importing oil. The USA will be the economic engine among the developed economies. The negative effects from the increase in consumer tax in Japan in 2014 should be gradually compensated, and stable growth is expected for the emerging markets. No severe political reaction to the slowdown in China's momentum is therefore anticipated. By contrast, the economic development of most countries exporting raw materials will be burdened by the oil price erosion; in the case of Russia, this will be compounded by the negative impact of the Ukraine conflict and ruble depreciation. All in all, the IMF expects global economic growth to post 3.5 % in 2015.

The lower energy prices, expansionary monetary policy and the devaluation of the euro are likely to promote a gradual recovery in the **eurozone** at a moderate level. The conflict between the EU and Russia will continue to exert a negative impact, particularly on investment propensity. In addition, especially in France and Italy, the economic sentiment indicators present a subdued picture. Consequently, the IMS forecasts a marginal increase in the eurozone's growth rate to 1.2 % in 2015.

During the first months of 2015, the expansion of private consumption on the back of oil price declines is likely to be the main factor driving **Germany's** economy. Conversely, capital expenditure is expected to make a small contribution to growth at the most, not least owing to the uncertainty emanating from the Ukraine conflict. The IMF currently puts the growth rate for Germany at 1.3 % in 2015, virtually unchanged from 2014.

GDP Germany: forecast range 2015



Slight recovery on the global steel market holds steady

The German Steel Federation anticipates a moderate increase of around 2.2% in the **global demand for steel**. Crude steel output is likely to rise to a similar extent to 1.73 billion tons. The slower momentum is to be seen above all in the context of structural change in China. The forecast capacity utilization in this scenario will remain below 80%.

The German Steel Federation also anticipates that Europe's steel market will see a gradual recovery in the market supply of +2.4% within the **EU 28**, with wide regional variations. Considerable uncertainty surrounds imports that rose sharply back in 2014, and momentum may not necessarily slow despite the euro devaluation. Accordingly, the increase of +1.4% in crude steel production is expected to be lower than market supply growth.

The demand for steel in **Germany** should increase by 1.4% in 2015, driven mainly by the anticipated expansion in the production of many steel processors. Following a halt to the South Stream project, growth in the automotive and construction industries is expected to level off and uncertainty to prevail in respect of line pipe producers. By contrast, a gradual recovery in mechanical engineering is assumed. Consequently, the German Steel Federation therefore sees crude steel output at a virtually unchanged level (+0.3%).

No increase in steel tubes production expected in 2015

Throughout the whole of 2015, steel tubes production is likely to stagnate, with partly strong regional and seasonal fluctuations. Geopolitical risks and tumbling oil prices on the global markets owing to the shale gas boom in the USA make forecasting more difficult. Whereas the global economy should initially receive support from lower oil prices, the negative impact on oil-exporting emerging economies may well offset this positive effect. Expansion in China's steel tubes production is expected to slow. In Germany, the production of seamless and small welded steel tubes is likely to stagnate at best. Another weak year is anticipated in the large-diameter pipe business; by contrast, the volume trend on the precision tubes market should remain stable or even increase slightly.

Renewed growth anticipated in German mechanical engineering in 2015

The German Engineering Federation (VDMA) expects sales to grow (2%) overall in 2015. The production figure of 205 billion euros might exceed the 200 billion euro mark for the first time in 2015.

The signs in the food and packaging machinery market also indicate continued growth. According to VDMA estimates, the coming year may see sales rise by 5%. Demand from most sales regions and countries, particularly from the EU 28, the USA, China and the domestic market is still assessed positively, which underpins the assumption that order intake will climb in the months ahead.

The business unit's mechanical engineering companies operating in the plastics processing industry also anticipate sales growth (+4%).

Leading indicators specific to the company

We screen and analyze our environment on an ongoing basis in order to identify risks and opportunities for our operational business in good time. In these activities, we use the know-how of our employees who are directly engaged in the markets. In addition, we derive potential the impact on our business from a range of analyses and forecasts published on the development of macroeconomic framework conditions and our sales markets. With the aforementioned as a basis, we prepare our rolling corporate planning and sales forecasts in each subsidiary, which are then aggregated to form the Group's corporate planning and forecast.

We can derive forecasts for shipments and sales figures for the Strip Steel Business Unit and the precision tubes group that both have customer relationships in the automotive sector from sales forecasts for motorized vehicles and vehicle components, differentiated by country and region.

To aid us in assessing how the business of our large-diameter pipes companies is developing, we keep abreast of the status of planned major pipeline projects that are already known years in advance. In addition, we use individual key indicators, such as the oil price, and derive conclusions from decisions on energy policy.

The construction and chemicals industries, as well as the mechanical engineering sector, influence the performance of individual Group companies. The development of the mechanical engineering sector naturally has a direct impact on the future capacity utilization situation of the Technology Business Unit as well. The consistent analysis of how these key customer sectors develop is also part of our ongoing business processes.

Particularly in an extremely volatile environment such as that of the steel industry, the informative value of such indicators in terms of their time horizon must be reviewed. Moreover, situations may arise in which there may be a short- to medium-term imbalance in supply and demand, for example due to excess inventories held by traders and end consumers or unfavorable situations on the import front which temporarily distort long-term trends. Spikes in demand, driven by speculation, may also be deceptive on occasion because they cover up structural deficits in the market or even trigger a reversal in the form of temporary excess supply.

In view of the plethora of factors exerting an influence and the complexity of their interaction, providing reliable detailed predictions with long-term validity is not legitimately possible, neither for the individual companies nor for the Group as a whole.

5. Overall Statement on Anticipated Group Performance

5.1 Planning Process

As a matter of principle, the corporate planning of Salzgitter AG (SZAG) takes account of the strategic goals and comprises a set of entrepreneurial measures with action embedded in the general economic environment. Consequently, it forms the basis for a realistic assessment of earnings, but, at the same time, includes the long-term aspects relating to investments and the securing of a sound balance sheet and financial stability. As a result, market expectations prevailing at the time when planning takes place, as well as the entrepreneurial measures envisaged, are incorporated into this plan that is prepared in a process involving the entire Group: The individual goals of the subsidiaries are discussed and defined in a combination of a top-down and bottom-up approach between the respective management and the Group's Executive Board. All individual plans are then aggregated to form a plan for the entire Group. This extremely sophisticated Group planning process is conducted once before the start of each new financial year, generally starting in August and ending with the presentation of the insights gained that is delivered at the last meeting of the Group's Supervisory Board in the respective financial year.

5.2. Expected earnings

Guidance on the development of the macroeconomic situation is already fundamentally subject to a great deal of uncertainty, particularly in the current political and financial environment. The forward-looking statements below on the individual business units assume the absence of renewed drastic recessionary development in Europe. Instead, in the current financial year we anticipate moderate economic recovery in our main markets that will remain fiercely contested.

Against this background, the business segments anticipate that business will develop as follows in the financial year 2015:

The **Strip Steel Business Unit** expects business to remain challenging in 2015 as well given the sustained pressure on selling prices in the EU steel market. Moreover, Salzgitter Flachstahl GmbH (SZFG) as by far the largest company of the business unit will have to absorb the considerable costs of the scheduled relining of one of its large blast furnaces. The lower shipment volumes also associated with this measure will consequently result in slightly lower sales. Savings on the cost front, also thanks to the new pulverized coal injection plant, will not be able to fully offset the extraordinary charges from the blast furnace relining. Without these burdening effects, a return to the profit zone would indeed be feasible; factoring in the direct and indirect effects of the blast furnace relining, the business unit's pre-tax result will be markedly lower than in 2014.

The **Plate / Section Steel Business Unit** will also be operating in a difficult market environment in the current financial year. Whereas the plate mills will nonetheless be endeavoring to lift profit, the primary goal of Peiner Träger GmbH (PTG) will be to stabilize its turnaround. Taking account of the general market environment, in conjunction with the special situations of Salzgitter Mannesmann Grobblech GmbH (MGB), specifically the impact of the suspension of the South Stream project, and of HSP Hoesch Spundwand GmbH (HSP), the development of the business unit's sales and pre-tax result is subject to considerable imponderables. The business unit will nonetheless be aiming at raising the pre-tax result substantially. Sales are set to increase slightly.

In 2015, the **Energy Business Unit** is likely to suffer, at least temporarily, from the weakness prevailing in the European large-diameter pipes market, also due to the suspension of the South Stream project, among other factors. This constellation will lead to capacity utilization shortfalls in the European mills. By contrast, the situation in North America is much more positive: Orders on hand ensure capacity utilization in the production sites through to the year 2016. The precision tubes companies expect stable demand from automotive manufacturers, as opposed to the markets of the energy and industry product segments that will remain fiercely contested. After a highly successful year in 2014, the seamless stainless steel tubes anticipate bookings at a good level. Assuming capacity underutilization in Europe's large-diameter pipes production sites, the Energy Business Unit expects sales to remain at the year-earlier level in 2015. Given the rigorous implementation of measures under the "Salzgitter AG 2015" program and the non-recurrence of special items, a significant rise in earnings before taxes is anticipated.

The **Trading Business Unit** expects sales growth to be constrained in 2015 and anticipates a pre-tax result that will be notably lower in a year-on-year comparison owing to positive one-off effects that will not be repeated. Raising sales and profit in the stockholding steel trade will be based on an increasing concentration on superior and processed products, as well as prices and demand conditions in Europe that are expected to stabilize. Low oil prices should support this trend. International trading expects the result to be satisfactory due to the recovery in project business outside Europe.

Based on a high order backlog, the **Technology Business Unit** anticipates a moderate increase in sales and a gratifying upturn in pre-tax profit. The growth envisaged in product segments with more profitable sales margins, flanked by ongoing expansion in the service business, in conjunction with the enhanced efficiency arising from the "Fit4Future 2.0" program, should enable the KHS Group to lift sales and improve profit. The outlook for the KDS and the KDE Group is also very promising.

In **Industrial Participations / Consolidation**, that is mainly influenced by the costs of the management holding company, reporting-date related valuation effects from foreign exchange and derivatives positions, the results of the services companies assigned to it, and other associated companies, including Aurubis AG (NAAG), a positive pre-tax result is expected, albeit below the extremely good year-earlier level.

Based on planning by the individual business units, and taking account of further positive effects from the "Salzgitter AG 2015" program, we assume the following for the Salzgitter Group in the year 2015:

- an increase in sales to around € 9.5 billion,
- a pre-tax profit in the lower double-digit million euro range and
- a return on capital employed that is higher than the previous year's figure.

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 2015. 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 change 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.

5.3 Anticipated financial position

Our financial reserves will be used partly to finance the investments currently being implemented and to raise working capital. As before, we consider it essential to keep cash funds available in a mid triple-digit million range to ensure that, in the event of a deterioration in the environment, we will not have to procure funds in the capital market at short notice.

An amount of € 325 million has been earmarked for our Group's capital expenditure budget in 2015. Together with the follow-up amounts of investments approved in previous years, the cash-effective portion of the 2015 budget should amount to approximately € 395 million (2013: € 255 million). As before, investments will be effectively triggered on a step-by-step basis and in accordance with the development of profit and liquidity.

As a result of the foreseeable investment disbursements, the financial resources required for the financial year 2015 will slightly exceed the level of depreciation and amortization, so that financing will be sourced within the Group.

The financial position of our Group should be comparatively sound at the end of the year 2015 as well, particularly in view of the measures implemented in the capital markets in recent years. With a view to exploiting attractive placement conditions, external financing measures are subject to ongoing review. Along with ensuring headroom for entrepreneurial decisions, considering the effects on net income plays a decisive role.

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 cyclicality of the earnings performance.

In conclusion, proof has been delivered that, owing to its broad-based business and sound financial base, the Salzgitter Group is still comparatively well prepared to meet challenging phases. We will continue to attach great importance to this approach, now and in the future.

6. Significant Events after the Reporting Date

There were no events requiring reporting after the reporting date.

"WE ARE WORKING ON FILLING OUR NEW MISSION STATEMENT WITH LIFE."

Naturally, the success of the Group is especially dependent on our employees. Consequently, one of the most important components of the "360 Degree Concept" is our new "YOUnited" mission statement that serves all our employees as guidance and orientation in their daily work.

We have placed special emphasis on having the employees themselves define the fundamentals underlying the mission statement: in the course of two workshops, around 300 employees from all companies and levels jointly formulated the corporate values.

This process was extremely important as it gives us the assurance that the Group's management and its employees will all pull together in advancing the company, also in difficult times.

Overview of the Consolidated Financial Statements

B. Consolidated Financial Statements

I. Consolidated Income Statement

In € m	Note	2014	2013 restated
Sales	[1]	9,040.2	9,309.8
Increase/decrease in finished goods and work in process/other own work capitalized	[2]	42.4	– 63.5
		9,082.6	**9,246.3**
Other operating income	[3]	397.6	237.6
Cost of materials	[4]	6,360.9	6,710.6
Personnel expenses	[5]	1,601.3	1,587.3
Amortization and depreciation of intangible assets and property, plant and equipment	[6]	381.9	529.8
Other operating expenses	[7]	1,057.5	994.6
Income from shareholdings	[8]	31.8	15.6
Result from investments accounted for using the equity method	[9]	– 10.7	– 78.5
Finance income	[10]	33.1	43.7
Finance expenses	[11]	148.0	125.3
Earnings before taxes (EBT)		**– 15.2**	**– 482.8**
Income tax	[12]	16.7	7.2
Consolidated result		**– 31.9**	**– 490.0**
Consolidated net result due to Salzgitter AG shareholders		– 34.7	– 492.7
Minority interests in consolidated net loss for the year	[13]	2.8	2.7

Appropriation of profit in € m	Note	2014	2013 restated
Consolidated net loss		– 31.9	– 490.0
Profit carried forward from the previous year		12.1	15.1
Minority interests in consolidated net loss for the year		2.8	2.7
Dividend payment		– 10.8	– 13.5
Withdrawal from other retained earnings		45.5	503.2
Unappropriated retained earnings of Salzgitter AG		**12.1**	**12.1**
Earnings per share (in €) – basic	**[14]**	**– 0.64**	**– 9.11**
Earnings per share (in €) – diluted	**[14]**	**– 0.64**	**– 9.11**

II. Statement of Total Comprehensive Income

In € m	2014	2013 restated
Consolidated net loss	**– 31.9**	**– 490.0**
Recycling		
Changes in currency translation	15.6	– 11.7
Change in value from hedging transactions		
of which changes in fair value recorded directly in equity	– 39.8	0.8
of which settled hedging transactions accounted as basis adjustment	14.5	–
of which recognition of sale of securities with effect on income	– 0.1	0.2
Changes in the value of financial assets in the "held-for-sale assets" category recorded directly in equity	5.2	0.8
Adjustment from investments accounted for using the equity method		
of which changes in fair value recorded directly in equity	– 14.9	4.1
of which with effect on the income	1.5	–
of which from currency translation	8.8	– 3.9
of which from deferred taxes	1.0	– 1.3
Deferred taxes on current changes without effect on income	6.3	– 0.4
Subtotal	**– 1.9**	**– 11.3**
Non-recycling		
Remeasurement of pensions	– 343.6	81.5
Adjustment from investments accounted for using the equity method	– 3.9	0.5
Deferred taxes on current changes without effect on income	82.2	– 16.9
Subtotal	**– 265.3**	**65.1**
Other comprehensive income	**– 267.3**	**53.8**
Total comprehensive income	**– 299.1**	**– 436.3**
Total comprehensive income due to Salzgitter AG shareholders	– 302.1	– 439.3
Total comprehensive income due to minority interests	3.0	3.0
	– 299.1	**– 436.3**

III. Consolidated Balance Sheet

Assets in € m	Note	2014/12/31	2013/12/31 restated	2013/01/01 restated
Non-current assets				
Intangible assets	[15]	106.3	116.7	114.9
Property, plant and equipment	[16]	2,387.3	2,438.0	2,608.4
Investment property	[17]	21.6	21.3	22.8
Financial assets	[18]	160.6	180.9	168.9
Investments accounted for using the equity method	[19]	602.1	632.7	736.9
Deferred income tax assets	[20]	295.8	226.1	247.7
Other receivables and other assets	[21]	1.4	6.4	4.8
		3,575.1	**3,622.1**	**3,904.4**
Current assets				
Inventories	[22]	1,991.5	1,972.5	2,103.0
Trade receivables	[23]	1,646.6	1,474.7	1,611.6
Other receivables and other assets	[24]	374.4	311.6	471.8
Income tax assets	[25]	17.7	15.5	28.5
Securities	[26]	113.6	98.4	132.5
Cash and cash equivalents	[27]	774.0	754.9	860.5
		4,917.8	**4,627.7**	**5,208.0**
		8,492.9	**8,249.8**	**9,112.4**

Equity and liabilities in € m	Note	2014/12/31	2013/12/31 restated	2013/01/01 restated
Equity				
Subscribed capital	[28]	161.6	161.6	161.6
Capital reserve	[29]	238.6	238.6	238.6
Retained earnings	[30]	2,825.1	3,136.2	3,590.1
Unappropriated retained earnings	[31]	12.1	12.1	15.1
		3,237.4	**3,548.5**	**4,005.4**
Treasury shares	[30]	– 369.7	– 369.7	– 369.7
		2,867.7	**3,178.8**	**3,635.7**
Minority interests	[32]	7.8	8.1	8.2
		2,875.5	**3,186.9**	**3,643.9**
Non-current liabilities				
Provisions for pensions and similar obligations	[33]	2,442.2	2,120.2	2,234.7
Deferred income tax liabilities	[20]	9.4	49.3	54.5
Income tax liabilities	[25]	132.9	149.1	193.5
Other provisions	[34]	327.9	318.8	289.8
Financial liabilities	[35]	180.0	397.2	664.8
Other liabilities	[36]	23.0	0.0	0.0
		3,115.4	**3,034.5**	**3,437.2**
Current liabilities				
Other provisions	[34]	310.9	324.8	327.8
Financial liabilities	[37]	568.5	422.2	201.7
Trade payables	[38]	1,150.7	849.3	966.7
Income tax liabilities	[25]	55.4	55.8	55.4
Other liabilities	[39]	416.5	376.3	479.8
		2,502.0	**2,028.4**	**2,031.3**
		8,492.9	**8,249.8**	**9,112.4**

IV. Cash Flow Statement

(44) Cash Flow Statement

In € m	2014	2013 restated
Earnings before taxes (EBT)	– 15.2	– 482.8
Depreciation, write-downs (+)/write-ups (–) of non-current assets	385.6	531.3
Income tax paid (–)/refunded (+)	– 44.4	– 41.1
Other non-cash expenses (+)/income (–)	20.3	245.2
Interest expenses	146.3	125.2
Gain (–)/loss (+) from the disposal of non-current assets	8.3	– 0.6
Increase (–)/decrease (+) in inventories	2.6	142.4
Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	116.9	152.2
Use of provisions affecting payments, excluding use of tax provisions	– 233.1	– 245.2
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	211.3	– 285.5
Cash inflow from operating activities	**598.5**	**141.2**

In € m	2014	2013 restated
Cash inflow from the disposal of fixed assets	8.4	13.1
Cash outflow for investments in intangible assets and property, plant and equipment	– 294.6	– 310.1
Cash inflow (+)/cash outflow (–) for investments of funds	– 78.5	139.1
Cash inflow from the disposal of financial assets	24.9	4.2
Cash outflow for investments in financial assets	– 7.7	– 41.2
Cash outflow from investment activities	**– 347.5**	**– 194.9**
Cash outflow in payments to company owners	– 10.8	– 13.5
Cash inflow (+)/outflow (–) for borrowings and other financial liabilities	– 215.7	– 23.0
Interest paid	– 11.3	– 14.9
Cash outflow from financing activities	**– 237.8**	**– 51.5**
Cash and cash equivalents at the start of the period	754.9	860.5
Cash and cash equivalents relating to changes in the consolidated group	2.5	4.3
Gains and losses from changes in foreign exchange rates	3.4	– 4.7
Payment-related changes in cash and cash equivalents	13.2	– 105.1
Cash and cash equivalents at the end of the period	**774.0**	**754.9**

V. Statement of Changes in Equity

(28 to 32) Statement of Changes in Equity

In € m	Subscribed capital	Capital reserve	Sale/re-purchase of treasury shares	Other retained earnings	Reserve from currency translation	Change in the value of the reserve from hedging transactions	Changes in the value of the reserve from available-for-sale assets	Other changes without effect on income	Unappropriated retained earnings	Equity (excluding minority interests)	Minority interests	Equity
As of 2013/01/01 before restatement	**161.6**	**238.6**	**– 369.7**	**4,198.5**	**– 15.8**	**– 0.2**	**– 9.7**	**– 583.2**	**15.1**	**3,635.3**	**8.2**	**3,643.5**
Adjustment	–	–	–	– 0.6	9.6	**– 2.9**	**– 2.3**	**– 3.3**	–	**0.4**	–	**0.4**
As of 2013/01/01 restated	**161.6**	**238.6**	**– 369.7**	**4,197.9**	**– 6.2**	**– 3.1**	**– 12.0**	**– 586.5**	**15.1**	**3,635.7**	**8.2**	**3,643.9**
Initial consolidation of Group companies so far not consolidated for materiality reasons	–	–	–	– 1.5	–	–	–	–	–	– 1.5	–	– 1.5
Goodwill resulting from the acquisition of minority interests	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	– 0.3	– 11.7	1.0	0.8	63.7	– 492.8	– 439.3	3.0	– 436.3
Dividend	–	–	–	–	–	–	–	–	– 13.5	– 13.5	– 2.8	– 16.3
Group transfers from retained earnings	–	–	–	– 503.3	–	–	–	–	503.3	–	–	–
Other	–	–	–	1.6	–	–	–	– 4.2	–	– 2.6	– 0.3	– 2.9
As of 2013/12/31 before restatement	**161.6**	**238.6**	**– 369.7**	**3,695.5**	**– 30.5**	**0.1**	**– 11.2**	**– 517.6**	**12.1**	**3,178.8**	**8.1**	**3,186.9**
Adjustment	–	–	–	– 1.0	12.6	**– 2.2**	**– 0.1**	**– 9.4**	–	**0.0**	–	**0.0**
As of 2013/12/31 restated	**161.6**	**238.6**	**– 369.7**	**3,694.5**	**– 17.9**	**– 2.1**	**– 11.3**	**– 527.0**	**12.1**	**3,178.8**	**8.1**	**3,186.9**
Initial consolidation of Group companies so far not consolidated for materiality reasons	–	–	–	2.0	–	–	–	0.2	–	2.2	–	2.2
Goodwill resulting from the acquisition of minority interests	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	– 0.2	15.6	– 25.4	5.2	– 262.6	– 34.7	– 302.1	3.0	– 299.1
Dividend	–	–	–	–	–	–	–	–	– 10.8	– 10.8	– 3.2	– 14.0
Group transfers from retained earnings	–	–	–	– 45.5	–	–	–	–	45.5	–	–	–
Other	–	–	–	– 1.0	–	–	–	0.7	–	– 0.4	– 0.2	– 0.5
As of 2014/12/31	**161.6**	**238.6**	**– 369.7**	**3,649.7**	**– 2.3**	**– 27.6**	**– 6.1**	**– 788.7**	**12.1**	**2,867.7**	**7.8**	**2,875.4**

VI. Notes

(45) Segment Reporting

In € m	Strip Steel		Plate / Section Steel		Energy		Trading		Technology		Total segments		Industrial Participations / Consolidation		Group	
	2014	2013 restated	2014	2013 restated	2014	2013 restated	2014	2013 restated	2014	2013 restated	2014	2013 restated	2014	2013 restated	2014	2013 restated
External sales	2,060.1	2,017.6	1,118.7	1,088.5	1,226.5	1,308.9	3,254.8	3,574.6	1,198.2	1,118.2	8,858.3	9,107.8	181.9	202.1	9,040.2	9,309.9
Sales to other segments	720.4	836.4	759.9	855.4	159.8	126.3	92.2	49.2	0.6	0.6	1,732.9	1,867.9	606.2	622.8	2,339.1	2,490.7
Sales to Group companies that cannot be allocated to an operating segment	1.4	5.2	0.9	1.2	307.6	356.0	–	0.1	–	–	309.9	362.5	–	–	309.9	362.5
Segment sales	2,781.9	2,859.3	1,879.5	1,945.0	1,693.9	1,791.2	3,347.0	3,623.8	1,198.8	1,118.8	10,901.1	11,338.2	788.1	824.9	11,689.2	12,163.1
Interest income (consolidated)	0.4	4.6	1.7	2.3	0.8	0.6	5.3	6.0	3.4	3.7	11.6	17.2	21.5	18.4	33.1	35.6
Interest income from other segments	–	–	0.3	–	–	–	–	–	–	–	0.3	–	62.0	80.7	62.3	80.7
Interest income in own segment	0.1	9.3	–	–	1.1	0.5	1.0	0.2	–	–	2.2	10.0	–	–	2.2	10.0
Segment interest income	0.5	13.8	2.0	2.3	1.9	1.1	6.3	6.2	3.4	3.8	14.1	27.3	83.5	99.1	97.6	126.4
Interest expenses (consolidated)	44.3	28.2	5.4	5.1	10.6	7.0	8.2	9.2	4.6	4.6	73.1	54.0	73.3	71.2	146.4	125.2
Interest expenses to other segments	–	–	–	–	–	–	–	–	–	–	–	–	37.9	42.8	37.9	42.8
Interest expenses to Group companies that cannot be allocated to an operating segment	35.0	46.6	17.8	36.3	7.8	9.5	6.9	7.0	0.8	0.8	68.3	100.1	–	–	68.3	100.1
Segment interest expenses	79.3	74.8	23.2	41.3	18.4	16.4	15.1	16.2	5.4	5.3	141.4	154.2	111.2	114.0	252.6	268.2
Scheduled depreciation of property, plant and equipment and amortization of intangible assets (excluding impairment costs in accordance with IAS 36)	168.1	173.3	53.9	64.5	55.9	48.6	9.2	9.4	24.6	24.6	311.7	320.4	27.5	24.4	339.2	344.8
Impairment of tangible and intangible assets (according to IAS 36)	–	–	38.7	185.0	4.0	–	–	–	–	–	42.7	185.0	–	–	42.7	185.0
Impairment of financial assets	–	–	–	–	–	0.1	0.8	1.3	3.0	–	3.8	1.4	–	–	3.8	1.4
Segment earnings before taxes	– 8.8	– 85.0	– 130.0	– 403.4	– 40.6	– 51.6	60.1	31.4	25.2	12.7	– 94.1	– 496.0	78.9	13.2	– 15.2	– 482.8
of which result from investments accounted for using the equity method	–	–	–	–	– 30.2	– 31.2	–	–	–	–	– 30.2	– 31.2	19.5	– 47.3	– 10.7	– 78.5
Material non-cash items	16.3	44.6	29.8	36.8	22.5	29.7	– 2.9	5.3	38.9	35.6	104.6	152.1	– 3.1	17.3	101.5	169.4
Segmental operating assets	2,341.9	2,378.2	845.9	843.0	1,256.6	1,281.7	1,337.2	1,096.6	900.6	831.8	6,682.2	6,431.3	1,484.1	1,563.8	8,166.3	7,995.1
of which investments accounted for using the equity method	–	–	–	–	95.7	130.0	–	–	–	–	95.7	130.0	506.4	502.6	602.1	632.6
Investments in property, plant and equipment and intangible assets	117.4	131.8	37.4	61.3	48.4	110.0	9.4	9.6	20.5	17.6	233.1	330.3	37.0	28.3	270.1	358.6
Segmental operating liabilities	2,276.3	2,085.8	792.3	745.4	1,132.7	1,085.6	1,235.9	992.1	872.4	812.0	6,309.6	5,720.9	– 897.7	– 920.0	5,411.9	4,800.9

Analysis of Fixed Assets 2014

In € m

	Acquisition and production costs						
	2014/01/01	Currency translation differences	Changes in the consolidated group	Additions	Disposals	Transfers to other accounts	2014/12/31
Intangible assets							
Concessions, industrial property rights and similar rights and assets, including licenses to such rights and assets	308.5	0.1	–	8.3	6.7	1.7	311.9
Payments on account	3.6	–	–	0.8	–	– 4.4	–
	312.1	**0.1**	**–**	**9.1**	**6.7**	**– 2.7**	**311.9**
Property, plant and equipment							
Land, similar rights and buildings, including buildings on land owned by others	1,536.6	3.9	67.5	16.7	2.1	12.3	1,634.9
Plant equipment and machinery	6,330.2	6.3	0.4	140.9	149.3	151.8	6,480.3
Other equipment, plant and office equipment	376.5	1.0	2.9	30.4	17.4	3.1	396.5
Payments made on account and equipment under construction	196.5	0.2	4.2	72.9	0.2	– 164.5	109.1
	8,439.7	**11.4**	**75.0**	**260.9**	**169.0**	**2.7**	**8,620.8**
Investment property	**28.3**	**–**	**0.5**	**–**	**0.1**	**–**	**28.7**
Financial assets							
Investments in affiliated companies	31.6	–	– 16.1	2.9	1.6	–	16.8
Shareholdings	10.0	–	–	0.5	0.7	0.2	10.0
Non-current securities	36.0	–	0.4	4.4	2.0	– 2.6	36.2
Other loans	112.2	0.5	–	0.1	22.5	–	90.3
	189.7	**0.5**	**– 15.7**	**7.9**	**26.8**	**– 2.4**	**153.3**
	8,969.8	**12.0**	**59.8**	**277.9**	**202.6**	**– 2.4**	**9,114.7**

	Valuation allowances									Book values	
	2014/01/01	Currency translation differences	Changes in the consolidated group	Write-ups in the financial year	Depreciation in the financial year[1]	Disposals	Other changes without effect on income	Transfers to other accounts	2014/12/31	2014/12/31	2013/12/31 restated
Intangible assets											
Concessions, industrial property rights and similar rights and assets, including licenses to such rights and assets	195.4	0.1	–	–	16.8	6.7	–	–	205.6	106.3	113.1
Payments on account	–	–	–	–			–	–	–	–	3.6
	195.4	**0.1**	**–**	**–**	**16.8**	**6.7**	**–**	**–**	**205.6**	**106.3**	**116.7**
Property, plant and equipment											
Land, similar rights and buildings, including buildings on land owned by others	917.8	0.9	12.6	–	30.2	1.8	–	–	959.7	675.2	618.8
Plant equipment and machinery	4,785.3	3.2	0.3	–	299.3	133.9	–	– 0.3	4,953.9	1,526.4	1,544.9
Other equipment, plant and office equipment	298.4	0.7	1.9	–	29.6	17.1	–	0.3	313.8	82.7	78.1
Payments made on account and equipment under construction	0.3	0.2	–	–	5.8	0.2	–	–	6.1	103.0	196.2
	6,001.7	**5.0**	**14.8**	**–**	**364.9**	**153.0**	**–**	**–**	**6,233.5**	**2,387.3**	**2,438.0**
Investment property	**7.0**	**–**	**–**	**–**	**0.2**	**0.1**	**–**	**–**	**7.1**	**21.6**	**21.3**
Financial assets											
Investments in affiliated companies	9.5	–	– 12.2	–	3.8	0.9	–	–	0.2	16.6	22.0
Shareholdings	– 0.1	–	–	–	–	0.1	–	0.2	–	10.0	10.0
Non-current securities	– 1.2	–	–	–	–	–	– 4.1	– 2.6	– 7.9	44.1	37.2
Other loans	0.5	–	–	0.1	–	–	–	–	0.4	89.9	111.7
	8.7	**–**	**– 12.2**	**0.1**	**3.8**	**1.0**	**– 4.1**	**– 2.4**	**– 7.3**	**160.6**	**181.0**
	6,212.8	**5.1**	**2.6**	**0.1**	**385.7**	**160.8**	**– 4.1**	**– 2.4**	**6,438.9**	**2,675.8**	**2,757.0**

[1] The impairments (unscheduled amortization and depreciation) under this item are summarized under Note 6.

Consolidated Financial Statements

Analysis of Fixed Assets 2013

In € m	Acquisition and production costs						
	2013/01/01 restated	Currency translation differences	Changes in the consolidated group	Additions	Disposals	Transfers to other accounts	2013/12/31 restated
Intangible assets							
Concessions, industrial property rights and similar rights and assets, including licenses to such rights and assets	300.7	– 0.3	9.2	8.9	11.5	1.4	308.5
Payments on account	3.7	– 0.0	–	0.6	1.0	0.3	3.6
	304.5	**– 0.3**	**9.2**	**9.5**	**12.6**	**1.8**	**312.1**
Property, plant and equipment							
Land, similar rights and buildings, including buildings on land owned by others	1,506.6	– 3.1	12.1	8.1	4.2	17.0	1,536.6
Plant equipment and machinery	6,095.1	– 3.1	4.8	203.0	84.2	114.6	6,330.2
Other equipment, plant and office equipment	364.8	– 1.1	1.1	21.3	13.1	3.4	376.5
Payments made on account and equipment under construction	216.8	– 0.1	0.0	116.7	0.3	– 136.7	196.5
	8,183.3	**– 7.4**	**18.0**	**349.1**	**101.7**	**– 1.7**	**8,439.6**
Investment property	**29.5**	**–**	**–**	**–**	**1.2**	**–**	**28.3**
Financial assets							
Investments in affiliated companies	53.9	–	– 20.0	1.6	4.0	–	31.6
Shareholdings	10.0	–	–	0.0	0.0	–	10.0
Non-current securities	32.7	–	–	4.7	1.3	– 0.1	36.0
Other loans	79.9	– 0.6	–	35.9	3.1	–	112.2
	176.5	**– 0.6**	**– 20.0**	**42.3**	**8.4**	**– 0.1**	**189.7**
	8,693.8	**– 8.3**	**7.3**	**400.9**	**123.8**	**– 0.0**	**8,969.7**

In € m	Valuation allowances									Book values	
	2013/01/01 restated	Currency translation differences	Changes in the consolidated group	Write-ups in the financial year	Depreciation in the financial year[1]	Disposals	Other changes without effect on income	Transfers to other accounts	2013/12/31 restated	2013/12/31 restated	2013/01/01 restated
Intangible assets											
Concessions, industrial property rights and similar rights and assets, including licenses to such rights and assets	189.5	– 0.2	0.3	–	16.1	10.4	–	0.1	195.4	113.1	111.2
Payments on account	–	–	–	–	–	–	–	–	–	3.6	3.7
	189.5	**– 0.2**	**0.3**	**–**	**16.1**	**10.4**	**–**	**0.1**	**195.4**	**116.7**	**114.9**
Property, plant and equipment											
Land, similar rights and buildings, including buildings on land owned by others	840.5	– 0.7	2.6	–	76.9	1.5	–	–	917.8	618.8	666.1
Plant equipment and machinery	4,450.3	– 1.5	0.8	–	409.5	74.0	–	0.2	4,785.3	1,544.9	1,644.8
Other equipment, plant and office equipment	283.4	– 0.7	0.7	–	27.1	12.1	–	–	298.4	78.1	81.5
Payments made on account and equipment under construction	0.7	–	–	–	–	0.2	–	– 0.2	0.3	196.2	216.1
	5,574.9	**– 2.9**	**4.1**	**–**	**513.5**	**87.8**	**–**	**– 0.0**	**6,001.7**	**2,438.0**	**2,608.4**
Investment property	**6.7**	**–**	**–**	**–**	**0.3**	**–**	**–**	**–**	**7.0**	**21.3**	**22.8**
Financial assets											
Investments in affiliated companies	8.3	–	–	–	1.3	0.0	–	–	9.5	22.0	45.7
Shareholdings	– 0.2	–	–	–	0.1	0.0	–	–	– 0.1	10.0	10.1
Non-current securities	– 1.0	–	–	0.0	0.0	0.0	– 0.1	– 0.1	– 1.2	37.2	33.7
Other loans	0.5	–	–	–	0.0	–	– 0.0	–	0.5	111.7	79.4
	7.5	**–**	**–**	**0.0**	**1.4**	**0.0**	**– 0.1**	**– 0.1**	**8.7**	**181.0**	**168.9**
	5,778.7	**– 3.1**	**4.4**	**0.0**	**531.3**	**98.2**	**– 0.1**	**– 0.1**	**6,212.8**	**2,757.0**	**2,915.1**

[1] The impairments (unscheduled amortization and depreciation) under this item are summarized under Note 6.

List of Shareholdings

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
1. Consolidated Group companies							
a) Domestic							
Hövelmann & Lueg Vermögensverwaltung GmbH, Schwerte	HLG	EUR	5.10	94.90	2,999	0	P&L A., change of name in the financial year
Salzgitter Flachstahl GmbH, Salzgitter	SZFG	EUR	5.05	94.95	259,902	0	P&L A.
Salzgitter Bauelemente Gesellschaft mit beschränkter Haftung, Salzgitter	SZBE	EUR		100.00	2,013	0	P&L A.
Salzgitter Europlatinen Gesellschaft mit beschränkter Haftung, Salzgitter	SZEP	EUR		100.00	4,886	0	P&L A.
Salzgitter Mannesmann Stahlservice GmbH, Karlsruhe	SMS	EUR		100.00	10,877	0	P&L A., change of name in the financial year
Peiner Träger GmbH, Peine	PTG	EUR	5.18	94.82	74,735	0	P&L A.
Ilsenburger Grobblech GmbH, Ilsenburg	ILG	EUR	5.37	94.63	31,039	0	P&L A.
DEUMU Deutsche Erz- und Metall-Union Gesellschaft mit beschränkter Haftung, Peine	DMU	EUR	5.10	94.90	24,963	0	P&L A.
BSH Braunschweiger Schrotthandel GmbH, Braunschweig	BSH	EUR		100.00	– 453	– 40	IFRS annual financial statements
HSP Hoesch Spundwand und Profil Gesellschaft mit beschränkter Haftung, Dortmund	HSP	EUR		100.00	14,724	0	P&L A.
Salzgitter Mannesmann Grobblech GmbH, Mülheim an der Ruhr	MGB	EUR		100.00	21,965	0	P&L A.
Salzgitter Mannesmann Großrohr GmbH, Salzgitter	MGR	EUR	5.10	94.90	7,029	0	P&L A.
Mannesmannröhren-Werke GmbH, Mülheim an der Ruhr	MRW	EUR		100.00	1,018	0	P&L A.
Salzgitter Mannesmann Rohr Sachsen GmbH, Zeithain	MRS	EUR		100.00	14,665	0	P&L A.

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Salzgitter Mannesmann Precision GmbH, Mülheim an der Ruhr	SMP	EUR		100.00	51,680	0	P&L A.
Salzgitter Mannesmann Line Pipe GmbH, Siegen	MLP	EUR		100.00	19,838	0	P&L A.
Salzgitter Mannesmann Stainless Tubes GmbH, Mülheim an der Ruhr	MST	EUR		100.00	15,118	0	P&L A.
Salzgitter Mannesmann Stainless Tubes Deutschland GmbH, Remscheid	MSTD	EUR		100.00	33,805	0	P&L A.
Salzgitter Mannesmann Handel Gesellschaft mit beschränkter Haftung, Düsseldorf	SMHD	EUR	5.10	94.90	75,211	0	P&L A.
Salzgitter Mannesmann International Gesellschaft mit beschränkter Haftung, Düsseldorf	SMID	EUR		100.00	10,312	0	P&L A.
Salzgitter Mannesmann Stahlhandel Gesellschaft mit beschränkter Haftung, Düsseldorf	SMSD	EUR		100.00	22,892	0	P&L A.
Stahl-Center Baunatal Gesellschaft mit beschränkter Haftung, Baunatal	SCB	EUR		100.00	5,583	0	P&L A.
Universal Eisen und Stahl GmbH, Neuss	UES	EUR	5.10	94.90	14,975	0	P&L A.
KHS GmbH, Dortmund	KHSDE	EUR		100.00	206,018	0	P&L A.
Klöckner Desma Elastomertechnik GmbH, Fridingen	KDE	EUR		100.00	5,167	0	P&L A.
Klöckner Desma Schuhmaschinen GmbH, Achim	KDS	EUR		100.00	8,758	0	P&L A.
Klöckner PET-Technologie GmbH, Salzgitter	SMPET	EUR		100.00	97,946	0	P&L A.
KHS Corpoplast GmbH, Hamburg	BEVCP	EUR		100.00	47,800	0	P&L A.
KHS Plasmax GmbH, Hamburg	BEVPX	EUR		100.00	1,534	0	P&L A.
VPS Infrastruktur GmbH, Salzgitter	VPSI	EUR		100.00	25	0	P&L A., IFRS annual financial statements

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Verkehrsbetriebe Peine-Salzgitter Gesellschaft mit beschränkter Haftung, Salzgitter	VPS	EUR	5.10	94.90	19,784	0	P&L A.
Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg	HAN	EUR		51.00	5,156	0	P&L A.
Salzgitter Automotive Engineering Beteiligungsgesellschaft mit beschränkter Haftung, Osnabrück	SZAB	EUR	100.00		13,003	29	
Salzgitter Hydroforming GmbH & Co. KG, Crimmitschau	SZHF	EUR	100.00		13,541	– 1,514	
Salzgitter Magnesium-Technologie Gesellschaft mit beschränkter Haftung, Salzgitter	SZMT	EUR		100.00	997	64	IFRS annual financial statements
Salzgitter Automotive Engineering GmbH & Co. KG, Osnabrück	SZAE	EUR		100.00	– 79	– 86	
Salzgitter Automotive Engineering Verwaltungsgesellschaft mit beschränkter Haftung, Osnabrück	SZAW	EUR		100.00	51	2	IFRS annual financial statements
Salzgitter Automotive Engineering Immobilien GmbH & Co. KG, Osnabrück	SZAI	EUR		100.00	373	26	
Salzgitter Automotive Engineering Immobilien Verwaltungsgesellschaft mit beschränkter Haftung, Osnabrück	SZEV	EUR		100.00	49	2	IFRS annual financial statements
GESIS Gesellschaft für Informationssysteme mit beschränkter Haftung, Salzgitter	GES	EUR		100.00	2,626	0	P&L A.
TELCAT KOMMUNIKATIONSTECHNIK GmbH, Salzgitter	TCG	EUR		100.00	526	0	P&L A.
Glückauf Immobilien GmbH, Peine	GIG	EUR	5.19	94.81	30	0	P&L A.
Salzgitter Mannesmann GmbH, Salzgitter	SMG	EUR	100.00		2,265,950	20,832	
Salzgitter Mannesmann Forschung GmbH, Salzgitter	SZMF	EUR		100.00	804	0	P&L A.

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Salzgitter Mannesmann Personalservice GmbH, Mülheim an der Ruhr	SZMP	EUR		100.00	1,049	0	P&L A.
RSE Projektentwicklungs-GmbH, Mülheim an der Ruhr	RSEPE	EUR		100.00	25	0	P&L A., IFRS annual financial statements
Salzgitter Klöckner-Werke GmbH, Salzgitter	SKWG	EUR		100.00	545,184	30,114	
RSE Grundbesitz und Beteiligungs-GmbH, Mülheim an der Ruhr	RSE	EUR		100.00	39,302	2,213	
Phoenix Immobilienverwaltungs-gesellschaft mbH & Co. KG, Mülheim an der Ruhr	PHOI	EUR		100.00	– 3,787	– 1,339	IFRS annual financial statements
RSE Phoenix Holding GmbH, Mülheim an der Ruhr	PHOH	EUR		100.00	32	0	IFRS annual financial statements
Phoenix Office Garden GmbH, Mülheim an der Ruhr	PHOG	EUR		100.00	36	2	IFRS annual financial statements
Gewerbepark am Borsigturm GmbH, Mülheim an der Ruhr	GAB	EUR		100.00	– 257	– 161	IFRS annual financial statements
RSE Falkenhagen GmbH, Mülheim an der Ruhr	RSEFH	EUR		100.00	537	8	IFRS annual financial statements
RSE Projektmanagement Holding-Verwaltungs-GmbH, Mülheim an der Ruhr	RSEGG	EUR		94.00	28	1	IFRS annual financial statements
RSE Projektmanagement Holding GmbH & Co. KG, Mülheim an der Ruhr	RSEPM	EUR		100.00	797	791	IFRS annual financial statements
RSE Projektmanagement GmbH, Mülheim an der Ruhr	RSEPA	EUR		100.00	110	– 755	IFRS annual financial statements
TELCAT MULTICOM GmbH, Salzgitter	TMG	EUR		100.00	2,996	0	P&L A.
bettercall GmbH, Salzgitter	BCG	EUR		100.00	477	39	
NorthStar Telecom GmbH, Salzgitter	NST	EUR		100.00	389	24	
b) Abroad							
Salzgitter Mannesmann Précision Etirage SAS, Chéu - Saint Florentin	MPE	EUR		100.00	12,428	9	

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Salzgitter Mannesmann Precisie B.V., Helmond	MPN	EUR		100.00	11,149	290	
Salzgitter Mannesmann Precisión S.A. de C.V., El Salto	MPM	USD		100.00	9,893	– 659	
Salzgitter Mannesmann Stainless Tubes France SAS, Montbard	MSTF	EUR		100.00	63,022	7,984	
Salzgitter Mannesmann Stainless Tubes Italia S.r.l., Costa Volpino	MSTI	EUR		100.00	15,159	7,389	
Salzgitter Mannesmann Stainless Tubes USA, Inc., Houston	MSTU	USD		100.00	20,288	– 727	
Salzgitter Mannesmann Staalhandel B.V., Oosterhout	SMNL	EUR		100.00	84,989	3,039	
Salzgitter Mannesmann International (Canada) Inc., Vancouver	SMIV	CAD		100.00	25,919	1,484	
UNIVERSAL STEEL AMERICA, Inc., Henderson	UESUS	USD		100.00	27,520	4,178	
Salzgitter Mannesmann (France) S.A.R.L., Saint Mandé	SMFR	EUR		100.00	643	– 446	IFRS annual financial statements
Salzgitter Mannesmann (UK) Ltd., Harrogate	SMUK	GBP		100.00	1,460	60	IFRS annual financial statements
Salzgitter Mannesmann (Espana) S.A., Madrid	SMSP	EUR		100.00	313	138	IFRS annual financial statements
Salzgitter Mannesmann Acélkereskedelmi Kft., Budapest	SMHU	HUF		100.00	3,526,403	290,430	
Salzgitter Mannesmann Stahlhandel s.r.o., Prague	SMCZ	CZK		100.00	26,879	– 2,017	
Salzgitter Mannesmann Stahlhandel Sp. z o.o., Slupca	SMPL	PLN		100.00	20,819	4,806	
Salzgitter Mannesmann International (USA) Inc., Houston	SMIH	USD		100.00	16,394	2,216	
KHS USA, Inc., Waukesha	KHSUS	USD		100.00	79,432	5,713	IFRS annual financial statements
KHS Industria de Máquinas Ltda., São Paulo	KHSBR	BRL		100.00	– 13,727	7,641	IFRS annual financial statements
KHS Mexico S.A. de C.V., Zinacantepec	KHSME	MXN		100.00	148,083	34,452	IFRS annual financial statements

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
KHS Machinery Pvt. Ltd., Ahmedabad	KHSIN	INR		94.50	888,389	411,912	IFRS annual financial statements
KHS Pacific Pty. Ltd., Tullamarine	KHSAU	AUD		100.00	5,571	5,371	IFRS annual financial statements
KHS Manufacturing (South Africa) (Pty.) Ltd., Kramerville	KHSSA	ZAR		100.00	61,946	13,040	IFRS annual financial statements
KHS RUS OOO, Moscow	KHSRU	RUB		99.00	218,071	88,037	IFRS annual financial statements
KHS Asia Pte. Ltd., Singapore	KHSSI	EUR		100.00	1,071	811	IFRS annual financial statements
KHS UK Ltd., Solihull	KHSGB	GBP		100.00	825	340	IFRS annual financial statements
KHS Japan Corporation, Osaka	KHSJA	JPY		100.00	286,854	– 6,125	IFRS annual financial statements
Klöckner Holstein Seitz S.A., Sant Cugat del Valles	KHSSP	EUR		100.00	707	218	IFRS annual financial statements
KHS Skandinavien ApS, Albertslund	KHSDK	DKK		100.00	899	714	IFRS annual financial statements
KHS Ukraine OOO, Kiev	KHSUK	UAH		100.00	7,074	1,085	IFRS annual financial statements
Klöckner DESMA Machinery Pvt. Ltd., Ahmedabad	KDEIN	INR		100.00	542,904	64,867	IFRS annual financial statements
DESMA USA, Inc., Hebron	KDEUS	USD		100.00	5,557	909	IFRS annual financial statements
DESMA Slovakia s.r.o., Povazska Bystrica	KDESL	EUR		90.00	2,246	435	
DESMA Rubber Injection Machinery (Wuxi) Co. Ltd., Wuxi	DRIM	CNY		100.00	24,061	4,794	
Salzgitter Finance B.V., Oosterhout	SZFBV	EUR	100.00		3,623	324	
2. Non-consolidated group companies							
a) Domestic							
Mannesmannröhren-Werke Qualifizierungsgesellschaft mbH, Mülheim an der Ruhr	MQG	EUR		100.00	26	0	P&L A., financial year to 2013/12/31
SESTA Stahl Gesellschaft mit beschränkter Haftung, Düsseldorf	SSG	EUR		100.00	52	0	P&L A., financial year to 2014/09/30, financial statements not subject to an audit review

Consolidated Financial Statements

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Hildesheimer Stahlhandel GmbH & Co. KG, Hildesheim	HSH	EUR		100.00	45	11	Financial year to 2013/12/31
Stahlhandel GmbH, Hildesheim	STI	EUR		100.00	40	3	Financial year to 2013/12/31
SEITZ ENZINGER Noll GmbH, Bad Kreuznach	SEN	EUR		100.00	27	0	Financial year to 2014/09/30, financial statements not subject to an audit review
Holstein und Kappert GmbH, Dortmund	KD	EUR		100.00	23	– 1	Financial year to 2014/09/30, financial statements not subject to an audit review
Klöckner PET International GmbH, Salzgitter	PETIG	EUR		100.00	21	– 1	Financial year to 2013/12/31
NMP Systems GmbH, Düsseldorf	NMP	EUR		100.00	29	2	Change of name in the financial year, financial year to 2013/12/31
Salzgitter Hydroforming Verwaltungs GmbH, Crimmitschau	SZHV	EUR	100.00		61	3	Financial year to 2013/12/31
Salzgitter Mannesmann Dritte Verwaltungsgesellschaft mbH, Salzgitter	SMDV	EUR		100.00	26	0	P&L A., financial year to 2013/12/31
GVG Grundbesitz- und Vermögensverwaltungs-gesellschaft mbH, Salzgitter	GVGG	EUR		100.00	113	4	Financial year to 2013/12/31
KHS Corpoplast Verwaltungsgesellschaft mbH, Hamburg	CVG	EUR		100.00	26	0	Financial year to 2013/12/31
SMS Immobilie Rheinhafen Verwaltungs-GmbH, Karlsruhe	SMSIV	EUR		100.00	25	0	Financial year to 2013/12/31
TELEFONBAU MARIENFELD GmbH & Co. KG, Essen	TBM	EUR		100.00	2,870	339	
b) Abroad							
Salzgitter Mannesmann (Scandinavia) AB, Lulea	SMSC	SEK		100.00	1,487	– 3,822	Financial year to 2013/12/31
Salzgitter Mannesmann International (México) S.A. de C.V., Mexico D.F.	SMIM	MXN		100.00	17,179	2,481	Financial year to 2013/12/31

	Abbrevia-tion	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
UNIVERSAL STEEL HOLLAND B.V., SK Papendrecht	USN	EUR		100.00	7,176	505	Financial year to 2013/12/31
UNIVERSAL Aciers Sarl, Couzon au Mont d'Or	UAC	EUR		100.00	1,628	– 146	Financial year to 2013/12/31
UNIVERSAL OCEL spol. s.r.o., Prague	UOC	CZK		100.00	101,839	11,059	Financial year to 2013/12/31
UNIVERSAL-Stal Sp. z o.o., Gliwice	USP	PLN		100.00	36,937	2,314	Financial year to 2013/12/31
Salzgitter Mannesmann (Italia) S.r.l., Milan	SMIT	EUR		100.00	1,271	30	Financial year to 2013/12/31, financial statements not subject to an audit review
Salzgitter Mannesmann International (Asia) Pte. Ltd., Singapore	SMSG	USD		100.00	5,993	426	Financial year to 2013/12/31
Salzgitter Mannesmann Trade (Beijing) Co., Ltd., Beijing	SMCN	CNY		100.00	– 73	26	Financial year to 2013/12/31
Salzgitter Mannesmann International (HK) Ltd., Hong Kong	SMHK	EUR		100.00	9,971	84	Financial year to 2013/12/31
Salzgitter Mannesmann International Tehran (Private Joint Stock Company), Tehran	SMIR	IRR		100.00	381,200	837,100	Financial year to 2013/12/31
Salzgitter Mannesmann Distributie S.R.L., Bucharest	SMRO	RON		100.00	180	– 2,804	Financial year to 2013/12/31
Salzgitter Mannesmann Pentasteel International (India) Pvt. Ltd., Mumbai	SMPI	INR		51.00	100,500	23,980	Financial year to 2014/03/31
Salzgitter Mannesmann International do Brasil Ltda., São Paulo	SMBR	BRL		85.00	979	28	Financial year to 2013/12/31
Salzgitter Mannesmann Stahlhandel Austria GmbH, Gratkorn	SMSA	EUR		100.00	3,795	0	Financial year to 2013/12/31
KHS Machine & Equipment (Qinhuangdao) Co., Ltd., Qinhuangdao	KHSC	CNY		100.00	7,368	3,949	Financial year to 2013/12/31
KHS Benelux B.V., Breda	KHSNL	EUR		100.00	277	48	Financial year to 2013/12/31
KHS FRANCE S.A.R.L., Torcy	KHSFR	EUR		100.00	856	526	Financial year to 2013/12/31, financial statements not subject to an audit review

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
KHS Czech s.r.o., Ceské Budejovice	KHSTS	CZK		100.00	4,832	1,770	IFRS annual financial statements, financial year to 2013/12/31, financial statements not subject to an audit review
KHS Schweiz GmbH, Wolfwil	KHSCH	CHF		100.00	541	238	IFRS annual financial statements, financial year to 2013/12/31, financial statements not subject to an audit review
KHS Austria GmbH, Wiener Neudorf	KHSÖS	EUR		100.00	454	71	Financial year to 2013/12/31, financial statements not subject to an audit review
KHS MAKINE SANAYI VE TICARET LIMITED SIRKETI, Istanbul	KHSTK	TRY		100.00	184	101	Financial year to 2013/12/31, financial statements not subject to an audit review
KHS Italia S.r.l. in Liquidazione, Milan	KHSIT	EUR		100.00	– 46	– 298	Change of name in the financial year, financial year to 2013/12/31, financial statements not subject to audit review
KHS Polska Sp. z o.o., Warsaw	KHSPL	PLN		100.00	1,308	1,303	Establishment or acquisition in financial year, IFRS annual financial statements, short financial year April–December 2014, financial statements not subject to audit review
KHS Andes S. A. S., Bogotá	KHSCO	COP		100.00	1,250,154	913,307	IFRS annual financial statements, financial year to 2013/12/31, financial statements not subject to an audit review
KHS Panamericana SpA, Santiago	KHSRCH			100.00			Establishment or acquisition in financial year
KHS East Africa Ltd., Nairobi	KHSEA	KES		100.00	26,250	– 30,160	Short financial year May–December 2013, financial year to 2013/12/31

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Kisters Limited, Solihull	KIGB	GBP		100.00	254	0	IFRS annual financial statements, financial year to 2013/12/31, financial statements not subject to an audit review
DESMA Machinery & Engineering Co. Ltd., Guangzhou	KDSM	CNY		100.00	2,023	1,309	Financial year to 2013/12/31
KHS Argentina S.A., Buenos Aires	KHSAR	ARS		95.00	2,121	1,214	Financial year to 2013/12/31
KHS Korea Co. Ltd., Seoul	KHSSK	KRW		100.00	149,928	74,682	Financial year to 2013/12/31, financial statements not subject to an audit review
KHS Corpoplast Argentina S.A., Buenos Aires	BEVAR	ARS		100.00	522	– 118	Financial year to 2013/12/31
KHS Filling and Packaging Equipment (Shanghai) Co., Ltd., Shanghai	BEVCN	CNY		100.00	26,048	9,658	Change of name in the financial year, financial year to 2013/12/31
Corpoplast Beverages Equipment (Suzhou) Co. Ltd., Suzhou	CBE	CNY		100.00	– 4,653	– 13,111	Financial year to 2013/12/31
Salzgitter Hydroforming s.r.o., Chomutov	HFCZ	CZK		100.00	58	– 1,915	Financial year to 2013/12/31
3. Joint operations (corresponding to Joint Arrangements in accordance with IFRS 11)							
a) Domestic							
EUROPIPE GmbH, Mülheim an der Ruhr	EP	EUR		50.00	103,954	– 46,668	
Mülheim PIPECOATINGS GmbH, Mülheim an der Ruhr	MPC	EUR		100.00	14,226	9,595	
Hüttenwerke Krupp Mannesmann Gesellschaft mit beschränkter Haftung, Duisburg	HKM	EUR		30.00	465,534	– 4,445	IFRS annual financial statements

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
b) Abroad							
EUROPIPE France S.A., Grande Synthe	EPF	EUR		100.00	7,688	– 163	
Berg Steel Pipe Corporation, Wilmington	BSPC	USD		100.00	96,610	12,404	
Berg Spiral Pipe Corporation, Wilmington	BSPM	USD		100.00	28,467	– 9,705	
BERG EUROPIPE Holding Corp., New York	BEHC	USD		100.00	183,678	2,262	
4. Associated companies							
a) Domestic							
Aurubis AG, Hamburg	NAAG	EUR		25.00	1,190,004	61,705	Financial year to 2014/09/30, financial statements not subject to an audit review
5. Other shareholdings							
a) Domestic							
ERZKONTOR RUHR GMBH, Essen	ERE	EUR		33.33	107	0	Financial year to 2014/09/30, financial statements not subject to an audit review
DEUTRANS Rohstoff- und Recycling-Logistik GmbH, Braunschweig	DRRL	EUR		50.00	39	2	Financial year to 2013/12/31
EUROPIPE 1. Verwaltungsgesellschaft mbH, Mülheim an der Ruhr	EPV	EUR		100.00	32	0	Financial year to 2013/12/31, financial statements not subject to an audit review
HKM Rohstoffhandel GmbH, Duisburg	HKMRO	EUR		51.00	127	47	Financial year to 2013/12/31
Mannesmannröhren Logistic GmbH, Ratingen	MRL	EUR		12.40	3,267	398	Financial year to 2013/12/31
EUROPIPE Projekt GmbH, Mülheim an der Ruhr	EPP	EUR		100.00	41	0	Financial year to 2013/12/31, financial statements not subject to an audit review
Beck & Co. Industriebedarf GmbH & Co. KG, Mönchengladbach	BIG	EUR		51.25	1	– 102	Financial year to 2013/09/30

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Bahners GmbH, Mönchengladbach	BGN	EUR		50.00	39	0	Financial year to 2013/09/30
Industriepark Salzgitter-Watenstedt Entwicklungs-GmbH, Salzgitter	SZWE	EUR	49.00		983	– 17	Short financial year February–December 2013, financial year to 2013/12/31
Wohnungsbaugesellschaft mit beschränkter Haftung Salzgitter, Salzgitter	WBG	EUR		25.05	51,182	2,339	Financial year to 2013/12/31
WBV Wohnbau Betreuungs & Verwaltungs GmbH, Salzgitter	WBV	EUR		100.00	26	0	P&L A., financial year to 2013/12/31
b) Abroad							
Mannesmann Coating Kazakhstan, Kulsary	MCK	KZT		25.00	1,850	– 459	Financial year to 2013/12/31, financial statements not subject to an audit review
Ertsoverslagbedrijf Europoort C.V., Europoort Rotterdam	EECV	EUR		24.75	8,430	6,070	Financial year to 2013/09/30
B.V. Stuwadoors-Maatschappij Kruwal, Europoort Rotterdam	SMKBV	EUR		25.00	57	– 3	Financial year to 2013/09/30
Borusan Mannesmann Boru Yatirim Holding A.S., Istanbul	BMB	TRY		23.00	87,622	13,036	Financial year to 2014/03/31
Berg Europipe Corp., Wilmington	BEC	USD		100.00	913	– 82	
TAPIOMETALL Müszaki Kereskedelm Kft., Tápiószele	TMK	HUF		29.40	210,311	7,273	Financial year to 2013/12/31, financial statements not subject to an audit review
Salzgitter (West Africa) Ltd., Lagos	SWA	NGN		40.00	49	0	No business activity, financial year through to 1993/09/30; financial statements not subject to audit review
KHS-Zagora AD, Stara Zagora	KHSBU	BGN		50.00	1,987	1,149	Financial year to 2013/12/31, financial statements not subject to an audit review
Impuls AD, Gabrovo	I98	BGN		15.15	5,782	951	Financial year to 2013/12/31
KHS AG (Thailand) Ltd., Bangkok	BEVTH	THB		49.00	49,712	– 5,206	Financial year to 2013/12/31

Accounting Principles

The consolidated financial statements of Salzgitter AG (SZAG) were prepared in accordance with the accounting principles stipulated by the International Accounting Standards Board (IASB) that were rendered mandatory on the reporting date by EU Directive No. 1606/2002 and are based on the principle of historical acquisition cost, with the exception of certain financial instruments that are shown at fair value. The requirements of the applied standards and interpretations (SIC/IFRIC) were satisfied without exception and convey a true and fair view of the Salzgitter Group's net assets, financial position and results of operations.

Effects of new or amended standards:

Standards/Interpretation		Mandatory date	Adoption by EU Commission[1]	Effects
IFRS 10	Consolidated Financial Statements, incl. Transition Guidance	2014/01/01	yes	cf. following page
IFRS 11	Joint Arrangements, incl. Transition Guidance	2014/01/01	yes	cf. following page
IFRS 12	Disclosure of Interests in other Entities – incl. Transition Guidance	2014/01/01	yes	notes to the consolidated financial statements
IAS 27	Separate Financial Statements	2014/01/01	yes	none
IAS 28	Investments in Associates and Joint Ventures	2014/01/01	yes	none
IAS 32	Amendment: Offsetting of Financial Assets and Financial Liabilities	2014/01/01	yes	no material effects
IAS 36	Decrease in value of assets – Disclosure to Fair Value of Non-Financial Assets	2014/01/01	yes	notes to the consolidated financial statements
IAS 39	Amendment of Derivates and Continuous Hedge Accounting	2014/01/01	yes	no material effects

[1] On 2014/12/31

Effects from the first-time application of IFRS 10 and 11:

IFRS 10 defines the meaning of control of a subsidiary by its parent company. It stipulates that three criteria must cumulatively be fulfilled: power of disposition, variable returns and the ability to influence the variable returns by exercising the power of disposition. The application of IFRS 10 will not lead to any change in the consolidated group in Salzgitter AG's consolidated financial statements. Irrespective of the application of these new standards, 24 non-consolidated domestic and foreign companies that were previously excluded from the consolidated group on grounds of immateriality were included in Salzgitter AG's consolidated financial statements in the financial year 2014.

IFRS 11 defines and regulates the treatment of joint arrangements in consolidated financial statements. It stipulates that a distinction should be drawn between "joint ventures" and "joint operations". The former must be accounted for using the equity method, while in the latter the proportional assets, liabilities, expenses and income must be attributed directly to the commercial entities involved. IFRS 11 replaces IAS 31, which allowed a right to choose between proportional consolidation and the equity method for joint ventures.

The first-time application of IFRS 11 has resulted in the following changes in the consolidation method applied to Salzgitter AG's consolidated financial statements:

> The companies in the EUROPIPE Group, Mülheim, in which Salzgitter Mannesmann GmbH holds a 50% stake, were previously included proportionally in Salzgitter AG's consolidated financial statements. The partners, which exercise the management functions jointly, both have a contractual participating interest in the companies' net assets, not in any individual assets and liabilities. Under the definition formulated by IFRS 11 it is therefore deemed a joint venture. Consequently, the EUROPIPE Group will be included in Salzgitter AG's consolidated financial statements in accordance with IFRS 11 as from 2014 using the equity method. The comparative figures were adjusted accordingly.
>
> Hüttenwerke Krupp Mannesmann GmbH (HKM), Duisburg, a company in which Salzgitter Mannesmann GmbH holds a 30% stake, was previously included in Salzgitter AG's consolidated financial statements using the equity method. HKM's business activity is to supply the partners with input material. HKM's business results are therefore particularly dependent on orders from the partners, with the result that the latter also assume the rights to the assets and the obligations for the liabilities. It is therefore a joint operation within the meaning of IFRS 11. In accordance with IFRS 11, HKM will be included in Salzgitter AG's consolidated financial statements as from the financial year 2014 with its proportional assets, liabilities, expenses and income. The comparative figures were adjusted accordingly.

The adjustments made to the previous financial year as a result of the amended IFRS 11 are shown in the tables under Note 42.

Likely effects of new or amended standards to be used in the future:

Standard/Interpretation		Mandatory date	Adoption by EU Commission[1]	Likely effects
IFRIC 21	Duties	2014/06/17	yes	none
IAS 19	Employee Benefits – Defined Benefit Plans: Employee contributions	2014/07/01	yes	none
	Annual Improvements (2010–2012 cycle)	2014/07/01	yes	no material effects[2]
	Annual Improvements (2011–2013 cycle)	2015/01/01	yes	no material effects[3]
	Annual Improvements (2012–2014 cycle)	2016/01/01	yes	no material effects[4]
IAS 1	Amendment: Disclosure Initiative	2016/01/01	no	no material effects
IFRS 11 IFRS 12 IAS 28	Amendement: Investment Entities: Applying the Consolidation Exception	2016/01/01	no	none
IFRS 10 IAS 28	Amendment: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	2016/01/01	no	none
IFRS 14	Regulatory Deferral Accounts	2016/01/01	no	none
IFRS 11	Amendment: Accounting for Acquisitions of Interests in Joint Operations	2016/01/01	no	not foreseeable
IAS 16 IAS 38	Amendment: Clarification of Acceptable Methods of Depreciation and Amortization	2016/01/01	no	none
IAS 27	Amendment: Equity Method in Separate Financial Statements	2016/01/01	no	not foreseeable
IAS 16 IAS 41	Amendment: Bearer Plants	2016/01/01	no	none
IFRS 15	Revenue from Contracts with Costumers	2017/01/01	no	not foreseeable
IFRS 9	Financial Instruments: Classification and Measurement	2018/01/01	no	not foreseeable

[1] On 2014/12/31

[2] Minor amendments to a multiplicity of standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38) and consequent follow-up amendments

[3] Minor amendments to a multiplicity of standards (IFRS 1, IFRS 3, IFRS 13, IAS 40) and consequent follow-up amendments

[4] Minor amendments to a multiplicity of standards s (IFRS 5, IFRS 7, IAS 19, IAS 34) and consequent follow-up amendments

As a listed parent company of a group, Salzgitter AG is obliged pursuant to Section 315a, German Commercial Code (HGB) to prepare consolidated financial statements in compliance with international accounting standards and regulations.

The consolidated financial statements for the financial year from 01/01 to 12/31 are disclosed in the German Federal Gazette (Bundesanzeiger). The company Salzgitter AG, entered in the Commercial Register at Braunschweig Local Court under HRB 9207, has its headquarters in Salzgitter. The address of the Salzgitter AG Executive Board is Eisenhüttenstraße 99, 38239 Salzgitter, Germany.

The consolidated financial statements and the Group Management Report were approved by the Executive Board on February 26, 2015, for submission to the Supervisory Board.

The financial year of Salzgitter AG and its subsidiaries included in the consolidated financial statements generally corresponds to the calendar year. Two subsidiaries with divergent balance sheet dates prepare interim financial statements as of the Group's balance sheet date. The consolidated financial statements were prepared in euros. Unless otherwise indicated, the amounts are stated in millions of euros (€ m). There may be deviations from the unrounded amounts.

On December 16, 2014, the Executive Board and the Supervisory Board issued the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the company's website (www.salzgitter-ag.de). The Declaration of Conformity is also printed in the "Corporate Governance Report" section of the Annual Report.

Consolidation Principles and Methods

The consolidated financial statements are based on the financial statements of Salzgitter AG and the integrated subsidiaries prepared in accordance with the accounting and valuation methods applied in a uniform manner throughout the Group and certified by independent auditors.

Subsidiaries

All of the material subsidiaries are fully integrated into the consolidated financial statements. Subsidiaries are commercial entities over which Salzgitter AG, in accordance with IFRS 10, has indirect or direct power of disposition and consequently receives both positive and negative variable returns whose amounts can be influenced by the power of disposition (control).

Subsidiaries are included fully in the consolidated financial statements as of the time when the possibility of their being controlled commences. Changes in Salzgitter AG's ownership interest in a subsidiary that do not lead to a cessation of control are shown in the balance sheet as equity transactions.

If the potential for control of a subsidiary by the Group ceases, that company is excluded from the consolidated group. In the process, all assets and liabilities and all non-controlling shares and other equity components are derecognized. Any resultant profit or loss is shown in the consolidated income statement. Every retained shareholding in the former subsidiary is measured at fair value as from the time when control ceased to apply. Insofar as the investment companies being excluded from the consolidated group had been allocated goodwill that was acquired before October 1, 1995, the past offsetting against retained earnings without effect on income is not annulled.

Business combinations are accounted for in accordance with IFRS 3 using the purchase method if the Group gains control. Consideration in return for an acquisition must be determined from the total fair values of the assets acquired as of the time when they changed hands, the liabilities entered into or acquired, and the equity instruments issued by the Group in exchange for the control of the acquired company. In the case of acquisitions which are less than 100%, there is an option to disclose fully the goodwill from an acquisition in accordance with the full goodwill method, i.e. also in the amount of the proportion attributable to the minority interests. Any costs arising in the context of the business combination must be recorded in full with effect on income at the time when they are incurred. Subsequent changes in fair values must be adjusted against the acquisition costs, provided that the adjustments are within the valuation period. All other changes in the fair value of a conditional consideration classified as an asset or a liability must be recorded in accordance with the respective IFRS rules. Changes in the fair value of a conditional consideration that is classified as equity are not reported. Otherwise, subsequent changes in the fair value of the conditional consideration are reported through profit or loss.

In the case of a business combination achieved in stages (stepped acquisition), the equity interest in the acquired company previously held by the Group must be redetermined at the fair value that is valid at the time of acquisition and any resulting profit or loss must be reported as appropriate under profit or loss or under other comprehensive income. The identifiable assets, liabilities and contingencies that are acquired must – if they satisfy the requirements for reporting under IFRS 3 – be accounted for at their fair values as of the time of acquisition. The valuation period is the period from the time of acquisition to the time when the Group has received all the information about the facts and circumstances prevailing as of the time of acquisition, but no later than one year after the acquisition date.

Capital consolidation is carried out by setting off the acquisition cost of the shareholding against the proportionate amount of the newly valued equity at the time when the subsidiary was purchased. Intercompany sales, expenses and income are eliminated within the scope of the expense and income consolidation, and receivables and liabilities between the companies included in the financial statements within the scope of the debt consolidation. Intercompany profits deriving from intercompany deliveries and services are eliminated with effect on income, taking deferred taxes into account. Minority interests in the consolidated companies are reported separately within equity. In the case of assets and obligations denominated in foreign currency, the acquisition costs must always be reported at the exchange rate prevailing on the cut-off date when the acquisition was realized.

Joint arrangements

Arrangements in which Salzgitter AG contractually exercises the management functions together with one or more partner entities are classified in accordance with IFRS 11 as joint arrangements. In accounting for the joint arrangements in the balance sheet, a distinction is made between joint ventures and joint operations.

The distinction depends on the rights and obligations of the parties. Joint operations are characterized by the fact that the parties possess rights to the assets and have obligations for the liabilities in the arrangement, whereas the parties to joint ventures possess rights to the net assets in the arrangement. Joint ventures are accounted for using the equity method, while joint operations are included proportionally in the consolidated financial statements (proportional application of the consolidation rules).

Associated companies

According to IAS 28, moreover, those participating interests in associated companies in which Salzgitter AG is able to participate in the respective financial and business strategy decisions, but where neither control nor joint management applies (significant influence), are accounted for using the equity method.

The times of inclusion in and departure from the group of companies accounted for using the equity method are determined analogously to the principles that apply to subsidiaries. The associated companies are reported with their proportional equity based on the revaluation method as of the time of their acquisition. The equity valuation is based on the last audited annual financial statements or, in the case of a financial year that diverges from the consolidated financial statements, the interim financial statements as of December 31.

Participating interests

If Salzgitter AG is unable to exercise significant influence as well as unable to participate in the respective financial and business strategy decisions, the shares in the companies are accounted for as participating interests in accordance with IAS 39.

Consolidated Group

In addition to the annual financial statements of the parent company, the consolidated financial statements include the annual financial statements of 59 (previous year: 43) domestic and 34 (previous year: 27) foreign affiliated companies, all prepared as of the same reporting date.

One (previous year: one) domestic company is being included proportionally in the consolidated financial statements as a joint operation.

Three (previous year: three) domestic and four (previous year: four) foreign companies are accounted for using the equity method in the reporting year.

The composition and development of the consolidated group (excluding Salzgitter AG) and the group of companies valued using the equity method is as follows:

	As of 2013/12/31 restated	Additions	Disposals	As of 2014/12/31
Consolidated companies	**70**	**24**	**1**	**93**
of which domestic	43	17	1	59
of which foreign	27	7	–	34
Proportionally consolidated companies	**1**	**–**	**–**	**1**
of which domestic	1	–	–	1
of which foreign	–	–	–	–
Investments accounted for using the equity method	**7**	**–**	**–**	**7**
of which domestic	3	–	–	3
of which foreign	4	–	–	4

The additions concern 24 domestic and foreign – hitherto on grounds of immateriality – non-consolidated companies from the Plate / Section Steel, Trading and Technology business units and Industrial Participations / Consolidation that were included in Salzgitter AG's consolidated financial statements for the first time in the financial year 2014. The disposal concerns a company in the Strip Steel Business Unit by way of a merger.

A total of 14 (previous year: 34) domestic and 35 (previous year: 43) foreign subsidiaries have not been consolidated due to their minor overall significance for the Group's net assets, financial position and results of operations. The non-consolidated companies are largely non-operational shell or holding companies and very small marketing or real estate companies.

Currency Translation

In the individual annual financial statements of the Group companies, business transactions in foreign currencies are valued at the exchange rate prevailing at the time when they were first recorded. Exchange losses incurred by the valuation of receivables and/or liabilities up to the reporting date are taken into consideration. Gains and losses resulting from exchange rate fluctuations are reported with effect on income.

The annual financial statements of the foreign subsidiaries are translated into euros in accordance with the concept of functional currency. Since, from the point of view of Salzgitter AG, the companies generally operate independently in conducting their business in financial, commercial and organizational terms, the respective functional currency corresponds to the currency of the country in which these companies are incorporated. At two companies, the functional currency is not that of the country where the respective company is incorporated. One company conducts its business in euros, the other in US dollars. Assets and liabilities are translated at the exchange rates prevailing on the reporting date; the positions in the income statement, and therefore the result for the year posted in the income statement, are translated at the annual average exchange rate. The resulting differences are reported without effect on income until such time as the subsidiary is sold.

A similar approach is adopted when translating equity rollover for foreign companies that are reported using the equity method. Differences from the previous year's translation are offset against retained earnings without effect on income. Goodwill is reported as an asset in the reporting currency. Income and expenses are translated at annual average exchange rates, while changes in reserves are translated at the rate prevailing on the reporting date.

The most important exchange rates that serve as the basis for currency translation have developed as follows:

	Exchange rate on reporting date		Average exchange rate	
Foreign currency per € 1	2014/12/31	2013/12/31	2014	2013
Australian dollar	1.4829	1.5423	1.4719	1.3777
Brazilian real	3.2207	3.2576	3.1211	2.8687
Danish krones	7.4453	7.4593	7.4548	7.4579
British pounds	0.7789	0.8337	0.8061	0.8493
Indian rupee	76.7190	85.3660	81.0406	77.9300
Japanese yen	145.2300	144.7200	140.3061	129.6627
Canadian dollar	1.4063	1.4671	1.4661	1.3684
Mexican peso	17.8679	18.0731	17.6550	16.9641
Polish zloty	4.2732	4.1543	4.1843	4.1975
Russian ruble	72.3370	45.3246	50.9518	42.3370
South African rand	14.0353	14.5660	14.4037	12.8330
Czech koruna	27.7350	27.4270	27.5359	25.9797
Ukrainian Hrwnja	19.0752	11.3121	15.7828	10.8272
Hungarian forint	315.5400	297.0400	308.7061	296.8730
US dollar	1.2141	1.3791	1.3285	1.3281

Accounting and Valuation Principles

The annual financial statements of the subsidiaries included in the Salzgitter Group are prepared in accordance with uniform accounting and valuation principles in compliance with the standards defined by the IASB.

Assets are capitalized if the Salzgitter Group is entitled to all of the material opportunities and risks associated with their respective use. Assets are always valued at amortized cost or production cost or at fair value.

Estimates and assumptions

When the consolidated financial statements were being prepared, estimates and assumptions were made that impacted the amounts and reporting of the assets and liabilities, the earnings and expenditure and the contingent liabilities that are included in the balance sheet. All estimates and assumptions were made in a way that conveys a true and fair view of the Group’s net assets, financial position and results of operations. The actual values may deviate from the assumptions and estimates in individual cases. Deviations of this kind are posted to income as of the time when better knowledge becomes available.

Financial accounting of acquisitions

Goodwill is reported in the Group's balance sheet as a possible consequence of acquisitions. When an acquisition is consolidated for the first time, all identifiable assets, liabilities and contingent liabilities are reported at their respective fair values as of the acquisition date. One of the most crucial estimates made in this context relates to the determination of the fair values of these assets and liabilities as of the acquisition date. Land, buildings and office equipment are usually valued on the basis of independent expert opinions; marketable securities are reported at their market prices. If intangible assets are identified, either recourse is taken to an independent expert appraisal by an external valuation specialist or, depending on the type of intangible asset and the complexity of determining its fair value, the fair value is ascertained internally by applying an internationally recognized valuation method. This is generally based on the forecast of the aggregate anticipated future cash flow. These valuations are closely connected with the assumptions that the management has made with regard to the future development of the respective assets' values and the assumed changes in the applicable discount rate.

Goodwill

The Group examines annually and also additionally if there are any indications that justify such action, whether there has been impairment of any goodwill reported in the balance sheet. Should this be the case, the cash generating unit's recoverable amount must be estimated. This is either the fair value less cost to sell or the value in use, whichever is higher. To determine the value in use, adjustments and estimates regarding the forecasting and discounting of the future cash flows are made. In the Salzgitter Group, the cash generating unit is generally the individual legal entity. In individual cases, legal entities are combined to form a group. Management is confident that the assumptions used for calculating recoverable amounts are appropriate. Any changes in these assumptions could lead to value impairments that would adversely affect the Group's net assets, financial position and results of operations.

Intrinsic value of the assets

As of every balance sheet date, the Group must estimate whether there is any concrete indication that the carrying amount of a tangible fixed asset, an investment property or an intangible asset could be impaired. Should this be the case, the recoverable amount of the asset in question is estimated. The recoverable amount is either the fair value less cost to sell or the value in use, whichever is higher. To determine the value in use, the discounted future cash flows of the asset in question must be determined. The estimate of the discounted future cash flows contains fundamental assumptions concerning, for example, future selling prices and selling volumes, costs and discount rates. Although management is confident that the estimates of the relevant useful lives, the assumptions regarding the general economic framework, the development of the sectors of industry in which the Group operates and the estimates of the discounted future cash flows are appropriate, a change in the assumptions or in the prevailing circumstances could necessitate a change in the analysis. This could result in additional impairments or reversals of write-downs in the future if the trends identified by management go into reverse or if the assumptions and estimates prove to be incorrect.

Recognition of sales in the case of construction contracts

Certain Group companies in the Technology Business Unit conduct a proportion of their transactions as construction contracts, reported using the percentage-of-completion method. Under this method, sales must be shown in accordance with progress made in completing the order (cost-to-cost method). Ascertaining the progress made to date necessitates a precise estimate of the total costs of the order, the costs still to be incurred before completion, total revenues from the order, the risks associated with the order and other assessments. The management of the operating units continuously checks all of the estimates that are necessary within the scope of production orders and adjusts them if necessary.

Income taxes

As the Group operates and generates income in numerous countries, it is subject to an extremely wide variety of tax laws under a multiplicity of taxation authorities. To ascertain the Group's tax liabilities worldwide, a number of fundamental assessments must therefore be made. The carrying of potential fiscal risks in the Group as liabilities is carried out on the basis of the best possible estimate. Management is assuming that it has made a sensible assessment of fiscal imponderables. Under some circumstances, there can be no assurance that the outcome of such fiscal imponderables will correspond to the estimate. Any differences could have an impact on the tax liabilities and the deferred taxes in the period when the matter is finally decided.

As of every balance sheet date, the Group assesses on the basis of the 3-year planning period whether the realizability of future tax benefits is sufficiently probable for the reporting of deferred tax assets. Among other things, this requires management to assess the tax benefits that arise from the available tax strategies and future taxable income, and to take other positive and negative factors into account. The deferred tax assets reported can decrease if the estimates of planned taxable income and the tax benefits attainable using the available tax strategies are reduced or if changes to current tax laws restrict the time framework or the scope of realizability of future tax benefits.

Provision for pensions and similar obligations

Pensions and other obligations are accounted for in accordance with actuarial valuations. These valuations are based on statistical and other factors with a view to anticipating future events. These factors encompass, among other things, actuarial assumptions such as expected salary increases and mortality rates. As a result of differences between the factors applied and actual developments, the actuarial calculations can diverge from the actual payment obligations. The effects that this might have on the present value of the obligation are depicted as part of a sensitivity analysis in the notes to the balance sheet under the disclosures on provisions and similar obligations. The impact of a change in the actuarial interest rate on the present value of the obligation is likewise shown there. The effect depicted, however, has no influence of any kind on the actual payment obligation; its only influence is on the present value of the obligation shown in the balance sheet.

Intangible assets

Goodwill/negative goodwill from capital consolidation

The capitalized goodwill for companies acquired before October 1, 1995, that results from the capital consolidation continues to be offset against retained earnings. Goodwill acquired since October 1, 1995, is capitalized, examined annually for impairment and, if necessary, amortized.

Any negative goodwill arising will, in accordance with IFRS 3, be recognized immediately with effect on income after the net assets acquired have been revalued.

Any surplus of the acquisition cost of an associated company over the Group's share of the net fair values of the assets, liabilities and contingent liabilities of that associated company as of the acquisition date must be accounted for as goodwill. Goodwill is a component of the shareholding's book value and is not examined separately for possible impairment. Instead, the entire book value of the shareholding is examined for impairment.

Other intangible assets

Other intangible assets acquired against payment are reported at acquisition cost and amortized on a straight-line basis over the period of their likely economic useful lives, generally between 3 and 5 years.

Other intangible assets generated internally are capitalized if it is probable that their usefulness for the Group is reliable and if the acquisition or production costs can be measured with accuracy. The production costs of internally generated intangible assets are determined on the basis of directly attributable costs. Costs that are necessary for the creation, production and development of the asset so that it is in good operational condition for the purposes intended for it by the Group's management are included. These intangible assets are generally amortized over a period of 5 years. The assets identified in the course of purchase price allocations are subject to scheduled amortization over periods of between 5 and 19 years using the straight-line method.

Development costs are capitalized if a newly developed product or process can be clearly defined, is technically feasible and is intended for either the company's own use or for selling. Moreover, capitalization presupposes that development costs will with sufficient probability be covered by future inflows of cash and cash equivalents. The development process must be distinguished from a research phase. Development is the application of the research result and takes place before the start of commercial production or use. If the prerequisites for capitalization are not satisfied, the expenses are recorded with effect on income in their year of origin.

The acquisition or production costs in question encompass all costs that are directly attributable to the development process, as well as similarly directly attributable parts of the development-related overheads. They are amortized as from the start of production on a straight-line basis over the likely economic useful life of the developed asset models.

Property, plant and equipment
Property, plant and equipment are valued at acquisition or production cost, less accumulated depreciation and impairment costs. Any investment grants received are shown as a reduction in the acquisition and production costs. The residual book values and the economic useful lives are examined on every reporting date and adjusted if necessary. If the book value of an asset exceeds its estimated recoverable amount, the book value is written down to this estimated recoverable amount. If the reasons for a write-down in previous years no longer apply, appropriate reversals of write-downs are carried out.

The production costs of internally generated property, plant and equipment are determined on the basis of directly attributable costs and estimated demolition and restoration costs.

The costs incurred by the regular maintenance and repair of property, plant and equipment are recognized as expenses. Renewal and maintenance expenses are capitalized as subsequent production costs only if they result in a material extension of the useful life or a substantial improvement or an important change in the use of the said property, plant and equipment.

Material components of property, plant and equipment that require replacement at regular intervals are capitalized as autonomous assets and depreciated over the course of their economic useful lives.

The scheduled straight-line depreciation is essentially based on the following economic useful lives:

Useful economic lives	
Buildings, including investment property	10 to 50 years
Plant equipment and machinery	5 to 30 years
Plant and office equipment	3 to 25 years

Cost of debt
Borrowing costs that are directly connected with the acquisition, construction or manufacturing of qualified assets (assets that require a considerable period of time to bring them up to usable or salable condition) are added to the production costs of these assets up until such time as the assets are essentially available for the use intended or for sale. Income generated by the temporary investment of specially borrowed funds is deducted from the capitalizable borrowing costs until these are spent on qualifying assets.

All other borrowing costs are recorded in the period when they are incurred with effect on income.

Leasing

The Group operates as both a lessee and a lessor. When leased property, plant and equipment are used, the prerequisites of finance leases in accordance with IAS 17 are fulfilled if all substantial risks and opportunities associated with ownership were transferred to the respective Group company.

If a contract consisting of several components is applicable, a lease arrangement is then assumed, in accordance with IFRIC 4, if the fulfillment of the contract depends on the utilization of a particular asset and the contract regulates the transfer of this utilization right. In these cases the respective property, plant and equipment are capitalized at acquisition or production cost or at the lower net present value of the minimum lease payments and are depreciated using the straight-line method over their economic useful lives, or the shorter term of the lease agreement. Payment obligations resulting from future lease installments are discounted as liabilities.

If assets are utilized in a finance lease agreement, the net present value of the lease payments is reported as a lease receivable. The difference between the gross receivable and the net present value of the receivable is recognized as unrealized financial income. Lease income is reported for the duration of the lease arrangement using the annuity method, which results in a constant interest rate on the lease receivable.

Lease arrangements in which a material part of the benefits and risks inherent in ownership of the leased item remains with the lessor are classified as operating leases. The lease installments to be paid under these lease arrangements are recorded in the income statement for the duration of the lease arrangement using the straight-line method.

Investment property

Investment property comprises property that is used to generate rental income or long-term value appreciation and not for production or administration purposes. This property is recognized at cost in accordance with IAS 40 ("cost model"). Depreciable investment properties are depreciated over a period of 10 to 50 years using the straight-line method.

The properties are valued at cost, taking account of unscheduled depreciation. Transaction costs are included in the initial valuation. The Notes to the Consolidated Financial Statements indicate the fair value of these properties, which is ascertained using internationally acknowledged valuation methods such as the DCF method or, if current market prices of comparable properties are available, is derived from those prices. A substantial part of the property portfolio is valued regularly by independent experts (max. every five years). As from the financial year 2013, this valuation is based on an alternative utilization of potential, the "highest and best-use method" in accordance with IFRS 13.

Financial assets – categorization

Financial assets held for trading

In the Salzgitter Group, only financial assets that were classified from the outset as “Held for trading” are measured at fair value with effect on income. Derivatives are classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. The option of designating financial instruments as financial assets to be measured at fair value with effect on income when they are first reported (fair value option) is not exercised in the Salzgitter Group.

Loans and receivables originated by the company

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They arise when the Group provides a debtor directly with money, goods or services. Acquired receivables must also be classified under this heading. Loans and receivables are reported in the balance sheet under receivables and other assets.

Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and the ability to hold to maturity. In the financial year under review, no use was made of this category in the Salzgitter Group.

Derivatives with documented hedging arrangements

These financial instruments are not classifiable as “Available-for-sale financial assets”, as derivatives are expressly excluded from this category. They therefore systematically constitute an additional category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that cannot be attributed to any of the other categories described above.

Financial assets – recognition and measurement

Regular purchases and disposals of financial assets are recognized as of the trading date, the day on which the Group undertakes to purchase or dispose of an asset.

The financial instruments are attributed to non-current assets if management does not intend to sell them within 12 months of the reporting date.

All purchases and sales of financial assets made on customary market terms are recognized as of the settlement date in the Salzgitter Group. This is the date when the asset is delivered to or by the Group.

Financial assets are initially recognized at fair value. Financial instruments that do not belong to the "Financial assets held for trading" category are initially reported at fair value plus their transaction costs.

Financial instruments in the "Available-for-sale financial assets", "Derivatives with documented hedging arrangements", and "Financial assets held for trading" categories are reported in the subsequent valuation at fair value. The subsequent valuation of "Loans and receivables originated by the company" and "Held-to-maturity investments" is carried out at amortized cost using the effective yield method.

The fair values of listed shares are determined on the basis of their closing prices in electronic trading. Immaterial non-listed shares are valued at their acquisition cost, as there is no price available from an active market, and the fair value cannot be ascertained reliably.

Forward exchange contracts are valued using the Group's own calculations. The outright rates applicable on the reporting date were determined on the basis of the ECB's reference rates for the respective currency pairs and the interest rate differences between the various terms of the forward exchange contracts. Working on the assumption of standardized terms, the interest rate differences between the actual terms were determined by means of interpolation. The information regarding the standardized terms was obtained from a standard market information system. The difference ascertained between the contractually agreed foreign exchange amount at the forward exchange rate and the cut-off date exchange rate is discounted as of the reporting date using the euro interest rate in accordance with the residual term.

Other derivatives are always valued on the basis of calculations made by the issuing banks using recognized methods (e.g. Black-Scholes, Heath-Jarrow-Morton). Embedded derivatives are measured with the help of the Black-Scholes method, with the calculation parameters being based on data from observable markets. In the event of substantial market values, the counterparty risk is taken into account in the form of a credit risk deduction.

Unrealized gains and losses arising from changes in the fair value of financial instruments in the "Available-for-sale financial assets" category are posted to equity. If assets in this category are sold, the cumulative adjustments to fair value under equity are posted to income as gains or losses from financial assets in the income statement.

Financial assets – value adjustment and writing off
Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are shown directly in the income statement.

As of every balance sheet date, financial assets that do not belong to the “Financial assets held for trading” category are examined to ascertain whether there are any grounds for impairment in the respective financial asset or group of financial assets.

Impairment of financial instruments in the “Loans and receivables originated by the company” and “Held-to-maturity investments” categories is recorded with effect on income, as are write-ups.

In the case of financial instruments that are classified in the “Available-for-sale financial assets” category, a significant or permanent decline in their fair value is recorded with effect on income as impairment. Impairments of equity instruments that have been posted to the income statement are reversed with no effect on income; impairments of debt instruments are reversed with effect on income.

An impairment of financial assets in the category “Loans and receivables originated by the company” is carried out as soon as there are any objective indications of impairment, for example substantial financial difficulties of the debtor or breach of contract.

Financial instruments are derecognized if the rights to payments from the investment have expired or were transferred and the Group has essentially transferred all risks and opportunities associated with their ownership.

Netting of financial instruments
Financial instruments and liabilities are netted and shown as a net amount in the balance sheet only if there is a legal entitlement to this, plus an intention to bring about the settlement on a net basis or, at the same time, to utilize the asset concerned to redeem the associated liability.

Financial assets – hedge accounting
The method used to report gains or losses from derivatives depends on whether the derivative was designated a hedging instrument and, if this was the case, on the type of hedging arrangement. The Group designates derivatives either as hedging the fair value of an asset or a liability reported in the balance sheet (fair value hedge), as hedging cash flows from a transaction that is regarded as highly likely or as hedging the currency risk inherent in a firm obligation (both cash flow hedges).

Fair value hedge
Changes in the market values of derivatives that qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

Cash flow hedge
The effective portion of changes in the market value of derivatives that are designated for hedging cash flows or the currency risk inherent in firm obligations and qualify as cash flow hedges is recognized under equity. The ineffective portion of the changes in value, on the other hand, is recognized immediately in the income statement. Amounts recorded under equity are reposted to the income statement in the period when the hedged item is recorded as earnings or expenses. However, when a hedged future transaction results in the recognition of a non-financial asset (e.g. inventories) or a liability,

the gains or losses previously recorded under equity are transferred from equity and included in the initial valuation of the acquisition cost of the asset or liability (basis adjustment). When a hedging instrument expires or is sold, or when a hedge no longer meets the requirements of hedge accounting, the cumulative gain or loss remains in equity and is not incurred in the income statement until the underlying transaction is ultimately recognized.

If the forecast transaction is no longer expected to take place, the cumulative gains or losses that were recorded directly in equity must be transferred immediately to the income statement. Movements in the reserve for cash flow hedges in equity are disclosed in the statement of changes in equity and the statement of total comprehensive income.

Inventories

Inventories are recognized at acquisition or production cost or the net selling value, whichever is lower. Inventories are valued at average costs or individually attributed acquisition or production costs. The production costs are determined on the basis of normal capacity utilization. Specifically, the production costs include not only the directly attributable costs but also the production-related material costs and production overheads, including production-related depreciation. In the case of a qualified asset, borrowing costs are capitalized as part of acquisition or production costs. If the values as of the reporting date are lower because of a decline in net realizable values, these are reported. If the net selling value of previously written-down inventories has increased, the resultant reversal of write-downs is recorded as a reduction in the cost of materials or a change in inventories.

All discernible storage and inventory risks that impact the expected net selling value are taken into account by applying properly calculated value adjustments.

Unfinished and finished products, as well as raw materials generated internally, are valued at Group production cost that, in addition to direct costs, includes the variable and fixed overhead costs that are calculated systematically or attributed.

Rights to emit CO_2 gases are reported in the balance sheet under inventories (consumables and supplies), as the emission rights are used for production. Initial ownership of emission rights that were acquired gratuitously are recorded at an acquisition cost of € 0. Paid-for emission rights are reported at their acquisition cost. Increases in the value of the capitalized emission rights are realized only in the event of a sale.

Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective yield method, less impairment. An impairment of trade receivables is carried out when there is objective evidence that the Group will not be able to collect all of the amounts due. Examples of objective indications are considerable financial difficulties of a debtor or a high probability of insolvency proceedings being brought against the debtor. The amount of the impairment corresponds to the difference between the book value of the receivable and the net present value of the estimated future cash flows from the receivable, discounted at the effective interest rate. The impairment is recognized in the income statement.

Customized construction contracts

Under IAS 11, the sales volume and results of every contract are determined using the percentage-of-completion method. The percentage of completion is calculated from the ratio of the contract costs so far incurred to the estimated total costs as of the respective cut-off date. Contract costs that are incurred are recognized immediately with effect on income. If the result of a construction contract cannot be reliably determined, only revenues in the amount of the contract costs incurred are recorded.

Payments received on account are deducted on the assets side from the receivables from construction contracts reported under trade receivables. If the payments received on account for individual construction contracts exceed the receivables from construction contracts, the excess amount is reported under liabilities. If total contract costs are likely to exceed total contract revenues, the anticipated loss is recognized immediately as an expense and, if it exceeds the contract costs already incurred, reported as a liability from contract production.

Non-current assets held for sale

Non-current assets (or groups of assets and liabilities) are classified as held for sale and are valued at the book value or lower fair value, less cost to sell, if their book value will essentially be generated by a sale rather than through continued operational use.

Provision for pensions and similar obligations

The provisions for pensions and similar obligations are formed as a result of benefit plans for retirement and invalidity pensions and provisions for surviving dependents. These provisions are formed exclusively for defined benefit plans under which the company guarantees that employees will receive a specific level of pension. The pension provisions also include bridging payments in the event of death.

The pension obligations are valued on the basis of actuarial assumptions and calculations. The defined benefit obligations are determined using the usual projected unit credit method prescribed by IFRS. This procedure takes into account not only pensions and acquired claims that are known on the reporting date, but also the increases in salaries and pensions that may be expected in the future. The current service costs are shown as personnel expenses, the net interest as finance expense. The remeasurements are recognized in other comprehensive income with no effect on earnings in the year in which they are incurred.

The material actuarial assumptions applied at the Salzgitter Group are as follows:

	2014/12/31	2013/12/31
Discount rate	2.00 %	3.25 %
Salary trend	2.75 %	2.75 %
Pension trend	1.75 %	1.75 %

The calculation of the discount interest rate is based on the returns from high-quality corporate bonds. Account is taken of all corporate bonds with a minimum term of ten years that have received at least one AA rating from at least one of the leading rating agencies. In order to achieve an interest rate adequate for the duration of the obligation, an extrapolation is carried out along the yield curve of government bonds that have received at least one AAA rating from one of the leading rating agencies.

The Heubeck actuarial tables (Richttafeln) 2005G were used to value the expected mortality of the beneficiaries. As in the previous years, the actuarial tables devised by Prof. Heubeck (RT 2005 G) are adjusted to the beneficiaries listed at the Essener Verband (Essen-based association) for valuing the provisions with regard to life expectancy because this provides a more realistic valuation of the obligations for this category of persons. In the financial year 2014, the life expectancy of the Essener Verband's beneficiaries was again examined and updated and the continuation of the modification was essentially confirmed.

Income taxes

In accordance with IAS 12, deferred taxes are calculated using the balance sheet-oriented liability method. Under this method, reductions in the tax burden and charges that are likely to arise in future are reported for temporary differences between the book values shown in the consolidated financial statements and the values attributed to assets and liabilities for tax purposes.

As of December 31, 2014, the deferred taxes of domestic corporate entities were evaluated with an overall tax rate of 30.6% (previous year: 30.6%). This tax rate comprises the 14.8% trade tax rate that applies to the Group as a whole (previous year: 14.8 %) and the 15.8% corporate income tax rate (including solidarity surcharge) (previous year: 15.8 %).

The calculation of foreign income tax is based on the laws and regulations applicable in the individual countries.

The anticipated tax savings resulting from the utilization of loss carryforwards whose realization is expected in the future are capitalized. When capitalized assets are valued for future reductions in the tax burden, consideration is given to the probability of the expected tax benefit being realized.

Assets deriving from future reductions in the tax burden include deferred tax assets arising from temporary differences between the book values stated in the consolidated balance sheet and values attributed for tax purposes, as well as tax savings resulting from loss carryforwards whose realization is anticipated at a future date.

Deferred tax claims in a particular area of fiscal jurisdiction are offset against deferred tax liabilities in the same area if the company is entitled to offset actual tax liabilities against tax claims and the tax is levied by the same tax authority; the offsetting is carried out on condition that there is matching maturity.

Provided that they relate to the same geographical area of fiscal jurisdiction and their types and maturities match, income tax liabilities are set off against corresponding tax refund claims. The change in deferred income tax liabilities is explained under Note (20).

Other provisions

Provisions are formed for current obligations to third parties whose occurrence would be likely to burden Group assets. They are reported at their likely settlement amount, taking account of all the discernible risks involved, and are not offset against recourse claims. Provisions are formed only if they are based on a legal or de facto obligation to third parties.

Financial liabilities

There are two valuation categories for financial liabilities.

Financial liabilities held for trading

As the Salzgitter Group does not designate financial instruments for valuation at fair value through profit and loss when first recognized (non-application of the fair value option), this category contains only those derivatives that are not shown in the hedge accounting.

Financial liabilities measured at amortized cost

When they are recognized for the first time, financial liabilities are stated at fair value less transaction costs. In subsequent periods they are basically valued at amortized cost. Each difference between the amount paid out and the amount repaid is then spread over the term of the loan using the effective yield method.

Financial liabilities – derecognition

Financial liabilities are derecognized if the contractual obligations have been fulfilled, annulled or have expired.

Financial liabilities are classified as current liabilities if the liability is going to be settled within 12 months of the reporting date.

Income and expense recognition

Sales and other operating income from the sale of goods are recognized when performance has been rendered or assets have been furnished, and thus when the risk has been passed, in other words material opportunities and risks of ownership have devolved to the purchaser and the amount of realizable sales can be reliably estimated. Sales from services are recorded as soon as the service has been rendered. No sales are reported if there are material risks regarding the receipt of the counter-performance or a possible return of the goods. Apart from that, sales are reported after deduction of reductions in selling prices such as bonuses, cash discounts and/or rebates.

In the case of customized construction contracts, sales are realized in accordance with the percentage-of-completion method.

Dividends are collected when the claim has been legally accrued. Interest expenses and interest income are reported pro rata temporis. When there are changes in the consolidated group, acquired dividend claims are recorded without effect on income as part of the capital consolidation.

IAS 20 stipulates that grants may not be reported in the balance sheet until the necessary claim prerequisites have been fulfilled and it can be anticipated that the grants will actually be paid out. Grants relating to assets are always reported as deductions from acquisition or production costs. Performance-based grants are recognized as other operating income. Insofar as a grant relating to income pertains to future financial years, it is reported using the accrual method, and the component for future periods is transferred to an accrued item.

Impairment of assets (impairment test)
On every balance sheet date at the latest, the Group examines the book values of its intangible assets and property, plant and equipment to establish whether there are any signs of impairment. If such signs are discernible, the recoverable amount is estimated in order to determine the scope of the impairment. If the recoverable amount for the individual asset cannot be estimated, the estimate is made at the level of the cash generating unit to which the asset belongs. If the book value of an asset or a cash generating unit exceeds the recoverable amount, the asset is impaired and unscheduled depreciation is carried out. If the reason for an unscheduled depreciation has now been fully rectified, a write-up is carried out.

Financial risk management
The Group is exposed to a variety of financial risks as a result of its business activities: the market risk (including currency, interest rate and price risks), credit risk and liquidity risk. The Group's overarching risk management aims to minimize potentially negative effects of financial market developments on the Group's financial position.

Risk management is carried out independently by the subsidiaries and associated companies of Salzgitter AG in accordance with guidelines approved by the Executive Board. The Executive Board issues written principles for overall risk management as well as guidelines for specific areas such as the hedging of currency risks, interest rate and credit risks, the use of financial instruments and the investment of excess liquidity.

Currency risk
The Group operates internationally and is therefore exposed to currency risks based on fluctuations in the exchange rates between various foreign currencies. Currency risks arise from expected future transactions and from assets and liabilities reported in the balance sheet. The risks arise when transactions are denominated in a currency that is not the functional currency of the company. At the level of the Group companies, it is generally the case that forward exchange contracts are concluded with the Group's in-house bank to hedge the calculation basis. Within the framework of the hedging strategy applicable in each case, the Group's in-house bank decides on the use of suitable financial instruments.

In the Group, the hedging relationship between the hedging instrument and the underlying transaction, the objective of the Group's risk management and the strategy underlying the hedging transactions are documented when an effective hedging transaction is concluded. In addition, the estimation as to whether the derivatives used in the hedging relationship are highly effective in compensating for the changes in the current value or the cash flows of the underlying transaction is then examined in the Group at the start of the hedging relationship and continuously thereafter.

Credit risk

In respect of potential credit risks, the Group has trading rules and regulations and an efficient receivables management system that ensure that products are sold only to customers with an appropriate payment history. Contracts involving derivative financial instruments and financial transactions are restricted to financial institutions with good credit standing. The Group's business policy is to limit the amount of credit exposure in respect of the individual financial institution. With regard to the financial institutions, there were no significant risk clusters in the financial year ended.

Liquidity risk

The Group's liquidity management includes an adequate reserve of cash and cash equivalents, marketable securities, and the possibility of financing with bilateral credit lines, a medium-term syndicated loan limit and capital market instruments.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing receivables and liabilities. The variable interest rates expose the Group to a cash flow interest rate risk that influences interest expenses and interest income. The fixed-interest liabilities give rise to a fair value interest rate risk, although this has an impact on the balance sheet only if the financial instruments are reported at current value. Further information about Salzgitter AG's risk management is provided in the risk report.

Raw materials risk

Raw materials risks for the Salzgitter Group arise largely as a result of price fluctuations and availability, especially regarding iron ore and coking coal.

Capital risk management

In order to lower its capital costs, the Group pursues the objective of maximizing the earnings from its shareholdings by optimizing the relationship between equity and debt. In the process, it is ensured that all of the Group companies can operate under the going concern premise.

In order to maintain or optimize the capital structure, the Group is obliged to adjust the amount of the dividend payments, make repayments of capital to the shareholders, issue new shares or dispose of assets for purposes of debt reduction.

Further explanations can be found in the Group Management Report under Section IV.2. "Financial Position and Net Assets".

Notes to the Consolidated Income Statement

(1) Sales

In € m	2014	2013 restated
Breakdown by product category		
Strip Steel	4,147.8	4,216.8
Section Steel	863.7	938.6
Pipes	1,338.5	1,554.2
Filling and packaging machinery	1,166.5	1,072.6
Other	1,523.8	1,527.6
	9,040.2	**9,309.8**
Breakdown by region		
Domestic	4,252.4	4,245.5
Other EU	1,847.4	1,864.6
Rest of Europe	314.3	363.9
America	1,042.1	1,063.6
Asia	781.3	825.6
Africa	772.8	895.0
Australia/Oceania	29.9	51.5
	9,040.2	**9,309.8**

The breakdown of sales includes an additional presentation by product category that does not correspond to segment reporting.

Sales include revenues amounting to € 665.9 million (previous year: € 610.9 million) recorded using the percentage-of-completion method.

(2) Increase or decrease in finished goods and work in process and other own work capitalized

In € m	2014	2013 restated
Changes in the inventory of unfinished and finished goods	32.7	– 76.0
Other own work capitalized	9.7	12.5
	42.4	**– 63.5**

The changes in inventories result predominantly from an increase in the quantity of work in process.

(3) Other operating income

In € m	2014	2013 restated
Reversal of provisions and allowances	161.6	97.3
Income from the valuation of financial derivatives and foreign currency positions	97.8	41.8
Income from exchange rate fluctuations	36.5	18.1
Ancillary operating income	15.4	15.3
Charged-on costs	9.4	7.2
Subsidies	9.0	3.6
Income from the sale of marketable securities	9.0	0.1
Rental, lease and licensing income	7.2	8.2
Insurance compensation	5.1	3.1
Reimbursements from Bundesanstalt für Arbeit	4.0	6.3
Income from the disposal of non-current assets	3.6	8.7
Refund from previous years	2.7	4.3
Income from write-downs of receivables	1.7	0.8
Miscellaneous income	34.6	22.8
Other operating income	**397.6**	**237.6**

Miscellaneous income includes a large number of small amounts relating to individual items at consolidated companies.

(4) Cost of materials

In € m	2014	2013 restated
Cost of raw materials, consumables, supplies and goods purchased	5,952.9	6,283.3
Cost of services purchased	408.0	427.3
Cost of materials	**6,360.9**	**6,710.6**

The cost of raw materials, consumables and supplies and goods purchased primarily comprises costs incurred for feedstock materials, consumables and supplies, spare parts, energy and plant equipment.

The cost of purchased services refers essentially to sales-related wage labor and order-related transportation services.

The cost of materials decreased along with the downward trend in sales.

(5) Personnel expenses

In € m	2014	2013 restated
Wages and salaries	1,321.5	1,322.6
Social security, pensions and other benefits	279.8	264.7
of which pension plans and retirement benefits	[132.6]	[123.0]
Personnel expenses	**1,601.3**	**1,587.3**

In the financial year 2014, the defined contribution plan payments in the Salzgitter Group totaled € 105.7 million (previous year € 96.0 million). The service cost for defined benefit plans in the financial year totaled € 26.9 million (previous year: € 27.1 million).

Average number of employees (excl. employees in non-active age-related part-time employment)	2014	2013 restated
Wage labor	14,130	14,371
Salaried employees	9,514	9,217
Group core workforce	**23,644**	**23,588**

Of the Group core workforce, 904 employees (previous year: 881) are accounted for by joint operations.

(6) Amortization and depreciation of intangible assets and property, plant and equipment

The scheduled amortization of intangible assets and the depreciation of property, plant and equipment are shown in the analysis of fixed assets. The following impairment losses were also taken into account:

In € m	2014	2013 restated
Plant equipment and machinery	35.6	185.0
Other equipment, plant and office equipment	1.3	–
Payments made on account and equipment under construction	5.8	–
Impairment losses	**42.7**	**185.0**

The impairment losses are calculated in accordance with the standards set out under IAS 36. They were amortized on the basis of value in use or fair value less selling costs, whichever was higher.

An impairment test is carried out at least once a year for goodwill and intangible assets with indeterminate useful lives. In the case of other intangible assets with limited useful lives, and of property, plant and equipment and investment property, such a test is also carried out if there are specific reasons. In the Salzgitter Group, the value of goodwill and intangible assets with indeterminate useful lives is basically determined by their fair value less cost to sell.

The calculation of the fair value less cost to sell is based on the current plans prepared by management for the three subsequent years (Level 3 of the valuation hierarchy). The premises of the plans are adjusted to the current status of knowledge that, in turn, is based on general business and economic data supplemented by the company's own estimates. In the process, basic assumptions about, in particular, exchange rates, selling and procurement prices and production and sales quantities are made.

The net realizable value was calculated using the discounted cash flow method based on an interest rate of 5.02 % (previous year: 6.00 %) for the Technology Business Unit and 5.90 % (previous year: 6.66 %) for the other business units.

For the cash-generating units Salzgitter Mannesmann Großrohr GmbH (Energy Business Unit) and HSP Hoesch Spundwand und Profil Gesellschaft mit beschränkter Haftung (Plate / Section Steel Business Unit), an impairment amount came about against the backdrop of decreasing commercial demand that led in particular to a downturn in sales. In the financial year under review, impairment losses of € 42.7 million were ascertained. These were accounted for in an amount of € 4.0 million by Salzgitter Mannesmann Großrohr GmbH and in an amount of € 38.7 million by HSP Hoesch Spundwand und Profil Gesellschaft mit beschränkter Haftung. The impairment losses led to a total write-down of the assets in question at HSP Hoesch Spundwand und Profil Gesellschaft mit beschränkter Haftung. The amount thereby ascertained is negative as of the balance sheet date.

(7) Other operating expenses

In € m	2014	2013 restated
External services and provisioning	308.5	310.0
Selling expenses	302.9	309.2
Administrative expenses including insurance costs, fees, charges and consulting costs	87.5	89.6
Expenses from the valuation of financial derivatives and foreign currency positions	80.5	7.5
Advertising/information and travel expenses	59.5	60.5
Rent and leases	35.9	36.6
Losses from exchange rate fluctuations	35.3	21.9
EDP costs	19.8	19.6
Other taxes	19.0	20.4
Welfare-related personnel and non-personnel expenses	16.5	16.6
Valuation allowances for doubtful accounts	12.2	24.3
Loss on the disposal of non-current assets	11.8	8.0
Financial/monetary transfer expenses	6.7	5.4
Impairment losses on non-current financial assets	3.8	1.4
Miscellaneous expenses	57.6	63.6
Other operating expenses	**1,057.5**	**994.6**

The „Administrative expenses including insurance costs, fees, charges and consulting costs" item includes insurance costs of € 30.8 million (previous year: € 31.0 million), expenses for fees, charges and appraisals amounting to € 9.5 million (previous year: € 14.7 million) and consulting costs amounting to € 15.4 million (previous year: € 10.1 million). This item, like the "Miscellaneous expenses" item, also includes a large number of individual transactions involving minor amounts at consolidated companies.

(8) Income from shareholdings

In € m	2014	2013 restated
Income from profit&loss transfer agreements	0.0	2.2
Income from shareholdings	31.8	14.0
Expenses from the assumption of losses	–	0.6
Income from shareholdings	**31.8**	**15.6**

(9) Result from investments accounted for using the equity method

In € m	2014	2013 restated
Result from investments accounted for using the equity method	– 10.7	– 78.5

The income from investments accounted for using the equity method originates from Aurubis AG, Hamburg, and the EUROPIPE Group.

(10) Finance income

In € m	2014	2013 restated
Income from loans	1.2	0.4
Other interest and similar income	31.9	43.3
Finance income	**33.1**	**43.7**

The decrease in other interest and similar income results largely from the cessation of non-recurring effects that were present in the previous year, as well as from the general decrease in interest rates.

(11) Finance expenses

In € m	2014	2013 restated
Net interest expense (pensions)	67.1	65.1
Other interest and similar expenses	80.9	60.2
Finance expenses	**148.0**	**125.3**

The increase in other interest and similar expenses is primarily a consequence of the increased net present values of the non-current liabilities resulting from the substantially lower discount rates.

(12) Income taxes

In € m	2014	2013 restated
Income tax		
current tax expenses/tax income (+/–)	33.3	10.5
deferred tax expenses/tax income (+/–)	– 16.6	– 3.3
	16.7	**7.2**
of which unrelated to the reporting period	[– 7.8]	[– 7.9]
Total	**16.7**	**7.2**

Income tax amounting to € 16.7 million concerns the result from ordinary activities. The income taxes unrelated to the reporting period comprise deferred and actual tax income for previous years.

The change in current income taxes to € 33.3 million results primarily from the increased taxable income in Germany and other countries. Germany accounted for € 10.9 million (previous year: € – 1.4 million) in income taxes. The increase in deferred tax income to € 16.6 million largely results from the remeasurement of the realizability of deferred tax assets.

Thanks to the use of tax loss carryforwards that had not previously been taken into consideration, actual tax expenses were reduced by € 3.4 million (previous year: € 0.9 million).

Future dividend payments will not incur any consequences as far as income tax is concerned. For German companies' corporate income tax reduction credits, claims amounting to € 0.8 million (previous year: € 0.9 million) have been recognized.

For transactions that influenced equity directly, deferred taxes amounting to € 217.0 million (previous year: € 128.5 million) were recognized. Of the change in the deferred taxes recognized in equity, € 82.2 million (previous year: € –16.9 million) is accounted for by the remeasurements of the pension obligations.

The following deferred tax assets/liabilities reported in the balance sheet are recognized in respect of the differences between reported book values and attributed tax valuations:

In € m	2014/12/31		2013/12/31 restated	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	8.1	10.7	9.3	10.7
Property, plant and equipment	69.7	157.7	86.8	164.7
Financial assets	0.5	1.4	0.2	2.1
Current assets	19.8	87.1	15.7	88.6
Pension provisions	221.8	–	136.8	–
Other provisions	85.9	6.6	77.1	6.7
Special reserve with equity portion	–	3.6	–	4.0
Liabilities	37.0	3.3	24.0	2.6
Other items	47.8	3.2	48.1	3.9
Total	**490.6**	**273.6**	**398.0**	**283.3**

Summary of the capitalized tax savings from loss carryforwards that may be realized in the future:

In € m	2014/12/31	2013/12/31 restated
Corporate income tax	37.8	33.5
Trade tax	31.7	28.6
Capitalized tax savings	**69.5**	**62.1**

Development of the capitalized tax savings from loss carryforwards that may be realized in the future:

In € m	2014	2013 restated
Capitalized tax savings, 01/01	**62.1**	**106.2**
Changes in the consolidated group	0.1	–
Capitalization of tax savings from losses carried forward	24.1	0.7
Valuation allowances from losses carried forward	0.0	– 44.0
Use of losses carried forward	– 16.8	– 0.8
Capitalized tax savings, 12/31	**69.5**	**62.1**

As a result of the "minimum taxation" that was introduced in Germany in 2004, the tax loss carryforwards are offset against the ongoing tax result in full up to an amount of € 1 million but only up to 60% thereafter.

For a number of domestic companies, no deferred taxes were capitalized for trade tax loss carryforwards amounting to € 1,528.8 million (previous year: € 1,451.8 million) and corporate income tax carryforwards amounting to € 2,033.7 million (previous year: € 1,971.6 million), as the possibility of their use can be regarded as unlikely from a current standpoint. The tax loss carryforwards can be utilized with no time restrictions.

For foreign loss carryforwards without intrinsic value amounting to € 91.8 million (previous year: € 103.2 million), no deferred tax assets were capitalized. Of this amount, € 80.0 million (previous year: € 90.9 million) can be utilized for an unlimited period, € 7.6 million (previous year: € 10.9 million) for a period limited to the next 5 years and € 4.2 million (previous year: € 1.4 million) for a period limited to the next 20 years. In addition, no deferred tax assets were formed for deductible temporary differences amounting to € 183.8 million (previous year: € 140.1 million) for domestic and foreign companies.

On grounds of expected future taxable income at Group companies that incurred tax losses in the financial year under review or the previous financial year, deferred tax assets amounting to € 272.8 million (previous year: € 168.5 million) were reported.

Reconciliation of expected and actual income tax expenses (+) and income (–):

In € m	2014	2013 restated
Consolidated net loss/income before taxes	**– 15.2**	**– 482.8**
Expected income tax (30.6 %)	– 4.7	– 147.7
Tax share for:		
differences between tax rates	– 0.5	1.1
effects of changes in statutory tax rates	0.0	0.6
tax credits	– 0.4	– 0.1
tax-free income	– 10.7	– 3.6
non-deductible tax expenses and other permanent differences	17.2	15.4
effects of temporary differences and losses		
without capitalization of deferred tax	17.7	61.2
adjustments in the value of capitalization benefits	9.2	89.8
utilization of benefits not previously capitalized	– 3.4	– 0.9
tax expenses and income unrelated to the reporting period	– 7.8	– 7.9
other deviations	0.1	– 0.7
Actual income tax	**16.7**	**7.2**

The actual income tax expenses of € 16.7 million deviates from the expected income tax income of € 4.7 million by a total of € 21.4 million. This results primarily from effects arising from the tax non-deductibility of expenses, the non-capitalization of deferred taxes on ongoing losses and the revaluation of the intrinsic value of deferred tax assets. This is counterbalanced by effects from tax-exempt income and tax income unrelated to the reporting period.

(13) Minority interests in consolidated net loss for the year

In € m	2014	2013 restated
Minority interests in consolidated net loss for the year	2.8	2.7

The proportion of the net result for the financial year due to minority interests is accounted for by the following companies:

- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg,
- KHS Machinery Pvt. Ltd., Ahmedabad,
- KHS RUS OOO, Moscow,
- DESMA Slovakia s.r.o., Povazska Bystrica, and
- RSE Projektmanagement Holding-Verwaltungs-GmbH, Mülheim an der Ruhr.

The minority interests in the consolidated full-year result is largely attributable to Hansaport Hafenbetriebsgesellschaft mbH, Hamburg, with a non-controlling interest of 49 %. The financial information for this subsidiary is as follows:

In € m	2014/12/31	2013/12/31
Non-current assets	33.3	33.4
Current assets	9.1	8.6
Non-current liabilities	19.6	18.6
Current liabilities	15.4	14.9
Net assets	**7.3**	**8.4**
Earnings before taxes (EBT)	**6.9**	**7.7**

(14) Earnings per share

The basic earnings per share are determined in accordance with IAS 33 as the ratio of consolidated net income or loss for the financial year to which the shareholders of Salzgitter AG are entitled to the weighted average number of no-par bearer shares in circulation during the financial year. Earnings as per IAS 33 therefore amounted to € –0.64 (previous year: € –9.11) per share.

A dilution would occur if the earnings per share were reduced by issuing potential shares from option and conversion rights and/or the loss per share for the period were to increase. As of the balance sheet date, such rights existed in a convertible bond. If these are taken into account, however, the loss per share from continuing operations decreases, as a result of which those option and conversion rights do not lead to any dilution. The diluted earnings per share therefore also amount to € –0.64 (previous year: € –9.11).

	Shares issued	Treasury shares	Shares in circulation	Potential diluting shares
Beginning of financial year	60,097,000	6,009,700	54,087,300	3,550,457
Acquisition of treasury shares	–	–	–	–
Disposal of treasury shares	–	–	–	–
Change	–	–	–	– 2,864,798
End of financial year	60,097,000	6,009,700	54,087,300	685,659
Weighted number of shares	**60,097,000**	**6,009,700**	**54,087,300**	**2,834,258**

Earnings per share		2014	2013 restated
Consolidated net income/loss for the financial year	In € m	– 31.9	– 490.0
Minority interests	In € m	2.8	2.7
Amount due to Salzgitter AG shareholders	In € m	– 34.7	– 492.7
Earnings per share – basic	(in €)	– 0.64	– 9.11
Diluted result	In € m	– 25.6	– 482.2
Earnings per share – diluted	**(in €)**	**– 0.64**	**– 9.11**

Notes to the Consolidated Balance Sheet

Non-current Assets

(15) Intangible assets

The development of the individual items under intangible assets is shown in the analysis of fixed assets.

The intangible assets are accounted for predominantly by capitalized brand names and assets from the area of concessions, industrial property and similar rights and assets, and licenses.

Of the entire capitalized development costs, € 0.1 million was subjected to scheduled amortization (previous year: € 0.1 million) in the reporting year. Total research and development costs in the reporting year amounted to € 101.6 million (previous year: € 103.2 million), including € 12.5 million (previous year: € 15.3 million) for external services.

There are no restraints on the right of ownership or disposal.

(16) Property, plant and equipment

The development of the individual items under property, plant and equipment is shown in the analysis of fixed assets.

The additions to plant equipment and machinery result primarily from the Strip Steel Plate / Section Steel and Energy business units.

The book values of the assets capitalized as finance leases in accordance with IAS 17 are shown in the following table:

In € m	2014/12/31	2013/12/31 restated
Plant equipment and machinery	47.1	52.6
Assets capitalized as finance leases	**47.1**	**52.6**

The amount of the reported impairment expenses is shown in Note (6).

The restrictions on ownership and disposal have decreased to € 6.5 million (previous year: € 7.0 million) as a result of borrowing conditions in foreign countries.

Government grants amounting to € 1.5 million (previous year: € 2.4 million) were deducted from the acquisition costs of property, plant and equipment. The conditions to which the public financial assistance was attached were fulfilled as of the balance sheet date.

The prepayments and construction in process area includes prepayments amounting to € 4.7 million (previous year: € 4.5 million).

(17) Investment property

Investment property comprises undeveloped and developed land that is held to generate rental income or for the purpose of long-term value appreciation and not for production or administration purposes.

The properties consist of the following:

In € m	2014/12/31	2013/12/31
Salzgitter Klöckner-Werke GmbH	19.5	19.5
Klöckner DESMA Schuhmaschinen GmbH	1.1	1.2
RSE Grundbesitz und Beteiligungs-GmbH	0.5	0.6
RSE Falkenhagen GmbH	0.5	–
Investment property	**21.6**	**21.3**

Rental income amounted to € 4.8 million (previous year: € 5.9 million) in the reporting period. The direct operating expenses for the investment property totaled € 4.4 million (previous year: € 4.0 million) and were basically incurred for properties that generated rental earnings in the reporting year.

As of the reporting date there were no significant obligations in respect of carrying out repairs, maintenance, improvements etc.

The fair value of the Group's investment properties is calculated using the gross rental method, the discounted cash flow method and comparisons with current market values of comparable properties. Input factors used to measure the fair values include anticipated rental income, possible vacancy costs and maintenance costs. The fair values of the investment properties are assessed at regular intervals by independent experts. The valuation is based on an alternative utilization of potential, the "highest and best-use method" in accordance with IFRS 13, and must be classified in Level 3 in the fair value hierarchy.

As of December 31, 2014, the fair value of the investment properties was € 32.1 million (previous year: € 31.9 million).

(18) Financial assets

The development of the individual items under financial assets is shown in the analysis of fixed assets.

Breakdown of financial assets:

In € m	2014/12/31	2013/12/31 restated
Investments in affiliated companies	16.6	22.0
Shareholdings	10.0	10.0
Non-current securities	44.1	37.2
Other loans	89.9	111.7
Financial assets	**160.6**	**180.9**

The decrease in the shares held in associated companies essentially results from the first-time consolidations that took place in 2014, the mergers of two companies that were hitherto not consolidated, and further capital repatriations from two companies.

The other loans relate largely to a company that has been consolidated proportionally.

(19) Investments accounted for using the equity method

In € m	2014	2013 restated
Opening balance, 01/01	**632.7**	**736.9**
Result of current financial year	– 10.7	– 78.5
Dividends	– 12.4	– 25.2
Other changes in equity	– 7.5	– 0.5
Book value, 12/31	**602.1**	**632.7**

The fair value of Aurubis AG as of December, 31, 2014 totaled € 523.2 million (previous year: € 497.9 million).

The investments accounted for using the equity method are as follows:

	Aurubis AG, Hamburg		EUROPIPE Group		Total	
In € m	2014	2013	2014	2013	2014	2013
Non-current assets	1,459.9	1,480.8	177.8	188.3	1,637.7	1,669.1
Current assets	2,518.3	2,577.5	493.4	250.4	3,011.7	2,827.9
Non-current liabilities	851.4	896.0	125.5	105.6	976.9	1,001.7
Current liabilities	1,260.6	1,263.7	353.3	72.9	1,613.9	1,336.6
Sales	11,165.1	11,755.0	474.7	709.4	11,639.8	12,464.3
Profit/loss	120.9	– 214.9	– 60.3	– 62.4	60.6	– 277.2
Other comprehensive income	– 103.0	11.9	– 8.3	– 9.7	– 111.2	2.2
Total comprehensive income	18.0	– 202.9	– 68.6	– 72.1	– 50.6	– 275.0
Dividends received	12.4	15.2	–	10.0	12.4	25.2
Share (%)	25.0	25.0	50.0	50.0	–	–

Offsetting and reconciliation with the book value of the investments accounted for using the equity method:

	Aurubis AG, Hamburg		EUROPIPE Group		Total	
In € m	2014	2013	2014	2013	2014	2013
Profit/loss	120.9	– 214.9	– 60.3	– 62.4	60.6	– 277.2
Proportionate gain/loss	30.2	– 53.7	– 30.2	– 31.2	0.1	– 84.9
Adjustments made by using the equity method	– 8.1	2.7	– 10.1	3.2	– 18.2	5.9
Dividends	– 12.4	– 15.2	–	– 10.0	– 12.4	– 25.2
Total	9.7	– 66.2	– 40.2	– 38.0	– 30.5	– 104.2

The changes that have been made essentially comprise adjustments to fair value made at the time of acquisition and earnings from the intercompany profit elimination.

Further summarizing financial information for joint ventures:

	EUROPIPE Group	
In € m	2014	2013
Cash and cash equivalents	7.8	98.6
Current financial liabilities	32.6	3.6
Non-current financial liabilities	12.0	11.9
Depreciation and amortization	22.1	22.7
Interest income	0.4	0.2
Interest expenses	4.4	2.7
Income tax expense or income	– 2.0	– 9.6

(20) Deferred income tax assets and deferred income tax liabilities

If it is likely that tax benefits will be realized, they must be capitalized. Clearing is possible only if the deferred tax assets and liabilities have matching maturities and relate to the same tax authority. After offsetting, the deferred tax assets and liabilities for the financial year 2014 are as follows:

In € m	2014/12/31	2013/12/31 restated
Deferred income tax assets	**295.8**	**226.1**
Realization within 12 months	10.2	8.5
Realization after more than 12 months	285.6	217.6
Deferred income tax liabilities	**9.4**	**49.3**
Realization within 12 months	8.1	49.2
Realization after more than 12 months	1.3	0.1
Balance of deferred tax assets and deferred tax liabilities	**286.4**	**176.8**

(21) Other receivables and other assets

The long-term receivables consist mainly of receivables from finance leases, which were as follows:

In € m	2014/12/31	2013/12/31
Total gross investment	1.4	6.6
Unrealized finance income	0.1	0.5
Book value	**1.3**	**6.1**

This position also includes the transactions from the finance leases for telecommunications equipment and locomotives at two subsidiaries in Industrial Participations. All of the transactions have a residual term of less than five years.

Current assets

(22) Inventories

In € m	2014/12/31	2013/12/31 restated
Raw materials, consumables and supplies	645.7	688.6
Unfinished products	573.7	529.4
Unfinished goods or services	10.3	9.4
Finished products and goods	720.2	709.7
Payments on account	41.6	35.4
Inventories	**1,991.5**	**1,972.5**

Individual markdowns were made in the valuations of all the inventories where it is likely that the revenues realized through their sale or use will be lower than their book values. The anticipated realizable sale proceeds, less costs incurred up to the time of sale, are reported as the net realizable value.

If the reasons for writing down the inventories no longer apply, the write-down is reversed. In the reporting year this led to a write-up of € 4.0 million (previous year: € 4.8 million).

In accordance with IAS 2, inventories are valued individually or the average method is applied.

The book value of the inventories reported at fair value less cost to sell amounted to € 485.1 million in the reporting year (previous year: € 503.3 million).

The inventories recorded at fair value in the previous period were consumed almost in their entirety in the reporting year.

Impairments of inventories amounting to € 70.4 million (previous year: € 79.5 million) were posted to expenses.

There are restrictions on ownership or disposal amounting to € 9.6 million (previous year € 8.1 million) for the reported inventories.

(23) Trade receivables

Impairments of € 12.2 million (previous year: € 24.3 million) on trade receivables amounting to € 1,646.6 million (previous year: € 1,474.7 million) have been carried out for all discernible individual risks, the credit risk assessed on the basis of empirical values and particular country-specific risks.

There are restrictions on ownership or disposal amounting to € 148.4 million (previous year € 14.0 million) for trade receivables. These are accounted for largely by the forfaiting of receivables. For further details, please refer to Note (35), "Non-current financial liabilities" and Note (37), "Current financial liabilities".

Trade receivables include the following receivables from contract production recognized using the percentage-of-completion method:

In € m	2014/12/31	2013/12/31
Production costs, including result from construction contracts	471.0	388.6
Payments received on account	– 290.4	– 234.4
Receivables from construction contracts	**180.6**	**154.2**

Receivables from construction contracts include those customized construction contracts with an asset-side balance whose production costs, taking account of profit shares and loss-free valuation, exceed the payments received on account.

(24) Other receivables and other assets

In € m	2014/12/31	2013/12/31 restated
Certificates	180.5	–
Derivatives	43.0	5.9
Other tax assets	23.0	31.0
Loan receivables	14.8	61.5
Deferred expenses	13.0	13.1
Advances on company pensions	3.5	3.5
Subsidies for age-related part-time employment	1.3	5.2
Assets available for sale	0.6	0.9
Borrower's note	0.0	99.9
Other assets	94.7	90.6
Other receivables and other assets	**374.4**	**311.6**

Assets intended for short-term financial investment are shown in the item "Certificates". The other receivables and other assets include the sum of € 1.3 million (previous year: € 5.2 million) that did not become legally effective until after the reporting date.

Other receivables are subject to restrictions on ownership or disposal amounting to € 2.5 million (previous year: € 0.0 million).

The current receivables from finance leases consist of the following:

In € m	2014/12/31	2013/12/31
Total gross investment	0.6	3.8
Unrealized finance income	0.0	0.5
Book value	**0.6**	**3.3**

The rental earnings are reported under other operating income.

Under operating leases, the Group essentially leases out real estate that is used commercially. The future minimum rental earnings from these contracts are:

Future rental revenues in € m	2014/12/31	2013/12/31
up to 1 year	3.3	4.1
1 to 5 years	2.5	3.8
over 5 years	1.1	1.3
Total	**6.9**	**9.2**

In the income for the reporting year, € 0.7 million (previous year: € 0.9 million) was reported as conditional rental income.

(25) Income tax assets and income tax liabilities

The income tax assets of € 17.7 million (previous year: € 15.5 million) that existed as of December 31, 2014, relate essentially to capital yield withholding tax claims by domestic Group companies. In addition non-current income tax liabilities of € 132.9 million (previous year: € 149.1 million) and current income tax liabilities of € 55.4 million (previous year: € 55.8 million) existed as of December 31, 2014.

Tax assets are set off against tax liabilities if there is an enforceable right to set off the reported amounts against each other and the intention is to offset them in net terms. The prerequisites for this are that the tax asset and the tax liability both relate to the same tax authority and that the tax authority allows their offsetting.

(26) Securities

Shares are reported under securities as current financial investments, short-term time deposits and funds with an aggregate amount of € 113.6 million (previous year: € 98.4 million). The funds invested shown here have terms of more than three and less than twelve months.

(27) Cash and cash equivalents

The cash and cash equivalents consist of the following:

In € m	2014/12/31	2013/12/31 restated
Cash at banks	382.4	319.3
Term deposits	390.0	435.0
Checks, cash in hand	1.6	0.6
Cash and cash equivalents	**774.0**	**754.9**

The term deposits shown here have a term of less than three months.

Equity

(28) Subscribed capital

The subscribed capital (share capital) remained unchanged at € 161,615,273.31. The fully paid-in 60,097,000 no par value shares have a notional par value of € 2.69 each.

All of the shares were acquired in accordance with section 71 para. 1 item 8 of the German Stock Corporation Act (AktG), on the basis of an authorization given by the General Meeting of Shareholders (2,487,355 shares authorized on May 26, 2004; 462,970 shares authorized on June 8, 2006; 2,809,312 shares authorized on May 21, 2008, and 35,600 shares authorized on May 27, 2009; 214,463 shares authorized on June 8, 2010), so that they can be used for, in particular, future acquisitions, the fulfillment of option or conversion rights from warrant-linked bonds or convertible bonds, or for issuing to employees of the company or an affiliate company.

The Executive Board is authorized to increase the share capital with the approval of the Supervisory Board by up to a nominal amount of € 80,807,636.65, on or before May 23, 2017, by issuing up to 30,048,500 new no par value bearer shares against payment in cash or kind (Authorized Capital 2012). This capital, combined and to the exclusion of the shareholders' subscription rights, may be increased only by up to € 32,323,054.66 (20% of the share capital) through the issuance of up to 12,019,400 new no par value bearer shares. The 20% ceiling is reduced by the pro-rata amount of the share capital to which option or conversion rights, or option or conversion obligations from warrant-linked bonds, convertible bonds, profit-sharing rights and/or participating bonds and/or combinations of these instruments that were issued since May 24, 2012, to the exclusion of subscription rights, relate.

Moreover, upon approval by the Supervisory Board, the Executive Board may issue bonds in a total nominal amount of up to € 1 billion on or before May 22, 2018, and grant the holders of the respective partial bonds conversion rights to shares of the company in a total amount of up to 26,498,043 units (Conditional Capital 2013). The shareholders' subscription rights can be precluded up to a total nominal amount of bonds with which conversion rights to shares not exceeding 10% of the share capital are combined. Bonds with conversion rights excluding shareholder subscription rights may be issued only if shares making up a proportion of 20% of the capital stock, excluding subscription rights, from the Authorized Capital have not been issued since May 23, 2013. By the reporting date there had been no shares issued from the Authorized Capital since May 23, 2013.

On October 6, 2009, a convertible bond was issued with a right of conversion into up to 3,550,457 new no par value bearer shares in the company (5.9% of the share capital) to the exclusion of shareholders' subscription rights.

The nominal value of the convertible bonds issued by the company totaled € 57,250,000 as of the reporting date. They certify an interest entitlement of 1.125% p.a. and a right of conversion into shares in the company at a price of € 83.4963 per share that can be exercised up until September 27, 2016. To service the conversion right arising from the convertible bonds, the company's share capital was increased conditionally by € 9,458,031.99, divided into 3,550,457 no par value bearer shares (Conditional Capital 2009). This conditional capital increase will be carried out only if the holders of the convertible bonds that the company issued on October 6, 2009, exercise their conversion rights.

The Executive Board is also authorized by a resolution of the General Meeting of Shareholders from June 8, 2010, to acquire treasury shares up to a maximum of 10% of the share capital on or before June 7, 2015. Partial use was made of this authorization in the financial year 2010.

(29) Capital reserve

Of the capital reserve, which remained unchanged at € 238.6 million, the sum of € 115.2 million is accounted for by a premium lodged on the occasion of a capital increase on October 1, 1970. A further € 54.4 million is connected with a convertible bond issued in the financial year 2009.

As part of the divestiture agreement, certain assets were sold to Salzgitter AG by Preussag AG for € 0.51 each. These assets were reported at the time of acquisition at their fair values (€ 49.1 million) and the differences posted to the capital reserve.

(30) Retained earnings

Retained earnings include allocations deriving from the results in the financial year or from previous years and differences resulting from the currency translation without effect on income of the financial statements of foreign subsidiaries against which, in particular, the capitalized goodwill from the capital consolidation of subsidiaries acquired up to September 30, 1995, has been offset. The retained earnings also include further components that were immediately posted to equity in accordance with the IASB regulations. Salzgitter AG's Articles of Incorporation do not contain any stipulations on the formation of reserves.

The retained earnings include differences from currency translation amounting to € –2.3 million (previous year: € –17.9 million.) The revaluation reserve from the financial assets/financial instruments amounts to € –33.7 million (previous year: € –13.4 million). This change results primarily from changes in the value of derivative financial instruments not measured through profit or loss in the Strip Steel, Trading and Energy business units.

As of the balance sheet date, Salzgitter AG continued to hold 6,009,700 treasury shares. These account for an unchanged € 16,161,527.33 € (= 10.00 %) of the share capital. The treasury shares were deducted directly from equity in the unchanged amount of € 369.7 million.

(31) Unappropriated retained earnings

Under the German Commercial Code (HGB), dividend payments to shareholders in Salzgitter AG depend on the year-end result reported under the German Commercial Code by Salzgitter AG. The unappropriated retained earnings are shown at the same level in both the consolidated financial statements of the Salzgitter Group and the financial statements of Salzgitter AG. The transition of Salzgitter AG's unappropriated retained earnings from the consolidated net result for the year is shown in the income statement.

The proposal will be made to Salzgitter AG's General Meeting of Shareholders that a dividend for the financial year 2014 of € 0.20 per share (= € 12.1 million based on the nominal share capital of some € 161.6 million) be paid from Salzgitter AG's unappropriated retained earnings and that the remaining amount be brought forward to new account.

Based on the Salzgitter share's closing XETRA price of € 23.41 on December 31, 2014, the dividend yield amounts to 0.9% (previous year: 0.6%).

If the company holds treasury shares on the day of the General Meeting of Shareholders, the proposed appropriation of profits will be adjusted accordingly since treasury shares are not eligible for dividend.

(32) Minority interests

This item comprises the minority interests in the subscribed capital, the general reserves and the profits and losses of the Group companies reported. The minority interests in equity pertain to:

- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg,
- KHS Machinery Pvt. Ltd., Ahmedabad,
- KHS RUS OOO, Moscow,
- DESMA Slovakia s.r.o., Povazska Bystrica, and
- RSE Projektmanagement Holding-Verwaltungs-GmbH, Mülheim an der Ruhr.

In the income statement, the result is reported proportionately under "Minority interests in consolidated net loss/income for the year".

Non-current Liabilities

(33) Provisions for pensions and similar obligations

In Germany there is a contribution-based statutory employee pension scheme under which pension payments are made on the basis of income and the contributions paid. Once the company has paid the relevant contributions to the state-run social insurance authority and to pension funds constituted under private law, it has no obligation to pay any further benefits. The ongoing contribution payments are reported as expenses in the relevant period.

In the Salzgitter Group there are also defined benefit pension commitments, of which a small proportion (predominantly life insurance and reinsurance) is fund-financed.

With regard to the non-fund financed pension commitments, there are collective and individual direct commitments in Germany. The large majority of the employees of the Salzgitter Group's German-based companies receive retirement pensions (collective commitment) which are essentially based on a collective Group agreement concluded in December 2006 ("Salzgitter pension"). Within the scope of the pension commitment guaranteed in this agreement, the employer pays an annual fixed percentage contribution into the employee's individual pension account. The amount of the resultant pension component depends on the age of the employee entitled to pension payments in the respective contribution year. When payment becomes due, the employee or his/her surviving dependents is/are entitled to a monthly pension – with no lump-sum option. The pension commitments granted before the collective Group agreement came into effect generally provided for pension payments dependent on the income situation upon the employee's departure from the company and/or initial receipt of pension payments (final-salary pension commitments). These entitlements were replaced within the scope of the collective Group agreement and transferred to the Salzgitter pension by means of transition arrangements.

The companies in the Technology Business Unit and a small number of companies in the Trading and Services business units have not yet been included in the scope of the collective Group agreement. Any other pension commitments that may still exist in these companies are largely closed to new entrants.

For executives of the Salzgitter Group companies there are individual pension commitments based essentially on the pension tables drawn up by the Essener Verband. In accordance with these pension arrangements, those with expectant rights are allocated to a particular benefits category in line with their position in the company. The respective benefits category's maximum entitlement has generally been reached after 25 years and is earned in stages. When payment becomes due, the employee or his/her surviving dependents is/are entitled to a monthly pension with no lump-sum option.

In view of the primacy of the direct commitment as the implementing process, the Salzgitter Group bears all of the risks that arise from the pension commitment. Balance-sheet precautions are taken by forming provisions. The Group takes account of the longevity risk by assuming a longer life expectancy than would have been expected on the basis of Heubeck's 2005 G mortality tables when calculating the pension obligations for the recipients of pensions from Essener Verband commitments.

The pension payments made to the recipients on the basis of collective agreements are revised every three years in accordance with Section 16, German Occupational Pensions Act (BetrAVG) and, in the event of an adjustment being necessary, adjusted to the trend in consumer prices. A minimum adjustment or a pension adjustment over and above the trend in prices is not approved under the contract. In the individual commitments area, the pension adjustment is determined annually by the Essener Verband and accepted by the company in unchanged form. An asset-liability matching procedure has been waived due to the insignificance of the plan assets. The likely cash outflows are measured within the scope of the rolling corporate plans and included in the Group's cash flow planning.

Pension commitments exist only to an immaterial extent in the Salzgitter Group's foreign companies, and where they do exist they are covered to a minor extent by plan assets (mainly insurance policies).

In addition, one company in the Salzgitter Group has a reimbursement claim against the public authorities in connection with its pension obligations. The present value of this claim for expenses already incurred (€ 5.9 million) was recognized as other operating income when the underlying agreement was concluded in the financial year and is shown under the other receivables and other assets.

Overview of the treatment of pensions and similar obligations in the annual financial statements:

Balance sheet

In € m	2014/12/31	2013/12/31 restated
Provisions for pensions and similar obligations		
Net pension provision	2,442.2	2,120.2
Other receivables and other assets		
Reimbursement right	5.9	–

Profit & loss

In € m	2014	2013 restated
Personnel expenses		
Service cost	26.9	27.1
Finance expenses		
Net interest	67.1	65.1

Other comprehensive income

In € m	2014	2013 restated
Remeasurement of pensions		
Remeasurements	343.6	– 81.4

The net pension commitment as of 2014/12/31 is calculated as follows:

In € m	Defined benefit obligation	Plan assets	Net pension provision
As of 2014/01/01	**2,130.7**	**10.5**	**2,120.2**
Service cost			
Current service cost	22.7	–	22.7
Past service cost	4.2	–	4.2
	26.9	**–**	**26.9**
(Net) Interest expense/income	**67.5**	**0.4**	**67.1**
Remeasurements			
Experience gains (–)/losses (+)	– 38.4	–	– 38.4
Gain (–)/loss (+) from change in demographic assumptions	1.8	–	1.8
Gain (–)/loss (+) from change in financial assumptions	383.0	–	383.0
Return on plan assets excluding amounts included in interest income	–	2.8	– 2.8
	346.4	**2.8**	**343.6**
Benefits paid	**– 122.0**	**– 0.2**	**– 121.8**
Contributions			
Employers	–	1.0	– 1.0
Plan participants	0.1	0.1	–
	0.1	**1.1**	**– 1.0**
Currency translation differences	**0.1**	**–**	**0.1**
Transfers/transfers to other accounts/changes in the consolidated group	**7.1**	**–**	**7.1**
As of 2014/12/31	**2,456.8**	**14.6**	**2,442.2**

The net pension commitment as of 2013/12/31 is calculated as follows:

In € m	Defined benefit obligation	Plan assets	Net pension provision
As of 2013/01/01 restated	**2,244.7**	**10.0**	**2,234.7**
Service cost			
Current service cost	25.8	–	25.8
Past service cost	1.3	–	1.3
	27.1	**–**	**27.1**
(Net) Interest expense/income	**65.4**	**0.3**	**65.1**
Remeasurements			
Experience gains (–)/losses (+)	– 4.7	–	– 4.7
Gain (–)/loss (+) from change in demographic assumptions	– 5.9	–	– 5.9
Gain (–)/loss (+) from change in financial assumptions	– 71.3	–	– 71.3
Return on plan assets excluding amounts included in interest income	–	– 0.5	0.5
	– 81.9	**– 0.5**	**– 81.4**
Benefits paid	**– 124.1**	**– 0.2**	**– 123.9**
Contributions			
Employers	–	0.9	– 0.9
Plan participants	0.1	0.1	–
	0.1	**1.0**	**– 0.9**
Currency translation differences	**– 0.4**	**– 0.1**	**– 0.3**
Transfers/transfers to other accounts/changes in the consolidated group	**– 0.2**	**–**	**– 0.2**
As of 2013/12/31 restated	**2,130.7**	**10.5**	**2,120.2**

The net present value of the obligation can be allocated as follows:

In € m	2014/12/31	2013/12/31 restated
Actual net present value of the defined benefit obligation (Germany)	**2,425.1**	**2,105.8**
of which aspirant	873.9	659.9
of which recipient	1,551.2	1,445.9
Actual net present value of the defined benefit obligation (abroad)	**31.7**	**24.9**
	2,456.8	**2,130.7**

The sensitivity of the defined benefit obligation is as follows:

In € m	2014/12/31			
	Reference	Degree of sensitivity	+ Unit	– Unit
Discount rate	2.00 %	0.25 %-points	– 85.6	+91.2
Salary trend	2.75 %	0.5 %-points	+5.8	– 5.5
Pension trend	1.75 %	0.25 %-points	+65.9	– 63.3
Mortality	Heubeck 2005G/ Mod. Salzgitter	1 year	+126.0	– 123.1

In € m	2013/12/31 restated			
	Reference	Degree of sensitivity	+ Unit	– Unit
Discount rate	3.25 %	0.5 %-points	– 127.1	+142.5
Salary trend	2.75 %	0.5 %-points	+4.3	– 4.1
Pension trend	1.75 %	0.25 %-points	+56.4	– 54.3
Mortality	Heubeck 2005G/ Mod. Salzgitter	1 year	+103.2	– 101.8

The sensitivity of this value is ascertained analogously to the calculation of the present value of the obligation shown in the balance sheet. In each of the process steps, one assumption is changed while the other assumptions remain the same. Possible dependencies between the assumptions are not taken into account.

Due to a changed assumption in relation to the fluctuation in the actuarial interest rate that was reasonably held to be possible as of the balance sheet date, the sensitivity measurement as of 2014/12/31 was reduced to 0.25 percentage points (previous year: 0.5 percentage points).

The following pension payments will probably have to be made over the next 20 years:

In € m	
2015	122.4
2016	120.4
2017	120.7
2018	118.5
2019	116.4
2020 – 2024	559.6
2025 – 2034	969.5

The duration of the defined benefit obligation according to Macaulay as of 2014/12/31 will be 14.89 years.

(34) Other provisions

The development of the other current and the other non-current provisions is shown in the following table:

In € m	2014/01/01	Currency translation differences	Addition/disposal from changes in consolidated Group	Transfer	Transfer to other accounts	Used	Reversal	Allocation	Compound interest	2014/12/31
Other taxes	**11.7**	**0.4**	**0.5**	**–**	**–**	**– 1.1**	**– 0.7**	**0.6**	**1.6**	**13.0**
Personnel	**187.2**	**– 0.1**	**1.8**	**0.4**	**3.5**	**– 55.1**	**– 6.3**	**68.8**	**4.2**	**204.4**
of which anniversary provisions	[54.5]	[–]	[0.3]	[0.2]	[–]	[– 6.0]	[– 0.5]	[6.0]	[1.5]	[56.0]
of which for the social compensation/age-related part-time employment/ demographics fund	[55.6]	[–]	[0.2]	[0.4]	[4.3]	[– 31.1]	[– 2.3]	[23.1]	[1.4]	[51.6]
Operating risks	**184.1**	**– 0.1**	**–**	**–**	**–**	**– 2.5**	**– 27.7**	**9.1**	**24.0**	**186.9**
Other risks	**260.6**	**0.7**	**0.1**	**–**	**– 3.5**	**– 53.8**	**– 89.9**	**120.7**	**– 0.4**	**234.5**
of which price reductions/complaints	[116.9]	[0.6]	[–]	[–]	[– 0.9]	[– 33.0]	[– 37.1]	[60.9]	[–]	[107.4]
of which risks from pending transactions	[31.1]	[–]	[–]	[–]	[–]	[– 1.4]	[– 15.4]	[7.5]	[0.2]	[22.0]
Total	**643.6**	**0.9**	**2.4**	**0.4**	**0.0**	**– 112.5**	**– 124.6**	**199.2**	**29.4**	**638.8**

The comparative figures for the previous year are as follows:

In € m	2013/01/01 restated	Currency translation differences	Addition/disposal from changes in consolidated Group	Transfer	Transfer to other accounts	Used	Reversal	Allocation	Compound interest	2013/12/31 restated
Other taxes	**11.2**	**– 0.1**	**–**	**–**	**–**	**– 2.9**	**– 0.7**	**3.8**	**0.4**	**11.7**
Personnel	**159.8**	**– 0.3**	**0.1**	**0.0**	**–**	**– 41.0**	**– 3.8**	**73.8**	**– 1.4**	**187.2**
of which anniversary provisions	[53.8]	[–]	[–]	[– 0.1]	**[–]**	**[– 4.9]**	**[– 0.1]**	**[6.3]**	**[– 0.5]**	**[54.5]**
of which for the social compensation/age-related part-time employment/ demographics fund	[62.3]	[–]	[–]	[–]	[–]	[– 27.2]	[– 1.9]	[22.4]	[–]	[55.6]
Operating risks	**169.1**	**–**	**–**	**–**	**0.9**	**– 4.4**	**– 3.5**	**14.4**	**7.6**	**184.1**
Other risks	**277.4**	**– 2.8**	**0.6**	**–**	**– 0.9**	**– 71.5**	**– 59.3**	**117.7**	**– 0.6**	**260.6**
of which price reductions/complaints	[115.5]	[– 0.9]	[–]	[–]	[– 1.0]	[– 40.3]	[– 23.2]	[66.8]	[–]	[116.9]
of which risks from pending transactions	[29.3]	[– 0.1]	[–]	[–]	**[4.0]**	**[– 0.8]**	**[– 12.6]**	**[11.3]**	**[–]**	**[31.1]**
Total	**617.5**	**– 3.2**	**0.7**	**0.0**	**0.0**	**– 119.8**	**– 67.3**	**209.7**	**6.0**	**643.6**

The restructuring expenses incurred during the financial year amount to € 26.9 million, of which € 25.5 million resulted from the addition to provisions; € 1.4 million was recognized as current expenses for restructuring.

The allowances for employees leaving the company under the terms of age-related part-time employment contracts are capitalized as an asset worth € 1.3 million (previous year: € 5.2 million) and not offset against provisions.

Provisions for typical operational risks are formed for, in particular, waste disposal and recultivation obligations. The provisions for other risks primarily comprise provisions for discounts/complaints, litigation risks, warranties and risks from pending transactions.

Maturities of the other provisions:

In € m	Total 2014/12/31	Short-term	Long-term
Other taxes	**13.0**	**13.0**	**–**
Personnel	**204.4**	**55.8**	**148.6**
of which anniversary provisions	[56.0]	[–]	[56.0]
of which for the social compensation/age related part-time employment/demographics fund	[51.6]	[21.9]	[29.7]
Operating risks	**186.9**	**7.6**	**179.3**
Other risks	**234.5**	**234.5**	**–**
of which price reductions/complaints	[107.4]	[107.4]	[–]
of which risks from pending transactions	[22.0]	[22.0]	[–]
Total	**638.8**	**310.9**	**327.9**

In € m	Total 2013/12/31 restated	Short-term	Long-term
Other taxes	**11.7**	**11.7**	**–**
Personnel	**187.2**	**44.0**	**143.2**
of which anniversary provisions	[54.5]	[–]	[54.5]
of which for the social compensation/age related part-time employment/demographics fund	[55.6]	[18.7]	[36.9]
Operating risks	**184.1**	**9.7**	**174.4**
Other risks	**260.6**	**259.4**	**1.2**
of which price reductions/complaints	[116.9]	[116.9]	[–]
of which risks from pending transactions	[31.1]	[31.1]	[–]
Total	**643.6**	**324.8**	**318.8**

(35) Non-current financial liabilities

In € m	2014/12/31	2013/12/31 restated
Liabilities to banks	72.7	56.5
Bonds	52.9	282.9
Liabilities from finance lease agreements	48.0	51.2
Liabilities from financing	6.4	6.4
Liabilities from forfaiting	0.0	0.2
Financial liabilities	**180.0**	**397.2**

The liabilities from finance leases reported under non-current financial liabilities are shown in the following tables:

In € m	Residual term 1 to 5 years	Residual term > 5 years	2014/12/31
Minimum lease payments	34.7	23.4	58.1
Finance costs	7.2	2.9	10.1
Present value of minimum lease payments	**27.5**	**20.5**	**48.0**

In € m	Residual term 1 to 5 years	Residual term > 5 years	2013/12/31
Minimum lease payments	32.6	31.2	63.8
Finance costs	8.4	4.2	12.6
Present value of minimum lease payments	**24.2**	**27.0**	**51.2**

The non-current liabilities from lease transactions relate essentially to the leasing of plant equipment and machinery.

(36) Non-current liabilities

This item largely contains derivative financial instruments that will not be paid out until after 12 months.

Current Liabilities

(37) Current financial liabilities

In € m	2014/12/31	2013/12/31 restated
Bonds	289.5	286.6
Liabilities from forfaiting and factoring	143.4	9.8
Liabilities to banks	125.4	92.1
Liabilities from finance lease agreements	5.8	6.0
Other borrowings	4.4	27.7
Current financial liabilities	**568.5**	**422.2**

The companies Salzgitter Mannesmann International GmbH, Düsseldorf, Salzgitter Mannesmann Stahlhandel, Düsseldorf, Klöckner DESMA Elastomertechnik GmbH, Fridingen, and Universal Eisen und Stahl GmbH, Neuss, have made external financing arrangements outside of the Group and sold trade receivables totaling € 143.4 million. The default risk and the late payment risk regarding the sold receivables continue to be borne by the companies. The receivables will continue to be shown only in the companies' balance sheets. The funds received are reported as liabilities. Due to their short terms, the book value of the receivables and liabilities corresponds to their fair value. The receivables will be assigned to the bank. In the case of sold receivables amounting to € 93.7 million, the purchaser of the receivables has the right to transfer the sold receivables to third parties, but without the reciprocal rights and obligations being infringed.

The liabilities from finance leases reported under non-current financial liabilities are shown in the following tables:

In € m	2014/12/31	2013/12/31
Minimum lease payments	8.4	8.9
Finance costs	2.6	2.9
Present value of minimum lease payments	**5.8**	**6.0**

The current liabilities from lease transactions relate essentially to the leasing of plant equipment and machinery and of plant and office equipment.

(38) Trade receivables

Trade payables totaling € 1,150.7 million (previous year: € 849.3 million) include the following payables from construction contracts recognized using the percentage-of-completion method:

In € m	2014/12/31	2013/12/31
Payments received on account	254.9	141.4
Less production costs including result from construction contracts	– 165.2	– 73.5
Payables from construction contracts	**89.7**	**67.9**

The payables from construction contracts include contracts with liability-side balances for which the payments received on account exceed the production costs, including shares in profit and loss.

(39) Other liabilities

In € m	2014/12/31	2013/12/31 restated
Liabilities from derivatives	134.3	44.0
Liabilities to employees	87.8	83.2
Payments received on account	68.7	79.4
Tax liabilities	44.8	40.7
Liabilities from social security contributions	12.8	12.5
Customer credit balances	6.7	4.3
Accrued interest liabilities	1.0	1.7
Other liabilities	60.4	110.5
Other liabilities (current)	**416.5**	**376.3**

Of the sum total of liabilities, some € 199.5 million (previous year: € 24.0 million) is secured by liens and similar rights.

(40) Contingencies

Contingencies are potential liabilities not shown on the balance sheet that are disclosed in the amount of their fixed value on the balance sheet date. Their aggregate amount is € 191.0 million (previous year: € 147.9 million).

The contingencies include sureties and guarantees totaling € 176.7 million (previous year: € 115.2 million). Based on past experience, the probability of their being utilized can be regarded as low.

As of January 1, 2014, Salzgitter AG and its domestic subsidiaries carried out the audit stipulated by Section 16 of the German Company Pensions Act (BetrAVG) for the purpose of adjusting the company pension payments. In the implementation of the audit results, it was decided not to adjust the company pension payments at Salzgitter AG or at other Group companies. Individual lawsuits filed by affected company pensioners in response to these decisions are pending. The risk of being obliged to implement the company pension adjustment subsequently is classified as improbable. As of the cut-off date December 31, 2014, this would result in an increase of some € 44 million in the net pension obligation. Of this amount, € 3.3 million would have to be reported through profit or loss as past service cost, with the remaining € 40.7 million being reported without any impact on earnings within the scope of remeasurements.

Since the spring of 2014, the Braunschweig public prosecutor's office has been investigating various Group companies on grounds of suspected tax evasion. The investigation proceedings concerning the formation of allegedly fiscally impermissible provisions, as well as commission payments and credit notes not recognized under tax legislation, are ongoing. SZAG and its subsidiaries are cooperating unconditionally with the investigating authorities and have hired external attorneys to investigate the matter comprehensively. We believe that the tax returns in question submitted by the Group companies are in compliance with the statutory regulations. In view of the present state of knowledge and taking the overall circumstances into account, there is no serious or overwhelming probability of a quantifiable demand for back taxes on the part of the fiscal authorities. Furthermore, we currently regard any financial burden resulting from the above as improbable.

Otherwise, neither Salzgitter AG nor any of its Group companies are engaged in current or foreseeable legal or arbitration proceedings that might have a significant effect on their financial position. Adequate provisions have been formed at the respective Group companies to cover potential financial burdens arising from legal proceedings or arbitration.

(41) Other financial obligations

In € m	2014/12/31		
	up to 1 year	1 to 5 years	over 5 years
Purchase commitments for investments	132.3	41.3	–
Obligations from rental and leasing agreements	31.5	69.4	107.3
Other financial obligations	406.4	296.5	150.4
of which Strip Steel Business Unit	345.1	258.2	145.0
of which Plate / Section Steel Business Unit	36.6	20.3	0.0
of which Technology Business Unit	5.6	11.6	5.4
Total	**570.2**	**407.2**	**257.7**

In € m	2013/12/31 restated		
	up to 1 year	1 to 5 years	over 5 years
Purchase commitments for investments	105.6	80.4	–
Obligations from rental and leasing agreements	33.6	72.3	116.8
Other financial obligations	595.6	302.1	76.2
of which Strip Steel Business Unit	525.2	239.1	76.2
of which Plate / Section Steel Business Unit	32.8	41.8	0.0
of which Technology Business Unit	0.2	0.1	0.0
Total	**734.7**	**454.8**	**193.0**

Other financial obligations primarily concern long-term purchasing commitments of the companies in the Strip Steel Business Unit whose purpose is to safeguard the procurement of input material for raw materials and sea freight. In view of the current market situation, these disclosures are relevant for assessing the financial position. The decrease in the price levels for raw materials, in particular, is leading to reduced financial obligations compared with the previous year.

(42) Financial instruments

As of the balance sheet date December 31, 2014, the transition of the balance sheet items to the various categories of financial instruments was as follows:

2014 in € m	Book value	Valuation according to IAS 39					Valuation according to IAS 17	Fair value
	2014/12/31	Loans and receivables originated by the company	Financial assets available for sale	Financial instruments held for trading	Derivates with documented hedging arrangements	Financial liabilities measured at amortized cost		
Assets								
Financial assets	160.6	89.9	70.7	–	–	–	–	171.1
Other receivables and other assets (€ 1.4m acc. to balance sheet); of which financial instruments	1.3	–	–	–	–	–	1.3	1.3
Trade receivables	1,646.6	1,646.6	–	–	–	–	–	1,646.6
Other receivables and other assets (€ 374.4m acc. to balance sheet); of which financial assets	333.8	109.7	–	214.4	9.1	–	0.6	333.8
Securities	113.6	50.0	37.1	26.5	–	–	–	113.6
Cash and cash equivalents	774.0	–	774.0	–	–	–	–	774.0
Assets financial instruments		**1,896.2**	**881.8**	**240.9**	**9.1**	**–**	**1.9**	
Equity and liabilities								
Non-current financial liabilities	180.0	–	–	–	–	132.0	48.0	186.0
Current financial liabilities	568.5	–	–	–	–	562.6	5.8	587.3
Trade payables	1,150.7	–	–	–	–	1,150.7	–	1,150.7
Other liabilities (€ 439.5m acc. to balance sheet); of which financial instruments	209.8	–	–	107.1	43.0	59.7	–	209.8
Equity and liabilities financial instruments		**–**	**–**	**107.1**	**43.0**	**1,905.0**	**53.9**	

The calculation of the fair value disclosures for financial assets not measured at fair value is carried out essentially by discounting future cash flows. This is done by using a term-dependent interest rate that reflects the risk-free interest rate and the Salzgitter Group's counterparty default risk deduced on the basis of a peer group. The fair value disclosed for current financial liabilities in an amount of € 587.3 million (previous year: € 434.2 million) includes the fair value of a bond issued in an amount of € 305.0 million (previous year: € 303.7 million as part of the non-current financial liabilities), which is calculated in a manner different from the above. In this case, the fair value is derived from the bond's market value, with the elimination of an embedded derivative measured using an acknowledged method (Black-Scholes) whose value, in turn, depends primarily on a listed company's share price. The calculation parameters are based on data from directly and indirectly observable input factors. The fair value disclosures must therefore be assigned to Level 2 in overall terms.

As of the balance sheet date on December 31, 2013, the transition of the balance sheet items to the various categories of financial instruments was as follows:

2013 in € m	Book value	Valuation according to IAS 39					Valuation according to IAS 17	Fair value
	2013/12/31 restated	Loans and receivables originated by the company	Financial assets available for sale	Financial instruments held for trading	Derivates with documented hedging arrangements	Financial liabilities measured at amortized cost		
Assets								
Financial assets	180.9	111.7	69.3	–	–	–	–	194.6
Other non-current receivables and assets (€ 6.4m acc. to balance sheet); of which financial instruments	6.1	–	–	–	–	–	6.1	6.4
Trade receivables	1,474.7	1,474.7	–	–	–	–	–	1,474.7
Other receivables and other assets (€ 311.6m acc. to balance sheet); of which financial assets	262.5	253.3	–	5.7	0.2	–	3.3	262.8
Securities	98.4	–	34.6	63.8	–	–	–	98.4
Cash and cash equivalents	754.9	–	754.9	–	–	–	–	754.9
Assets financial instruments		**1,839.7**	**858.8**	**69.5**	**0.2**	**–**	**9.4**	
Equity and liabilities								
Non-current financial liabilities	397.2	–	–	–	–	346.0	51.2	420.1
Current financial liabilities	422.2	–	–	–	–	416.2	6.0	434.2
Trade payables	849.3	–	–	–	–	849.3	–	849.3
Other liabilities (€ 376.3m acc. to balance sheet); of which financial intruments	147.4	–	–	41.7	2.3	103.4	–	147.4
Equity and liabilities financial instruments		**–**	**–**	**41.7**	**2.3**	**1,714.9**	**57.2**	

Money market funds in the “available-for-sale financial assets” category and commercial papers with a term of more than three months in the “loans and receivables originated by the company” category are reported under the “Securities” item.

Trade receivables and cash and cash equivalents usually have short residual terms, and as a result their book values correspond to their fair values as of the reporting date. With regard to the fair values of derivatives, please consult the section “Financial assets – recognition and measurement” in the section on “Accounting and Valuation Principles”. The book value of the derivative financial instruments corresponds to their market value. The securities are listed on the stock market and are valued on the basis of their market price as of the balance sheet date. Listed company shares within financial assets are treated in the same way.

Trade payables and other liabilities regularly have short residual terms, and as a result their reported values correspond to their fair values.

In order to determine the fair value of an asset or a liability, the Group uses observable market data as far as possible. Based on the input factors used in the valuation techniques, the fair values are assigned to different levels in the fair value hierarchy.

Level 1: Listed prices on active markets for identical assets and liabilities

Level 2: Valuation parameters which are not concerned with the listed prices taken into consideration in Level 1, although these are observable either directly or indirectly for the asset or liability (by deducing prices)

Level 3: Valuation parameters for assets or liabilities that are not based on observable market data

If the input factors used for calculating the fair value cannot be assigned to one single level, they are assigned collectively to the level that corresponds to the lowest input factor which has overall significance for the measurement process.

The "Available-for-sale financial assets" category includes financial assets totaling € 70.7 million (previous year: € 69.3 million). This sum includes financial assets amounting to € 26.6 million (previous year: € 32.0 million) for which no reliable fair values can be ascertained because they are not listed on the market. These are shares in partnerships and corporations for which there are no intentions to sell in the near future. These assets are recognized at amortized cost. The "Available-for-sale financial assets" category also includes securities totaling € 37.1 million (previous year: € 34.6 million) as well as financial resources amounting to € 774.0 million (previous year: € 754.9 million).

Fair value calculation – assets:

In € m	2014/12/31			
	Financial assets available for sale	**Financial instruments held for trading**	**Derivates with documented hedging arrangements**	**Total**
Level 1	81.2	207.0	–	288.2
Level 2	–	33.9	9.1	43.0
Level 3	–	–	–	–
Total	**81.2**	**240.9**	**9.1**	**331.1**

In € m	2013/12/31 restated			
	Financial assets available for sale	**Financial instruments held for trading**	**Derivates with documented hedging arrangements**	**Total**
Level 1	71.9	63.8	–	135.7
Level 2	–	5.7	0.2	5.9
Level 3	–	–	–	–
Total	**71.9**	**69.5**	**0.2**	**141.5**

Fair value calculation – equity and liabilities:

In € m	2014/12/31		
	Financial instruments held for trading	Derivates with documented hedging arrangements	Total
Level 1	–	–	–
Level 2	107.1	43.0	150.1
Level 3	–	–	–
Total	**107.1**	**43.0**	**150.1**

In € m	2013/12/31 restated		
	Financial instruments held for trading	Derivates with documented hedging arrangements	Total
Level 1	–	–	–
Level 2	41.7	2.3	44.0
Level 3	–	–	–
Total	**41.7**	**2.3**	**44.0**

To cover significant elements of the default risk and to afford access to a special information service, credit insurance cover has been arranged at the individual Group companies. For the companies in the Strip Steel Business Unit, the credit insurance does not extend to sales to dealers or companies in the iron and steel industry, for which global collateral is arranged via the steel del credere office.

The default risk pertaining to financial instruments stems from the category “Loans and receivables originated by the company”. As of the reporting date, the default risk compared with the previous year was as follows:

In € m	2014/12/31		2013/12/31 restated	
	Maximum default risk	Hedged default risk	Maximum default risk	Hedged default risk
Trade receivables	1,646.6	926.3	1,474.7	829.9
Other receivables	109.7	4.2	253.3	3.7
Financial assets	89.9	–	111.7	0.7
Total	**1,896.2**	**930.5**	**1,839.7**	**834.4**

There are also default risks in the category “Financial assets held for trading” in the amount of the positive market values of the derivatives and, in the case of lease receivables, in the amount of the reported values for which the default risk is not secured.

The analysis of the age of the financial instruments which were overdue but are not impaired, amounting to € 212.7 million as of the cut-off date (previous year: € 243.6 million), produced the following result:

2014/12/31 in € m	overdue for				
	‹ 30 days	31 – 60 days	61 – 90 days	91 – 180 days	› 180 days
Loans and receivables originated by the company	140.4	32.2	12.3	12.6	15.2

2013/12/31 restated in € m	overdue for				
	‹ 30 days	31 – 60 days	61 – 90 days	91 – 180 days	› 180 days
Loans and receivables originated by the company	148.9	49.1	9.9	22.4	13.3

A sum of € 112.5 million (previous year: € 93.1 million) comprising overdue, non-impaired financial assets in the “Loans and receivables originated by the company” category is secured by credit insurance.

Sums that are not value-adjusted and have been overdue for more than 90 days usually relate to regular customers from whom the receipt of payment, as in previous years, is not in question.

In the reporting year, the Salzgitter Group recorded impairments of assets categorized as “Loans and receivables originated by the company” in an amount of € 12.2 million (previous year: € 24.3 million) and reversals of impairment and allowances in an amount of € 15.7 million (previous year: € 15.4 million).

An impairment of financial assets in the category “Loans and receivables originated by the company” is carried out as soon as there are any objective indications of impairment, for example substantial financial difficulties of the debtor or breach of contract. The impairments are recognized with effect on income under other operating expenses. Reversals of impairment are recorded under other operating income.

It is assumed that the assets that are neither overdue nor impaired could be collected at any time.

The net results of the categories are as follows:

In € m	2014	2013 restated
Assets/liabilities held for trading	14.8	43.6
Loans and receivables originated by the company	30.0	12.1
Financial assets available for sale	32.3	14.9
Financial liabilities measured at amortized cost	– 19.3	– 30.2
Total	**57.9**	**40.4**

The net result in the "Assets/liabilities held for trading" category primarily comprises income and expenses from the balance-sheet-date valuation of embedded derivatives, current securities and forward exchange contracts. The "Loans and receivables originated by the company" and "Financial assets available for sale" categories include interest income amounting to € 23.8 million (previous year € 27.1 million). Interest expenses amounting to € 31.5 million (previous year: € 29.7 million) are allocated to the "Financial liabilities measured at amortized cost" category. These categories also include effects from currency translation and impairment.

As in the previous year, no gains were generated from the disposal of non-consolidated companies valued at acquisition cost in the reporting year. In the financial year 2014, losses from their disposal amounted to € 0.4 million (previous year: € 0). Valuation allowances of € 3.8 million (previous year: € 1.4 million) with effect on income were recorded for the assets in the "Available-for-sale financial assets" category in the reporting year.

For financial instruments not measured at fair value through profit and loss, the expenses incurred in financial and monetary transactions amounted to € 6.7 million (previous year: € 5.4 million); these were immediately recognized with effect on income.

Changes in the valuation reserve for financial instruments in the "Available for sale" category developed as follows:

In € m	2014	2013 restated
As of 01/01	**– 11.3**	**– 12.0**
Write-up without effect on income	5.7	0.9
Disposal	0.2	–
Write-down without effect on income	0.3	0.1
As of 12/31	**– 6.1**	**– 11.3**

The change in value amounting to € 5.7 million in the financial year 2014 relates primarily to securities held in connection with the deferred compensation.

In the financial year 2014, the Salzgitter Group applied hedge accounting in accordance with IAS 39 only for forward exchange contracts, commodity futures and, to a minor extent, forward rate agreements. In the process, it hedged the currency risks using cash flow hedges. The respective market values were as follows:

Positive market value in € m	2014/12/31	2013/12/31 restated
Forward exchange contracts – cash flow hedges	9.1	0.2

Negative market values in € m	2014/12/31	2013/12/31 restated
Forward exchange contracts – cash flow hedges	0.6	2.3
Commodity futures – cash flow hedges	42.4	–

The underlying transactions that were secured using cash flow hedges will generally affect income within 12 months of the reporting date. The secured underlying transactions for price hedging will affect income in the financial years 2015, 2016 and 2017.

The cash flow hedge reserve, which was posted to equity with no effect on income, developed as follows:

In € m	2014	2013 restated
As of 01/01	**– 2.1**	**– 3.1**
Write-up without effect on income	10.6	0.8
Write-down without effect on income	– 50.5	–
Basis adjustment	14.5	–
Realization	– 0.1	0.2
As of 12/31	**– 27.6**	**– 2.1**

The effectiveness of all hedging arrangements is examined as of every reporting date. This involves comparing the cumulative changes in the value of the underlying transaction with the cumulative changes in the value of the hedging transaction. In the financial year, ineffectivities totaling € 6.4 million (previous year: negligible amount) arose from cash flow hedges. The ineffectivities were recognized in other operating income.

In the financial year 2014, the amount of € 14.5 million (previous year: € 0) from expired forward exchange contracts was added to the acquisition costs of non-financial assets (basis adjustment).

In the case of foreign currency receivables, rate hedging cover is provided by entering into forward exchange contracts with various banks. The relevant claims are reported at the rate agreed in each case. Hedging relationships were established both for firm obligations and for anticipated future transactions.

The nominal volume of the derivative financial instruments comprises the unnetted total of all purchase and sale amounts, valued at the respective settlement rates. Market values were always determined on the basis of conditions that prevailed on the reporting date, using the values at which the relevant derivative financial instruments were traded or listed, without considering contrary movements in value deriving from the underlying transactions. The fair value of the derivatives to be reported derives from the valuation of the hedged foreign currency amount with the difference between the rate applying when the forward contract was entered into and the forward rate on the reporting date; this amount is discounted to the balance sheet date in accordance with the residual term.

The following key interest rates were used to determine the fair values of the currency derivatives as of the end of the reporting year and the previous year:

Term	EUR interest rate (%)		GBP interest rate (%)		USD interest rate (%)	
	2014/12/31	2013/12/31	2014/12/31	2013/12/31	2014/12/31	2013/12/31
1 month	0.0180	0.2160	0.5038	0.4894	0.1713	0.1677
3 months	0.0780	0.2870	0.5640	0.5253	0.2556	0.2461
6 months	0.1710	0.3890	0.6853	0.6228	0.3628	0.3480
1 year	0.3250	0.5560	0.9756	0.9113	0.6288	0.5831
2 years	0.1860	0.5290	0.9280	1.0310	0.8930	0.4870
4 years	0.2960	1.0150	1.3040	1.8330	1.5820	1.3330
10 years	0.8290	2.1820	1.8360	3.0060	2.3060	3.0860

The liquidity structure of all the financial liabilities was as follows:

2014/12/31 in € m	up to 1 year	1 to 5 years	over 5 years
Trade payables	1,150.7	–	–
Financial liabilities	570.7	140.9	2.0
Lease liabilities	8.4	34.7	23.4
Other liabilities	59.7	–	–

2013/12/31 restated in € m	up to 1 year	1 to 5 years	over 5 years
Trade payables	849.3	–	–
Financial liabilities	428.3	368.9	1.2
Lease liabilities	8.9	32.6	31.2
Other liabilities	103.4	–	–

As of December 31, 2014, disbursements from derivatives with a term of under one year in an amount of € 864.1 million (previous year: € 826.6 million) were counterbalanced by in-payments amounting to € 794.5 million (previous year: € 818.3 million). Derivatives with a term of between one and five years will lead to payouts totaling € 15.8 million (previous year: € 0.0 million).

Netting

Salzgitter AG concludes financial futures transactions only with core banks and solely on the basis of the standardized German Master Agreement on Financial Derivatives. This agreement contains a conditional netting agreement according to which – in the event of insolvency – the party that owes the higher amount pays the difference.

Derivatives with, respectively, positive or negative market values are not netted with each other in the balance sheet. The “not offset amount” column contains the amounts of the derivatives accounted for which do not satisfy the criteria for netting under IAS 32.42.

2014/12/31 in € m	Gross book value	Offsetting amount	Net book value	Not offset amount	Total net book value
Positive market values derivates	43.0	–	43.0	20.4	22.5
Negative market values derivates	125.1	–	125.1	20.4	104.7

2013/12/31 restated in € m	Gross book value	Offsetting amount	Net book value	Not offset amount	Total net book value
Positive market values derivates	4.3	–	4.3	2.2	2.1
Negative market values derivates	12.7	–	12.7	2.2	10.5

Sensitivity analysis

IFRS 7 stipulates that in order to ensure a systematic presentation of the market risks to which the company in question is exposed as of the reporting date, a sensitivity analysis must be prepared.

The objective of this sensitivity analysis is to determine the impact of hypothetical changes in relevant risk variables on the company's result and equity. To determine the impact of these risk variables on the financial instruments, the effects of hypothetical changes in the risk variables on the market values and cash flows of the financial instruments in question must be determined as of the reporting date.

The Salzgitter Group is exposed to a variety of financial risks. These, as defined by the sensitivity analysis prescribed under IFRS 7, are interest rate risks, currency risks and other price risks. For the interest rate risks, the sensitivity analysis assumes a change of 100 base points in the market interest rate. With regard to the currency risks, a fluctuation of 10% in the Group companies' respective functional currencies against the foreign currencies is assumed. The other price risks arise for the Salzgitter Group from changes in commodity prices or stock market indices. In this case, the impact of a 10% change in the respective quoted prices is taken into account. The sensitivities are ascertained by banks or by means of internal calculations using acknowledged methods (e.g. Black-Scholes, Heath-Jarrow-Morton). The portfolio of financial instruments as of the balance sheet date is representative of the financial year as a whole.

2014/12/31	Recognized in profit and loss	Affecting equity	Total	Recognized in profit and loss	Affecting equity	Total
Degree of sensitivity	+10%	+10%	+10%	– 10%	– 10%	– 10%
USD	– 20.8	– 11.0	– 31.8	29.7	13.5	43.2
GBP	2.4	–	2.4	– 2.9	–	– 2.9
Other currencies	4.2	– 1.2	3.0	– 5.1	1.0	– 4.1
Currency sensitivities	**– 14.2**	**– 12.2**	**– 26.4**	**21.7**	**14.5**	**36.2**
Degree of sensitivity	+100 bp	+100 bp	+100 bp	– 100 bp	– 100 bp	– 100 bp
Interest rate sensitivities	**– 1.6**	**–**	**– 1.6**	**0.9**	**–**	**0.9**
Degree of sensitivity	+10%	+10%	+10%	– 10%	– 10%	– 10%
Other price sensitivities	**– 14.7**	**9.5**	**– 5.2**	**9.6**	**– 9.7**	**– 0.1**

2013/12/31 restated	Recognized in profit and loss	Affecting equity	Total	Recognized in profit and loss	Affecting equity	Total
Degree of sensitivity	+10%	+10%	+10%	– 10%	– 10%	– 10%
USD	– 31.2	– 7.2	– 38.4	44.1	8.7	52.8
GBP	1.5	0.1	1.6	– 1.8	– 0.2	– 2.0
Other currencies	– 0.6	– 1.7	– 2.3	0.6	1.6	2.2
Currency sensitivities	**– 30.3**	**– 8.8**	**– 39.1**	**42.9**	**10.1**	**53.0**
Degree of sensitivity	+100 bp	+100 bp	+100 bp	– 100 bp	– 100 bp	– 100 bp
Interest rate sensitivities	**– 3.6**	**–**	**– 3.6**	**3.5**	**–**	**3.5**
Degree of sensitivity	+10%	+10%	+10%	– 10%	– 10%	– 10%
Other price sensitivities	**– 10.9**	**–**	**– 10.9**	**7.9**	**–**	**7.9**

(43) Adjustments due to the amended IFRS 11 in relation to the previous financial year

In € m	Note	2013 non-restated	Adjustment	2013 restated
Sales	[1]	9,244.2	65.6	9,309.8
Increase/decrease in finished goods and work in process/other own work capitalized	[2]	– 87.0	23.5	– 63.5
		9,157.2	**89.1**	**9,246.3**
Other operating income	[3]	235.4	2.2	237.6
Cost of materials	[4]	6,653.6	57.0	6,710.6
Personnel expenses	[5]	1,567.5	19.8	1,587.3
Amortization and depreciation of intangible assets and property, plant and equipment	[6]	523.0	6.8	529.8
Other operating expenses	[7]	1,006.4	– 11.8	994.6
Income from shareholdings	[8]	14.4	1.2	15.6
Result from investments accounted for using the equity method	[9]	– 55.1	– 23.4	– 78.5
Finance income	[10]	46.2	– 2.5	43.7
Finance expenses	[11]	125.4	– 0.1	125.3
Earnings before taxes (EBT)		**– 477.8**	**– 5.0**	**– 482.8**
Income tax	[12]	11.8	– 4.6	7.2
Consolidated result		**– 489.6**	**– 0.4**	**– 490.0**
Consolidated net result due to Salzgitter AG shareholders		– 492.3	– 0.4	– 492.7
Minority interests in consolidated net loss for the year	[13]	2.7	0.0	2.7

Appropriation of profit in € m	Note	2013 non-restated	Adjustment	2013 restated
Consolidated net loss		– 489.6	– 0.4	– 490.0
			0.0	
Profit carried forward from the previous year		15.1	0.0	15.1
Minority interests in consolidated net loss for the year		2.7	0.0	2.7
Dividend payment		– 13.5	0.0	– 13.5
Transfers to/from other retained earnings		502.8	0.4	503.2
Unappropriated retained earnings of Salzgitter AG		**12.1**	**0.0**	**12.1**
Earnings per share (in €) – basic	**[14]**	**– 9.10**	**– 0.01**	**– 9.11**
Earnings per share (in €) – diluted	**[14]**	**– 9.10**	**– 0.01**	**– 9.11**

In € m	2013 non-restated	Adjustment	2013 restated
Consolidated net loss	**– 489.6**	**– 0.4**	**– 490.0**
Recycling			
Changes in currency translation	– 14.8	3.1	– 11.7
Change in value from hedging transactions		–	–
of which changes in fair value recorded directly in equity	0.1	0.7	0.8
of which recognition of settled hedging transactions with effect on income	0.2	0.0	0.2
Changes in the value of financial assets in the “held-for-sale assets” category recorded directly in equity	– 1.5	2.3	0.8
Adjustment from investments accounted for using the equity method			
of which changes in fair value recorded directly in equity	6.0	– 1.9	4.1
of which with effect on the income	1.1	– 1.1	–
of which from currency translation	– 0.8	– 3.1	– 3.9
of which from deferred taxes	– 1.5	0.2	– 1.3
Deferred taxes on current changes without effect on income	– 0.1	– 0.3	– 0.4
Subtotal	**– 11.3**	**– 0.0**	**– 11.3**
Non-recycling			
Remeasurement of pensions	79.8	1.7	81.5
Adjustment from investments accounted for using the equity method	1.6	– 1.1	0.5
Deferred taxes on current changes without effect on income	– 16.4	– 0.5	– 16.9
Subtotal	**65.0**	**0.1**	**65.1**
Other comprehensive income	**53.8**	**– 0.1**	**53.8**
Total comprehensive income	**– 435.8**	**– 0.5**	**– 436.3**
Total comprehensive income due to Salzgitter AG shareholders	– 438.9	– 0.4	– 439.3
Total comprehensive income due to minority interests	3.0	0.0	3.0
	– 435.8	**– 0.5**	**– 436.3**

Assets in € m	2013/01/01 non-restated	Adjustment	2013/01/01 restated
Non-current assets			
Intangible assets	112.3	2.6	114.9
Property, plant and equipment	2,519.7	88.7	2,608.4
Investment property	22.8	0.0	22.8
Financial assets	192.1	– 23.2	168.9
Investments accounted for using the equity method	680.3	56.6	736.9
Deferred income tax assets	260.4	– 12.7	247.7
Other receivables and other assets	4.7	0.1	4.8
	3,792.3	**112.1**	**3,904.4**
Current assets			
Inventories	2,068.0	35.0	2,103.0
Trade receivables	1,544.8	66.8	1,611.6
Other receivables and other assets	482.4	– 10.6	471.8
Income tax assets	31.1	– 2.6	28.5
Securities	132.5	0.0	132.5
Cash and cash equivalents	878.6	– 18.1	860.5
	5,137.4	**70.6**	**5,208.0**
	8,929.7	**182.7**	**9,112.4**

Equity and liabilities in € m	2013/01/01 non-restated	Adjustment	2013/01/01 restated
Equity			
Subscribed capital	161.6	0.0	161.6
Capital reserve	238.6	0.0	238.6
Retained earnings	3,589.7	0.4	3,590.1
Unappropriated retained earnings	15.1	0.0	15.1
	4,005.0	**0.4**	**4,005.4**
Treasury shares	– 369.7	0.0	– 369.7
	3,635.3	**0.4**	**3,635.7**
Minority interests	8.2	0.0	8.2
	3,643.5	**0.4**	**3,643.9**
Non-current liabilities			
Provisions for pensions and similar obligations	2,182.2	52.5	2,234.7
Deferred income tax liabilities	66.8	– 12.3	54.5
Income tax liabilities	193.5	0.0	193.5
Other provisions	284.4	5.4	289.8
Financial liabilities	612.1	52.7	664.8
Other liabilities	0.0	0.0	0.0
	3,339.0	**98.2**	**3,437.2**
Current liabilities			
Other provisions	337.2	– 9.4	327.8
Financial liabilities	158.2	43.5	201.7
Trade payables	918.6	48.1	966.7
Income tax liabilities	57.5	– 2.1	55.4
Other liabilities	475.7	4.1	479.8
	1,947.2	**84.1**	**2,031.3**
	8,929.7	**182.7**	**9,112.4**

Assets in € m	Note	2013/12/31 non-restated	Adjustment	2013/12/31 restated
Non-current assets				
Intangible assets	[15]	113.2	3.5	116.7
Property, plant and equipment	[16]	2,283.2	154.8	2,438.0
Investment property	[17]	21.3	0.0	21.3
Financial assets	[18]	218.8	– 37.9	180.9
Investments accounted for using the equity method	[19]	638.5	– 5.8	632.7
Deferred income tax assets	[20]	237.2	– 11.1	226.1
Other receivables and other assets	[21]	6.4	0.0	6.4
		3,518.6	**103.5**	**3,622.1**
Current assets				
Inventories	[22]	1,915.2	57.3	1,972.5
Trade receivables	[23]	1,425.0	49.7	1,474.7
Other receivables and other assets	[24]	308.6	3.0	311.6
Income tax assets	[25]	17.9	– 2.4	15.5
Securities	[26]	98.4	0.0	98.4
Cash and cash equivalents	[27]	777.0	– 22.1	754.9
		4,542.1	**85.6**	**4,627.7**
		8,060.7	**189.1**	**8,249.8**

Equity and liabilities in € m	Note	2013/12/31 non-restated	Adjustment	2013/12/31 restated
Equity				
Subscribed capital	[28]	161.6	0.0	161.6
Capital reserve	[29]	238.6	0.0	238.6
Retained earnings	[30]	3,136.2	0.0	3,136.2
Unappropriated retained earnings	[31]	12.1	0.0	12.1
		3,548.5	**0.0**	**3,548.5**
Treasury shares	[30]	– 369.7	0.0	– 369.7
		3,178.8	**0.0**	**3,178.8**
Minority interests	[32]	8.1	0.0	8.1
		3,186.9	**0.0**	**3,186.9**
Non-current liabilities				
Provisions for pensions and similar obligations	[33]	2,069.7	50.5	2,120.2
Deferred income tax liabilities	[20]	62.4	– 13.1	49.3
Income tax liabilities	[25]	149.1	0.0	149.1
Other provisions	[34]	315.9	2.9	318.8
Financial liabilities	[35]	345.8	51.4	397.2
Other liabilities	[36]	0.0	0.0	0.0
		2,942.9	**91.6**	**3,034.5**
Current liabilities				
Other provisions	[34]	324.1	0.7	324.8
Financial liabilities	[37]	404.1	18.1	422.2
Trade payables	[38]	819.8	29.5	849.3
Income tax liabilities	[25]	55.6	0.2	55.8
Other liabilities	[39]	327.3	49.0	376.3
		1,930.9	**97.5**	**2,028.4**
		8,060.7	**189.1**	**8,249.8**

In € m	2013 non-restated	Adjustment	2013 restated
Earnings before taxes (EBT)	– 477.8	– 5.0	– 482.8
Depreciation, write-downs (+)/write-ups (–) of non-current assets	524.4	6.9	531.3
Income tax paid (–)/refunded (+)	– 45.9	4.8	– 41.1
Other non-cash expenses (+)/income (–)	197.9	47.3	245.2
Interest expenses	125.3	– 0.1	125.2
Gain (–)/loss (+) from the disposal of non-current assets	– 2.1	1.5	– 0.6
Increase (–)/decrease (+) in inventories	171.7	– 29.3	142.4
Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	145.3	6.9	152.2
Use of provisions affecting payments, excluding use of tax provisions	– 245.4	0.2	– 245.2
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	– 268.2	– 17.3	– 285.5
Cash inflow from operating activities	**125.1**	**16.0**	**141.2**
Cash inflow from the disposal of fixed assets	13.1	0.0	13.1
Cash outflow for investments in intangible assets and property, plant and equipment	– 274.7	– 35.4	– 310.1
Cash inflow (+)/cash outflow (–) for investments of funds	138.5	0.6	139.1
Cash inflow from the disposal of financial assets	4.2	0.0	4.2
Cash outflow for investments in financial assets	– 77.8	36.6	– 41.2
Cash outflow from investment activities	**– 196.8**	**1.8**	**– 194.9**
Cash outflow in payments to company owners	– 13.5	0.0	– 13.5
Cash inflow (+)/outflow (–) for borrowings and other financial liabilities	– 3.1	– 19.9	– 23.0
Interest paid	– 12.7	– 2.2	– 14.9
Cash outflow from financing activities	**– 29.3**	**– 22.2**	**– 51.5**
Cash and cash equivalents at the start of the period	878.6	– 18.1	860.5
Cash and cash equivalents relating to changes in the consolidated group	4.3	– 0.0	4.3
Gains and losses from changes in foreign exchange rates	– 5.1	0.4	– 4.7
Payment-related changes in cash and cash equivalents	– 100.8	– 4.3	– 105.1
Cash and cash equivalents at the end of the period	**777.0**	**– 22.1**	**754.9**

(44) Notes to the Cash Flow Statement

In accordance with IAS 7, the cash flow statement depicts the development in cash flows for the financial years 2014 and 2013, broken down into inflows and outflows of funds from current operating, investment and financing activities. The cash flow statement is derived from the consolidated financial statements of Salzgitter AG using the indirect method.

The cash and cash equivalents used consist of cash in hand, checks, cash at banks and term deposits (term of under three months).

In the cash inflow from operating activities, the income and expenses from fixed asset disposals have been eliminated. Interest income amounts to € 15.1 million (previous year: € 27.7 million). Income received from shareholdings during the financial year 2014 amounted to € 41.3 million (previous year: € 30.8 million).

The investments reported under the cash outflow for investment activities comprise the additions to intangible assets, property, plant and equipment and financial investments.

The cash outflows for investment in financial assets mainly concern a loan and a capital increase for the benefit of a non-consolidated company.

The cash inflows and outflows from/for financial investments comprise bond funds, futures contracts and term deposits (term of more than three months). The cash inflows in the financial year 2014 amounted to € 99.9 million (previous year: € 150.7 million), while the cash outflows totaled € 178.4 million (previous year: € 11.6 million).

Interest paid is attributed solely to financing activities. In the financial year ended, non-current financial liabilities amounting to € 13.3 million were redeemed and such liabilities totaling € 36.9 million were incurred (previous year: redeemed € 23.0 million; incurred: € 0).

(45) Notes on Segment Reporting

The segmentation of the Salzgitter Group into five business units accords with the Group's internal controlling and reporting functions.

In the segment report, the business activities of the Salzgitter Group are assigned to the Strip Steel, Plate / Section Steel, Trading, Energy and Technology business units in accordance with the Group structure in line with different products and services. Salzgitter AG as the management holding company, the intermediate holding companies Salzgitter Mannesmann GmbH and Salzgitter Klöckner-Werke GmbH, Salzgitter Finance B.V. and Aurubis AG are not assigned to any division.

The Strip Steel Business Unit manufactures high-quality branded steel and special steels. Its main products are hot-rolled strip and cold-rolled steel, sections and tailored blanks.

The companies in the Plate / Section Steel Business Unit produce a broad spectrum of high-grade plate products. Further major product areas are sections, sheet piling and scrap dealing.

The Energy Business Unit is concerned primarily with the manufacture of line pipes, HFI-welded pipes, precision tubes and stainless steel tubes.

The Trading Business Unit operates a tightly-knit European sales network as well as trading companies and agencies worldwide which ensure that the Salzgitter Group's products and services are marketed efficiently.

The Technology Business Unit operates mainly in the filling and packaging technology segment.

The companies that are part of Industrial Participations / Consolidation are largely service companies and management and interim holding companies that work for the Group. Industrial participations included in this category are Aurubis AG and the service units. Some of the companies among the service units also offer their services to third-party customers. On this basis, the companies conceive and implement a broad spectrum of attractive service offerings. These encompass raw materials supplies, IT services, facility management, logistics, automotive engineering and research and development. Included in the consolidations are Salzgitter AG as the management holding company, the interim holding companies Salzgitter Mannesmann GmbH and Salzgitter-Klöckner-Werke GmbH, as well as Salzgitter Finance B.V.

Sales between segments are always conducted on standard market terms of the kind that also constitute the basis of transactions with third parties.

Segmental operating assets and liabilities comprise the assets and debts that are required for operational purposes – excluding interest-bearing claims and income tax receivables and liabilities.

The sales are allocated geographically in accordance with the domicile of the invoice recipient.

Of the non-current assets, € 2,610.4 million (previous year: € 2,709.2 million) is basically accounted for by Germany. A further € 1,003.0 million (previous year: € 910.5 million) relates to consolidated units not assigned to a segment.

In the financial year 2014, as in the previous year, no single customer accounted for more than 10% of the Salzgitter Group's sales.

The transition of total segmental assets and segmental liabilities to the Group's balance sheet total, and the transition of total segment sales and segment results to, respectively, consolidated sales and the consolidated result from ordinary activities are shown in the following overviews:

In € m	2014	2013 restated
Total sales of the segments	10,901.1	11,338.2
Industrial Participations / Consolidation	181.9	202.1
Elimination of sales with other segments	– 1,732.9	– 1,867.9
Elimination of the sales with Group companies not assigned to a segment	– 309.9	– 362.5
Sales	**9,040.2**	**9,309.9**

In € m	2014	2013 restated
Total results of the segments for the period	– 94.1	– 496.0
Industrial Participations / Consolidation	78.9	13.2
Earnings before taxes (EBT)	**– 15.2**	**– 482.8**

In € m	2014/12/31	2013/12/31 restated
Segment operating assets	6,682.2	6,431.3
Industrial Participations / Consolidation	8,292.0	9,444.7
Eliminations	– 6,807.9	– 7,880.9
Income tax assets	17.7	15.5
Deferred income tax assets	295.8	226.1
Deferred expenses	13.1	13.1
Balance sheet total	**8,492.9**	**8,249.8**

In € m	2014/12/31	2013/12/31 restated
Segment operating liabilities	6,309.6	5,720.9
Industrial Participations / Consolidation	4,611.9	5,668.1
Eliminations	– 5,509.6	– 6,588.1
Tax liabilities	197.7	254.2
Group equity	2,875.5	3,186.9
Deferred expenses	7.8	7.7
Balance sheet total	**8,492.9**	**8,249.8**

The other assets item largely comprises cash and cash equivalents, as well as shareholdings in Aurubis AG evaluated using the equity method. The other liabilities item consists mainly of the holding companies' pension provisions.

(46) Related party disclosures

In addition to business relationships with companies that are consolidated fully 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. The category of proportionally consolidated companies includes only Hüttenwerke Krupp Mannesmann GmbH, Duisburg.

The following delivery and service relationships exist between companies in the consolidated group and companies related to the Salzgitter Group:

In € m	Sale of goods and services		Purchase of goods and services	
	2014	2013 restated	2014	2013 restated
Non-consolidated group companies	66.9	45.5	18.2	34.3
Investments accounted for using the equity method	220.7	166.6	4.7	76.1
Proportionately consolidated companies	19.3	10.7	7.2	0.9

Outstanding balances from deliveries and services arising from the purchase or sale of goods and services between companies in the consolidated group and companies related to the Salzgitter Group:

In € m	Receivables		Liabilities	
	2014/12/31	2013/12/31 restated	2014/12/31	2013/12/31 restated
Non-consolidated group companies	46.1	21.6	16.8	23.5
investments accounted for using the equity method	42.1	6.7	0.2	0.7
Proportionately consolidated companies	1.0	1.0	30.1	35.3

In addition, the Group has an outstanding long-term loan in the amount of € 117.0 million (previous year: € 129.0 million) to the 30% consolidated company Hüttenwerke Krupp Mannesmann GmbH, Duisburg, in the residual amount, after consolidation, of € 81.9 million (previous year: € 90.3 million).

The sale of goods and services essentially comprise deliveries of input material for the production of large-diameter pipes.

There are contingencies in relation to non-consolidated associated companies totaling € 35.9 million (previous year: € 31.6 million).

Related party disclosures (key management personnel) are shown in section 50 “Disclosures on the remuneration of the Executive Board, Supervisory Board and other members of the key management personnel”.

(47) Fees for the Auditor of the Consolidated Financial Statements that were reported as expenses in the financial year in accordance with Section 314, para. 9 of the German Commercial Code (HGB)

In € m	2014	2013 restated
Audit services	2.5	2.3
Other certification or assessment services	0.4	0.1
Tax consulting services	0.1	0.1
Other services	–	–

In addition, expenses relating to other auditors were incurred in an amount of € 0.1 million (previous year: € 0.1 million) for the auditing of the annual financial statements of consolidated German-based companies. No expenses (previous year: less than € 0.1 million) were incurred for tax consulting and other consulting services rendered for German-based Group companies.

(48) Significant events after the reporting date

Significant events after the reporting date are explained in the Management Report.

(49) Waiver of disclosure and preparation of a management report in accordance with Section 264 para. 3 of the German Commercial Code (HGB) or Section 264 b of the German Commercial Code (HGB)

The following fully consolidated domestic subsidiaries have fulfilled the conditions required under Section 264 para. 3 or Section 264b, German Commercial Code (HGB) and are therefore exempted from disclosure of their financial statements and from the obligation to prepare a management report:

- Salzgitter Mannesmann GmbH, Salzgitter[1,2]
- Salzgitter Klöckner-Werke GmbH, Salzgitter[1,2]
- Salzgitter Flachstahl GmbH, Salzgitter
- Salzgitter Europlatinen GmbH, Salzgitter[1]
- Salzgitter Bauelemente GmbH, Salzgitter
- Hövelmann & Lueg Vermögensverwaltung GmbH, Schwerte[1]
- Salzgitter Mannesmann Stahlservice GmbH, Karlsruhe[1]
- Peiner Träger GmbH, Peine
- Ilsenburger Grobblech GmbH, Ilsenburg
- HSP Hoesch Spundwand und Profil GmbH, Dortmund[1]
- DEUMU Deutsche Erz- und Metall-Union GmbH, Peine[1,2]
- Salzgitter Mannesmann Grobblech GmbH, Mülheim
- Mannesmannröhren-Werke GmbH, Mülheim[1]
- Salzgitter Mannesmann Großrohr GmbH, Salzgitter[1]
- Salzgitter Mannesmann Line Pipe GmbH, Siegen
- Salzgitter Mannesmann Rohr Sachsen GmbH, Zeithain[1]
- Salzgitter Mannesmann Precision GmbH, Mülheim[1,2]
- Salzgitter Mannesmann Stainless Tubes GmbH, Mülheim[1,2]
- Salzgitter Mannesmann Stainless Tubes Deutschland GmbH, Remscheid[1]
- Salzgitter Mannesmann Handel GmbH, Düsseldorf[1,2]
- Universal Eisen und Stahl GmbH, Neuss[1,2]
- Salzgitter Mannesmann International GmbH, Düsseldorf[1,2]
- Salzgitter Mannesmann Stahlhandel GmbH, Düsseldorf[1,2]
- Stahl-Center Baunatal GmbH, Baunatal[1]
- KHS GmbH, Dortmund[2]
- Klöckner PET-Technologie GmbH, Salzgitter[1,2]
- Klöckner DESMA Elastomertechnik GmbH, Fridingen
- Klöckner DESMA Schuhmaschinen GmbH, Achim
- KHS Corpoplast GmbH, Hamburg[1]
- KHS Plasmax GmbH, Hamburg[1]
- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg
- GESIS Gesellschaft für Informationssysteme mbH, Salzgitter[1]
- TELCAT MULTICOM GmbH, Salzgitter[1,2]
- TELCAT KOMMUNIKATIONSTECHNIK GmbH, Salzgitter[1]
- Glückauf Immobilien GmbH, Peine
- Salzgitter Mannesmann Forschung GmbH, Salzgitter[1]
- Salzgitter Mannesmann Personalservice GmbH, Mülheim[1]
- Salzgitter Hydroforming GmbH & Co. KG, Crimmitschau[1]
- Salzgitter Automotive Engineering Beteiligungsgesellschaft mbH, Osnabrück[1,2]
- Salzgitter Automotive Engineering GmbH & Co. KG, Osnabrück[1]
- Salzgitter Automotive Engineering Immobilien GmbH & Co. KG, Osnabrück[1]
- RSE Projektentwicklungs-GmbH, Mülheim[1]

[1] The option pursuant to Section 264 (3) of waiving the preparation of notes to the financial statements was exercised.

[2] The option pursuant to Section 291 of waiving the preparation of notes to the group financial statements and a group management report was exercised.

Furthermore, the company Verkehrsbetriebe Peine Salzgitter GmbH, Salzgitter, has, in accordance with Section 291 HGB, made use of its right to waive the preparation of consolidated financial statements and a group management report.

(50) Disclosures on the remuneration of the Executive Board, Supervisory Board and other members of the key management personnel

The key management personnel as per IAS 24 includes the members of the Group management as constituted effective as of January 1, 2014, and the members of the Supervisory Board. In addition to the active members of the Executive Board, the Group management includes the heads of the Salzgitter group's five business units. In the tables below, they are referred to as "other members of key management personnel". In comparison with the previous Group organization, the group of other members of key management personnel has a different composition.

Remuneration from the Salzgitter Group:

In € m	Short-term employee benefits (salary and other compensation)		Post employment benefits (pension obligation)	
	2014	2013	2014	2013
Current members of the Executive Board	4.3	4.7	0.7	0.9
Members of the Supervisory Board	1.7	1.5	–	–
Other members of the key management personnel	2.2	2.2	0.2	0.4

In addition to the amounts shown, the employee representatives on the Supervisory Board who are employees of the Salzgitter Group received their salaries within the scope of their employment contracts. Their amount constituted remuneration that is appropriate for their functions and tasks in the Group.

Obligations of the Salzgitter Group:

In € m	Short-term employee benefits (salary and other compensation)		Post employment benefits (pension obligation)	
	2014/12/31	2013/12/31	2014/12/31	2013/12/31
Former members of the Executive Board	–	–	39.2	34.2
Current members of the Executive Board	1.6	1.7	33.1	25.3
Members of the Supervisory Board	–	–	–	–
Other members of the key management personnel	0.7	0.4	5.7	4.1

The obligations arising from short-term employee benefits include the variable annual remuneration that is paid out in the respective subsequent year.

Former members of the Executive Board and their surviving dependents received pensions totaling € 2.0 million for the financial year (previous year: € 2.0 million).

Detailed information about the remuneration of the individual members of the Executive Board and the Supervisory Board is disclosed in the “Group Management Report and Management Report of Salzgitter AG” in Section I.2 “Management and Control”.

(51) Assurance from the Legal Representatives

We give our assurance that, to the best of our knowledge and in accordance with the applicable accounting principles, the 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, is portrayed in such a way in the Group Management Report that a true and accurate picture is conveyed and that the significant opportunities and risks of the Group's future development are described fairly.

Salzgitter, February 26, 2015

The Executive Board

Fuhrmann	Becker	Kieckbusch

VII. Auditor's Report

Independent Auditor's Report

"We have audited the consolidated financial statements prepared by the Salzgitter Aktiengesellschaft, Salzgitter, comprising the balance sheet, the income statement, the statement of total comprehensive income, the cash flow statement, the statement of changes in equity and notes to the consolidated financial statements together with the group management report, which is combined with the company's management report, for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a para 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the results of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional provisions stated in Section 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hanover, February 26, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

signed	signed
Thomas Stieve	ppa. Frank Thomas Buchwald
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

I. Glossary

Business and Financial Terms

A

Acquisition
Purchase of a company or parts thereof.

At equity
Method of capital consolidation with which an affiliated company's proportionate equity is valued.

C

Capital employed
Sum total of equity, tax provisions (excluding deferred tax) and interest-bearing liabilities. Equity also comprises minority interests.

Cash flow

- **from operating activities**
  Outflow/inflow of liquid funds provided not influenced by investment, disinvestments or financing activities.
- **from investment activities**
  Outflow/inflow of liquid funds from investment/disinvestment activities.
- **from financing activities**
  Outflow/inflow of liquid funds from financing activities: issuance/redemption of bonds, borrowing/repayment of loans, issuance/repurchase of shares etc.

Consolidation
The term for companies that are to be included in the consolidated financial statements.

Convertible bond
Security that entitles the holder to exchange it for a specified number of shares in the issuing stock corporation within a defined period.

Corporate compliance
Compliance with statutory provisions and rules and regulations applicable within the company.

Corporate Governance

The term used to describe responsible corporate management and control. In the interests of improving corporate management, the German Federal Ministry of Justice set up the Government Commission on the German Code of Corporate Governance in 2001. The Commission is tasked with enhancing the transparency of the rules of corporate management and supervision applicable in Germany and with improving the corporate charters of German stock corporations.

Cost of materials

Expenses incurred by raw materials and supplies, merchandise, spare parts, tooling and services outsourced such as energy, contract processing and internal transport costs.

Current assets

Assets that are not intended to serve the business on a permanent basis. Current assets include, for instance, inventories as well as trade receivables.

D

Debt

Provisions, liabilities and deferred income.

Declaration of Conformity

Declaration by the Executive and the Supervisory boards pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the implementation of the recommendations of the Government Commission on the German Code of Corporate Governance.

Deferred taxes

Tax charges and reliefs likely to arise at a future date as a result of temporary differences between the book value applied to the consolidated financial statements and the tax valuations of assets and liabilities.

E

EBIT (Earnings before Interest and Taxes)
Earnings before taxes, adjusted for net interest.

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)
Earnings before taxes, adjusted for net interest and depreciation and amortization.

EBT (Earnings before Taxes)
Earnings before deduction of taxes.

Equity
Funds made available to the company by its owners as a cash payment and/or capital investment as well as from retained earnings.

Exposure
Volume exposed to a (specific) risk.

Exposure management
Management of all a company's payment obligations.

External sales
The proportion of total sales accounted for by transactions with companies outside the consolidated group of Salzgitter AG.

F

Forfaiting
Sale of export receivables without recourse to the previous owners of the receivables (suppliers), generally to a bank.

Free float
That part of the company's capital stock that is freely traded on the stock market.

H

Holding
Company that holds shares in another company and does not conduct any operational business itself.

I

IAS/IFRS
"International Accounting Standards"/"International Financial Reporting Standards": Standards to ensure international comparability in the preparation of accounts.

Impairment
Unscheduled depreciation and amortization of assets, such as property, plant and equipment and intangible assets, in the amount by which amortized costs exceed the recoverable amount in the market.

J

Joint venture
A business venture undertaken in cooperation between, and under the joint control of, at least two companies that remain independent of one another.

M

Market capitalization

Current market value of a listed company. Market capitalization is calculated by multiplying the share price by the number of shares. Deutsche Börse AG calculates market capitalization for index weighting purposes based on the results of share price and free float.

N

Natural hedging

Term taken from business management to denote companies relocating production capacities in foreign sales markets (countries) in order to avoid currency fluctuations.

Non-current assets

Assets that are intended for use in the long-term operations of the business enterprise. A distinction is made between:

- **Property, plant and equipment**
  Land and buildings, technical equipment and machinery etc.
- **Intangible assets**
  Goodwill/badwill, patents, licenses, development costs etc.
- **Financial assets**
  Shares in affiliated and associated companies, participating interests, securities held as fixed assets etc.

P

Pension provisions

Provisions formed to cover retirement, invalidity and surviving dependents' pension and benefit commitments. Pension obligations are calculated using the present value of the defined benefit obligations (IFRS) or the going-concern value method (German Commercial Code [HGB]) and valued on the basis of actuarial assumptions and calculations.

Personnel expenses

Expenses incurred by wages and salaries as well as social security, pensions and other benefits. These expenses do not include the interest component in transfers to pension provisions, which is reported as part of the financial result.

Profit and loss transfer agreement

A company agreement is defined as a profit and loss transfer agreement if one company undertakes to transfer its entire profit to another company (Section 291 I of the German Stock Corporation Act [AktG]). The other contractual partner is required to compensate any net loss for the year arising during the term of the contract (loss absorption pursuant to Section 302 I of the German Stock Corporation Act).

Further Information

R

ROCE

Return on Capital Employed. Ratio of EBIT to capital employed.

S

Segment sales

Share of overall sales resulting from transactions between companies within the consolidated group but in different divisions as well as with companies outside of the group of consolidated companies of Salzgitter AG.

Stakeholders

Shareholders, employees and other groups with connections to the company.

U

Unappropriated retained earnings (also: profit/loss shown on the balance sheet after appropriation to or transfer from reserves)

Profit/loss as shown in the annual financial statements of Salzgitter AG, calculated in accordance with the German Commercial Code (HGB). Dividend paid to shareholders is determined by this result.

V

Volatility

Scope of the fluctuations of an underlying asset (e.g. share price).

Technical Terms

B

Belt Casting Technology (BCT)

Process for continuous casting.

Blast furnace

A shaft furnace lined with heat-resistant (refractory) bricks and used by integrated steelworks to smelt pig iron from iron ore.

C

Coating

The application of the coat of zinc, organic material, paint or foil, primarily to improve the resistance of steel sheet to corrosion.

Coke

A reduction agent required in the blast furnace to smelt pig iron out of iron ore. Coke is produced by heating specific types of coal (coking coal) in a coke oven plant under exclusion of air.

Cold rolling

Forming process at room temperature. Cold rolling is used, for example, to turn hot-rolled strip into sheet steel.

Continuous casting

A semi-continuous process for the manufacturing of slabs, blooms and tube rounds from molten steel.

E

Electric arc furnace

Unit in which steel scrap is melted using electricity producing so-called electric steel.

Elements for roofing and cladding

Components produced from profiled surface-coated sheet steel that are used in the construction industry as wall and ceiling elements and for exterior cladding.

F

Flat rolled products

Flat rolled steel products are manufactured by the hot and cold rolling of slabs, including other work stages, as necessary. The term refers specifically to sheet steel with a thickness of less than 30 mm used mainly for the automotive and household appliance industries.

H

HFI-welding

Process for creating welds on the basis of electro-magnetic induction.

Hot rolled (wide) strip

Hot rolled and coiled steel strip used as feedstock for cold rolling or sold as an intermediate product (e.g. as wide strip).

Hot rolling

Forming process carried out at high temperatures. Different types of rolling mills are used to convert semi-finished material into hot-rolled strip, plates, sections or seamless tubes.

HSD® Steel

With high manganese content, alloyed with aluminum and silicon, it offers high strength and very good formability.

I

Innofill Can DVD
New can filler platform.

P

Plate

- **Steel sheet**
  Uncoated sheet steel less than 3 mm thick, generally produced through cold rolling.
- **Heavy plate**
  Sheet steel of at least 3 mm in thickness. This heavy plate is required mainly for mechanical engineering and equipment manufacturing, in the construction industry, ship building and for large-diameter pipes.

Precision tubes
Seamless or welded steel tubes used predominantly in mechanical engineering and the automotive industry.

R

Reduction agent
Sources of carbon such as coke, coal or fuel oil used in the blast furnace process to convert iron ore (iron oxide) into pig iron.

Rolled steel
The sum total of all end products to emerge from rolling mills.

S

Sandwich elements
Ready-to-fit roof and wall elements consisting of double-skin metal faced panels bonded together with an insulated core.

Sections
Long products, such as beams and sheet piles, used primarily in building construction and civil engineering.

Semi-finished goods/semis
A general term for input material made from crude steel for use in rolling mills (slabs, blooms, tube rounds).

Sheet piling
Steel sections used to secure and seal excavation pits.

Sinter plant

It is the function of the sinter plant to process fine grain raw material into coarse grained iron ore sinter for charging the blast furnaces. To begin with, meticulously prepared mixtures are created consisting of fine ore, concentrates, extras and undersizes arising from screening lumpy burden components at the blast furnace. Ferriferous fine grain discharges from the production chain of the entire steel works are also put into the mixture. By igniting suitable fuel, iron ore sinter is produced by a down draft process. Normally, coke breeze from screening lump coke at the blast furnace is used as fuel.

Slabs

An intermediate product made from crude steel by the continuous casting process and used as an input material for the production of flat rolled steel.

Surface-coated steel products

Products provided with a metallic or organic surface coating by special processes, for example by galvanizing or paint-coating.

T

Tailored blanks

Bonded blanks composed of sheet steel of varying shapes, qualities and properties that are welded together by laser beam. Automobile manufacturers use tailored blanks to produce pressed parts for vehicle construction.

Top (reusable) gas

Combustible process gas which is a by-product in the production of primary materials.

Tubes

- **Welded tubes**

  Tubes made by welding plate or hot-rolled strip. A distinction is made between longitudinally welded tubes (where the weld seam runs along the axis of the tube) and spiral-welded tubes (where the weld seam spirals around the circumference of the tube).
- **Seamless tubes**

  Tubes made from tube rounds. After heating, a hollow body is first created by a variety of processes (including pilgering), which is then rolled and, if necessary, drawn to its final dimensions.

Tube rounds

An intermediate product produced from crude steel by the continuous casting process and used as an input in material for the production of seamless tubes.

Further information can be accessed under the website: http://en.stahl-online.de/

II. Financial Calendar of Salzgitter AG for 2015

February 27, 2015	Key data for the financial year 2014
March 27, 2015	Publication of the consolidated financial statements for 2014 Annual Results Press Conference
March 30, 2015	Analysts' Conference in Frankfurt am Main
March 31, 2015	Analysts' Conference in London
May 13, 2015	Interim report on the first quarter 2015
May 28, 2015	General Meeting of Shareholders in 2015
August 13, 2015	Interim report on the first half 2015 Analysts' Conference in Frankfurt am Main
August 14, 2015	Analysts' Conference in London
November 12, 2015	Interim report on the first nine months 2015

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