Annual Report 2013

SALZGITTER AG
Stahl und Technologie

Annual Report 2013

Financial Year
from January 1 to December 31, 2013

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 2013, a crude steel capacity of nearly 9 million tons and a workforce of more than 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 is structured into the Steel, Trading, Tubes, Services and Technology divisions.

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

Salzgitter Group in Figures

		2013	2012	2011	2010	2009
External sales	**€ m**	**9,244**	**10,397**	**9,840**	**8,305**	**7,818**
Steel Division	€ m	2,388	2,655	2,740	2,269	1,674
Trading Division	€ m	3,879	4,647	3,904	2,958	3,039
Tubes Division	€ m	1,423	1,560	1,687	1,736	2,045
Services Division	€ m	399	412	457	413	303
Technology Division	€ m	1,124	1,094	967	873	718
Other/Consolidation	€ m	31	30	85	56	41
Earnings before taxes (EBT)	**€ m**	**– 478**	**– 29**	**202**	**49**	**– 496**
EBT by division						
Steel Division	€ m	– 428	– 176	26	– 101	– 374
Trading Division	€ m	26	77	61	71	– 128
Tubes Division	€ m	– 95	8	67	60	104
Services Division	€ m	5	16	20	26	8
Technology Division	€ m	14	10	– 79	– 30	– 210
Other/Consolidation	€ m	0	37	107	22	103[1]
Net income/loss for the financial year	**€ m**	**– 490**	**– 100**	**236**	**30**	**– 387**
Balance sheet total	**€ m**	**8,061**	**8,930**	**8,800**	**8,689**	**8,052**
Non-current assets	**€ m**	**3,519**	**3,792**	**3,675**	**3,447**	**3,184**
Current assets	**€ m**	**4,542**	**5,137**	**5,125**	**5,242**	**4,868**
Inventories	€ m	1,915	2,068	2,106	1,730	1,466
Equity	**€ m**	**3,187**	**3,644**	**4,000**	**3,846**	**3,904**
Liabilities	**€ m**	**4,874**	**5,286**	**4,800**	**4,843**	**4,147**
Non-current liabilities	€ m	2,943	3,339	3,043	3,033	2,553
Current liabilities	€ m	1,931	1,947	1,757	1,810	1,595
of which due to banks[2]	€ m	84	122	103	83	95
Investments[3]	**€ m**	**286**	**325**	**361**	**497**	**677**
Depreciation and amortization[3]	**€ m**	**523**	**358**	**359**	**377**	**543**
Employees						
Personal expenses	€ m	1,568	1,506	1,471	1,424	1,397
Annual average core workforce[4]	empl.	23,357	23,432	23,475	23,190	23,769
Annual average total workforce[5]	empl.	25,436	25,541	25,478	25,124	25,639
Crude steel production[6]	**kt**	**7,149**	**7,647**	**7,263**	**6,755**	**4,918**
Key figures						
EBIT before depreciation and amortization (EBITDA)[7,8]	€ m	134	463	667	540	157
Earnings before interest and taxes (EBIT)[7,9]	€ m	– 391	98	304	160	– 411
Return on capital employed (ROCE)[10]	%	– 10.5	1.3	5.6	2.2	– 10.5
Operating cash flow	€ m	125	427	– 197	209	1,190

1) Incl. goodwill amortization
2) Current and non-current bank liabilities
3) Excl. financial investments
4) Excl. trainee contracts and excl. non-active age-related part-time work
5) Incl. trainee contracts and incl. non-active age-related part-time work
6) Incl. participation in HKM under company law
7) Definition changed as per 2010/01/01; adjusted retrospectively for 2009
8) EBIT excl. depreciation and amortization (EBITDA) = EBT + interest expenses/– interest income + depreciation and amortization
9) Earnings before interest and taxes (EBIT) = EBT + interest expenses/ – interest income
10) Return on capital employed (ROCE) = EBIT (= EBT + interest expenses excl. interest portion in transfers to pension provisions) divided by the sum of shareholders' equity (excl. calculation of deferred tax), tax provisions, interest-bearing liabilities (excl. pension provisions) and liabilities from finance leasing, forfaiting

Success is not a straight path.

The past financial year was not an easy one for us, as the global steel markets in which we operate came under massive pressure. Therefore setbacks are sometimes unavoidable, but the question is how one deals with them.

We at Salzgitter take hardships as a challenge. We analyze them, learn from them, and work hard to emerge all the stronger. This is also a core principle in high-performance sport: The will to succeed, motivation, courage and passion do not prevent setbacks, but have the effect of ensuring that each experience makes us better. It is this attitude that inspires us – and it has been incisively expressed by many famous and successful sportsmen and women in the past, which is why we cite their words in this year's annual report.

HIGHLIGHTS OF THE FINANCIAL YEAR 2013

1

The Salzgitter Group sets up a new Internet portal to provide comprehensive information on the theme of sustainability, focusing on the environment and energy, the employees and society.

The Bau 2013 trade fair in Munich sees the Salzgitter Group represented at a joint steel industry stand. The subsidiaries Peiner Träger GmbH (PTG) and Salzgitter Bauelemente GmbH (SZBE) present topics and exhibits from their production portfolio under the slogan of "Steel – Construction within the Recovered Substance Cycle".

2

The Supervisory Board of Salzgitter AG appoints Dipl.-Ökonom Michael Kieckbusch as a member of the Executive Board and Industrial Relations Director of Salzgitter AG, effective February 20, 2013. Peter-Jürgen Schneider, his predecessor, is appointed Lower Saxony's Finance Minister, on February 19, 2013.

3

The Executive Board presents the Annual Report 2012 at the Annual Results Press Conference on March 22, 2013. The Board subsequently engages in discussion with capital markets representatives at well-attended analysts' conferences in Frankfurt am Main and London.

4

Innovative steel products are indispensable for producing and distributing energy, as demonstrated by the Salzgitter Group at the Hanover trade fair where it presents exhibits and processes to show the role that steel plays in lightweight construction, energy efficiency and conserving resources.

The Salzgitter Group is represented at BAUMA 2013 in Munich by four subsidiaries: Ilsenburger Grobblech GmbH (ILG), Salzgitter Mannesmann Precision GmbH (SMP), HSP Hoesch Spundwand und Profil GmbH (HSP) and Salzgitter Mannesmann Stahlhandel GmbH (SMSD) use this leading trade fair for construction machinery as a communication platform for dialoging with their customers.

5

Around 600 shareholders and shareholder representatives attend Salzgitter AG's General Meeting of Shareholders in Braunschweig on May 23. They approve the items on the agenda by a large majority. The dividend paid for the year 2012 amounts to € 0.25 per share.

6

Prof. Dr.-Ing. Heinz Jörg Fuhrmann, Chief Executive Officer of Salzgitter AG, is elected to the Senate of the Fraunhofer-Gesellschaft. His term of office begins on January 1, 2014. The Fraunhofer-Gesellschaft is the largest organization for applied research and development services in Europe.

7

Peiner Träger GmbH (PTG) announces that, as of September 1, 2013, it intends to reintroduce a scrap price surcharge on the company's products. The scrap price surcharge, that is based on the market price trend for steel scrap and thus comprises a variable component for selling prices, was discontinued at the end of 2010.

8

IdeenExpo opens its doors in August. Once again the Salzgitter Group is one of the largest exhibitors and promoters at this engineering and natural sciences event for children and young people under the motto of "Ideas Take Shape with Us".

9

The Executive Board and employee representatives of Salzgitter AG, accompanied by IG Metall, sign the "Pact for the Future" intended to regulate the implementation of personnel measures as part of the "Salzgitter AG 2015" reorganization project.

"First Choice in Technology and Service" is the slogan used by Salzgitter subsidiary KHS GmbH (KHSDE) to present the company at Drinktec, the world's leading trade fair for the beverage and liquid food industry in Munich. The Innoprint system for direct digital printing on PET bottles is a global innovation.

10

Ilsenburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB), both member companies of the Salzgitter Group, deliver 44,150 tons of heavy plate in total, which is most of the material needed for the steel tube constructions of the Baltic 2 offshore wind farm.

11

Under the slogan of "Combining the Best", the Salzgitter Group's three subsidiaries Hövelmann & Lueg GmbH (HLG), Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH (SMS) and Salzgitter Flachstahl GmbH (SZFG) band together to cooperate more closely in reinforcing the sales of flat steel products. Together with Salzgitter Mannesmann Stahlhandel, they demonstrate this ability at this year's Blechexpo.

Salzgitter Flachstahl GmbH is awarded first prize by the German Energy Agency (dena) under the Energy Efficiency Award 2013. Of the 87 applications from eleven countries, SZFG takes first place with its "Strategies to improve energy efficiency and to optimize electricity generation" project.

12

Salzgitter AG wins the "German Corporate Health Award" for its holistic approach in dealing with the effects of demographic change in the special category of "Demography – Fit for the Future" organized by the BKK-Dachverband (Confederation of Company Health-Insurance Funds) in cooperation with the European Union. The Group's occupational health management therefore gains acclaim for the fourth time in a row.

Following the positive response to its premiere last year, Salzgitter AG's second Capital Markets Day takes place on December 9 and 10, 2013. The event in Salzgitter and Peine focuses on the "Salzgitter AG 2015" reorganization program and the Group's automotive competence. 24 participants from 20 different banks and investment companies in Germany, Switzerland, England and Ireland take the opportunity of engaging in dialog with the Executive Board and experts from the Group, with the event also clearly demonstrating that Salzgitter AG is fit for the future.

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Preface by the Executive Board

Ladies and Gentlemen,

There is certainly no question about it: the result of the financial year 2013 was extremely unsatisfactory. And this holds true even when considering the fact that a good half of the € 478 million pre-tax loss was attributable to non-recurrent expenses rather than to actual operations.

It is well to consider, however, that the high loss was essentially the result of the economic crisis in Europe and its impact on the steel sector. In other countries outside Germany, producing companies, including steel manufacturers, are operating well below full capacity. As the domestic markets of European competitors have dramatically contracted in part, these competitors are attempting to muscle in on the German market that is known to be in a much better condition. This has resulted in huge price pressure in the competition for contracts throughout the whole of Europe. These external circumstances are beyond our control. It is, however, our duty to adjust the company accordingly given that conditions – particularly in Europe's steel market – are unlikely to change in the near future. Indeed, this is precisely what we have consistently addressed through our "Salzgitter AG 2015" program! We have set a comprehensive and far-reaching process of change for the Group in motion that consistently pursues a coordinated, holistic concept!

We have certainly not been idle. Instead, we have established the decisive preconditions for boosting our competitive capabilities through our new Group organization structure, effective since January 2014, i.e. only a few weeks ago. Its aim is to adjust the structures and workflows of the entire Group to the challenging situation in the sales markets.

Customer and market proximity is the decisive hallmark of this new organization – and is ensured by way of a new Group management board aligned even more strongly to operations than the previous Executive Board. The Board will take decisions on all matters significant for the business units. This ensures that the management and control of the Group is geared to the relevant markets.

Executive Board and
business unit managers
(from left to right):
Michael Kieckbusch, Burkhard Becker,
Prof. Dr.-Ing. Heinz Jörg Fuhrmann,
Dr.-Ing. Roger Schlim, Heinz Groschke,
Prof. Dr.-Ing. Matthias Niemeyer,
Ulrich Grethe, Wolfgang Eging

Just as our new Group organization structure was implemented exactly at the time we originally intended, the status achieved by the extensive, groupwide package of measures, worth more than € 200 million in profit improvement potential a year, has progressed in line with our original targets.

The Group and its employees are on the move – decidedly in the right direction, which has placed demands on all of us. However, all this is paying off because, ultimately, there is nothing more motivating than one's own success! We are seeing the first tangible results that we intend to consolidate over the course of this year.

Success is not a matter of chance and is rarely easily achieved. It is the result of sheer hard work. This is also a core principle in high-performance sport: The will to succeed, motivation, courage and passion do not prevent setbacks, but have the effect of ensuring that each experience makes us better. It is this attitude that inspires us – and it has been incisively expressed by many famous and successful sportsmen and women in the past – which is why we cite their words in this year's annual report.

Frankly, it is also the reason why we need to focus essentially on our own capabilities because, as an energy-intensive company, we cannot expect any great benefits from Europe's energy and environmental policies. Despite the fine words pronounced about the stabilizing value of industry for society and prosperity, we, who find ourselves in the throes of severe crisis in the industry, have reason to fear that we must shoulder additional burdens – instead of relief – against the backdrop of an intrinsic imbalance in global competition.

Nonetheless, we set about our work with confidence, as ultimately underlined by our proposal of paying dividend of € 0.20 per share for 2013. This proposal not only attests to the soundness of our balance sheet, but also evidences our firm intention of returning to the profit zone as swiftly as is conceivably possible.

This said, 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 placed in our company.

Sincerely,

Prof. Dr.-Ing. Heinz Jörg Fuhrmann

Burkhard Becker

Wolfgang Eging

Heinz Groschke

Michael Kieckbusch

Report of the Supervisory Board

Rainer Thieme, Chairman of the Supervisory Board

In 2013, the steel and tubes market that are the two most important markets for the Salzgitter Group's business activities were characterized by extremely weak demand, accompanied by supplier production capacities running at a persistently high level. The ensuing enormous competitive pressure resulting from this situation caused prices to tumble again in the Steel Division Short-time work was partly unavoidable in the Tubes Division, leading to a high operating loss that was insufficiently compensated by the positive results of the other divisions. This was compounded by the necessity of impairment charges on a significant scale in the area of section steel induced by the prevailing poor economic situation. It remains uncertain as to whether the markets in the southern European countries affected by the crisis might recover somewhat before the end of 2014. Against the backdrop of these general conditions, the Supervisory Board gave its explicit support to the "Salzgitter AG 2015" reorganization project initiated back in 2012.

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

The Supervisory Board required information on a continuous basis about the situation of the Group and the development of business. It deliberated the risks and prospects 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 on 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

In view of the very unsatisfactory economic situation of the Group, the Supervisory Board mainly concerned itself with the need for action arising from this situation in the financial year 2013. Following the re-election of the Supervisory Board in the 2013 Annual General Meeting of Shareholders and its new formation, it discussed and approved restructuring of the Group into five business units in September. In addition, it took the decision to reduce the Executive Board in the future and to aid it in its work by establishing a Group Management Board. These measures are aimed at achieving an even stronger market and customer orientation as well as greater proximity between senior management and the operational level. Moreover, the Supervisory Board was kept abreast of the fundamental components under the "Salzgitter AG 2015" restructuring program and the new concept for the section steel product segment that had been loss-making for some years. In December, the Supervisory Board dealt mainly with the corporate planning for the financial years 2014 to 2016.

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 four times in the financial year. Matters addressed in these meetings included important issues relating to the development of business and changes at Executive Board level and the new management organization.

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 2013 financial statements at company and at Group level by the Supervisory Board, as well as the Board's decision on the dividend proposal. 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 issues. The Audit Committee reported to the entire Supervisory Board on the results of its deliberations.

The Strategy Committee met twice in the period under review. Together with the Executive Board, it discussed the strategy for the sustainable development of the Salzgitter Group.

The Nomination Committee held one meeting to discuss questions relating to the future composition of the Supervisory Board in the run-up to the new election of the Board in the 2013 Annual General Meeting of Shareholders.

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

In our meeting on March 27, 2014, we examined the financial statements of Salzgitter AG (SZAG) and of the Group, both drawn up as of December 31, 2013, as well as the joint management report on the company and the Group for the financial year 2013. 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 Christian Schwandt laid down his mandate as of March 31, 2013. As his successor, Braunschweig Local Court appointed Thomas Lehne, Chairman of the Works Council of SZST Salzgitter Service und Technik GmbH (SZST), to the Supervisory Board, effective May 13, 2013.

The term of office of the Supervisory Board expired at the end of the Annual General Meeting of Shareholders on May 23, 2013. Having served as members partly for many years, the following members withdrew from the Supervisory Board: Ms Hannelore Elze, Dr. Arno Morenz, Hartmut Möllring, Dr. Rudolf Rupprecht, Helmut Weber and Prof. Dr. Dr. h. c. Martin Winterkorn. The Supervisory Board thanks these former members for their activities to promote the good of the company.

The Annual General Meeting of Shareholders elected the following persons as representatives of the shareholders to the position of new members serving on the Supervisory Board for a term of office from 2013 to 2018:

- Ulrike Brouzi, member of the Board of Management of NordLB,
- Dr. Thea Dückert, visiting scientist at the Carl von Ossietzky University of Oldenburg,
- Roland Flach, Chief Executive Officer of Klöckner-Werke AG and KHS AG, retired,
- Peter-Jürgen Schneider, Minister of Finance of the Federal State of Lower Saxony.

The other shareholder representatives were re-elected.

The following persons have been newly elected by the employee delegates as representatives of the employees on the Supervisory Board:

- Konrad Ackermann, Chairman of the General Works Council of KHS GmbH, Dortmund,
- Annelie Buntenbach, managing member of the National Executive Board of the German Trade Union Federation.

The other employee representatives were re-elected.

Changes to the Executive Board

Mr. Johannes Nonn and Mr. Peter-Jürgen Schneider withdrew at their own wish from the Executive Board with effect from January 31, 2013 and February 19, 2013 respectively in order to pursue other professional challenges. The Supervisory Board thanks them both for their commitment to the company. With the effect from February 20, 2013 the Supervisory Board appointed Mr. Michael Kieckbusch, as a member of the Executive Board and Chief Personnel Officer.

Our thanks go to the Executive Board and all the employees of the Group for their work and commitment throughout the financial year 2013.

Salzgitter, March 27, 2014

The Supervisory Board

Rainer Thieme
Chairman

Corporate Governance

Declaration of Conformity and Corporate Governance Report

The corporate governance of the Executive Board and the Supervisory Board 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).

2013 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 17, 2013:

> "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
Over and beyond the statutory requirements placed on managing companies and the recommendations of the Code, employees of the company developed a set of corporate guidelines and a corporate mission statement back in 2001 determining ethical standards for the entire Group that were subsequently approved by the Executive Board. The aspirations the company has defined for itself and for its employees are also formulated in these guidelines and mission statement. You will find our Corporate Mission on the company's website at www.salzgitter-ag.de/en/Konzern/Leitbild_5P. In order to take account of the significant changes that have occurred both within the Group and in its economic and

social framework, a new corporate mission statement is currently being developed. 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 2013 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 (AktG). 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 its approval.

The Executive Board currently consists of five members. 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. In the financial year 2013 the management of the Group’s individual divisions was assigned to one portfolio respectively. Following a decision made by the Supervisory Board on September 26, 2013, the Executive Board will consist in future only of the Chief Executive Officer, the Chief Financial Officer and the Chief Personnel Officer, and the management of the five, partly newly defined business units of the Group will then be incumbent on all Executive Board members together. A newly established Group Management Board will be 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).

During a transition period from January 1 to September 30, 2014, the Executive Board will initially consist of five members, as before, with three of the members being assigned the aforementioned functional portfolio responsibilities and the other members bearing responsibility for the Energy and Trading business units. The management of the Strip Steel, Plate/Section Steel and Technology business units will be the joint responsibility of all Executive Board members.

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 incorporation 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 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 of goals and deciding of 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 business activities and measures of the Executive Board that may only be carried out with Supervisory Board approval,
- obligation of the Executive Board to submit 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,
- issues relating to 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 orally 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 and 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 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 27, 2014

The Executive Board

Prof. Dr.-Ing. Heinz Jörg Fuhrmann
Chairman

The Supervisory Board

Rainer Thieme
Chairman

I. Business and Organization

1. Group Structure and Operations

With a crude steel capacity of almost 9 million tons, more than 25,000 employees, and external sales totaling € 9 billion in 2013, the Salzgitter Group ranks among Europe's leading steel technology and plant engineering corporations. It comprises almost 200 subsidiaries and affiliated companies all over the world.

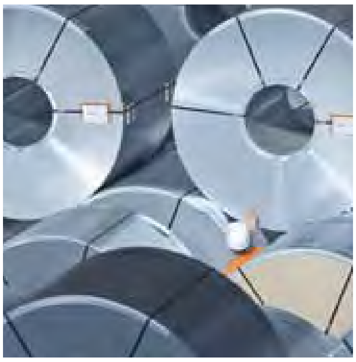
Global presence

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 also operate a successful business in special machinery and plant engineering.

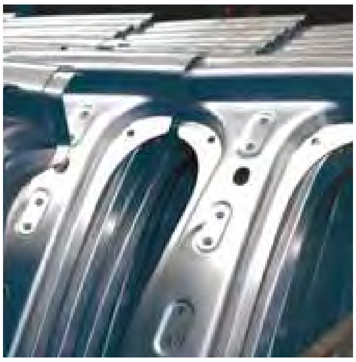
Steel and Technology

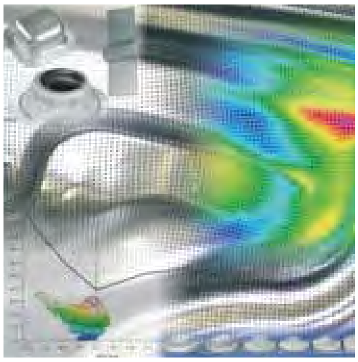
- Steel strip
- Plate
- Section steel
- Engineering
- Logistic services
- Injection molding machines
- Pipeline tubes
- Precision tubes
- Seamless steel tubes
- Stockholding trading
- International trading
- Beverage filling facilities











Prior to December 31, 2013, the Group, headed by Salzgitter AG (SZAG) as the holding company, was divided into the five divisions of Steel, Trading, Tubes, Services and Technology.

A new group organization structure entered into force on January 1, 2014. Under this new structure, the Group companies were assigned to five business units:

- Strip Steel,
- Plate/Section Steel,
- Energy,
- Trading and
- Technology.

The service companies that primarily operate within the Group were either allocated to the business segments of their largest Group customers or are managed centrally in one of the areas of Executive Board responsibility as shared services across all business units. More information can be found in the section on “Management and Control of the Company, Goals and Strategy”.

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 specific responsibilities associated with the business management of the divisions were combined under the respective organization units and subsidiaries within the holding up until December 31, 2013. Since January 1, 2014, the activities forming part of the business units have been coordinated by a business unit manager, a representative from the companies of the respective business 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

As the Group's industrial production is mainly located in Germany, both production and the associated business are subject to the legal provisions prevailing in this country, which specifically includes German tax rules and regulations as well as legislation on environmental protection under German and EU law.

The structure of the Salzgitter Group in the reporting year 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 divisions is included in the section on "General Business Conditions and Performance of the Divisions".

A / Group Management Report and Management Report on Salzgitter AG
Background Information on the Group/I. Business and Organization 33

Divisions in 2013

Salzgitter AG

Salzgitter Mannesmann / Salzgitter Klöckner-Werke

Steel
- **Salzgitter Stahl[1)]**
  - Salzgitter Flachstahl
  - Peiner Träger
  - Ilsenburger Grobblech
- Salzgitter Europlatinen
- Salzgitter Bauelemente
- HSP Hoesch Spundwand und Profil

Trading
- **Salzgitter Mannesmann Handel**
  - Salzgitter Mannesmann Stahlhandel
    - Stahl-Center Baunatal
  - Salzgitter Mannesmann International
    - Salzgitter Mannesmann International (USA)
    - Salzgitter Mannesmann International (Canada)
  - Salzgitter Mannesmann Staalhandel (Netherlands)
  - Salzgitter Mannesmann Stahlhandel (Poland)
  - Salzgitter Mannesmann Stahlhandel (Czech Republic)
  - Salzgitter Mannesmann Acélkereskedelmi (Hungary)
- Hövelmann & Lueg
- Universal Eisen und Stahl
- Stahl-Metall-Service Gesellschaft für Bandverarbeitung

Tubes
- **Mannesmannröhren-Werke**
- Europipe 50 %
- Salzgitter Mannesmann Grobblech
- Salzgitter Mannesmann Großrohr
- Salzgitter Mannesmann Line Pipe
- Salzgitter Mannesmann Precision
  - Salzgitter Mannesmann Précision Etirage (France)
  - Salzgitter Mannesmann Precisión (Mexico)
  - Salzgitter Mannesmann Precisie (Netherlands)
  - Salzgitter Mannesmann Rohr Sachsen
- Salzgitter Mannesmann Stainless Tubes
- Hüttenwerke Krupp Mannesmann 30 %
- Borusan Mannesmann Boru (Turkey) 23 %

Services
- DEUMU Deutsche Erz- und Metall-Union
- SZST Salzgitter Service und Technik
- Verkehrsbetriebe Peine-Salzgitter
- Hansaport 51 %
- Salzgitter Mannesmann Forschung
- Salzgitter Mannesmann Personalservice
- Glückauf Immobilien
- **Salzgitter Information und Telekommunikation[1)]**
  - Gesis Gesellschaft für Informationssysteme
  - Telcat Multicom
  - Telcat Kommunikationstechnik
- Salzgitter Hydroforming
- Salzgitter Automotive Engineering

Technology
- KHS
- Klöckner PET-Technologie
  - KHS Corpoplast
  - KHS Plasmax
- Klöckner DESMA Elastomertechnik
- Klöckner DESMA Schuhmaschinen
- RSE Grundbesitz und Beteiligung

Parent company

Schematic illustration as of September 2013

[1)] Merged in financial year 2013

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 2013, the following members belonged to the Executive Board of SZAG:

Prof. Dr.-Ing. Heinz Jörg Fuhrmann
Chairman
Technology Division
until December 31, 2013
Steel Division from February 1, 2013 until December 31, 2013

a)
- Aurubis AG, Hamburg (Chairman)
- Hüttenwerke Krupp Mannesmann GmbH, Duisburg, since January 1, 2013
- Ilsenburger Grobblech GmbH, Ilsenburg, (Chairman) since January 1, 2013
- KHS GmbH, Dortmund (Chairman)
- Mannesmannröhren-Werke GmbH, Mülheim/Ruhr (Chairman)
- Öffentliche Lebensversicherung Braunschweig, Braunschweig
- Öffentliche Sachversicherung Braunschweig, Braunschweig
- Peiner Träger GmbH, Peine, (Chairman) since January 1, 2013
- Salzgitter Flachstahl GmbH, Salzgitter, (Chairman) since January 1, 2013
- Salzgitter Mannesmann Handel GmbH, Düsseldorf (Chairman)
- Salzgitter Stahl GmbH, Salzgitter, (Chairman) until December 16, 2013
- TÜV Nord AG, Hanover

b)
- Ets. Robert et Cie S.A.S., Le Thillay, France (Comité de Surveillance)

Burkhard Becker
Finance

a)
- Aurubis AG, Hamburg, since March 1, 2013
- EUROPIPE GmbH, Mülheim/Ruhr
- KHS GmbH, Dortmund
- Mannesmannröhren-Werke GmbH, Mülheim/Ruhr
- Nord/LB Kapitalanlagegesellschaft AG, Hanover
- Peiner Träger GmbH, Peine
- Salzgitter Flachstahl GmbH, Salzgitter
- Salzgitter Mannesmann Handel GmbH, Düsseldorf
- Salzgitter Mannesmann Precision GmbH, Mülheim/Ruhr
- Stahl GmbH, Salzgitter, until December 16, 2013

b)
- Nord/LB Capital Management GmbH, Hanover (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

Wolfgang Eging
Tubes Division
until December 31, 2013
Energy Business Unit since January 1, 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)
- 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)

Heinz Groschke
Trading Division
until December 31, 2013
Trading Business Unit since January 1, 2014
Chairman of the Executive Board of
Salzgitter Mannesmann Handel GmbH, Düsseldorf

a)
- EUROPIPE GmbH, Mülheim/Ruhr
- KHS GmbH, Dortmund
- Salzgitter Flachstahl GmbH, Salzgitter
- Salzgitter Mannesmann Line Pipe GmbH, Siegen

b)
- 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 since February 20, 2013
Services Division
from February 20 to December 31, 2013

a)
- KHS GmbH, Dortmund, since February 1, 2013
- Ilsenburger Grobblech GmbH, Ilsenburg, since April 1, 2013
- Mannesmannröhren-Werke GmbH, Mülheim/Ruhr, since February 1, 2013
- Peiner Träger GmbH, Peine, since April 1, 2013
- Salzgitter Flachstahl GmbH, Salzgitter, since April 1, 2013
- Salzgitter Mannesmann Handel GmbH, Düsseldorf, since February 1, 2013
- Salzgitter Stahl GmbH, Salzgitter, from April 1 to December 16, 2013
- SZST Salzgitter Service und Technik GmbH, Salzgitter (Chairman, since March 12, 2013)
- Verkehrsbetriebe Peine-Salzgitter GmbH, Salzgitter (Chairman, since March 6, 2013)

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

b) ▪ Allianz für die Region GmbH, Braunschweig, (Supervisory Board) since February 1, 2013
▪ Hansaport Hafenbetriebsgesellschaft mbH, Hamburg, (Supervisory Board, Chairman) since February 1, 2013
▪ Industriepark Salzgitter-Watenstedt Entwicklungs-GmbH, Salzgitter, (Vice Chairman of the Supervisory Board) since June 13, 2013
▪ Wohnungsbaugesellschaft mbH Salzgitter, Salzgitter, (Supervisory Board) since February 1, 2013

Johannes Nonn
Steel Division until January 31, 2013
Chairman of the Management Board of Salzgitter Stahl GmbH, Salzgitter, until January 31, 2013

Peter-Jürgen Schneider
Personnel until February 19, 2013
Services Division until February 19, 2013
a) ▪ Ilsenburger Grobblech GmbH, Ilsenburg, until January 31, 2013
▪ KHS GmbH, Dortmund, until January 31, 2013
▪ Mannesmannröhren-Werke GmbH, Mülheim/Ruhr, until January 31, 2013
▪ Peiner Träger GmbH, Peine, until January 31, 2013
▪ Salzgitter Flachstahl GmbH, Salzgitter, until January 31, 2013
▪ Salzgitter Mannesmann Handel GmbH, Düsseldorf, until January 31, 2013
▪ Salzgitter Stahl GmbH, until February 19, 2013
▪ SZST Salzgitter Service und Technik GmbH, Salzgitter, (Chairman) until January 31, 2013
▪ Verkehrsbetriebe Peine-Salzgitter GmbH, Salzgitter, (Chairman) until January 31, 2013
b) ▪ Allianz für die Region GmbH, Braunschweig, (Supervisory Board) until January 31, 2013
▪ Hansaport Hafenbetriebsgesellschaft mbH, Hamburg, (Supervisory Board, Chairman) until January 31, 2013
▪ Wohnungsbaugesellschaft mbH Salzgitter, Salzgitter, (Supervisory Board) until January 31, 2013

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 since January 1, 2014

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

Michael Kieckbusch
Personnel

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

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

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 Industriegewerkschaft Metall, Frankfurt am Main
a) ▪ Salzgitter Stahl GmbH, Salzgitter, (Vice Chairman) until December 16, 2013
▪ Treuhandverwaltung IGEMET GmbH, Frankfurt am Main

Konrad Ackermann
since May 23, 2013
Chairman of the General Works Council of KHS GmbH, Dortmund, since August 1, 2013
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
since May 23, 2013
Member of the Executive Board of Norddeutsche Landesbank Girozentrale, Hanover
a) ▪ NORD/LB Capital Management GmbH, Hanover (Vice Chairwoman)
▪ NORD/LB Kapitalanlagegesellschaft AG, Hanover (Vice Chairwoman)
b) ▪ NORD/LB Luxembourg S. A., Luxembourg (Supervisory Board)
▪ NORD/LB Covered Finance Bank S. A., Luxembourg (Supervisory Board)

Annelie Buntenbach
since May 23, 2013
Managing member of the National Executive Board of the German Trade Union Federation, Berlin
▪ No membership in other governing bodies

Hasan Cakir
Chairman of the Group Works Council of Salzgitter AG, Salzgitter, since March 21, 2013
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
▪ No membership in other governing bodies

Dr. Thea Dückert
since May 23, 2013
Member of the Bundestag, retired
Visiting lecturer at the Carl von Ossietzky University of 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, (Chairman) since October 25, 2013
▪ KHS GmbH, Dortmund
▪ MATERNUS-Kliniken AG, Berlin
▪ WCM Beteiligungs- und Grundbesitz-AG, Frankfurt am Main
▪ Lloyd Werft Bremerhaven AG, Bremerhaven
b) ▪ German Dry Docks GmbH & Co. KG, Bremerhaven, (Board of Administration) since July 4, 2013

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

Hannelore Elze
until May 23, 2013
Secretary of the Management Board of Industriegewerkschaft Metall, Branch Office Düsseldorf
a) ▪ AluNorf GmbH, Neuss
▪ Hydro Aluminium Deutschland GmbH, Bonn (Vice Chairwoman)
▪ Hydro Aluminium Rolled Products GmbH, Grevenbroich (Vice Chairwoman)
▪ NORSK Hydro Deutschland Verwaltungs-GmbH, Grevenbroich (Vice Chairwoman)

Roland Flach
since May 23, 2013
Chairman of the Executive Board of Klöckner-Werke AG, retired, Duisburg
Chairman of the Management Board of KHS AG, retired, Dortmund
a) ▪ KHS GmbH, Dortmund
b) ▪ Klöckner DESMA Machinery Pvt. Ltd., Ahmedabad/India (Board of Directors)

Prof. Dr.-Ing. Dr. h. c. Jürgen Hesselbach
President of the Technische Universität Carolo-Wilhelmina zu 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 Board of Köster Holding AG, retired, Osnabrück
a) ▪ Köster Holding AG, Osnabrück (Chairman)

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

Thomas Lehne
since May 13, 2013
Chairman of the Works Council of SZST Salzgitter Service und Technik GmbH, Salzgitter
a) ▪ SZST Salzgitter Service und Technik GmbH, Salzgitter

Volker Mittelstädt
Vice Chairman of the Works Council of Ilsenburger Grobblech GmbH, Ilsenburg
▪ No membership in other governing bodies

Dr. Arno Morenz
until May 23, 2013
Chairman of the Executive Board of Aachener Rückversicherung AG, retired, Aachen
Member of the Presiding Board of DSW Deutsche Schutzvereinigung für Wertpapierbesitz e. V., Düsseldorf, until November 17, 2013
a) ▪ alfabet AG, Berlin, (Chairman) until June 21, 2013
▪ Business Keeper AG, Berlin (Chairman)
b) ▪ Fidelity Funds, Luxembourg (Board of Administration)
▪ FIL Investment Management GmbH, Kronberg im Taunus (Supervisory Board)

Hartmut Möllring
until May 23, 2013
Minister of Finance of the Federal State of Lower Saxony until February 19, 2013
Minister for Science and Economics of the Federal State of Saxony-Anhalt since April 22, 2013
a) ▪ Bremer Landesbank, Bremen (Vice Chairman) since April 22, 2013
▪ Deutsche Messe AG, Hannover, until February 2013
▪ Norddeutsche Landesbank–Girozentrale, Hanover, (Chairman), until February 2013

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

b) ▪ JadeWeserPort Logistic Zone GmbH & Co. KG, Wilhelmshaven, (Supervisory Board) until February 2013
▪ JadeWeserPort Realisierungs-Beteiligungs-GmbH, Wilhelmshaven, (Supervisory Board) until February 2013
▪ JadeWeserPort Realisierungs GmbH & Co. KG, Wilhelmshaven, (Supervisory Board) until February 2013

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
a) ▪ ÖPP Deutschland AG, Berlin, (Vice Chairman) until February 2013

Dr. Rudolf Rupprecht
until May 23, 2013
Chairman of the Executive Board of MAN AG, retired, Munich
▪ No membership in other governing bodies

Peter-Jürgen Schneider
since May 23, 2013
Minister of Finance of the Federal State of Lower Saxony since February 20, 2013
a) ▪ Bremer Landesbank, Bremen, (Vice Chairman) since February 20, 2013
▪ Deutsche Messe AG, Hanover, since April 4, 2013
▪ Norddeutsche Landesbank–Girozentrale, Hanover, (Chairman) since February 20, 2013
b) ▪ JadeWeserPort Logistic Zone GmbH & Co. KG, Wilhelmshaven, (Supervisory Board) since March 27, 2013
▪ JadeWeserPort Realisierungs-Beteiligungs-GmbH, Wilhelmshaven, (Supervisory Board) since March 27, 2013
▪ JadeWeserPort Realisierungs GmbH & Co. KG, Wilhelmshaven, (Supervisory Board) since March 27, 2013

Christian Schwandt
until March 31, 2013
Chairman of the Group's Works Council of Salzgitter AG, Salzgitter, until March 21, 2013
Member of the Works Council of SZST Salzgitter Service und Technik GmbH, Salzgitter, until March 31, 2013
▪ No membership in other governing bodies

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

Helmut Weber
until May 23, 2013
Chairman of the General Works Council of KHS GmbH, Dortmund, until July 31, 2013
▪ No membership in other governing bodies

Prof. Dr. rer. nat. Dr.-Ing. E. h. Martin Winterkorn
until May 23, 2013
Chairman of the Executive Board of Volkswagen AG, Wolfsburg
Chairman of the Executive Board of Porsche Automobil Holding SE, Stuttgart
a) ▪ Audi AG, Ingolstadt (Chairman)
▪ Dr. Ing. h. c. F. Porsche AG, Stuttgart
▪ FC Bayern München AG, Munich
b) ▪ Scania AB, Södertälje, Sweden (Supervisory Board, Chairman)
▪ Other mandates within the Volkswagen Group

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 since March 21, 2013
Hartmut Möllring until May 23, 2013
Peter-Jürgen Schneider since May 23, 2013
Christian Schwandt until March 21, 2013
Dr. Hans-Jürgen Urban

Audit Committee:
Prof. Dr. Hannes Rehm, Chairman
Konrad Ackermann since May 23, 2013
Hannelore Elze until May 23, 2013
Bernd Lauenroth since May 23, 2013
Rainer Thieme
Helmut Weber until May 23, 2013

Strategy Committee:
Rainer Thieme, Chairman
Hasan Cakir
Ulrich Kimpel
Hartmut Möllring until May 23, 2013
Prof. Dr. Hannes Rehm
Peter-Jürgen Schneider since May 23, 2013
Dr. Hans-Jürgen Urban

Nomination Committee:
Hartmut Möllring until May 23, 2013
Peter-Jürgen Schneider since May 23, 2013
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, 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. 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 2013 or in the previous year for their activities as Executive Board members.

Remuneration received by the individual Members of the Executive Board

In €	Annual remuneration paid in 2013 (2012)				
	Fixed remuneration	Remuneration in kind	Variable remuneration	Remuneration for Supervisory Board activities in subsidiaries	Total
Prof. Dr.-Ing. Heinz Jörg Fuhrmann Chairman	924,000 (900,000)	17,333 (17,455)	602,000 (600,000)	2,950 (1,750)	1,546,283 (1,519,205)
Burkhard Becker	475,000 (420,000)	19,444 (15,772)	280,000 (245,000)	2,600 (2,650)	777,044 (683,422)
Wolfgang Eging	492,000 (480,000)	20,138 (20,021)	294,000 (280,000)	900 (1,000)	807,038 (781,021)
Heinz Groschke	492,000 (480,000)	27,832 (26,251)	294,000 (280,000)	1,000 (1,100)	814,832 (787,351)
Michael Kieckbusch since 2013/02/20	361,264	29,289	205,000	2,500	598,054
Johannes Nonn until 2013/01/31	40,000 (480,000)	1,970 (24,359)	23,000 (280,000)	(1,600)	64,970 (785,959)
Peter-Jürgen Schneider until 2013/02/19	63,908 (480,000)	6,091 (37,373)	38,608 (280,000)	(3,200)	108,607 (800,573)
Sum total	**2,848,172** (3,240,000)	**122,097** (141,231)	**1,736,608** (1,965,000)	**9,950** (11,300)	**4,716,827** (5,357,531)

Pension entitlement

In €	Annual payment upon pension eligibility as per 2013/12/31 (as per 2012/12/31)	Transfer to pension provision in 2013 (2012)	Present value of the obligation 2013 (2012)
Prof. Dr.-Ing. Heinz Jörg Fuhrmann Chairman	568,800[1)] (540,000)[1)]	779,211 (1,865,938)	7,532,158 (6,752,947)
Burkhard Becker	288,000[1)2)] (252,000)[1)]	738,570 (531,204)	3,316,556 (2,577,986)
Wolfgang Eging	308,448[1)2)] (288,000)[1)]	602,884 (1,167,025)	6,072,250 (5,469,366)
Heinz Groschke	322,056[1)2)] (288,000)[1)]	262,839 (1,152,792)	5,718,883 (5,456,044)
Michael Kieckbusch since 2013/02/20	252,000[1)]	1,736,589[3)]	2,636,735
Johannes Nonn until 2013/01/31	(288,000)[1)]	(723,646)	(1,990,384)
Peter-Jürgen Schneider until 2013/02/19	(118,656)[2)]	(522,659)	(2,047,917)
Sum total	**1,739,304** (1,774,656)	**4,120,093** (5,963,264)	**25,276,582** (24,294,644)

1) Including a former employer's pension commitment taken over against compensation
2) Pension entitlement as per end of contract (final age > 65)
3) Contributions compared with commitment to date

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 receives 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 meeting; consultation and decision making through other media do not constitute participation 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 consisting 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.

Annual remuneration received by the individual Supervisory Board members

In €	Annual remuneration paid in 2013 (2012)			
	Fixed remuneration	Committee remuneration	Attendance fees	Total
Rainer Thieme, Chairman	138,333 (80,000)	8,333 (20,000)	7,500 (7,500)	154,167 (107,500)
Dr. Hans-Jürgen Urban, Vice Chairman	95,000 (60,000)	4,167 (10,000)	5,000 (5,000)	104,167 (75,000)
Konrad Ackermann since 2013/05/23	40,000	6,667	2,500	49,167
Bernhard Breemann	51,667 (40,000)		2,000 (2,000)	53,667 (42,000)
Ulrike Brouzi since 2013/05/23	40,000		1,500	41,500
Annelie Buntenbauch since 2013/05/23	40,000		1,500	41,500
Hasan Cakir	51,667 (40,000)	9,167	4,500 (2,000)	65,333 (42,000)
Ulrich Dickert	51,667 (40,000)		2,000 (2,000)	53,667 (42,000)
Dr. Thea Rückert since 2013/05/23	40,000		1,000	41,000
Karl Ehlerding	51,667 (40,000)		2,000 (2,000)	53,667 (42,000)
Hannelore Elze until 2013/05/23	16,667 (40,000)	2,083 (5,000)	2,000 (3,500)	20,750 (48,500)
Roland Flach since 2013/05/23	40,000		1,500	41,500
Prof. Dr.-Ing., Dr. h.c. Jürgen Hesselbach	51,667 (40,000)		2,000 (2,000)	53,667 (42,000)
Ulrich Kimpel	51,667 (40,000)	5,000 (5,000)	3,000 (2,500)	59,667 (47,500)
Dr. Dieter Köster	51,667 (40,000)		2,000 (2,000)	53,667 (42,000)
Bernd Lauenroth	51,667 (40,000)	6,667	3,000 (2,000)	61,333 (42,000)
Thomas Lehne since 2013/05/13	40,000		1,500	41,500
Frank Markowski until 2012/08/31	(26,667)		(1,000)	0 (27,667)
Volker Mittelstädt	51,667 (13,333)		2,000 (1,000)	53,667 (14,333)
Dr. Arno Morenz until 2013/05/23	16,667 (40,000)		1,000 (2,000)	17,667 (42,000)

In €	Annual remuneration paid in 2013 (2012)			
	Fixed remuneration	Committee remuneration	Attendance fees	Total
Hartmut Möllring until 2013/05/23	16,667 (40,000)	4,167 (10,000)	2,500 (5,500)	23,333 (55,500)
Prof. Dr. Hannes Rehm	51,667 (40,000)	26,667 (15,000)	5,000 (4,500)	83,333 (59,500)
Dr. Rudolf Rupprecht until 2013/05/23	16,667 (40,000)		1,000 (2,000)	17,667 (42,000)
Peter-Jürgen Schneider since 2013/05/23	40,000	3,333	2,000	45,333
Christian Schwandt until 2013/03/31	10,000 (40,000)	1,250 (10,000)	1,000 (4,500)	12,250 (54,500)
Dr. Werner Tegtmeier	51,667 (40,000)		2,000 (2,000)	53,667 (42,000)
Dr. Johannes Teyssen	51,667 (40,000)		1,500 (1,500)	53,167 (41,500)
Helmut Weber until 2013/05/23	16,667 (40,000)	2,083 (5,000)	2,000 (4,000)	20,750 (49,000)
Prof. Dr. Martin Winterkorn until 2013/05/23	16,667 (40,000)		500 (1,000)	17,167 (41,000)
Total	**1,243,333** (900,000)	**79,583** (80,000)	**65,000** (61,500)	**1,387,917** (1,041,500)

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

In €	Annual remuneration paid in 2013 (2012)			
	Fixed remuneration	Committee remuneration	Attendance fees	Total
Konrad Ackermann (KHS)	10,000		750	10,750
Bernhard Breemann (SMHD)	10,000 (10,000)		300 (300)	10,300 (10,300)
Hasan Cakir (SZFG)	8,000 (8,000)		400 (300)	8,400 (8,300)
Karl Ehlerding (KHS)	10,000 (10,000)		500 (750)	10,500 (10,750)
Roland Flach (KHS)	10,000		750	10,750
Ulrich Kimpel (MRW)	10,000 (3,333)		300 (100)	10,300 (3,433)
Thomas Lehne (SZST)	5,000		400	5,400
Frank Markowski (MRW)	(6,666)		(200)	0 (6,866)
(MPR)	(2,000)		(100)	0 (2,100)
Christian Schwandt (SZST)	(1,250)		(100)	0 (1,350)
Dr. Werner Tegtmeier (MRW)	10,000 (10,000)		300 (300)	10,300 (10,300)
(SMP)	5,000 (2,917)		300 (200)	5,300 (3,117)
Dr. Hans-Jürgen Urban (SZS)	15,000 (15,000)		400 (400)	15,400 (15,400)
Total	**93,000** (69,166)		**4,400** (2,750)	**97,400** (71,916)
Sum total	**1,336,333** (969,166)	**79,583** (80,000)	**69,400** (64,250)	**1,485,317** (1,113,416)

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 http://www.salzgitter-ag.de/en/Investor_Relations/Corporate_Governance/ at any time.

4. Employees

The development of the Salzgitter Group hinges on our employees. We therefore invest concertedly in human resources planning, personnel development and a healthy working environment. Our aim is to promote the talents and personal responsibility of our employees, to offer them a motivating place to work and to foster their loyalty to the company long term. These are elements that contribute to maintaining the Salzgitter Group's competitive ability against the backdrop of the current business challenges and changing demographic conditions.

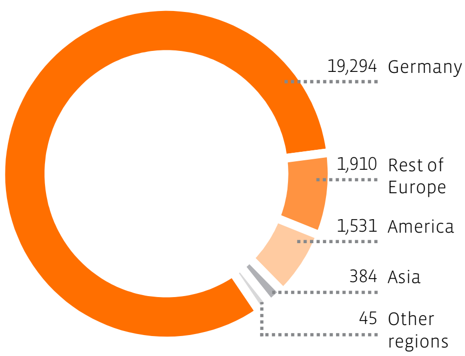
Trends in the workforce

	2013/12/31	2012/12/31	Change
Core workforce Group[1]	**23,164**	**23,247**	**– 83**
Steel Division	7,091	7,091	0
Trading Division	2,142	2,052	90
Tubes Division	5,431	5,552	– 121
Services Division	3,600	3,746	– 146
Technology Division	4,738	4,639	99
Holding	162	167	– 5
Apprentices, students, trainees	1,495	1,542	– 47
Non-active age-related part-time employment	636	769	– 133
Total workforce	**25,295**	**25,558**	**– 263**

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

The core workforce of the Salzgitter Group came to 23,164 employees on December 31, 2013, which represents a year-on-year decrease of 83 persons versus the previous year. This number includes 116 employees accounted for in the personnel statistics for the first time owing to the initial consolidation of Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH (SMS) in the Trading Division. Including trainees and employees in non-active age-related part-time work, the core workforce stood at 25,295 employees.

Regional distribution of the workforce



At the end of the year we had 894 temporary employees, which corresponds to 3.7 % of the sum total of core workforce members and staff outsourced. The number of staff sourced externally has therefore fallen by 287. As of December 31, 2013, 536 members of the workforce were working short time.

Personnel expenses amounted to € 1,567.5 million in 2013, which is 4.1% higher than in the year-earlier period. This increase is primarily attributable to wage increases from collective bargaining and non-recurrent effects from the implementation of the "Salzgitter AG 2015" reorganization program.

"Salzgitter AG 2015"

We initiated our reorganization program in order to stabilize the Salzgitter Group's competitiveness in the face of the European steel industry's structural crisis. The changes to structures and process workflows within the Group also entail personnel adjustments. Potential for cutting more than 1,500 positions in the various companies was thus identified, implementing the measures from the "Salzgitter AG 2015" program.

We carry out personnel adjustments in the most socially sustainable way possible, our aim being to deploy personnel-related instruments on a voluntary basis. With a view to implementing the relevant measures, the Executive Board and employee representatives of Salzgitter AG (SZAG), accompanied by IG Metall, signed a "Pact for the Future" used primarily to define the instruments available for personnel management. In the financial year ended, personnel adjustments focused on reducing temporary staff and concluding severance agreements.

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

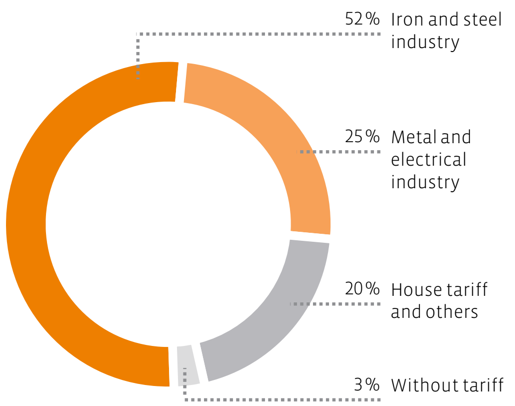
Collective bargaining rounds in Germany

The west German steel industry reached a collective bargaining agreement in March 2013 that was subsequently adopted by the tariff area in the east. The agreement applies to around 50% of the Group's domestic workforce. It includes an increase of 3.0% in wages and salaries as well as in trainee remuneration from March 1, 2013. The collective bargaining agreement may be terminated on May 31, 2014 at the earliest.

Similarly, a pilot collective agreement was concluded in the metal and electronics industry for the pay scale area of Bavaria in May, and was subsequently adopted by the rest of the Federal Republic. The agreement applies to around 25% of the Group's domestic employees and provides for an increase of 3.4% in wages and salaries as well as in trainee remuneration from July 1, 2013 onward. As of May 1, 2014, there will be another increase of 2.2%. The agreement will run until December 31, 2014.

In the Trading Division a rise of 2.75% was agreed for effective wages and salaries as of August 1, 2013, and another of 1.8% increase as of June 2014. In addition, employees are to receive a one-off payment of € 90 in January 2014. This agreement runs until July 31, 2015.

Breakdown of tariffs within the Group (domestic)



Human resources planning

Sustainable personnel policy means investing in continuous professional development, also in times of economic difficulty. At the end of 2013, we employed 1,274 trainees and students throughout the Group in a combination of theory and practice. They are offered attractive training programs in more than 30 professions and dual study programs. In addition, there were 221 various contracts with interns, student trainees and other trainees, which meant that our trainee ratio was once again in excess of our own requirements. In this way, we secure the next generation of employees while making a contribution to society.

In terms of human resource planning, we have for many years opted for activities aligned to the long term, such as partnerships with schools and universities. In addition, we held a series of on-site events in 2013 to give young people the opportunity of getting to know SZAG and of learning about career prospects in the Group companies. Our recruiting activities center around personal contact at university career fairs, information days and other events. We supplement this by using social media channels to get in touch with next-generation employees, such as our career blog that has been up and running for several years on the YouTube channel of SZAG.

SZAG was again chosen as one of the 100 most popular employers for engineers in the making. This verdict was reached in the “trendence Graduate Barometer 2013” by almost 14,000 students about to take their exams in engineering.

Sustainable personnel policy

As part of the groupwide “GO – Generation Campaign 2025”, SZAG has been developing strategies in response to the challenge of demographic change since 2005. Under “GO” we set in place the necessary framework conditions relating to our personnel policy to remain competitive and retain our capacity for innovation even in the face of changing workforce structures and to hold our own as an attractive employer in the competition for highly qualified personnel and managers.

We have therefore consistently continued to promote young professionals, experts and managers in the period under review. Having supplemented our Group’s personnel development program in 2012 to include a mentoring program for women, the first run of this offer has meanwhile come to an end, with successor programs planned. This program supports qualified women who have worked successfully in their jobs for several years in their professional development.

Occupational health management

We view comprehensive occupational health management as a self-evident component of our personnel policy. Numerous offers contribute to maintaining and fostering the health of our employees.

In 2013, we focused our endeavors on promoting the individual’s responsibility for their own health, training managers, a comprehensive concept for employees with musculoskeletal disorders, and an operational concept for psychological health. These measures have been embedded in Salzgitter AG’s “GO – Generation Campaign 2025” to meet the challenge of demographic change.

Communication

Our Group Forum this year was held under the slogan of “Thinking Ahead – Goals, Paths, Values”. A total of 311 board members, managers and senior executives from all Group companies listened attentively to the explanations of the Executive Board on the general situation of the Group, along with the Group’s financial and personnel policies. Another highlight of the event was the presentation of innovative processes and projects initiated under the “Salzgitter AG 2015” reorganization program. A keynote speech that is highly relevant to today was given by Prof. Norbert Winkeljohann, spokesman of PricewaterhouseCoopers AG’s Management Board, on the topic of “Europe caught in the Financial and Economic Crisis – Current Challenges and Opportunities for the Steel Industry”.

Mission statement

We made good progress in developing the Group’s new mission statement in the financial year elapsed. As corporate philosophy made visible, it is intended to reflect and reinforce our shared, groupwide identity. Employees from all companies and hierarchical levels worked on identifying values in 2012 that would give the Salzgitter Group its future direction. At the end of the process they had created the basis that underpins the mission statement. Further key content consisted in formulating statements on the entrepreneurial goals and ways of achieving these goals.

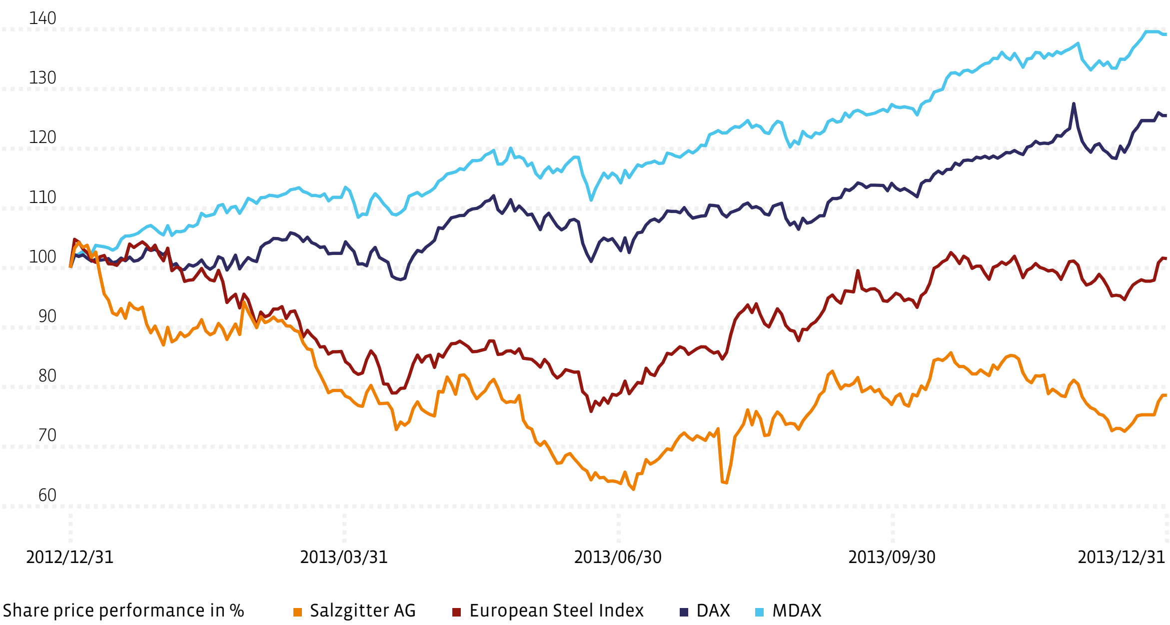
In 2013, we discussed the draft of this mission statement on a broad basis throughout the Group in order to ensure employee participation and acceptance. Moreover, various projects that span the companies and concern the new values were launched with the aim of reinforcing existing strengths and leveraging development potential. We intend to pursue this path in 2014 in the runup to the new mission statement’s approval in its final version.

5. The Salzgitter Share

Capital Market and Price Performance of the Salzgitter Share

The stock markets performed very well in 2013. After a modest start to the year, mid-April saw a pronounced uptrend, with the DAX surpassing a level of 7,000 points for the first time since 2007. The economic recovery in the USA and the first signs of stabilization in Europe's economy were the main drivers behind this development. Key rates that remained unchanged at a low level and the resulting narrow yields on bonds reinforced this trend by enhancing the attractiveness of investing in equities. The end of June marked a second bull market phase, briefly interrupted by profit taking, which held steady through to the end of the year and peaked at a historical high of 9,594.35 points on December 30. Overall the DAX improved on its closing price at year-end, lifting it by 25 % compared with the year-earlier figure, while the MDAX rose by as much as 39 %.

Salzgitter AG share price performance vs the European Steel Index, MDAX and DAX in 2013



Sources: XETRA closing price Deutsche Börse AG, Datastream STEELEU

In contrast, the capital market remained extremely skeptical with regard to steel equities in view of the huge challenges faced by the European steel industry. As a result, the Salzgitter share had already reached its highest level of € 41.56 by January 3, starting from a 2012 closing price of € 39.43. Given a lack of positive news, and in anticipation of details about the groupwide "Salzgitter AG 2015" restructuring program, our share underwent a prolonged phase of consolidation that lasted until July. News on progress made with SZAG 2015 as part of the half-yearly report published met with a generally positive response by the capital market, allowing our share price to recover from its lowest point (€ 24.54 on August 7, 2013) and gain around 25 % over the period through to mid-November. The final month saw slight profit taking, with the result that the Salzgitter share emerged from trading at a price of € 31.00 at year-end.

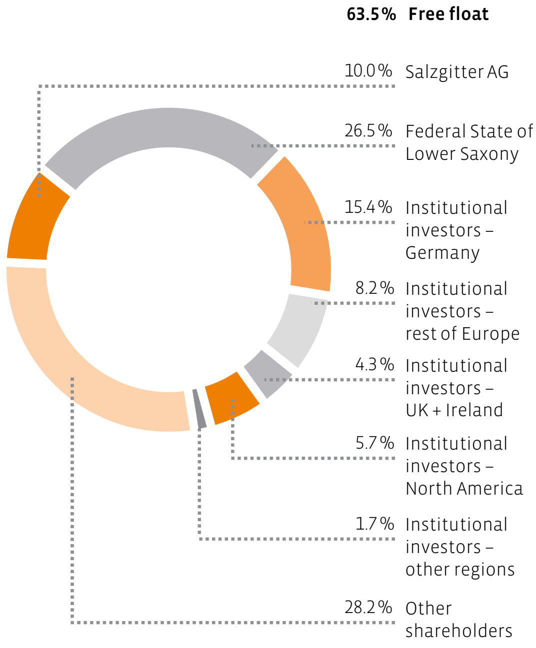
The average daily turnover of our share on Germany's stock exchanges advanced by around 9 % to approximately 347,000 units. With an accumulated trading volume of € 2.7 billion, Salzgitter AG (SZAG) took 14th place in the MDAX ranking of Deutsche Börse AG on December 31, 2013. Excluding treasury shares and the shares held by the Federal State of Lower Saxony, free float market capitalization stood at around € 1.1 billion, which signifies 39th place in terms of this criterion.

Business and Organization

Shareholder structure

According to a survey commissioned in November 2013, the shareholder structure of SZAG has changed only slightly in comparison with year-end 2012. Apart from 10% in treasury shares, shareholders registered in Germany, including the Federal State of Lower Saxony as a major investor, held at least 41.9% of the Salzgitter shares; this constitutes an increase of 3.3 percentage points versus the previous year (2012: 38.6%). The stake held by German institutional investors rose to 15.4% (2012: 12.1%); the share of foreign investors declined to 19.9% (2012: 25.9%). 28.2% of our investors could not be identified. The latter are likely to be private domestic and foreign private 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 2013/12

Treasury shares

SZAG's portfolio of treasury shares came to 6,009,700 units as per December 31, 2013, and is unchanged from December 31, 2012.

Information for investors

		2013	2012	2011	2010	2009
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	54.3
Market capitalization[1)2)]	€ m	1,676.7	2,132.4	2,089.4	3,124.6	3,716.4
Year-end closing price[1)3)]	€	31.00	39.43	38.63	57.77	68.44
Stock market high[3]	€	41.56	48.95	65.64	74.32	73.40
Stock market low[3]	€	24.54	27.03	32.43	45.76	40.22
Earnings per share (EPS)[4]	€	–9.10	–1.89	4.31	0.55	–7.10
Cash flow per share (CPS)[4]	€	2.31	7.90	–3.63	21.96	22.75
Dividend per share (DPS)	€	0.20[5]	0.25	0.45	0.32	0.25
Total dividend	€ m	12.0[5]	13.5	27.0	19.3	15.1

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) Subject to approval by the Genaral 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 2013. Based on a nominal share capital of € 161.6 million, the dividend distribution proposed totals € 12.0 million.

Investor Relations

In 2013, our wide range of information addressing private and institutional investors once again met with great demand. We presented the results of the financial year 2012 and of the first six months of 2013 at well-attended analyst conferences in Frankfurt am Main and London, and discussed them in detail with representatives of the capital market. We arranged telephone conferences on the publication of the reports for the first quarter and the first nine months of 2013. We also made presentations at numerous investor conferences, as well as at road shows in Germany, Europe and the US. 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 with Executive Board members and other managers. More than 20 analysts took part in our Capital Markets Day in December that focused on “Salzgitter AG 2015”, as well as on the Group’s automotive competence.

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 overview of current developments within the Group and its business environment. It also engaged members of the Executive Board as keynote speakers.

Recommendations and company reports on SZAG were issued by a minimum of 27 financial institutions in the financial year 2013. At year-end their ratings were:

- 7 buy/outperform
- 5 hold/neutral
- 15 sell/underperform

One financial institution took up the coverage of our company in 2013.

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

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

II. Goals and Key Factors for Success

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

The overriding goal of the Salzgitter Group consists, as before, in "preserving its independence through profitability and growth", also in the face of the currently difficult environment. Our strategy and all decisions and tactical measures derived therefrom are geared to implementing our corporate policy of 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 changing conditions. After all, the Salzgitter Group is currently operating in a market environment that is dominated by a structural crisis in the European steel industry. Increasingly fierce competition, emanating above all from the protracted capacity underutilization of numerous manufacturers in southern Europe, has exerted a great deal of pressure on the businesses of steel producing companies. Peiner Träger GmbH (PTG), whose sectional steel products are processed by the construction industry that is in deep recession in many southern European countries, is the hardest hit.

In order to safeguard our competitiveness, also under difficult general conditions that will prevail in the medium term, we initiated the "Salzgitter AG 2015" reorganization project. This project has the aim of adjusting the hitherto strongly decentralized structures and workflows of the whole group of companies to the harsher conditions in the market and in the competitive environment.

The Group's new organization structure that enters into force on January 1, 2014 is keenly oriented toward the customer and the market and based on clear, lean management structures. In addition, it forms the starting point for extensive measures designed to enhance process workflows. The future segmenting of the companies enables customer and market requirements to be fulfilled in an effective, coordinated and efficient manner. To this end, the Group companies are assigned to five business units: Strip Steel, Plate/Sections Steel, Energy, Trading and Technology. The service companies that primarily operate within the Group will either be allocated to the business segments of their largest Group customers or managed centrally in one of the areas of Executive Board responsibility as shared services across all business units. The merging of companies sharing a market segment or that have dovetailing value chains, as well as the dissolution of intermediary holdings, form the preconditions for improving market penetration and fostering leaner organization structures.

The Executive Board of Salzgitter AG (SZAG) is to be reduced from formerly six to three members comprising the Chief Executive Officer, the Chief Financial Officer and the Chief Personnel Officer. The activities forming part of the business units are coordinated by a business unit manager, a representative from the companies of the respective business unit. The Executive Board and the business unit managers constitute the new Group Management Board that will directly coordinate and control the activities of the companies while incorporating operational expertise across the business units.

As another core component of the "Salzgitter AG 2015" program, we have identified numerous specific measures to improve process efficiency that are now ready for implementation or already under way. For instance, Salzgitter Flachstahl GmbH (SZFG) is investing € 70 million in building a pulverized coal injection (PCI) plant to reduce metallurgy costs. Under the current circumstances the amortization period has been calculated at around two years. The overall profit improvement potential identified within the Group and underpinned by projects amounts to more than € 200 million a year. More than half of this potential consists of further developing technical processes and initiatives in logistics, procurement and data processing; other measures relate to plans for personnel reduction in excess of 1,500. With a view to implementing personnel-related measures, the Executive Board and employee representatives of SZAG, accompanied by IG Metall, signed a "Pact for the Future" with the primary aim of defining the instruments available for personnel management incorporating personnel adjustment measures that are as socially compatible as possible.

We have agreed a viable business concept for PTG, taking account of the specific and extremely difficult market conditions. Production capacity was scaled back by operating the two furnaces alternately to one million tons of crude steel and rolled steel a year respectively, and the workforce was adjusted to around 800 employees.

Establishing the Accounting Shared Service Center, a process we launched in 2012 as one of the first steps toward realigning our core processes, has been provisionally concluded at the Salzgitter site. We are currently working on setting up a location in North Rhine-Westphalia. Once the processes have been optimized, we anticipate substantial cost savings such as those already achieved through centralizing pension and payroll accounting.

The valuable contributions of our employees are critical for achieving our corporate objectives. Consequently, forward-looking further training, the systematic fostering of the workforce and the recruiting of highly qualified junior staff has always been given high strategic priority.

To achieve a top-down/bottom-up synthesis between our corporate goals and the endeavors of our operating units and to unable a systematic method of procedure, we have used a set of tried-and-tested management tools for many years. We reviewed these tools as part of the "Salzgitter AG 2015" program and adjusted them to the requirements of the new Group and management organization structure.

A/Group Management Report and Management Report on Salzgitter AG
Background Information on the Group/II. Goals and Key Factors for Success

Group Structure effective January 2014

Salzgitter AG

Salzgitter Mannesmann / Salzgitter Klöckner-Werke

BU Strip Steel
- Salzgitter Flachstahl
- Salzgitter Europlatinen
- Salzgitter Bauelemente
- Salzgitter Mannesmann Stahlservice

BU Plate / Section Steel
- Ilsenburger Grobblech
- Salzgitter Mannesmann Grobblech
- Peiner Träger
- HSP Hoesch Spundwand und Profil
- DEUMU Deutsche Erz- und Metall-Union

BU Energy
- Mannesmannröhren-Werke
- Europipe 50 %
- Salzgitter Mannesmann Line Pipe
- Salzgitter Mannesmann Großrohr
- Salzgitter Mannesmann Precision
- Salzgitter Mannesmann Stainless Tubes
- Hüttenwerke Krupp Mannesmann 30 %
- Borusan Mannesmann Boru 23 %

BU Trading
- Salzgitter Mannesmann Handel
- Salzgitter Mannesmann Stahlhandel
- Salzgitter Mannesmann International
- Universal Eisen und Stahl

BU Technology
- KHS
- KHS Corpoplast
- KHS Plasmax
- Klöckner DESMA Elastomertechnik
- Klöckner DESMA Schuhmaschinen

Other / Consolidation
- Verkehrsbetriebe Peine-Salzgitter
- Hansaport 51 %
- Gesis Gesellschaft für Informationssysteme
- Telcat
- Salzgitter Mannesmann Forschung
- Salzgitter Automotive Engineering
- Salzgitter Hydroforming
- RSE Grundbesitz und Beteiligung
- Salzgitter Mannesmann Personalservice
- Glückauf Immobilien
- Aurubis 25 %

BU = Business Unit

Organization chart as of January 2014

Management and control instruments

We strive to steadily and sustainably enhance the competitive ability of the Salzgitter Group. With this in mind, the company deploys 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 goals for executives and non-tariff employees.

Alongside 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 primary objective of our company remains the "preservation of our independence through profitability and growth". As a quantitative, performance-related target, the Group has set itself the goal of achieving a return on capital employed (ROCE) of at least 12% over an economic cycle, generally defined as a period of five years. ROCE shows the relationship of EBIT 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	**2013**	**2012**
EBT	–477.8	–29.4
+ Interest expenses	125.3	167.1
– Interest expenses for pension provisions	–63.6	–77.9
= EBIT I	**–416.1**	**59.8**

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	2013	2012
Balance sheet total	8,061	8,930
– Pension provisions	– 2,070	– 2,182
– Other provisions excluding tax provisions	– 691	– 678
– Liabilities excluding bonds, bank liabilities and notes payable, liabilities from finance leasing and forfaiting	– 1,096	– 1,329
– Deferred tax claims	– 237	– 260
= Capital employed	**3,967**	**4,481**

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 2004 up to and including 2013, we exceeded the profitability target by delivering an ROCE of 13.0 %. In 2013 we generated a ROCE of –10.5 % (previous year: 1.3 %). Upon elimination of the net cash investments held at banks, ROCE from industrial operations came to –14.5 % (previous year: 0.7 %).

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 emphasis on the systematic and consistent leveraging of existing potential across all areas of the business, which is the reason why we introduced the concept of the Profit Improvement Program (PIP) into the Salzgitter Group back in 1996 as a groupwide, uniform management instrument.

Under PIP we combine all explicitly defined measures designed to improve the performance and results of the Group's companies 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 results of programs specific to individual companies are also incorporated into PIP. Noteworthy examples are, among others, "Fit4 Future" (KHS Group) and the structural programs run by the main companies in the Steel Division.

The measures to enhance process efficiency under the "Salzgitter AG 2015" reorganization program and the resulting reduction in personnel expenses have delivered profit improvement potential of more than € 200 million a year; they are also included in PIP. The degree to which goals are achieved is measured every 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. The three-letter abbreviation P, I, P continues to be 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

In 2013, we raised the number of active measures given a monetary value (including "Salzgitter AG 2015") significantly compared with the year before. They will be instrumental in helping to achieve a higher full-year effect (FYE). As a result of the measures from the "Salzgitter AG 2015" program and the ensuing internal optimization, the full-year effect is now less dependent on the economic situation.

PIP's pleasing result has come about from the contributions of various areas of the company. Alongside activities in the sales markets, with products delivering higher value added and an expansion of sales channels, we have identified considerable potential from improving process workflows in production and administration and from streamlining the use of material and external services. 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 paying increasing attention to ensuring 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.

Strategy

Growth strategy

Activities in 2013 were focused on developing and initiating the "Salzgitter AG 2015" program. The swift implementation of the measures under this program is a precondition for safeguarding our competitiveness and for creating an important foundation for future scope in respect of the Group's future strategic development. The strategic goals associated with this development can be classified as follows:

Internal goals

- Optimizing quality
- Raising productivity and improving energy and resource efficiency
- Rounding out the product program
- Customer- and market-based product innovations
- Closing gaps and optimizing the value and logistics chains
- Reducing our dependency on external deliveries and services in sensitive areas

External goals

- Making attractive acquisitions in our core segments
- Selectively strengthening regional market positions
- Supplementing/extending the product program and service offering
- Industrial diversification

Our preferred approach to generating growth for the Group is to draw on our existing technological and industrial know-how. More substantial measures to promote growth in an international environment subject to swift change where accurate predictions are sometimes impossible go hand in hand with high business risks as decisions that will have a far-reaching effect on the future must be made based on empirical data, knowledge and experience and the deployment of substantial funds. Owing to the economic and sovereign debt crisis prevailing in many European countries and the associated economic risks, our external growth targets have currently been given a lower priority than measures to enhance the performance of the Group. Smaller to mid-sized acquisitions are nonetheless feasible and readily financed.

It is our intention to actively accompany potential consolidation processes in the sectors of steel, trading, tubes and technology that represent our key operations in the future as well. Our premise of not taking part in bidding wars or paying unrealistic prices for acquisitions still applies.

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)[1] to serve the growing prefabrication requirements of our customers. Salzgitter Europlatinen GmbH (SZEP) and Salzgitter Bauelemente GmbH (SZBE), companies engaged in further processing, extend the business unit's value chain by offering customized products from the automotive and construction sectors. The capital expenditure of SZFG in recent years was geared to achieving a balanced product portfolio and diversified customer spectrum. Moreover, we are able to reduce the sourcing of input material for the production of tubes and reduce our costs through improving our facilities. As exemplified by the construction of a pulverized coal injection plant that commenced in 2013 to reduce metallurgy costs, deliberations on how we can bring more flexibility into and optimize the way we use energy and resources are set to play an even greater role, as will the development of new products qualities to meet the sophisticated needs of our customers.

[1] Until December 31, 2013 Hövelmann & Lueg GmbH and Stahl-Metall-Service Gesellschaft für Bandbearbeitung mbH

The **Plate/Sections 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 to Peiner Träger GmbH (PTG) has allowed us to coordinate logistics processes more closely and flexibly. In our heavy plate business we positioned ourselves at an early stage to take advantage of the growing market of the wind turbine industry. The investments already made here and those currently under way are designed to strengthen our leading position as an input materials supplier in this burgeoning industry. Our capacity adjustments at PTG serve to counteract the situation in Europe's sectional steel market that is set to remain difficult in the medium term.

The Group's tubes activities, largely geared to infrastructure projects in the energy sector and of a late cyclical nature due to generally long-term demand, are combined under the **Energy Business Unit**. 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 demand for energy in the wake of greater efficiency now mean that growth opportunities are particularly to be found 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. As part of the precision tubes group's restructuring program, we have implemented capacity adjustments at the French precision tubes company of Salzgitter Mannesmann Précision Etirage SAS (MPE) in response to declining demand in western and southern Europe. In addition, a leaner process and organization structure with an associated program to raise productivity is set to improve the competitiveness of the European precision tubes group.

Alongside a well-developed organization of European stockholding steel trading subsidiaries, the **Trading Business Unit** has a global trading network and links our production companies with the international markets for sales and procurement. We will forge ahead with the development of our international trading business, sustainably fostering our customer relationships and promoting the sale of Salzgitter products in countries outside Europe.

As part of the **Technology Business Unit**, KHS GmbH (KHSDE), a supplier of filling and packaging plants for the beverage industry, concentrates on technologically sophisticated and premium solutions. An international production and service network provides an extensive and coordinated product portfolio from a single source. In the future, even greater emphasis will be placed on the development of sustainable, innovative products for our customers encompassing the entire lifecycle of a plant, from planning through to end-of-life recycling. To improve our competitiveness, we are stringently implementing the "Fit4Future" restructuring program initiated in the KHS Group in 2011.

Our **service companies** are ideally positioned to support the Group's producing units with service offerings. They mainly provide intra-group services on a non-profit basis. As part of the new Group organization, they will either be allocated to the business segments of their largest Group customers or managed centrally in one of the areas of Executive Board responsibility as shared services across all business units. Salzgitter Mannesmann Forschung GmbH (SZMF) occupies a special position in terms of its value for the Group: It combines research on materials, products, processes and applications at the cutting edge of technology destined first and foremost for the companies of the steel and tubes business but also for our customers and partners.

2. Investments

As in previous years, the investments measures of the Salzgitter Group focused on the Steel Division in the financial year 2013. The most important projects are explained in the detailed sections which follow on the individual divisions.

Additions to non-current assets from investments totaled € 342 million (previous year: € 393 million). At € 286 million, the volume of investment capitalized in property, plant and equipment and intangible assets was covered by scheduled depreciation and amortization (€ 338 million). The financial assets rose by € 57 million, which was primarily attributable to further loans extended to portfolio companies.

Depreciation/amortization[1]

	Investments		Depreciation/amortization[2]	
In € m	Group	of which Steel Division	Group	of which Steel Division
2013	**286**	**180**	**523**	**409.1**
2012	325	187	358	248
2011	361	233	359	249
2010	497	410	377	275
2009	677	541	543	308
Total	**2,146**	**1,550**	**2,160**	**1,489**

[1] Excluding financial assets
[2] Scheduled and unscheduled write-downs

Of the investments in property, plant and equipment and intangible assets during the financial year, € 180 million was attributable to the Steel Division, € 46 million to the Tubes Division and € 10 million to the Trading Division. The Services and Technology divisions invested € 31 million and € 18 million respectively.

Investments in property, plant and equipment and depreciation and amortization of property, plant and equipment by division

	Investments[1]		Depreciation/amortization[1][2]	
In € m	2013	2012	2013	2012
Steel	179.5	187.0	409.1	248.1
Trading	10.3	16.6	12.6	11.3
Tubes	46.2	49.9	48.4	46.1
Services	31.4	49.5	26.2	24.9
Technology	17.6	19.2	24.8	25.7
Other/Consolidation	0.5	3.1	1.9	2.1
Group	**285.6**	**325.3**	**523.0**	**358.2**

[1] Including intangible assets
[2] Scheduled and unscheduled write-downs

Steel Division

The capital expenditure of **Salzgitter Flachstahl GmbH** (SZFG) was focused on optimizing existing facilities in 2013. To this end, the following projects were advanced:

SZFG is investing € 70 million in the construction of a coal grinding, drying and injection plant to reduce metallurgy costs. The measure's high cost effectiveness lies in the substitution of oil and coke sourced externally by cheaper pulverized coal. The coal is produced in the coal grinding and drying plant and subsequently injected into the blast furnace. Commissioning is scheduled for 2015.

The tandem mill was supplemented by an inlet system comprising strip storage and a welding machine. The measure permits partly continuous rolling, thereby optimizing both the mill's efficiency and the quality of the products produced. The inlet system went online smoothly in the fourth quarter.

The "Converter A Renewal" investment measure, that entailed enlarging the vessel by around 50 m^3 and improving the drive concept, was completed in 2013. The aim is to optimize output volumes while reducing operating costs.

In 2013 **Peiner Träger GmbH** (PTG) restricted its investment activities to absolute necessities due to the difficult economic situation.

Ilsenburger Grobblech GmbH (ILG) continued to concentrate first and foremost on implementing the major "ILG 2015" investment in 2013. Under this project, the input volume of thick slabs (350 mm) is to be more than doubled and the weight of the plate raised from 21 to 28 tons.

Tubes Division

The **EUROPIPE Group's** investments were mainly geared to process optimization and the objective of safeguarding its leading market position through the continuous improvement of product quality. The Mülheim Mill, for instance, installed automated measuring equipment to calculate the geometry of the pipes.

The "Replacement of the Cross Cut Shear" at the Mülheim plate rolling mill of **Salzgitter Mannesmann Grobblech GmbH** (MGB) was successfully concluded in 2013.

Salzgitter Mannesmann Line Pipe GmbH (MLP) took a singularly unique hydrostatic testing line into operation at its Siegen mill, which now enables the simultaneous testing of up to three pipes of different lengths and diameters. The Hamm mill invested in ultrasonic test equipment that can be used to test complete pipes up to an external diameter of 24 inches.

In order to meet stronger demand emanating from NAFTA country customers, the expansion of existing facilities at **Salzgitter Mannesmann Precisión S.A. de C.V**. (MPM) included a new facility for the short-length production of tube sections.

The **Salzgitter Mannesmann Stainless Tubes Group** commissioned a new bright annealing furnace and additional ultrasonic testing facilities at the Montbard mill to eliminate production bottlenecks. With the extension of the extrusion press, approved at the end of the year, the foundations were laid for expanding the product portfolio in the medium term to include larger dimension, seamless stainless steel tubes.

Trading Division

In the financial year 2013, the Trading Division once again concentrated its investments on the modernization of existing and the acquisition of new facilities. For example, the **Universal Eisen und Stahl Group** expanded the finishing capacities in Neuss as well as that of its American subsidiary in Houston, thereby taking account of the greater customer requirements for services.

In addition, the Dutch company **Salzgitter Mannesmann Staalhandel B.V.** (SMNL) invested in securing the section steel business and in the construction of a new building for the purpose of expanding its flat products trading.

Services Division

As part of the standardization and renewal of its locomotive fleet, **Verkehrsbetriebe Peine-Salzgitter GmbH** (VPS) took receipt of another eight locomotives, which brings the total to 26 of the 40 units that have been ordered.

Technology Division

In 2013, the investment activities of the Technology Division were focused on replacement and streamlining measures geared to improving the competitiveness of the KHS Group in a sustainable manner. The IT projects currently under way in Germany and in the international companies are designed to optimize processes.

An extensive project for the software-based configuration of KHS products and packaging lines under the name of "Product Configurator" was launched in 2012. This measure is aimed at enabling an even more efficient tendering of quotations and processing of orders based in future on products and processes that are standardized to a higher degree. The implementation is being carried out in close coordination with the Customer Relationship Management (CRM) system. The first machinery configurations were completed in 2013.

Emulating the successful approach adopted in the Kleve plant, continuous production is being implemented at the Worms plant to reduce assembly times and logistic costs.

An important strategic cornerstone of KHS' "Fit4Future" program is the expansion of the stretch blow machine business and thus of the PET technology. In order to promote this, a new building was erected for KHS Corpoplast GmbH (BEVCP) that houses an extension of the assembly area. This measure was completed in February 2013.

3. 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.

Salzgitter Mannesmann Forschung GmbH (SZMF), one of Europe's leading steel research Institutes, is the central coordinator responsible for ensuring innovation and product development in the Steel and Tubes divisions. The company systematically fosters 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.

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

Duisburg concentrates on the tubes, sections and heavy plates segments. The company's range of expertise in the tubes segment covers welded and seamless precision tubes and line pipes right through to large pipelines. In this segment as well, 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 Division as well, as R&D underpins the future viability and sustainability of products. The innovation and product development processes consistently reflect customer and market requirements. The emphasis is on maintaining technological leadership with high-quality and cost-efficient products.

The ability to innovate is our strength: Proof of our innovative strength is shown by the increase in the total number of patents and patent applications in the Technology Division to 4,190 (2012: 3,676) and by the rise in registered trademarks to 524 (2012: 487). All in all, the whole Group held more than 4,907 registered patents (2012: 4,332) and1,399 trademark rights by the end of 2013 (2012: 1,358).

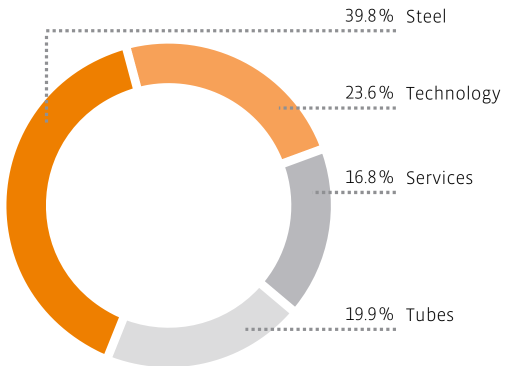
R&D spend

In 2013, the Salzgitter Group dedicated a budget totaling € 103.2 million to research and development and relating activities, of which € 15.3 million was accounted for by external customers. Mostly due to SZFG´s activities in the new Belt Cast Technology (BCT) the budget increased by about € 6 million compared to last year. This amount was divided up within the divisions as shown by the adjacent chart:

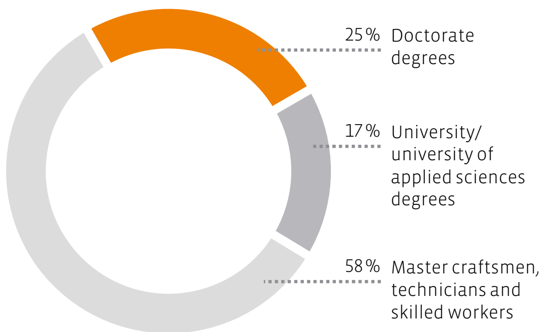
The R&D activities of Salzgitter AG (SZAG) were leveraged through cooperation projects with other market participants and research institutions, bringing the overall project budget to more than € 200 million and thus raising the benefit. R&D-related expenses contributing to value added within the Group came to 7.4 % (2012: 5.1 %).

As per December 31, 2013, 828 employees in our Group were engaged in research and development activities. Of this number, 302 members of staff work at SZMF and 526 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 by division



Breakdown of qualifications at SZFM



R&D focus areas in 2013

The R&D focus areas are based on market or customer requirements. There is a demand not just for products but also for solutions. R&D work in 2013 concentrated on the topic of sustainability. Examples include the belt casting technology going online in Peine, the installation of high-performance laser welding trial facilities to investigate the welding properties of lightweight and pipeline steels, the modeling of material properties in tubes aimed at reducing the amount of resources used, and the development of high-performance steels for more efficient power plants. In addition, a life cycle assessment model enables us to build a comprehensive picture of all resources used by Salzgitter Flachstahl GmbH (SZFG). Moreover, the Technology Division concentrated more on all-round system solutions instead of developing individual equipment.

More detailed information on the aforementioned projects:

Particularly resource efficient: belt casting technology and HSD® Steel

With belt casting technology, SZAG 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. SZFG's new pilot facilities at the Peine site have successfully passed warm commissioning and are now at the break-in stage. In the downstream steps of the process, the 1,000 mm wide and 15 mm thick strip casting material is already undergoing initial hot rolling and further processing tests. The emphasis lies on the production of new high manganese content lightweight construction steels such as HSD® Steel that displays ultra-high strength combined with good formability. In 2013, very good progress was made with numerous customer projects for analyzing the potential of this material. Studies in different sub-segments of industry were conducted on the basis of forming, welding and simulation technology. Various prototype components made of HSD® steel have already been cast and successfully tested.

Spot on laser

The end of 2012 saw SZMF take a high-performance welding laser into operation. The test facility features process-integrated, inductive heat treatment and is positioned in the high-end segment with a laser output power of 16 kilowatts (kW). It replaces an old 3 kW system. The facility is capable of securely welding plate in thicknesses of up to 18 mm, enabling this welding technology to be used for the first time for product development on strip steel as well as pipes and tubes in the aforementioned thickness range.

Life cycle assessment (LCA): life cycle assessment of steel products

The sustainable handling of the earth's resources and minimizing environmental pollution are key challenges of our times. The results from life cycle assessments (LCAs) serve to indicate the environmental impact and sustainability of products. SZMF has modeled the entire steel production process for the main products of SZFG in terms of a life cycle assessment. In addition, a tool was developed that uses data from the LCA model to calculate the CO_2 equivalent and accumulated energy outlay for various steel assemblies. This process will assist customers in future in maintaining a positive life cycle assessment in the selection of materials.

New materials model cuts costs and development times in tubes production

In order to steadily improve the quality of tubes production within the Salzgitter Group, SZMF continually analyzes and optimizes the manufacturing processes, product properties and application potential. Relating to this, numerical simulation has established itself as an analysis tool complementing experimental trials. In cooperation with the Institute for Mechanics of Materials (IWM) in Freiburg, SZMF has developed a materials model able to deliver results in numerical simulations that reflect reality to an even greater degree. The high accuracy of prediction is particularly helpful in process design: The wear and tear on tools is minimized and the tolerance accuracy of tubes products further enhanced. In addition, new production processes can be more rapidly tested and installed, deploying fewer resources and personnel. There is also the possibility of deducing the quality of the final products from the properties of the input materials and knowledge of the individual production stages. In view of the stringent customer specifications, this is particularly important in adjusting production operations accordingly.

Power austenite: for use in tomorrow's power plants

Together with Salzgitter Mannesmann Stainless Tubes GmbH (SMST), SZMF has developed a material for use in the next generation of power plants. This steel with a special (austenitic) microstructure is a cost-effective iron-based alloy. An innovative reinforcement concept delivers the requisite mechanical properties for use at extremely high temperatures. At the same time, the material has been optimized to make it highly resistant to the corrosion caused by flue gases and ash, allowing efficiencies of more than 50% to be achieved in power plants and realizing considerable resource savings.

Innovative direct bottle printing

At "drinktec", the world's leading trade fair for the beverages industry, KHS GmbH (KHSDE) presented the KHS Innoprint PET technology as a system solution for direct digital printing of up to 36,000 PET bottles an hour. Highly sophisticated inkjet technology allows the receptacles to be directly printed with UV inks, resulting in print that has a high brilliance, excellent resolution and fully dispensing with plastic or paper labeling material. At the customer's request, each individual bottle can be embellished with a different motif. The hardened inks on the printed PET bottles can be removed without a trace for recycling. KHS Innoprint PET has therefore set new industry benchmarks in respect of flexibility and changeover times, as well as print quality and sustainability.

Sustainable production and packaging

In Nature MultiPack™, the KHS Group has created a sustainable packaging system that produces packaging units of PET bottles and cans, making the use of packaging materials completely redundant. Specially developed adhesives bond the containers together to form simple multipacks that can be easily transported with the aid of handles. The containers are very easy to separate from the group, leaving the rest bonded together. Nature MultiPack™ is sold as an end-to-end system in a packaging market where the demand for sustainability and environmental protection is steadily growing.

Future key areas of R&D within the Group

The relevant megatrends in mobility, energy and raw materials have a direct impact on the future use of steel. We invest a great deal of effort in R&D to ensure that our material continues to deliver innovative solutions here, particularly with regard to energy efficiency. Specific examples are material developments for lightweight automotive construction and concepts for the construction of wind farms, not forgetting solar thermal power plants, cutting-edge fossil fuel high-temperature power stations with high efficiency coefficients, diesel engines with more efficient combustion and injection pipes that can withstand greater pressure.

Our Technology Division consistently implements the "Fit4Future" strategy program in the area of filling and packaging technology. Our product developments explicitly combine customer benefits and sustainability by using minimal resources and maximizing efficiency, which sharpens our competitive edge. The modular structure of plants and machinery will remain a focal point in achieving maximum flexibility based on standardized kits.

Multi-year overview of research and development

		2013[3)]	2012[3)]	2011[3)]	2010[3)]	2009[3)]	2008[3)]	2007	2006	2005	2004
R&D expenses	€ m	88	82	79	78	81	80	60	58	58	57
R&D employees	empl.	828	879	910	972	916	983	725	688	706	701
R&D ratio[1)]	%	1.0	0.8	0.8	0.9	1.2	0.6	0.6	0.7	0.8	1.0
R&D intensity[2)]	%	7.4	5.1	4.4	4.9	9.0	3.0	2.2	2.0	2.9	4.2

1) R&D expenses in relation to Group sales
2) R&D expenses in relation to Group value added
3) KHS GmbH fully consolidated

4. Environmental Protection

European climate protection policy and Germany's renewable energies policy

From the standpoint of Salzgitter AG (SZAG), the energy and climate protection policy of the European Union has so far pursued an approach that is too one-sided. It concentrates first and foremost on achieving targets relating to CO_2 reduction, the expansion of renewable energies, and energy efficiency purely for Europe.

Even if these topics are fundamentally important for consistent climate protection policy, the global context requires an increasingly holistic and international consideration of the topic. The instruments set in place for Europe should not be developed further in isolation in relation to the targets here. Instead, they need to be critically scrutinized for their international applicability and acceptance. Only this kind of approach will offer, on the one hand, opportunities through a convincing structure and the simplicity of the designated range of instruments, as exemplified by the globalization of emission trading while, on the other, providing a platform for securing the competitiveness of European industry.

The global figures send a clear message: CO_2 emissions continue to rise although the international community of states has in principle recognized the two-degree target. If this target is to be achieved greenhouse gas emissions need to be significantly scaled back worldwide before the end of this decade. An important reason for the unabated increase in emissions is, in the opinion of SZAG, the understandable striving of almost all economies in the developing and emerging countries for more prosperity in the here and now that takes precedence over the goals of global climate protection. With a view to Germany's pioneering role, we therefore consider it more expedient to elucidate the economic and resource-conserving impact of the turnaround in Germany's energy policy ("Energiewende") and to take this as a conceptual starting point for transforming the energy system. With this end in mind, processes need to be approached in a more coordinated way so that each kilowatt hour of power produced by renewable energies can be put to the best advantage. Only if Germany's transition to renewable energies is an economic success and no patchy blackouts occur will imitation be inspired on an international scale, thereby serving climate protection.

Ongoing systemization of energy management in the Salzgitter Group

We have moved ahead with the targeted expansion of the groupwide project for sustainably improving energy efficiency initiated in 2011: all important energy-consuming production companies belonging to the Steel and Tubes divisions now have energy management systems certified pursuant to ISO 50001. For the individual locations, this ensures a target-oriented process and organization structure that encourages a systematic handling of the topic of energy. In addition, SZAG has set up a groupwide forum for energy management that the Group companies' energy officers use to promote structured, regular discussions about energy optimization and measures. A key component in these endeavors is a shared knowledge platform: the Group companies have already stored more than 600 energy efficiency measures in a database for mutual use, which is greatly conducive to the potential for learning from one another's experience.

High level of recognition for energy management and efficiency at Salzgitter Flachstahl GmbH (SZFG)

The German Energy Agency (dena) has invited participants to compete for the "Energy Efficiency Award", which is supported by the German Federal Ministry of Economics and Technology, since 2007. With the manifold activities to optimize energy consumption in its integrated steelworks as a starting point, SZFG competed for this prestigious prize in 2013 with its "Strategy to improve energy efficiency and to optimize the use of byproduct gases". The subject of the application was SZFG's management approach to raising efficiency as well as selected projects that had already been implemented, such as reducing fuel consumption in reheating furnaces and the modernization of the process gas (cogeneration) power plant. To great acclaim from the international expert community, SZFG took first place among the 87 applications submitted from eleven different countries at the dena Congress staged in Berlin on November 25, 2013.

Steel Division with new slag strategy

SZFG has awarded a new contract for processing the slag produced by the Steel Division, along with any debris, to a steelworks service provider with a good track record. The assigned responsibilities also include the operation of SZFG's own Barum residue center where byproducts are recycled and non-recyclable waste stored. In the process of awarding the contract, special emphasis was placed on ensuring coordinated and optimized processing for all slag produced in the Steel Division in order to leverage the synergy effects within the Salzgitter Group, while also generating competitive advantage from greater centralization in the sale of the fertilizers produced from the slag, as well as infrastructure building materials. From an environmental standpoint, these measures ensure that slag is reused in an even more resource-conserving and beneficial way.

Energy optimization of the furnace technology at Salzgitter Mannesmann Grobblech GmbH (MGB)

MGB renewed the roof of the walking beam furnace in the plate rolling mill and upgraded the recuperators in 2013, which has reduced the loss of heat in continuous production by 30 %. In addition, the hot-blast lines of the furnace have been optimized, with the result that less ventilation output is needed, thereby lowering the electricity consumption of this individual unit by 40 %.

Groundbreaking progress by the KHS Group's products

Recent years have already seen German inspectorate TÜV SÜD confer the label of "energy-efficient plant technology" on many KHS Group products, thus affirming their low consumption of energy and other amenities. In the financial year ended, the KHS Group also took another step – alongside further energy-saving and resource-conserving innovations such as Innofill DVD and Innosept Asbofill ASR – in the newly developed Airbag^{Plus} system toward enhancing sustainability and reducing costs in the manufacturing of PET bottles. Essentially the stretch-blow process is an energy-intensive method due to the high level of compressed air consumed. Airbag^{Plus} lowers the consumption of compressed air by 40 %, thereby also reducing the amount of energy used.

The new KHS ultra-clean concept is another compelling addition, now featuring greater sustainability, flexibility, cost reduction and space savings while offering an extremely high level of microbiological safety. This new solution consists of the stretch-blow InnoPET Blomax Series IV machine with a filler-capper system. Ultimately, this translates into 40 % less space needed at the customer's site and a reduction of 20 % in cleaning agents and sterile air consumption.

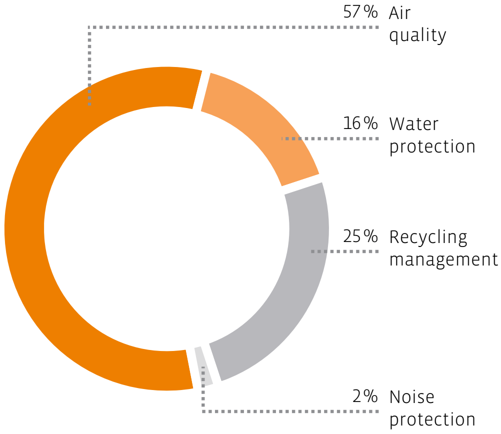
Environmental protection spend

The total spend of the Steel Division on environmental protection came to around € 179 in the financial year 2013.

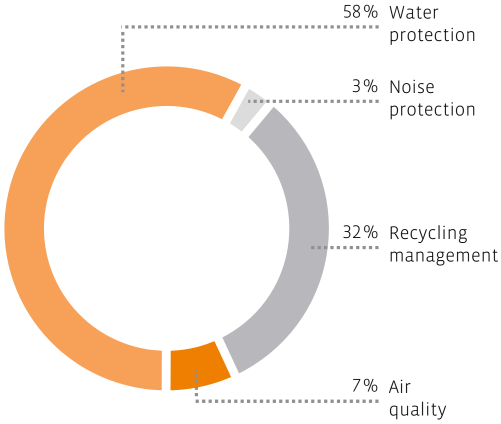
The Tubes Division's companies based in Germany spent approximately € 12 million on environmental protection.

The adjacent charts shows the allocation of funds committed.

Environmental protection spend
Steel Division



Environmental protection spend
by domestic companies
of the Tubes Division



III. Performance Report

1. Global Business Conditions

Economic Environment[1]

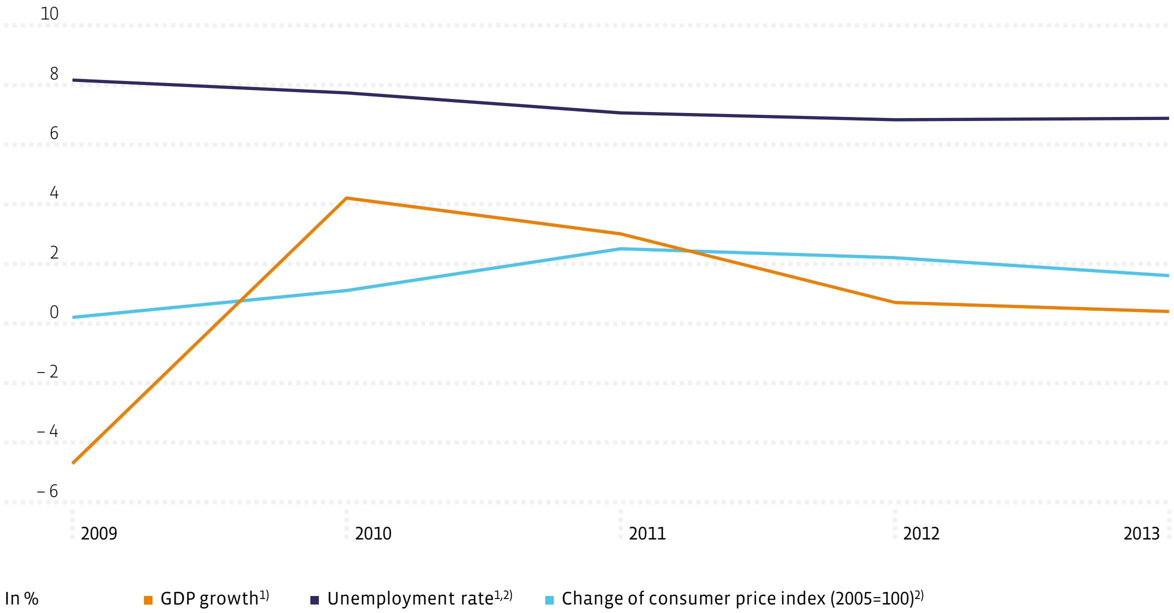
The **global economy** stabilized in 2013. The challenges that had to be surmounted were huge. The US budget constraints that took effect in the early months dampened growth in the country, and Europe was also battling the effects of the sovereign debt crisis. The global economy nonetheless picked up momentum in the second half of the year. Demand improved in the industrial nations, and partly stronger-than-expected inventory replenishing occurred. In the emerging markets – to the exception of China – domestic demand remained modest, and economic improvement was driven mainly by the recovery in exports. Current surveys conducted by the International Monetary Fund (IMF) put global economic growth at 3.0 % in 2013, which therefore corresponds to the year-earlier level (2012: 3.1 %).

The **eurozone** emerged from the economic trough in 2013. Hesitant recovery was discernible in most countries from the spring onward. Western and southern Europe above all, and similarly all other large euro economies, with the exception of Germany, reported better economic figures than in 2012. Economic development nonetheless remained recessionary in around half of all the euro countries. The high level of indebtedness continues to burden the economy. Foreign trade was the main driver of the improvement, although the domestic economy also recovered for the first time in two years. The eurozone remained generally in recession according to the IMF, posting an economic expansion of –0.4 %. Nonetheless, the contraction rate has halved in a year-on-year comparison (2012: –0.7 %).

[1] Information was obtained mainly on the basis of the following sources: International Monetary Fund (January 2014): World Economic Outlook Update, German Steel Federation: Steel Forecast 2014/2015, Federal Association of German Industry (BDI): Autumn Report 2013; German Federal Statistical Office, January 2014

The **German economy** continued on its moderate growth path in 2013. Following a protracted winter at the start of the year, economic output accelerated, with catching-up effects in the second quarter. The recession in a number of important European sales markets and somewhat weaker global trade burdened the German economy. Private consumption therefore remained the mainstay of the economy. Domestic capital expenditure reported positive signs at the end of the reporting period but was nonetheless as recessionary as the export business seen over the year as a whole. Growth in employment slowed significantly although the number of persons in gainful employment in 2013 reached new record highs for the seventh year in a row. According to estimates by the German Federal Statistical Office Germany’s gross domestic product expanded by 0.4 %.

Overall economic indicators – Germany



[1)]Source: German Federal Statistical Office

[2)]Source: German Central Bank

Procurement

Volatile spot market causes sharp fluctuations in iron ore prices

Market development in 2013 was again dominated by ore prices fluctuating within a wide band. The spot market price of fine ore rose in the first quarter to 160 USD/dmt (dry metric tons) CFR China, the highest level for the year. A pronounced counter movement set in as early as March, sending spot market prices tumbling to 110 USD/dmt at mid-year. The third quarter saw another trend reversal: Low inventory levels in the ports and consistently high steel output in China at more than 60 million tons a month caused prices to range between 130 and 140 USD/dmt. In the following months, the trend described above resulted in prices of 91, 126, 115 and 107 USD/dmt (all prices based on FOB Brazil) for the Carajás fine ore benchmark in the recalculation of the Chinese spot market under the “old” VALE model (pricing based on spot prices of the previous quarter minus one month).

Easing on the coking coal market

The quarterly prices of coking coal that have benchmark characteristics are still negotiated between large producers and customers. Whereas delivery problems had been seen in recent years owing to flooding and strikes lasting several months in Australia, the market situation had largely eased by 2013. In the first three months of the reporting period, 165 USD/t FOB was agreed as a benchmark price for premium coking coal. In the second quarter, the benchmark price came up against a severe test of its general acceptance. At the end of March, BHP Billiton and Nippon Steel determined quarterly price of 172 USD/t FOB for grades in the premium segment. A broad-based group of customers did not consider this price to be in line with the market. Consequently, a growing number of individual, bilateral price agreements were reached that, depending on the quality and the time when they were signed, ranged between 161 and 169 USD/t FOB. The quarterly benchmark therefore ran the risk of losing its benchmark function on the world market, while encouraging the trend toward shorter-term pricing periods. In contrast, market participants mostly adopted the benchmark agreements of the third (145 USD/t FOB) and fourth quarter (152 USD/t FOB).

General uptrend in sea freight rates

The freight market remained impacted by huge surplus capacities in 2013. New tonnage flooded the market and kept the freight rates low on most routes. Whereas the Tubarão–Rotterdam benchmark rate still stood at 10.00 USD/t at the end of 2012, it averaged only around 8.10 USD/t in the first two quarters of 2013. The summer months ushered in considerable market uptrends, due mainly to the high freight volumes of Chinese steel producers. Consequently, the benchmark rate climbed to 15.00 USD/t in October, posting its highest level since December 2011. The rate had settled around 13.90 USD/t by the end of the year.

Price fluctuations in metals and ferro-alloys

The international markets for metals and alloys presented a disparate picture in 2013: The prices of bulk alloys remained initially stable before slipping slightly in the second half of the year and, by the end of the year, falling to an average that was notably lower than in the previous year. Listed materials, such zinc, nickel, copper and aluminum, however, were rather volatile over the course of the year.

Prices of liquid reduction agents remain stable

The prices of liquids reduction agents (heavy heating oil and substitute reduction agents) remained unusually steady with only little fluctuation and, in response to regional markets influences, declined significantly overall in comparison with 2012. Crude oil prices also fluctuated within a narrow range. The annual average of 109 USD/barrel dropped by 3 USD/barrel in a year-on-year comparison.

Prices for steel scrap accelerate in the second half of the year

At the start of the year, prices on the German steel scrap market maintained a virtually steady level, bolstered by relatively healthy demand. As early as February, however, the markets began to weaken, causing prices to fall across the board in the period through to July. This development was mainly attributable to declining steel production and the lack of export opportunities resulting from the unfavorable euro exchange rate. In late summer, prices in Germany began to climb first and foremost on the back of very brisk demand for scrap steel by Turkish customers, as well as domestic clients. This development held fundamentally steady through to the end of the period under review.

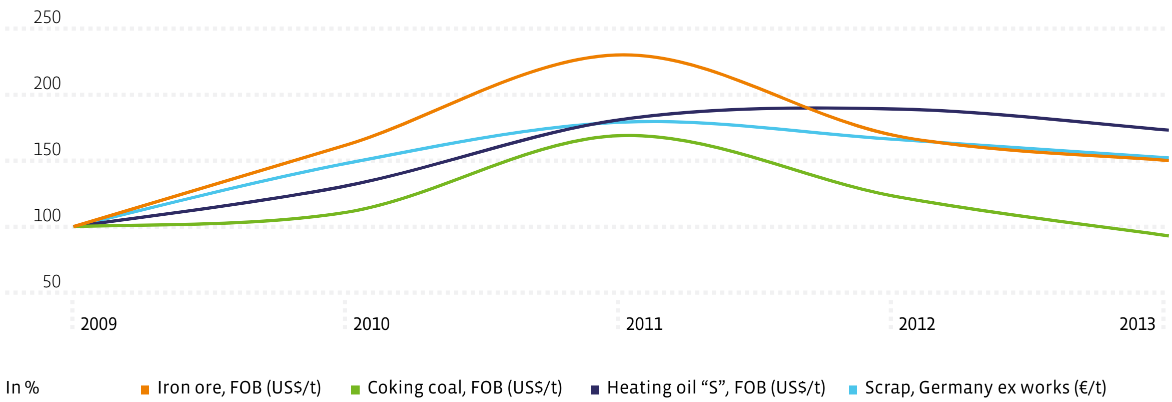
Slight downturn in the price of electricity sourced externally

Salzgitter Flachstahl GmbH (SZFG) covers virtually all its electricity requirements through its own power plant. Peiner Träger GmbH (PTG), however, sources electricity externally on the futures and spot markets. Compared with 2012, the average price of electricity sourced externally (energy price plus the statutory charges and grid fees) to be paid by PTG declined marginally. The development of the individual components making up the electricity price varied: The charge levied under the Combined Heat and Energy Act (KWKG) and the German Renewable Energies Act (EEG) remained unchanged, as opposed to the pure price of energy that decreased and grid utilization costs that increased.

Rise in the price of natural gas despite falling heating oil prices

The price of natural gas purchased for the SZFG/PTG interconnected plants is linked through a sliding scale to light (HEL) and heavy (HS) heating oil, with changes filtering through after half a year (HEL) and three months (HS) respectively. The heating oil prices dropped in comparison with 2012. Nonetheless the average purchase price rose as a partial quantity had been secured at a fixed price in 2012 that was substantially below the oil-indexed price.

Price development of selected raw materials and energy sources



Downturn in the market for operating supplies

The markets for operating supplies were largely determined by a healthy availability of products that was met by a lack of demand. For the most part, this resulted in declining procurement prices.

Input material – volatile semi-finished price trend

The steel market staged a slight recovery in the first quarter of 2013, and demand picked up notable momentum. Slab prices in Europe, Asia and Latin America rose in response and peaked in April. By the middle of the second quarter, however, they declined sharply to below the level posted in the second quarter of 2012. Slab prices initially stabilized at this low level, recovered towards the end of the third quarter and then entered an uptrend through to the end of the year.

As before, there are two key options open to **Tubes Division** for sourcing input materials internally that can be supplemented by purchasing from strategic partners to cover any supply shortfall: 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) 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 tube 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 Steel Division's companies as part of an optimization strategy.

The **Technology Division's** procurement volume declined slightly despite an increase in sales. This was achieved partly by improved procurement conditions thanks to technology's standardization measures, long-term supply contracts and the downturn in raw material prices. KHS GmbH (KHSDE), the largest subsidiary, focused on the consistent expansion of product group management and the supplier portal. Other key areas were the timely involvement of procurement in development and the project business, increased tapping of international procurement markets as well as strategic collaboration with key suppliers with the aim of integrating their know-how at the early stage of the product development process.

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 even partly run counter to one another. Inasmuch, managing sales structures plays an important role. The various forms are differentiated as follows:

Monthly and quarterly contracts

A major part of the Steel Division's delivery volumes continues to be sold to customers by way of quarter-year contracts. Against the backdrop of high and rising volatility in procurement market prices, the significance of contracts concluded on a monthly basis became all the more important in the past year. 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. 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 a major part of deliveries in the past were based 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

Salzgitter Flachstahl GmbH (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 what are known as 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 curtailing of contractual terms (duration) relating to raw materials procurement fundamentally necessitates a reduction in the number of longer term contracts. Ilsenburger Grobblech GmbH (ILG) also 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). This enables the company to contain the risk by having the greatest possible synchronization of matching maturity structures on the purchasing and procurement side and through price adjustment clauses. 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 Division transacts most of its shipments through such short-term supply agreements, whereby this type of relationship with key customers in Germany and abroad has generally developed over many years. Medium and smaller steel traders which operate independently, steel construction companies, as well as mechanical and plant engineering companies are typical customer sectors.

Project deliveries

The Tubes Division serves its customers mainly via project contracts. Alongside international pipeline projects and supplying metal sheet for energy pipelines, 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 Steel Division, first and foremost to sheet piling and trapezoidal profiles which are used in civil engineering undertakings. The Trading Division acquires and supplies international projects as a stockholder and, additionally, 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. In addition, however, there are some contracts with adjustment agreements or price adjustment clauses. The products of the Technology Division 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 applied for orientation purposes with many steel and tubes products, but are only valid for purely standard products that comprise only a small part of the delivery program.

2. Overall Statement by Management on the Economic Situation

Crisis in Europe's industry impacts the financial year 2013 – focus on the consistent implementation of "Salzgitter AG 2015"

The structural crisis prevailing in the European steel industry presented the Salzgitter Group with special challenges in the financial year elapsed. Increasingly fierce price-led competition in the European market, combined with the drastic capacity underutilization of the large-diameter tubes business, incurred a significant impact on earnings. In addition, impairment at Peiner Träger GmbH (PTG), along with non-recurrent restructuring expenses, burdened earnings before taxes in an amount of € 240 million. Against this backdrop, the "Salzgitter AG 2015" program, initiated back in the autumn of 2012 and implemented as from the second half of 2013, will be assigned the highest priority in the future as well. The first measurable successes create additional motivation for forging ahead with the comprehensive measures. An equity ratio of almost 40 % and a net credit balance of € 300 million as of December 31, 2013, form a sound financial basis for this.

The Group's external sales declined to € 9,244.2 million (2012: € 10,397.2 million) owing to lower average selling prices for many steel products and reduced shipment volumes in the Tubes and Trading divisions. All in all, the Salzgitter Group reported a pre-tax result of € –477.8 million (2012: € –29.4 million). This figure includes restructuring expenses of € 54.6 million incurred by the "Salzgitter AG 2015" program, impairment of € 185.0 in the sections business, as well as € –55.4 million in negative after-tax contribution (2012: +€ 55.5 million) by Aurubis AG (NAAG), a participation included at equity. The after-tax result stood at € –489.6 million (2012: € –99.8 million), which brings earnings per share to € –9.10 (2012: € –1.89). Return on capital employed (ROCE) stood at –10.5 % (2012: 1.3 %).

3. Performance and General Business Conditions of the Divisions

As the management holding company, Salzgitter AG (SZAG) coordinated the five divisions of Steel, Trading, Tubes, Services and Technology up until the end of the financial year 2013. In the following, the business performance of these divisions in the financial year 2013 are outlined on the basis of the annual reports of the individual companies drawn up pursuant to the International Financial Reporting Standards (IFRS).

Other/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 taxes of the Group are shown in the "Notes to the Consolidated Annual Financial Statements".

At the start of the financial year 2014, a new Group organization took effect (see the section on "Management and Control of the Company, Goals and Strategy").

Steel Division

Key data		2013	2012
Order intake	**kt**	**5,293**	**5,650**
Order backlog as of 12/31	**kt**	**1,166**	**1,300**
Shipments	**kt**	**5,425**	**5,422**
Salzgitter Flachstahl[1]	kt	4,294	4,216
Peiner Träger[1]	kt	1,223	1,383
Ilsenburger Grobblech	kt	783	754
Hoesch Spundwand und Profil	kt	192	164
Salzgitter Bauelemente	kt	44	38
Salzgitter Europlatinen	kt	71	89
Consolidation	kt	– 1,183	– 1,222
Segment sales[2]	**€ m**	**3,559.3**	**3,831.5**
Salzgitter Flachstahl	€ m	2,661.7	2,832.3
Peiner Träger	€ m	694.8	840.5
Ilsenburger Grobblech	€ m	615.2	667.8
Hoesch Spundwand und Profil	€ m	158.0	134.6
Salzgitter Bauelemente	€ m	48.9	49.5
Salzgitter Europlatinen	€ m	72.0	90.9
Consolidation	€ m	– 691.2	– 784.0
Sales to other segments	**€ m**	**1,171.2**	**1,176.8**
External sales[3]	**€ m**	**2,388.2**	**2,654.7**
Division earnings before taxes (EBT)	**€ m**	**– 428.2**	**– 176.3**
Salzgitter Stahl[4]	€ m	– 0.8	– 2.7
Salzgitter Flachstahl	€ m	– 89.6	– 84.7
Peiner Träger	€ m	– 290.9	– 62.0
Ilsenburger Grobblech	€ m	– 26.5	2.9
Hoesch Spundwand und Profil	€ m	– 28.7	– 35.6
Salzgitter Bauelemente	€ m	0.4	2.2
Salzgitter Europlatinen	€ m	3.1	3.3
Consolidation	€ m	4.8	0.4
EBITDA	**€ m**	**70.9**	**178.7**
EBIT	**€ m**	**– 338.2**	**– 69.4**
Investments[5]	**€ m**	**180**	**187**

[1] Including inter-company deliveries in the Steel Division
[2] Including sales with other divisions in the Group
[3] Contribution to consolidated external sales
[4] merged in financial year 2013
[5] Excluding financial assets

The Steel Division comprises six operating companies – and an intermediate holding company up until December 2013. The production sites in Salzgitter, Peine, Ilsenburg and Dortmund are equipped with cutting-edge plant and equipment technology that is optimized in an ongoing manner to ensure their efficiency and the quality of their products. The companies allocated to the division are listed in the "Notes to the Consolidated Financial Statements".

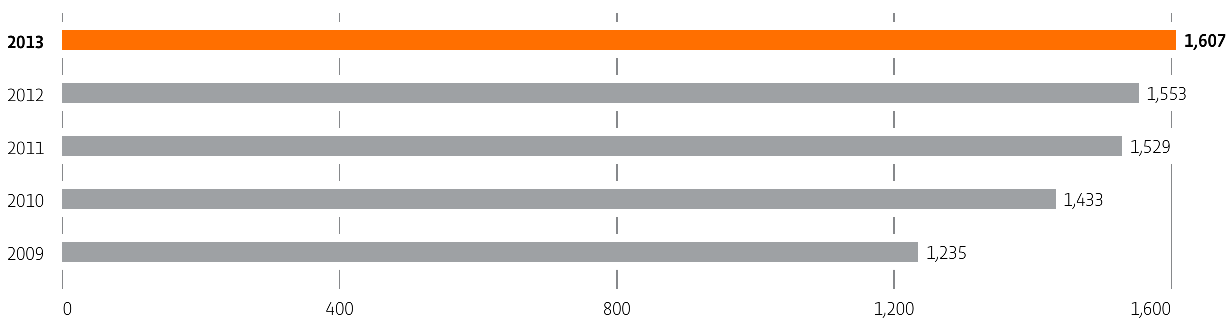
The product range includes the following in particular:

- rolled steel in the form of coils (rolled strip), also known as hot-rolled coil (HRC) or cold-rolled coil (CRC) depending on the manufacturing process,
- longitudinally slit HRC,
- cut-to-length plate manufactured from HRC,
- surface-coated HRC and CRC (galvanized, organically coated),
- corrugated sheet and sandwich elements for the construction industry,
- tailored blanks (cut-to-size and welded sheet), patchwork panels and stamped blanks for the automotive industry,
- plate (rolled strip steel blanks more than 3 mm thick),
- medium-sized and heavy hot-rolled sections (beams), especially with I, H and U profiles and
- hot-rolled sheet piling products.

Steel business activity remains downbeat

In 2013, the **global output of crude steel** rose by 3.5 % against the backdrop of the still subdued world economy and reached a new record high at 1.61 billion tons. China was again the main driver of this development, with India and South America also reporting growth. By contrast, production in Europe, North America and parts of Asia was in decline. Despite the upturn in output, capacity utilization as a global average fell below the 80 % threshold for the first time since 2009, which was mainly attributable to poor capacity utilization in the European steel industry. Whereas capacities continued to expand in the emerging markets, they were scaled back in the European Union (EU) and in the United States of America to accommodate changed demand scenarios.

Crude steel production – world



In m tons

Source: World Steel Association 2014/01/23 (previous year adjusted accordingly)

Following another slump the year before, the contraction of the **EU steel market** decelerated notably in 2013. The market supply of rolled steel declined only marginally as, thanks to the slowing recession and a less pronounced inventory effect during the second half of the year, signs of stabilization materialized. Crude steel output in the EU dropped to 165.6 million tons in 2013. Irrespective of capacity cutbacks, capacity utilization ranged below 80 % for the fifth year in a row.

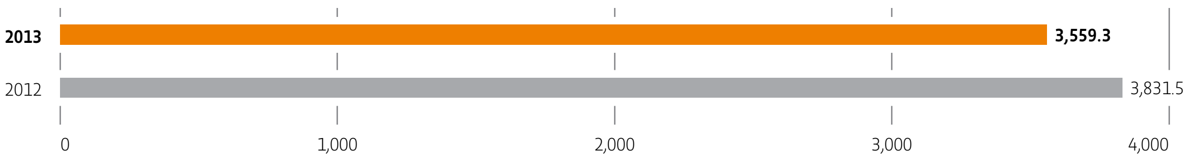
With a market supply of around 38 million tons and a crude steel production of 42.6 million tons, the **German steel market** remained around the level seen in 2012. The year now ended was nonetheless extremely challenging for the steel industry owing to the ailing EU domestic economy and unfavorable general conditions. Demand for steel remained reticent, above all in the first half of the year. In addition, price pressure in Europe resulting from the severe capacity underutilization of European competitors, accompanied by persistently high raw materials and energy costs, was considerably exacerbated.

Sources: World Steel Association, German Steel Association

Performance of the Division

The consolidated **order intake** of the Steel Division amounted to 5,293 ktons and has therefore declined in comparison with 2012 (–357 kt). This development was attributable to special business of Salzgitter Flachstahl GmbH (SZFG) that was acquired at the end of 2012, but processed during the first quarter of 2013. At Peiner Träger GmbH (PTG), the effect of curtailing the production volume to 1 million tons a year in response to the ongoing weakness in the market also filtered through as from August. **Orders on hand** had declined to 1,166 ktons by the reporting date.

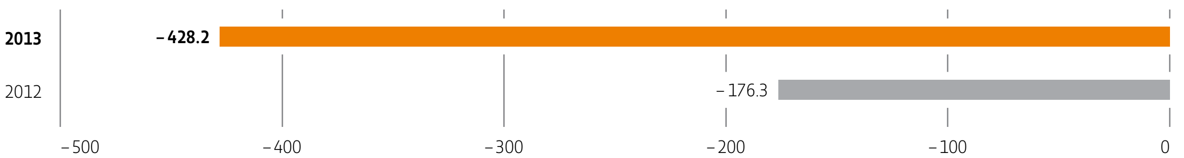
Sales



In € m

The Steel Division's **shipments** repeated the year earlier volume, as opposed to **external sales** (€ 2,388.2 million) that declined notably in comparison with the previous year's period, pressured by selling prices. **Segment sales** that also include business relations with Group companies external to the Steel Division, the Trading Division for instance, also dropped to a similar extent and settled around € 3,559.3 million.

EBT



In € m

The Steel Division reported a significant **pre-tax loss** (€ 428.2 million). Along with the marked effect from unsatisfactory margins on the result, this figure also included extraordinary charges amounting to € 185.0 million from the impairment of PTG's non-current assets and additional expenses from repair work lasting two months on SZFG's Blast Furnace A. Non-recurrent expenses resulting from the "Salzgitter AG 2015" restructuring program constituted an additional burden.

Total production volumes[1] of the most important production facilities in the Steel Division

		2013	2012	2011	2010	2009
Pig iron (SZFG)	kt	4,073	4,273	4,289	4,020	3,149
Crude steel	kt	5,581	6,086	5,659	5,201	4,073
of which SZFG	kt	4,391	4,588	4,578	4,322	3,369
of which PTG	kt	1,190	1,499	1,081	878	704
SZFG						
hot rolling mill: hot-rolled coil (HRC)	kt	3,583	3,469	3,396	3,228	2,393
cold rolling mill: cold-rolled coil (CRC)	kt	1,450	1,458	1,509	1,590	1,248
galvanizing plants: galvanized HRC/CRC	kt	1,119	1,146	1,189	1,232	1,001
strip coating plants: coated HRC/CRC	kt	163	193	221	191	195
PTG: sections/beams	kt	1,048	1,258	1,027	931	796
of which heavy beam-making mill: large sections	kt	468	533	406	381	371
of which medium section mill: other sections	kt	579	725	621	550	426
ILG: plate	kt	786	761	789	739	658
HSP: sheet piling, mine support sections, hot-rolled bulb flats	kt	206	175	130	109	94
SZBE: profiled sheet and sandwich elements	m^2 m	3.4	3.1	3.7	3.2	2.6
SZEP: tailored blanks, pachtwork panels and stamped blanks	kt	67	88	95	72	45

[1] Total production volumes comprise not only finished products (e.g. "HRC intended for sale"), but also volumes which are then processed in further production steps (e.g. "HRC as feed stock product of cold rolling").

The individual steel companies reported the following developments:

Compared with the record figure achieved in 2012, the Steel Division's **production of crude steel** decreased significantly to 5,581 ktons due to the downtime for repair work at SZFG and owing to the scaling back of production capacity in Peine. Including the pro-rata volume of Hüttenwerke Krupp Mannesmann GmbH (HKM), a joint venture that is assigned to the Tubes Division, the production of crude steel within the Group stood at 7,149 ktons. The supply of input material was largely carried out within the Group. The Steel Division's **rolled steel production** fell only marginally short of the 2012 volume (5,489 ktons).

The **European strip steel market** initially got off to a good start in 2013, with an uptrend determined by inventory replenishment. This effect, however, dwindled rapidly, which resulted in the order volume falling short of the figures achieved at the start of the year as early as the second quarter. Demand only picked up momentum again in the summer, accompanied by increasingly strong price pressure. The spot market prices of strip steel that had entered the downtrend from the second quarter onwards recovered somewhat over the course of the autumn.

Order intake and orders on hand of **Salzgitter Flachstahl GmbH** (SZFG) settled below the year-earlier level. Although the production of crude steel had declined, rolled steel production matched the 2012 level, boosted by the increased procurement of slabs. Although shipments rose slightly, sales were down compared with the previous year due to selling prices. The once again markedly negative pre-tax result was attributable first and foremost to unsatisfactory margins, as well as to the additional expenses incurred by extensive repair work on the blast furnace and restructuring expenses under "Salzgitter AG 2015".

Southern Europe's economic development, the shelving of infrastructure projects as a consequence of budget constraints, and pronounced weakness in the large-diameter pipes market determined the **European heavy plate market**. European producers were also faced by the difficult conditions prevailing in the export markets. Compounding factors include the unstable political situation in the Middle East, as well as India and China ramping up capacities to cover their own demand. By contrast, important niche markets, such as the wind turbine industry, the tank construction segment, or special tanker shipbuilding continued to develop well. The generally challenging environment resulted in lower capacity utilization in Europe's mills that, in turn, was reflected by fierce competition and tumbling prices, particularly in the standard and medium-grade segment.

New orders of **Ilsenburger Grobblech GmbH** (ILG) held the level of the previous year, with ILG benefiting from supplementing the product range to include 350mm slabs and positioning itself as a flexible full-line supplier. The consistent penetration of niche and premium product markets also contributed to stabilizing order intake. Thanks to shipments outstanding from 2012, the shipment volume rose in a year-on-year comparison. Orders on hand were lower as per the reporting date, but nonetheless satisfactory. A decline in sales was recorded due to selling price erosion and, despite easing on the input material front and lower processing costs, ILG reported a marked pre-tax loss.

The difficult situation on the **European beams market** persisted unabated in 2013 and, as before, was characterized by a significant imbalance between supply and demand. Uncertainty about the economic situation caused building investors to adopt an extremely cautious stance in awarding projects, while the stockholding steel trade also practiced booking at very short notice in order to minimize inventory risks. Right at the start of the year, a price war, triggered by weak capacity utilization, was therefore waged by section producers for orders, which resulted in markedly reduced margins. Real demand in core Europe slumped further in the spring, and prices entered a downtrend that continued in the second quarter and at the start of the third quarter. Signs of recovery in order intake were short lived due to trading's inventory-oriented ordering patterns. The attempt of European producers to sidestep this situation by tapping export markets had the effect of stepping up price pressure there as well.

The business concept of **Peiner Träger GmbH** (PTG) was adjusted to accommodate the difficult market environment in the financial year 2013. Following downtime in the summer, PTG cut its production capacity to 1 million tons of crude and rolled steel respectively per year with alternating operation of the two furnaces (1 Million Ton Model) and, in response to the changed business environment, discontinued the internal slab shipments from September 2013 onward. The workforce was reduced to around 800 employees at the end of the year. PTG's order intake and orders on hand, crude and rolled steel production, shipments and sales were appreciably lower than in the previous year. Net selling prices dropped further due to the strong pressure on prices. Along with the considerable deterioration in the operating profit compared with 2012, PTG's high pre-tax loss reflects impairment of € 185.0 million carried out during the year. Restructuring expenses under "Salzgitter AG 2015" constituted an additional burden.

The **sheet piling market** is highly dependent on public-sector investment that is still being curbed due to the lack of funds. Consequently, notable stimulus was lacking during the reporting period. In particular, projects involving the extension of waterways and port facilities were still being shelved.

HSP Hoesch Spundwand und Profil GmbH (HSP) lifted its production primarily thanks to the new Z section series and through the US American sales market this product has tapped. Available capacity was not, however, fully taken up. Sales growth was attributable to higher shipment volume. HSP reported a lower pre-taxes loss than in 2012.

Domestic passenger car production and exports rose slightly in 2013. The shipments and sales of **Salzgitter Europlatinen GmbH** (SZEP) remained at a high level, although the record figures of 2011 and 2012 were not matched. An improved cost structure enabled the company to nonetheless come close to achieving the earnings before taxes generated in 2012.

Pressure from prices and volumes prevailed in the market of **Salzgitter Bauelemente GmbH** (SZBE). Despite shipment growth, sales settled only at the previous year's level due to selling prices and the product range. Pre-tax profit came in at a lower level than in 2012.

Trading Division

Key data		2013	2012
Shipments	**kt**	**5,902**	**6,039**
Salzgitter Mannesmann Handel Group	kt	5,181	5,569
Universal Eisen und Stahl Group	kt	222	236
Hövelmann & Lueg	kt	281	257
SMS[1]	kt	256	–
Consolidation	kt	–38	–22
Segment sales[2]	**€ m**	**3,945.7**	**4,672.1**
Salzgitter Mannesmann Handel Group	€ m	3,408.3	4,254.2
Universal Eisen und Stahl Group	€ m	221.5	259.8
Hövelmann & Lueg	€ m	181.2	174.3
SMS[1]	€ m	160.5	–
Consolidation	€ m	–25.9	–16.2
Sales to other segments	**€ m**	**67.1**	**25.3**
External sales[3]	**€ m**	**3,878.6**	**4,646.8**
Division earnings before taxes (EBT)	**€ m**	**25.7**	**77.1**
Salzgitter Mannesmann Handel Group	€ m	24.8	66.4
Universal Eisen und Stahl Group	€ m	6.6	16.0
Hövelmann & Lueg	€ m	–5.7	–5.4
SMS[1]	€ m	1.2	–
Consolidation	€ m	–1.2	0.0
EBITDA	**€ m**	**52.4**	**111.5**
EBIT	**€ m**	**38.4**	**93.7**
Inventories	**€ m**	**357**	**350**

[1] Adjusted retrospectively as per 2013/01/01 owing to initial consolidation

[2] Including sales with other divisions in the Group

[3] Contribution to consolidated external sales

Alongside a well-developed organization of stockholding steel trading subsidiaries in Europe, the Trading Division comprises four companies specialized in plate and strip steel products structured as steel service centers (SSC), as well as a globalized international trading network. Apart from the rolled steel, pipes and tubes products of the Salzgitter Group, it also sells the products of other manufacturers in Germany and abroad. Moreover, the Trading Division procures semi-finished products for the Group and external customers on the international markets.

Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH (SMS), a member of the Trading Division, was incorporated into Salzgitter AG's (SZAG) group of consolidated companies with retrospective effect on January 1, 2013.

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

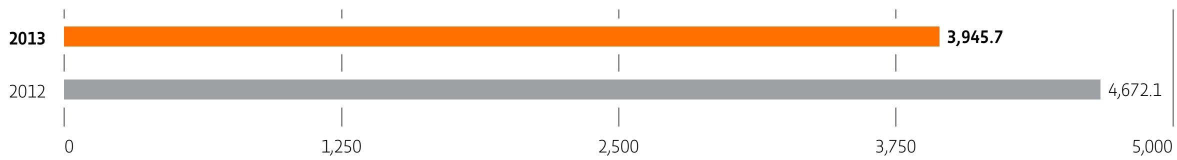
Lackluster demand and ongoing pressure on prices

Stimulus from Africa and regions of the Far East dominated the international steel markets in the financial year 2013. Demand remained subdued, despite scattered signs of recovery, accompanied by falling prices in most regions and product segments. Demand for steel in Europe slowed appreciably after the customary phase of inventory replenishing in the first quarter; in Germany, demand remained comparatively sound, albeit still below the previous year's level. The increase in demand as well as the corresponding rise in prices were short-lived and did not have any notable compensatory effect. Take-up of section steel products by the building industry in particular was only hesitant.

Performance of the Division

Given the difficult market conditions, the Trading Division reported a satisfactory development of its business in 2013 as well. The comparatively robust development of international trading contributed significantly to the Trading Division's success. The **shipment volumes** (5,902 kt) almost reached the year-earlier level due to the initial consolidation of SMS which virtually compensated for declines in stockholding and international trading. Against this background, **segment** (€ 3,945.7 million) and **external sales** (€ 3,878.6 million) fell short of the year-earlier figures.

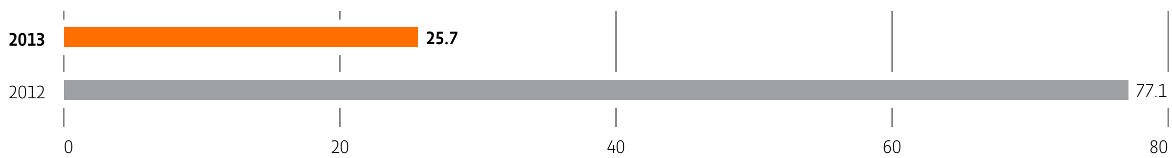
Sales



In € m

Given the business situation described, the division generated a presentable € 25.7 million in **pre-tax profit**.

EBT



In € m

Performance Report

The Trading Division's companies developed as follows:

The shipment volume of **Salzgitter Mannesmann Handel Group** (SMHD Group) in 2013 was lower than the volume achieved in the previous year. Sales declined owing to the downturn in shipments in conjunction with selling prices that had fallen in terms of the annual average. The resulting narrower margins are reflected in a notably weaker pre-tax profit.

The European **stockholding steel trading** companies reported declining shipment volumes over the course of the year. Signs of recovery in the summer did not have any permanent effect. Although revenues were lifted for a short time by an increase in prices in the first quarter, the improvement in margins that resulted was nonetheless eroded in the following months by slipping selling prices and volumes. Consequently, shipments and sales fell short of the year-earlier figures. The pre-tax profit achieved in the financial year 2012 was considerably underperformed.

International trading shipments fell marginally short of the exceptionally high year-earlier level. The gratifying hot flat deliveries to the Far East and South America, business in Africa running at a remarkable, stable level, and positive developments in the long product segment had a decisive influence on the financial year 2013. With prices trending downwards and a decline in the project business, sales and the pre-tax result did not achieve the previous year's figures.

Universal Eisen und Stahl Group (UES Group) showed a disparate picture in the reporting period: Whereas the German company benefited from firm sales to the mechanical engineering industry and a healthy export business, the US subsidiary was confronted with a difficult market environment. The previous year's investments in new bending capacities and the company's own welding facilities proceeded satisfactorily, but were unable to compensate for the influences of the overall market. Lower selling prices pared down sales, and the earnings before taxes of the UES Group declined despite shipments remaining at a steady level.

The steel service center **Hövelmann & Lueg GmbH** (HLG) and **Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH** (SMS) recorded gratifying increases in shipments, with a substantial contribution from the joint sales strategy with Salzgitter Flachstahl GmbH (SZFG). Revenue growth was disproportionately low, due to the unfavorable price trend. The negative pre-tax result reflected sustained pressure from prices and competition.

Tubes Division

Key data		2013	2012
Order intake	**€ m**	**1,325**	**1,928**
Order backlog as of 12/31	**€ m**	**572**	**837**
Shipment tubes	**kt**	**909**	**1,122**
EUROPIPE Group (50%)	kt	313	375
Sz Mannesmann Großrohr	kt	89	139
Sz Mannesmann Line Pipe	kt	207	293
Sz Mannesmann Precision Group	kt	268	286
Sz Mannesmann Stainless Tubes Group	kt	32	30
Segment sales[1)]	**€ m**	**1,702.0**	**2,089.0**
EUROPIPE Group (50%)	€ m	354.7	439.5
Sz Mannesmann Grobblech	€ m	271.8	428.9
Sz Mannesmann Großrohr	€ m	102.9	150.3
Sz Mannesmann Line Pipe	€ m	221.1	324.9
Sz Mannesmann Precision Group	€ m	463.4	534.7
Sz Mannesmann Stainless Tubes Group	€ m	356.1	361.4
Consolidation	€ m	–68.0	–150.7
Sales to other segments	**€ m**	**278.7**	**529.5**
External sales[2)]	**€ m**	**1,423.4**	**1,559.5**
Division earnings before taxes (EBT)	**€ m**	**–94.8**	**7.8**
EUROPIPE Group (50%)	€ m	–26.4	20.2
Sz Mannesmann Grobblech	€ m	–58.7	–3.2
Sz Mannesmann Großrohr	€ m	–2.4	–3.8
Sz Mannesmann Line Pipe	€ m	–8.2	14.0
Sz Mannesmann Precision Group	€ m	–32.9	–30.7
Sz Mannesmann Stainless Tubes Group	€ m	18.4	13.3
Consolidation	€ m	15.3	–2.1
EBITDA	**€ m**	**–28.5**	**76.5**
EBIT	**€ m**	**–77.0**	**30.4**

[1)] Including sales with other divisions in the Group
[2)] Contribution to consolidated external sales

The Tubes Division comprises a large number of subsidiaries and associated companies that manufacture and process welded and seamless steel tubes on three continents. The product portfolio consists mainly of line pipes and tubes of all diameters, ranging from gas pipelines through to injection tubes for diesel engines, stainless oil field and boiler tubes, precision tubes and cold-finished tubes for the automotive and machine building industries, as well as construction tubes in a variety of profiles.

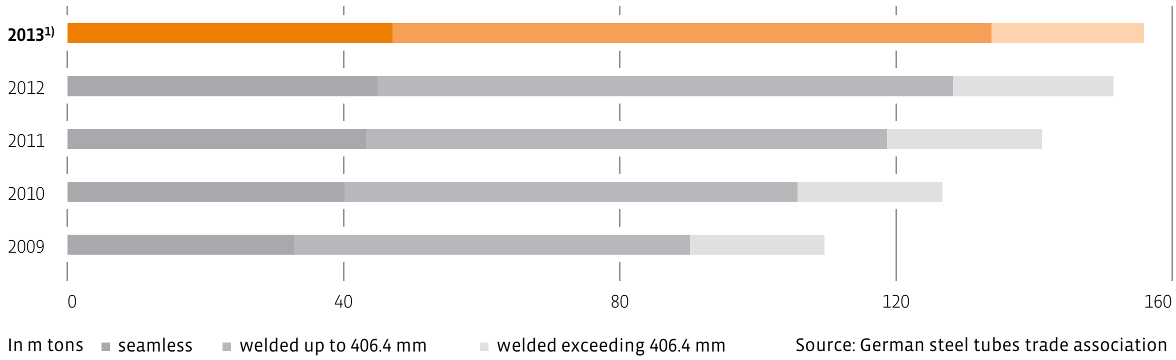
The division has its own supply of crude steel in the form of a 30 % stake in Hüttenwerke Krupp Mannesmann GmbH ([HKM], technical crude steel capacity of 6 million tons), its own cutting-edge plate mill and a production line for semi-finished material for the manufacturing of seamless tubes. It also makes extensive use of our trading organization, both for the sale of its products and the sourcing of semi-finished products.

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

Another increase in global steel tubes production

Global steel tubes output grew sharply once again in 2013, reaching a record high at 155 million tons. This development was largely due to China, whose share in global production rose to 52 % (81 million tons).

Global steel tubes production by production method



1) Extrapolation

The global manufacturing of large-diameter pipes entered a slight downtrend in 2013 (22 million tons). By contrast, the production of welded steel pipes up to a diameter of 406 mm (87 million tons) and seamless tubes (47 million tons) reached new record levels, with China accounting for two thirds of the entire production.

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

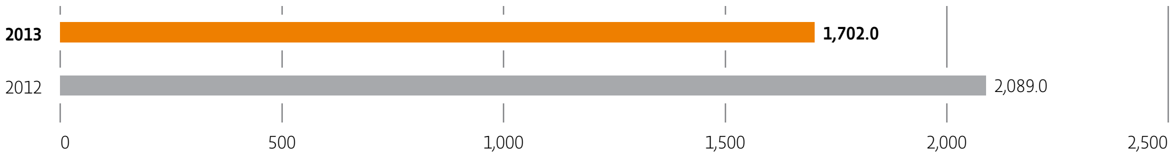
European steel tube output fell by around 4 % (12.5 million tons). German producers also had to absorb considerable declines largely owing to the slump on the large-diameter pipes market (2.8 million tons; –10 %).

Performance of the Division

The weak order and capacity utilization situation in the large-diameter pipes segment determined the performance of the Tubes Division in 2013. The same applies to a lesser extent to the HFI-welded pipes and precision tubes product segments. Only stainless steel tubes matched the good performance of the previous year. All in all, **order intake** and **orders on hand** settled around one third below the 2012 level.

Shipments (909 ktons) declined notably compared with the previous year's figure. To the exception of seamless stainless steel tubes, shipments decreased in all product segments, with large-diameter pipes and HFI-welded pipes showing the greatest divergences. Consequently, **segment sales** (€ 1,702.0 million) and **external sales** (€ 1,423.4 million) fell short of the year-earlier figures.

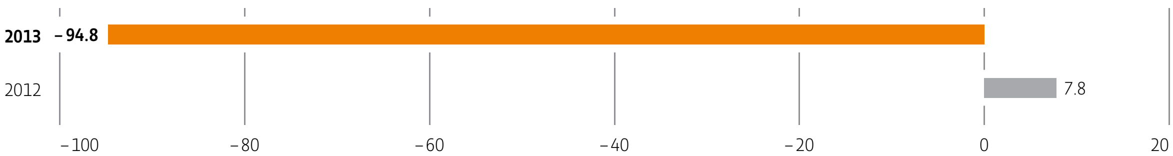
Sales



In € m

Against the backdrop of unsatisfactory order and capacity utilization that persisted over a long period in the large-diameter pipes segment, as well as extensive pressure on selling prices and margins, the Tubes Division delivered a **pre-tax loss** of € 94.8 million (previous-year pre-tax profit: € 7.8 million). Except for the seamless stainless steel tubes segment that matched the sound development in the previous year and boosted its profit considerably, all other products reported downturns and closed with a negative result.

EBT



In € m

Business development of the individual product segments:

Large-diameter pipes product segment: Apart from the South Stream gas pipeline – the contract was finally won in January 2014 – no further major projects were available for awarding in 2013. The few smaller projects were therefore fiercely contested.

Low order intake of the **EUROPIPE Group** (EP Group) after the end of the major Ichthys contract in the spring of 2013 largely necessitated short-time work in the European mills. By contrast, the North American EP companies benefited from two high-volume contracts against the backdrop of an improved economic environment. The EP Group's shipments and sales fell short of the previous year's figures in terms of volumes and selling prices, which resulted in a considerable pre-tax loss.

Persistently weak demand for sheet metal for the production of pipes caused a decline in the shipments and sales of **Salzgitter Mannesmann Grobblech GmbH** (MGB) in a year-on-year comparison. Unsatisfactory capacity utilization prevailing since mid-year and especially toward the end of the reporting period, compounded by narrower margins, led to a substantial pre-tax loss.

Once the major contract for a French customer had been completed, the lack of project activities of European and non-European energy companies from October onward necessitated short-time work at **Salzgitter Mannesmann Großrohr GmbH** (MGR). Consequently, shipments and sales dropped notably below the figures posted in 2012. Earnings before taxes remained at the negative year-earlier level that was impacted by small-batch orders.

After a positive start to the year, business of **Salzgitter Mannesmann Line Pipe GmbH** (MLP) in **HFI-welded pipes** suffered a severe setback from March 2013 onward. The awarding of line pipe projects was extremely slow, and particularly business in the US suffered from the downturn in gas prices caused by the shale gas boom. As from June, the mills were running on one shift only. Larger contracts for oil and gas line pipes were only awarded in the last months of the year. As a result, order intake did not match the previous year's level. Shipments and sales also entered a downtrend, which led to MLP reporting a pre-tax loss.

Order activity in the **precision tubes market** recovered in the second half of the year, particularly in Germany, thanks to the strong export business of premium automotive manufacturers. As a result, new orders and orders on hand of **Salzgitter Mannesmann Precision Group** (SMP Group) increased compared with the previous year's figures. Due to the fact that – as in the case of its competitors – the SMP Group's existing production facilities were not fully utilized, capacity in all mills was scaled back and short-time work introduced at a number of locations. Alongside a drop in shipment volumes, lower sales and a high pre-tax loss reflect the fierce price-led competition. In 2013, the precision tubes group's process and organization structure underwent further streamlining in the context of the "Salzgitter AG 2015" program. With this in mind, the first measure entailed combining Salzgitter Mannesmann Präzisrohr GmbH (MPR) with Salzgitter Mannesmann Precision GmbH (SMP) with retrospective effect as per January 1, 2013. In addition, a comprehensive productivity improvement program was launched in the precision tubes group.

As opposed to declining demand in the standard business, the high-margin project business in the **seamless stainless steel tubes** of the **Salzgitter Mannesmann Stainless Tubes Group** (MST Group) performed well in the financial year elapsed. The lower price of alloys caused a slight decline in the value of orders compared with the 2012 level. Orders on hand almost repeated previous year's level. The MST Group generated a significantly higher pre-tax profit on the back of shipment growth in a year-on-year comparison.

Services Division

Key data		2013	2012
Segment sales[1]	**€ m**	**1,175.5**	**1,358.6**
DEUMU Deutsche Erz- und Metall-Union	€ m	720.6	904.7
SZST Salzgitter Service und Technik	€ m	116.1	119.1
Verkehrsbetriebe Peine-Salzgitter	€ m	111.6	114.4
TELCAT Group[2]	€ m	54.6	55.9
GESIS Gesellschaft für Informationssysteme	€ m	39.9	40.3
Hansaport Hafenbetriebsgesellschaft	€ m	39.4	37.7
Salzgitter Automotive Engineering	€ m	26.6	19.9
Salzgitter Hydroforming	€ m	38.5	39.0
Salzgitter Mannesmann Forschung	€ m	34.6	36.0
Glückauf Immobilien	€ m	12.1	11.6
Other companies	€ m	0.9	0.9
Consolidation	**€ m**	– 19.1	– 21.0
Sales to other segments	**€ m**	**776.4**	**946.2**
External sales[3]	**€ m**	**399.2**	**412.4**
Division earnings before taxes (EBT)	**€ m**	**5.2**	**15.9**
DEUMU Deutsche Erz- und Metall-Union	€ m	– 4.4	4.4
SZST Salzgitter Service und Technik	€ m	3.0	– 0.8
Verkehrsbetriebe Peine-Salzgitter	€ m	– 5.3	0.7
TELCAT Group[2]	€ m	2.2	2.8
GESIS Gesellschaft für Informationssysteme	€ m	2.6	3.0
Hansaport Hafenbetriebsgesellschaft	€ m	7.7	6.3
Salzgitter Automotive Engineering	€ m	– 2.6	– 3.2
Salzgitter Hydroforming	€ m	1.3	1.5
Salzgitter Mannesmann Forschung	€ m	0.0	0.4
Glückauf Immobilien	€ m	0.6	1.0
Consolidation	**€ m**	0.0	– 0.3
EBITDA	**€ m**	**38.9**	**47.6**
EBIT	**€ m**	**12.7**	**22.7**

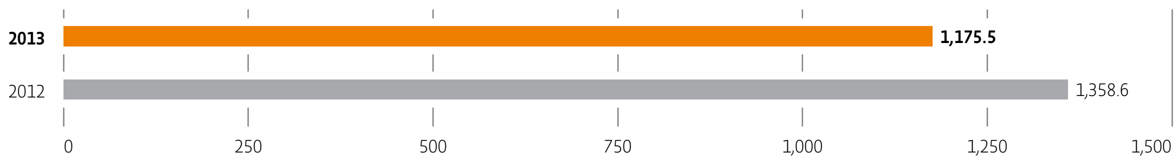
[1] Including sales with other divisions in the Group
[2] Excluding TBM
[3] Contribution to consolidated external sales

The Services Division comprises a number of service companies that are mainly aligned to the requirements of the Group itself, but are equally successful in providing services to external customers as well. The division conceives and realizes a broad-based portfolio of attractive, competitive services, from the supply of raw materials and logistics across IT and Central Administration services and automotive products through to research and development. An overview of the individual companies is included in the "Notes to the Consolidated Financial Statements".

The capacity utilization situation of the steel producing entities dominates the business activities that are directly associated with the steel production by the affiliated companies.

The **division's sales** (€ 1,175.5 million) fell notably short of the year-earlier figure. This downturn was largely attributable to the decline reported by DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) and mainly caused by slack demand for steel scrap within the Group. By contrast, **external sales** (€ 399.2 million) were only marginally lower in a year-on-year comparison.

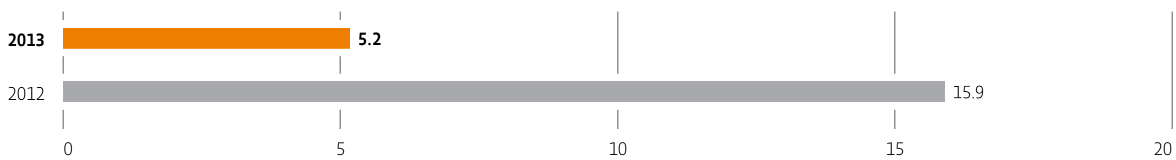
Sales



In € m

The Services Division generated € 5.2 million, thereby delivering a **pre-tax result** that was significantly below the previous year's figure. This was largely due to DMU's unsatisfactory result, stemming mainly from the downturn in demand for steel scrap within the Group, compounded by that of Verkehrsbetriebe Peine-Salzgitter GmbH (VPS).

EBT



In € m

Technology Division

Key data		2013	2012
Order intake	**€ m**	**1,246**	**1,121**
Order backlog as of 12/31	**€ m**	**597**	**464**
Segment sales[1)]	**€ m**	**1,124.6**	**1,094.7**
KHS Group (consolidated)	€ m	1,017.8	980.0
KDE Group (consolidated)	€ m	61.3	71.9
Klöckner DESMA Schuhmaschinen	€ m	39.0	35.9
RSE Grundbesitz und Beteiligungs-GmbH	€ m	5.8	6.2
Other companies	€ m	2.8	1.4
Consolidation	€ m	–2.1	–0.7
Sales to other segments	**€ m**	**1.0**	**1.1**
External sales[2)]	**€ m**	**1,123.6**	**1,093.6**
Division earnings before taxes (EBT)	**€ m**	**13.9**	**9.5**
KHS Group (consolidated)	€ m	10.6	–0.4
KDE Group (consolidated)	€ m	1.8	5.9
Klöckner DESMA Schuhmaschinen	€ m	3.2	2.9
RSE Grundbesitz und Beteiligungs-GmbH	€ m	1.2	4.1
Other companies	€ m	–2.9	0.0
Consolidation	€ m	0.0	–2.9
EBITDA	**€ m**	**40.1**	**38.1**
EBIT	**€ m**	**15.4**	**12.4**

1) Including sales with other divisions in the Group
2) Contribution to consolidated external sales

The Technology Division of Salzgitter AG (SZAG) 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 division sell special machinery for the shoe industry or specialize in the manufacturing of rubber and silicon injection molding machinery. In addition, RSE Grundbesitz und Beteiligungs-GmbH (RSE), a company managing and developing commercial real estate in Germany, is also assigned to the Technology Division. The individual companies are listed in the “Notes to the Consolidated Financial Statements”.

Slight downtrend German mechanical engineering order intake

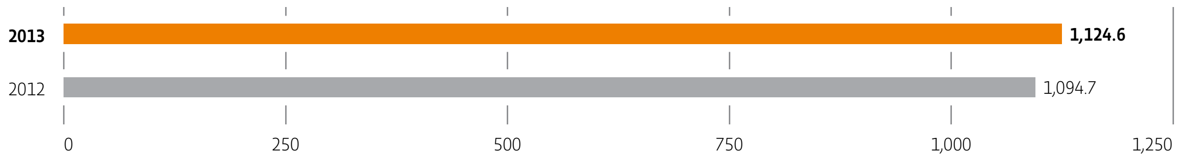
According to the statistics of the German Engineering Federation (VDMA), the sector's order intake and sales in 2013 fell short of the year-earlier figures. Both international and domestic demand ran at lower levels than in 2012. By contrast, the market for food and packaging machinery reported substantial growth (+5 %).

Performance of the division

The companies of the Technology Division can look back on another year of growth. Thanks to the acquisition of a number of major projects by the KHS Group in the filling technology business, **new orders** posted a significant increase in 2013 in comparison with the previous year. The contracts ensure good capacity utilization far into the year 2014. The order intake of Klöckner DESMA Schuhmaschinen GmbH (KDS) and the KDE Group were also pleasing. The division's **orders on hand** substantially exceeded the previous year's figure.

The Technology Division's **segment sales** (€ 1,124.6 million) and **external sales** (€ 1,123.6 million) rose in a year-on-year comparison. Although the KDE Group sustained losses due to investment restraint in the automotive business and slower growth in the Indian market, this was offset by growth achieved by both the KHS- Group and KDS.

Sales



In € m

The Technology Division generated gratifying **earnings before taxes** of € 13.9 million in 2013, thereby significantly outperforming the previous year's figure and strengthening the turnaround achieved in 2012. This success was largely attributable to the steady, high capacity utilization in its production facilities and the ongoing implementation of the KHS Group's "Fit4Future" program. A countertrend emanated from the marked downturn in the result of the KDE companies.

EBT

In € m

The KHS Group demonstrated the company's consistent orientation toward pursuing its "First Choice in Technology and Service" vision by unveiling impressive offerings of innovative technologies at drinktec 2013. Innovations that offered significant customer benefits, as well as excelling through their sustainability and economic handling of resources, were presented across virtually the entire product portfolio. The highlights showcased included the direct printing of PET bottles using KHS' technological first Innoprint and the Nature Multi Pack packaging system that bonds PET bottle containers together solely by way of special adhesives, thereby dispensing with packaging film. Alongside technical discussions, negotiations on specific projects were brought to a conclusion. In addition, KHS presented its comprehensive range of services.

The KHS Group continues to stringently pursue its streamlining measures geared toward achieving sustainable competitiveness and profitability. The "Fit4Future" program launched for this purpose comprises eleven components. It includes streamlining the Group's structures and business processes, lowering costs, as well as enhancing the flexibility with which the volatile order intake is handled, and reducing complexity by operational excellence throughout the manufacturing network and the further standardization of the global product program. The program was supplemented by another component in 2013. This addition is dedicated to the concerted development of KHS employees and to internal communication.

Other/Consolidation

The Other/Consolidation segment comprises activities that are not directly allocated to a division. 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.

Sales in the Other/Consolidation segment, that are based mainly on business in semi-finished products with subsidiaries and external parties, climbed to € 475.4 million during the financial year 2013 (previous year: € 249.5 million). **External sales** remained virtually stable (€ 31.4 million; previous year: € 30.2 million).

Earnings before taxes stood at € 0.4 million, which is considerably lower compared with a year ago (€ 36.7 million). The result includes € 55.4 million in after-tax loss (previous year: after-tax profit of € 55.5 million) from Aurubis AG (NAAG), a participation included at equity. A positive effect derived from interest income resulting from Group cash management. Reporting-date related valuation effects from foreign exchange and derivatives positions also supported the result, especially the change in the value of the option structure embedded in the bond that is exchangeable into the shares of NAAG. The main value driver of the option structure is the development of the NAAG share price on the reporting date.

4. Comparison between Actual and Forecasted Performance

At the time when the annual accounts of the financial year 2012 were published, the limited reliability of economic forecasts of Germany, above all with regard to developments in Europe, hampered a valid and detailed guidance for the results of the Salzgitter Group. For the year 2013, we assumed that general conditions would not continue to deteriorate and predicted stable sales and earnings before taxes in the lower double-digit million euro range. At the same time, we made a reference to the fact that, in the event, effects from the implementation of the Group's "Salzgitter AG 2015" project might have to be factored into the anticipated pre-tax result.

Since the seasonal recovery did not materialize, and owing to the severe structural crisis in the European steel market that manifested itself in growing pressure on margins, accompanied by high raw materials and energy costs, we revised our guidance for the Salzgitter Group at the start of May. We then anticipated a negative pre-tax result in the mid-double-digit million euro range for the financial year 2013. As announced at a prior date, we made reference to the possibility of non-recurrent effects from the "Salzgitter AG 2015" reorganization program initiated the year before having to be incorporated into this result. In the first quarter of 2013, the Salzgitter Group sustained a pre-tax loss of € 15.8 million that underscored the necessity of the program.

At the start of August, we put a figure on the annual pre-tax loss, net of non-recurrent effects from the "Salzgitter AG 2015" program, given the negative market developments and owing to impairment necessary at Peiner Träger GmbH (PTG). At that time, we anticipated a negative pre-tax result in the order of around € 400 million. The Salzgitter Group reported a pre-tax result of €–298.7 million for the first half of 2013. Severe competition resulting from the ongoing capacity underutilization of numerous producers in southern Europe pushed the selling prices achievable for most rolled steel products below the manufacturing costs. Additional profit burdens emanated from the dramatic lack of orders in the Tubes Division's large-diameter pipes business. This was compounded by Aurubis AG (NAAG), a 25 % participation included an equity, reporting a negative after-tax contribution of € 54.2 million to the result.

The pre-tax result for the first nine months of 2013 amounted to € –363.0 million. Guidance issued in August was still assumed.

All in all, the Salzgitter Group closed the financial year 2013 with a pre-tax loss of € 477.8 million. This figure includes the following: € 185.0 million in impairment in the sections business, € 54.6 million in non-recurrent expenses for the groupwide restructuring measures under the "Salzgitter AG 2015" program, accounted for mainly by the Steel Division, as well as a negative after-tax contribution of € –55.4 million to the result by NAAG (25 % participating investment) in Other/Consolidation. External sales settled at € 9.2 billion, thereby falling below the year-earlier level.

In our published statements we always made specific reference to the opportunities and risks that may influence the results in the financial year 2013. 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. Accordingly, the financial statements of the financial year include restructuring expenses from the “Salzgitter AG 2015” project, impairment of non-current assets, as well as reporting-date-related valuation effects, among other items.

The **Steel Division** assumed an increase in sales compared with 2012, along with a clear improvement in its pre-tax result that will nonetheless remain negative. This forecast presupposed an easing anticipated with regard to procuring raw materials and input materials, stable shipments, and the positive effects of the streamlining program that is underway. In 2013, the Steel Division reported a significant pre-tax loss of € 428.2 million owing to still unsatisfactory margins. Along with impairment at PTG (€ 185.0 million), this result includes additional expenses from the repair work lasting two months on Blast Furnace A at Salzgitter Flachstahl GmbH (SZFG). Moreover, restructuring expenses also burdened the result.

The **Trading Division** expected the recently very dynamic project business in international trading to return to normal levels, while also perceiving additional shipment potential in America. Based on this premise, complemented by satisfactory margins in stockholding trading, sales growth with limited upside potential and a profit in the mid-double-digit million range appeared achievable. In the financial year elapsed, the Trading Division anticipated satisfactory performance overall in a difficult market environment. Thanks in particular to relatively robust international trading, the division generated a pre-tax profit of € 25.7 million. This result nonetheless fell markedly short of the year-earlier figure.

The **Tubes Division** anticipated the possibility of a temporary phase of capacity underutilization over the course of 2013 due to the economic environment and the late cyclical nature of the tubes business. It was foreseeable that this would affect the large-diameter pipes segment in particular. All in all, a marginal decline was expected in sales and a profit contribution comparable with the year-earlier level. In the period under review, the unsatisfactory order and capacity utilization situation in the large-diameter pipes product segment, as well as pressure widely exerted on selling prices and margins, were reflected by a significant pre-tax loss of € 94.8 million reported by the Tubes Division.

The **Services Division** predicted sales and a result on par with the year-earlier level. In 2013, the Services Division again achieved earnings before taxes of € 5.2 million that were, however, decidedly lower than the 2012 level largely owing to the unsatisfactory result of DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) and VPS Verkehrsbetriebe Peine-Salzgitter GmbH (VPS).

Based on the order intake trend, a continuation of the sales and profit momentum was envisaged for the **Technology Division**. Supported by the "Fit4Future" program, initiated back in 2011 and systematically implemented, the KHS Group anticipated higher sales, improved price quality and additional cost reductions. Expectations for the companies of the KDE Group and KDS operating in special machine construction were similarly positive. In the financial year 2013, the Technology Division delivered a pleasing pre-tax profit of €13.9 million.

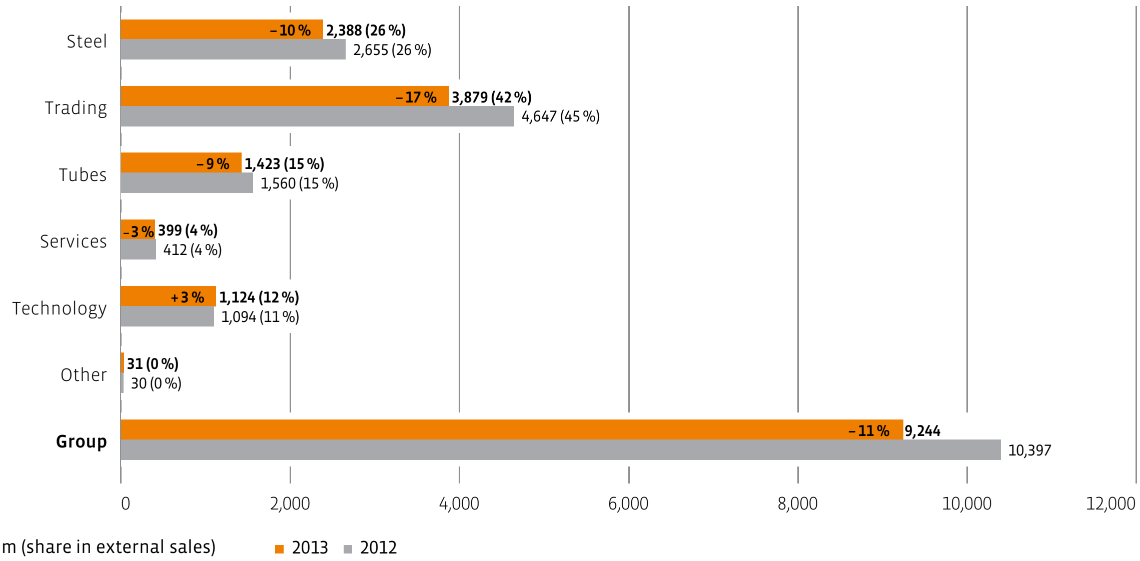
IV. Profitability, Financial Position and Net Assets

1. Profitability of the Group

The structural crisis in the European steel industry presented the **Salzgitter Group** with special challenges in 2013.Increasingly fiercer price-led competition in the European market and phases of capacity underutilization in the Tubes Division exerted significant pressure on earnings. The Steel Division's unsatisfactory result that was impacted by impairment and the high pre-tax loss of the Tubes Division were not offset by the positive contributions of the other divisions. The 25% stake in Aurubis AG (NAAG) did not deliver any compensating effects this year either.

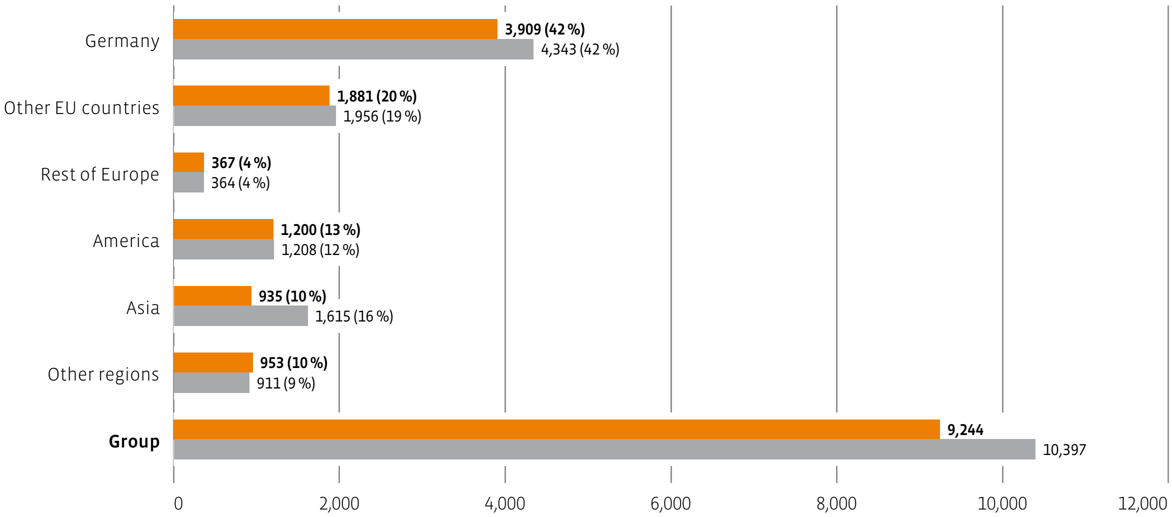
External sales declined notably to € 9,244.2 million (–11 %) and were accounted for by the divisions as follows.

Consolidated sales by division



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 (€ 5.8 billion; 62 % share of sales). Germany remained by far the largest single market with sales of € 3.9 billion, equivalent to a share of 42 %. 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



In € m (share in external sales)

The Salzgitter Group reported a **pre-tax loss** of € 477.8 million (2012: € –29.4 million). This figure comprises impairment in the sections business, as well as non-recurrent expenses of € 54.6 million incurred by the groupwide restructuring measures under the "Salzgitter AG 2015" program that were mainly attributable to the Steel Division.

The divisions delivered the following results:

Pressured by still unsatisfactory margins, the **Steel Division** reported a considerable pre-tax loss of € 428.2 million (2012: € –176.3 million). Alongside impairment (€ 185.0 million) of the non-current assets of Peiner Träger GmbH (PTG), this result also included additional expenses from repair work lasting two months on Blast Furnace A at Salzgitter Flachstahl GmbH (SZFG). The result was also burdened by restructuring expenses.

Against the background of a difficult market environment, the **Trading Division** performed satisfactorily overall. Thanks in particular to comparatively robust international trading, the division generated earnings before taxes of € 25.7 million that was, however, tangibly lower than the year-earlier figure due to narrower margins.

Unsatisfactory order intake and capacity utilization in the large-diameter pipes segment, compounded by selling prices and margins that came under pressure, were reflected in the **Tubes Division's** marked pre-tax loss of € 94.8 million (previous year: pre-tax profit of € 7.8 million).

The **Services Division** delivered another pre-tax profit of € 5.2 million – albeit noteicably lower year on year. The main contributing factor was the unsatisfactory result of DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) and Verkehrsbetriebe Peine-Salzgitter GmbH (VPS).

The **Technology Division** generated gratifying pre-tax profit of € 13.9 million and strenghted the turnaround achieved in the previous year. This success was attributable to the steady, high capacity utilization of the production plants and the ongoing implementation of the KHS Group's "Fit4Future" program.

Earnings before taxes of **Other/Consolidation** stood at € 0.4 million, which is considerably lower compared with a year ago (€ 36.7 million). The result includes € 55.4 million in after-tax loss from NAAG, an investment included at equity (previous year: after-tax profit of € 55.5 million). Interest income resulting from Group cash management as well as reporting-date-related valuation effects from foreign exchange and derivatives positions had a positive impact on the result.

Results by division and consolidated net income/loss for the year

In € m	2013	2012
Steel	–428.2	–176.3
Trading	25.7	77.1
Tubes	–94.8	7.8
Services	5.2	15.9
Technology	13.9	9.5
Other/Consolidation	0.4	36.7
Earnings before taxes (EBT)	**–477.8**	**–29.4**
Tax	11.8	70.4
Consolidated net income/loss for the financial year[1]	**–489.6**	**–99.8**

[1] 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.

Above all, the substantially lower amount of the Tubes and Steel divisions' product inventories on the balance sheet date was the main factor behind the decline in "Increase/decrease in goods and work in process/other own work capitalized" item. Reductions in volumes as well as in the prices of raw materials, semi-finished goods and steel products sourced externally, along with lower sales, were reflected in the decrease in the cost of materials. Income from associated companies was impacted by the proportion of loss in the form of after-tax contribution from the 25 % stake held in NAAG.

Adjusted for € 11.8 million in tax income, a consolidated net loss of € 489.6 million was recorded. Tax expenses consist in particular of tax payments remitted by international companies.

Multi-year overview of earnings

In € m	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
EBT	– 477.8	– 29.4	201.6	48.9	– 496.5	1,003.4	1,313.9	1,854.8	940.9	322.8
EBIT I[1)]	– 416.1	59.8	264.7	102.9	– 468.1	1,072.1	1,350.7	1,900.5	970.0	345.6
EBIT[2)]	– 390.6	98.0	304.5	159.8	– 411.3	1,026.9	1,312.4	1,891.6	1,017.4	411.1
EBITDA[3)]	133.8	462.7	666.8	539.7	156.9	1,317.2	1,543.1	2,092.9	1,233.5	732.1
EBT margin	– 5.2	– 0.3	2.1	0.6	– 6.4	8.0	12.9	22.0	13.2	5.4
EBIT margin[2)]	– 4.2	0.9	3.1	1.9	– 5.3	8.2	12.9	22.4	14.2	6.9
EBITDA margin[3)]	1.5	4.5	6.8	6.5	2.0	10.5	15.1	24.8	17.3	12.3
ROCE %	– 10.5	1.3	5.6	2.2	– 10.5	21.9	28.0	47.8	38.9	24.4
ROCE % from industrial operations[4)]	– 14.5	0.7	6.2	2.7	– 17.3	26.9	46.9	55.1	49.4	–

1) Excluding interest expenses for pension provisions
2) EBT + interest expenses/– interest income
3) EBT + interest expenses/– interest income + amortization and depreciation
4) 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 € 1,180 million in 2013. The decline of 26.2 % as against the previous year resulted in value added being insufficient to cover personnel expenses (€ 1,631 million). The public sector received 1.0 % in the form of taxes and levies (previous year: 4.4 %). Lenders accounted for a portion of 3.0 % which was marginally higher than the year-earlier figure (2.6 %). Value added worth 1.0 % has been earmarked as dividend for the shareholders (including treasury shares) to be disbursed for the financial year ended (previous year: 0.9 %). An amount of € 3.45 billion from the value added has remained within the Group since 2003; € 510 million were eroded in 2013.

Value added

	2013/12/31		2012/12/31	
	In € m	%	In € m	%
Sources				
Group outputs	9,363	100.0	10,743	100.0
Inputs	8,183	87.4	9,143	85.1
Value added	**1,180**	**12.6**	**1,600**	**14.9**
Appropriation				
Employees	1,631	138.2	1,584	99.0
Public sector	12	1.0	70	4.4
Shareholders (dividend)	12	1.0	15	0.9
Lenders	35	3.0	41	2.6
Group	– 510	– 43.2	– 110	– 6.9
Value added	**1,180**	**100.0**	**1,600**	**100.0**

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 1 January 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, if appropriate, 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 successful placement of a convertible bond in 2009, as well as a bond exchangeable into a proportion of the shares held in Aurubis AG (NAAG) placed in 2010 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 higher actuarial interest rate (3.25 %) derived from the current level of capital market rates, they currently amount to € 2,070 million (previous year: € 2,182 million at 3.00 %). In accordance with the standards of international accounting, the impact 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 "Notes to the Consolidated 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	2013	2012
Cash inflow from operating activities	125.1	427.2
Cash outflow from investment activities	–196.6	–443.7
Outflow from financing activities	–29.3	–51.7
Change in cash and cash equivalents	**–100.8**	**–68.2**
Changes in the group of consolidated companies/changes in exchange rates	–0.8	0.6
Cash and cash equivalents on the reporting date	**777.0**	**878.6**

The Group recorded € 125 million in cash flow from operating activities (previous year: € 427 million). The decline in comparison with the previous year's figure reflects the Group's negative result. The cash outflow from investment activity (€ 197 million) dropped as against the previous year (€ 444 million), attributable in the main to the lower level of investments (€ –46 million) and positive cash flow from cash investments (€ 184 million).

A negative cash flow from financing activities of € 29 million recorded in the financial year 2013 was mainly due to outgoing interest payments of € 13 million. In addition, dividend distribution for the financial year 2012 to shareholders of SZAG amounted to approximately € 14 million, which equates to € 0.25 per share.

The net credit balance of € 299 million declined significantly in comparison with the previous year (€ 497 million). Cash investments, including securities (€ 975 million), as per the end of 2013 were offset by liabilities owed to banks of € 676 million (previous year: € 713 million), of which € 592 million in obligations attached to convertible and exchangeable bonds.

The liquidity and debt-to-equity ratios in the financial year 2013 are as follows:

Multi-year overview of the financial position

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Solvency I (%)[1]	135	156	169	192	211	157	211	252	150	100
Solvency II (%)[2]	234	262	287	287	302	281	317	365	253	187
Dynamic debt burden (%)[3]	6.4	22.0	–12.1	30.1	406.8	64.9	–304.5	–95.5	41.3	20.2
Gearing (%)[4]	152.9	145.1	120	125.9	106.2	100.3	98.0	101.9	169.1	278.0
Cash flow (€ m) from operating activities	125	427	–197	209	1,190	547	781	488	468	352
Net bank debt (€ m)[5]	–299	–497	–508	–1,272	–1,561	–991	–2,115	–2,283	–822	–71

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

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

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

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

[5] – ≙ cash in bank, + ≙ liabilities

Asset Position

In comparison with the 2012 reporting date (€ 8,930 million), the Group's total assets had decreased by 9.7 % to € 8,061 million. The downturn in non-current assets (€ –273 million) resulted in particular from the lower level of property, plant and equipment (€ –236 million) as well as lower tax assets (€ 237 million; previous year: € 260 million). Current assets dropped as a result of inventory destocking (€ –153 million), as well lower levels of receivables (€ –307 million).

Asset and capital structure

In € m	2013/12/31	%	2012/12/31	%
Non-current assets	3,519	43.7	3,792	42.5
Current assets	4,542	56.3	5,137	57.5
Assets	**8,061**	**100.0**	**8,930**	**100.0**
Equity	3,187	39.5	3,643	40.8
Non-current liabilities	2,943	36.5	3,339	37.3
Current liabilities	1,931	24.0	1,947	21.8
Equity and liabilities	**8,061**	**100.0**	**8,930**	**100.0**

As part of non-current assets, investments in property, plant and equipment and intangible assets (€ 286 million) were lower than depreciation and amortization (€ 338 million). An additional reducing effect on non-personnel assets emanated from impairment (€ 185 million). Working capital stood at € 2,520 million (–6.9 %), which is marginally below the year-earlier figure.

The equity ratio (39.5 %) remained virtually unchanged in comparison with the previous year (40.8 %), despite lower Group equity. Determining factors here were the reduction in pension provisions due to the reporting-date-related increase in the actuarial rate to 3.25 % (previous year: 3.00 %) along with a decrease in trade payables and other liabilities (€–247 million). In addition, the redemption amount of the convertible bond was reclassified to current liability.

Multi-year overview of the asset position

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Asset utilization ratio (%)[1]	43.7	42.5	41.8	39.7	39.5	33.5	25.8	23.4	35.1	45.3
Inventory ratio (%)[2]	23.8	23.2	23.9	19.9	18.2	29.3	24.8	23.7	26.6	25.5
Depreciation/amortization ratio (%)[3]	21.8	13.6	13.5	14.2	21.3	11.7	11.7	13.9	14.5	22.6
Debtor days[4]	56.3	54.2	53.7	51.7	49.3	48.4	54.5	47.9	44.9	55.4
Capital employed (€ m)	3,967	4,481	4,733	4,596	4,457	4,886	4,829	3,974	2,496	1,418
Working capital (€ m)	2,520	2,694	2,753	2,193	1,981	3,338	2,845	2,159	1,809	1,479

[1] $\frac{\text{non-current assets} \times 100}{\text{total assets}}$

[2] $\frac{\text{inventories} \times 100}{\text{total assets}}$

[3] $\frac{\text{write-downs on property, plant and equipment/intangible assets} \times 100}{\text{property, plant and equipment/intangible assets}}$

[4] $\frac{\text{trade receivables} \times 365}{\text{sales}}$

3. The Annual Financial Statements of Salzgitter AG

The annual financial statements of Salzgitter AG (SZAG) for the financial year 2013 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 electronic German Federal Gazette.

As before, SZAG heads up the Group divisions that are responsible at the operational level as the management holding company. 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 Mannesmann GmbH (SMG) via the wholly-owned company Salzgitter Klöckner-Werke GmbH (SKWG). 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.

SZAG is included as a non-operating holding company in the management concept of Salzgitter Group. It is therefore subject to the same management and control parameters as well as the same risks and opportunities as the Salzgitter Group. The legal requirements for managing SZAG are incorporated in this context.

Balance sheet of Salzgitter AG (condensed)

In € m	2013/12/31	%	2012/12/31	%
Non-current assets	**44.4**	**4.3**	**43.9**	**4.2**
Property, plant and equipment[1]	20.7	2.0	21.1	2.0
Financial investments	23.8	2.3	22.8	2.2
Current assets	**989.4**	**95.7**	**1,004.3**	**95.8**
Trade receivables and other assets[2]	989.4	95.7	1,004.3	95.8
Cash and cash equivalents	0.0	0.0	0.0	0.0
Assets	**1,033.8**	**100.0**	**1,048.2**	**100.0**
In € m	**2013/12/31**	**%**	**2012/12/31**	**%**
Equity	381.4	36.9	384.4	36.7
Provisions	337.8	32.7	347.6	33.2
Liabilities	314.6	30.4	316.1	30.2
due to banks	[0.0]		[0.0]	
Equity and liabilities	**1,033.8**	**100.0**	**1,048.2**	**100.0**

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

The receivables from the liquidity (€ 980 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 € 309 million, as well as repayment obligations (€ 297 million) in respect of the Dutch issuer of a convertible bond are disclosed, alongside equity. The equity ratio is currently recorded at 36.9 % (previous year: 36.7 %).

Income statement of Salzgitter AG (condensed)

In € m	2013	2012
Other operating income	27.1	33.5
Personnel expenses	22.4	22.3
Depreciation/amortization[1]	1.2	1.3
Other operating expenses	24.0	22.2
Income from shareholdings	63.4	49.3
Net interest result	–31.7	–27.4
Earnings before taxes (EBT)	**11.3**	**9.7**
Tax	–0.6	2.6
Extraordinary result	–0.1	0.0
Net income for the financial year	**10.5**	**12.3**

[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, 2013, the company had a workforce of 160 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 mbH (HanBG), Groß Berßen, that announced in its notification on April 2, 2002, that it owned 25.5% of the voting rights in Salzgitter AG; 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 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, 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 a net income of € 10.5 million for the financial year 2013. Including the profit carryforward (€ 1.6 million), appropriated 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.

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. These tasks are carried out by the centralized departments as well as decentrally by the operating subsidiaries. The simultaneous performing of these tasks is fundamental for quickly recognizing potential opportunities and deriving suitable strategies. This enables us to leverage the existing abilities, strengths and core competencies of our group of companies at an early stage in the preparation and implementation of strategic decisions.

As part of the "Salzgitter AG 2015" reorganization project, we are setting in place even more efficient and effective structures and workflows in our organization in order to seize any opportunities presented by the challenging market in a faster and more targeted manner. In addition, we have developed specific measures with an overall profit potential of more than € 200 million that are either already being implemented or on the point of being realized. More information on the "Salzgitter AG 2015" program is included in the section on "Management and Control of the Company, Goals and Strategy".

We have continued to expand our production portfolio through extensive capital expenditure in recent financial years with the aim of creating better preconditions for us to grasp future opportunities. Plant productivity and efficient resource deployment are also critical to our Group's success, as is the continuous optimization of product quality. More detailed explanations can be found in the section on "Investments".

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

Along with the measures initiated to promote organic growth, we always analyze external possibilities for growth as well in terms of their potential to contribute to the Salzgitter Group’s success.

More information can be found in the sections entitled “Management and Control of the Company, Goals and Strategy” and “Employees”.

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 and debt crisis.

Business activity as defined by the Articles of Incorporation makes risk taking unavoidable in many instances, as this is frequently a precondition for exploiting opportunities. 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 convey the respective concept to the companies through a risk manual that lays down the principles concerning

- identification,
- evaluation,
- management,
- communication and
- documentation

of risks. These principles serve to harmonize the groupwide risk inventory and ensure its informative value for the whole Group. We develop our risk management system on an ongoing basis in response to requirements.

Identification

With risk management within the Salzgitter Group in mind, we identify situations in our business units that have not been incorporated in our planning or in our forecast. The damage or the amount of loss is based on the potential divergence from our forecast and our anticipation of the result. The risk coordinators in our companies ensure that this is a continuous process. We have developed a risk checklist that is used for the purpose of identifying risks while, at the same time, assigning them to risk categories. The categorization of the various 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 loss calculated – such as performance risks, for instance, which include sales, procurement, stocks and production downtime relating to key plant equipment and machinery. External risks comprise environmental protection risks relating to the operation of our plants as well as, more recently, risks inherent in environmental and energy policies that are particularly significant for our Group. Examples of the financial component include the monitoring of receivables 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 document the quantitative extent of the calculated loss or damage in 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.

At Salzgitter AG (SZAG) there is a clear demarcation between risk management and controlling, and the two systems complement one another. Actual risks can therefore be handled either through the medium of controlling (for example, by way of provisioning), or through the risk management system (by taking action to overcome the risk), or by applying both approaches.

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
All fully consolidated companies in the Strip Steel, Plate/Section Steel, Trading, Technology business units as well as in the area of Other/Consolidation and a number of non-consolidated companies are incorporated into our risk management on principle. Alongside the fully consolidated companies combined under the Energy Business Unit, jointly held EUROPIPE GmbH (EP) and its subsidiaries have been integrated in accordance with SZAG’s guidelines.

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 really 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.

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 especially applicable to production downtime risks relating essentially to key plant equipment and machinery such as the rolling mills. As regards the financial risks, Salzgitter Klöckner-Werke GmbH (SKWG) coordinates and manages the risks for the companies belonging to the corporate finance and fiscal group across all business units. All other areas indicated are reflected in their effect on all business units.

Sectoral risks

Based on macroeconomic changes in the international markets, the development of the following factors are of special significance for the Salzgitter Group:

- prices in sales and procurement markets,
- the exchange rates (especially USD–EUR) and
- energy prices.

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.

At present, the crisis in the European steel industry constitutes a considerable burden on the Salzgitter Group. The persistent recession in many European countries and the associated downturn in the demand for steel are the cause of significant capacity underutilization, particularly in southern Europe. The resulting fierce competition has driven the sales prices for many rolled steel products below the manufacturing costs, with the commensurate negative impact on the Strip Steel and Plate/Section Steel business units in particular. Moreover, the global market for large-diameter pipes was also hit by extremely weak demand in the period under review. Regardless of the fact that the situation brightened for our EUROPIPE joint venture when the first leg of the South Stream Pipeline was awarded in January 2014, we must assume a difficult earnings and capacity utilization situation in this business in 2014.

Along with the production of rolled steel and steel tubes and pipes, Salzgitter AG (SZAG) also operates in 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 identifiable from developments in the relevant sectors that could constitute a threat to SZAG as a going concern.

With regard to the current discussions on climate and energy policy, we make reference to the section entitled “Environmental Protection”.

There is a political – and thus currently fairly unpredictable – risk arising from the EU Commission having initiated a state aid investigation on December 18, 2013, concerning Germany’s Renewable Energies Act (EEG), specifically against the special equalization scheme under the 2012 Act for electricity-intensive companies. This may also affect the EEG apportionment cap worth around € 43 million already applied by companies that are members of the Salzgitter Group in 2013. Official assessments on caps have already been made for some companies of the Salzgitter Group in 2014 as well. These caps will also entitle Group companies to remit a lower amount of EEG apportionment. The advantage accruing to the companies will total approximately € 55 million. The procedure is being conducted by the EU Commission without any preconceived views as to its outcome. Similar to the German government’s view, we consider the likelihood of having to pay back amounts allowed under the caps in 2013 and 2014 to be low.

In the context of electricity volumes sourced externally, it is deemed probable that the scope to which this electricity volume is exempted from levy under the German Renewable Energies Act (EEG) will be significantly less in the future. The consequences for the Salzgitter Group if the current bill on the environmental and energy subsidy guidelines is enacted would be that the annual expenses for electricity sourced externally would rise due to a higher EEG levy in the low to mid-double-digit million euro range.

Starting from a Cabinet decision by the German government based on a position paper of the Ministry for Economic Affairs and Energy (BMWi), it is possible that electricity produced and consumed by an entity itself, including by process gas (cogeneration) power plants, will also be burdened by an EEG levy in the future. In an unfavorable scenario, this would lead to an additional annual burden on profit in the mid-double-digit million euro range. We currently view it as rather unlikely that the position paper in its current form will be implemented.

Given the current status of political discussion in connection with possible amendments to the German Renewable Energies Act, it cannot be ruled out that production stages upstream of the steel production process in other sectors will be exempted in the future from the EEG levy to a significantly more minor extent in the future than is currently the case. Market conditions could prompt our suppliers to pass on these higher production costs. In the Salzgitter Group, this could incur an additional burden on profit in the low to mid-double-digit million euro range per year.

In addition, our Group will likely have to purchase CO_2 allowances for the third ETF trading period from 2013 through 2020. Depending on the CO_2 allowance price trend, we believe that a risk may emanate from the direct burdens associated with CO_2 trading. Indirectly associated in this context is the risk of a price increase in the electricity sourced externally. All in all, we see a risk in the mid double-digit million euro range per year from this. All in all, we estimate a risk in the mid-double-digit million euro range per year.

Using energy sources sparingly is an important aspect for us. Consequently, we have stepped up our groupwide energy monitoring in order to more effectively record the influence of the general uptrend in electricity prices that we observe in Germany, particularly due to the policies introduced on renewable energies. Risks arising here can be better counteracted in this way.

Price risks of essential raw materials

The procurement prices of raw materials, especially iron ore and coking coal, are extremely volatile. In order to stabilize prices, a one-year contract has been signed again with an ore supplier from which a significant volume is traditionally sourced. The contract covers the period from April 2013 to March 2014 and includes a flexibility clause. Delivery contracts with the market leader for coking coal are priced on a monthly basis. This affects around one third of the volume purchased by SZAG. From today's standpoint, we do not anticipate any fundamental change in these risks.

In principle, the Salzgitter Group's approach is to smooth price fluctuations for raw materials through natural hedging: The Group uses a permanent system of monitoring sales and procurement to ensure that there is congruence between the fixed-price sales and the fixed-price procurement of raw materials. 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, a groupwide project to sustainably enhance energy efficiency has been launched. 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. With regard to the current economic environment, we refer to the outlook for the financial year 2014 under 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. At present, the economic effects on the individual business units are not offsetting one another as planned owing to the aforementioned steel crisis and an ailing large-diameter pipes market.

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 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.

Financial risks

Salzgitter Klöckner-Werke GmbH (SKWG) 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 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, and thereby minimize 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 has been included on the section entitled "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 keep a check 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. No other risks are recognizable from today's standpoint.

The lawsuit we brought against the European Commission's claim for payment of compensation in 2000 for tax advantages that we were granted prior to 1995 based on the then statutory government aid to border regions was rejected by the court of the European Union on January 22, 2013. We had already paid the amount of €17.8 million (including a significant interest portion) when it was determined back in 2009, subject to the respective outcome.

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 SZAG" 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 (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.

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

We contain the risks arising in the field of information technology (IT) by developing and maintaining a knowledge base within the Group in the form of IT services in our subsidiaries. This ensures that we always remain at the forefront of technological progress.

The authority and competence granted to Group IT in matters of general policy in this area ensure the ongoing development of our groupwide IT systems and form the basis for the economic deployment of the required capital expenditure.

The consistent replacement of our hardware and software resources in line with the latest technology ensures that availability, maintenance and IT security are kept at the highest level. The historically evolved, heterogeneous IT structures in the Group are being gradually streamlined. 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 been regularly investing considerable sums in recent years, especially at our Group locations in Salzgitter and Peine. In KHS GmbH (KHSDE), we own one of the three largest companies in the global market for beverage filling machinery. Our intention is to reduce our dependency on the "typical" steel cycle in the future. More detailed information can be found in the sections on "Management and Control of the Company, Goals and Strategy" and "Investments".

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) in order to ensure the transparency of our 50 % joint venture. Similarly, two members of our company's Executive Board sit on the Supervisory Board of Aurubis AG (NAAG), one of our participations.

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 2013 annual financial statements were drawn up. This evaluation applies to the individual companies as well as to the Group as a whole.

The major risk for the future development of the global economy is still constituted by a potential escalation of the debt crisis in the eurozone. Based on the premise that this crisis of confidence, of the economy and sovereign debt can be overcome, we view the financial year 2014 with cautious optimism despite the structural crisis in the European steel industry. Along with these economic and structural aspects, decisions made in the context of German and European energy and environmental policies may give rise to further risks, which may potentially pose a threat to the future of the company.

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 when 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 Salzgitter AG (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, despite our strong, self-funded growth achieved over the years from 2004 to 2008, we have achieved a financial standing that is way 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.

Group 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 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 individual control activities ensuring the regularity and reliability of Group accounting include the analysis and, if appropriate, the correction of the individual financial statements submitted by the Group company, including the reports submitted by the auditors and the respective discussions on the financial statements. Control mechanisms and plausibility controls already built into the consolidation software allow financial statements forms containing errors to be corrected before the consolidation process takes place.

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.

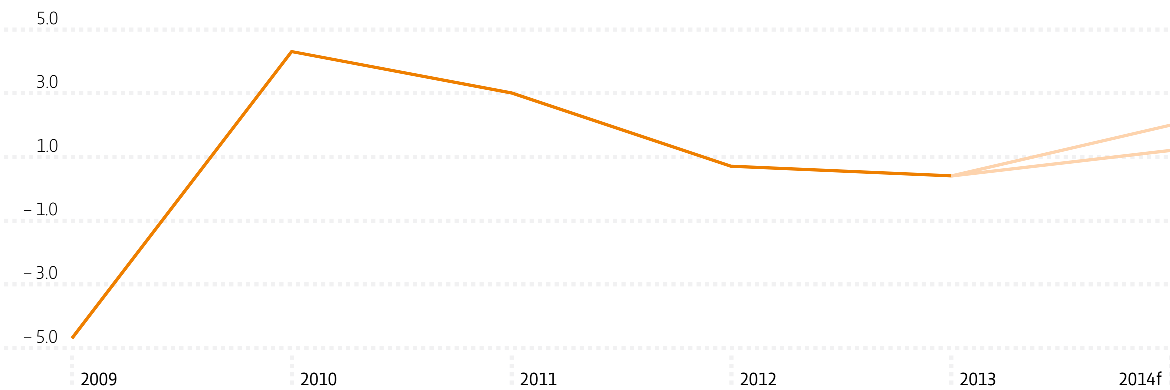
4. General Business Conditions in the coming Year

The International Monetary Fund has predicted stronger growth for the **world economy** in 2014 than in the previous years, although growth will vary depending on the geographical region: Under this outlook, growth in the industrial nations is estimated at 2.2 % (2013: 1.3 %). This development will be principally driven by continued momentum from domestic demand in the USA, as well as – to a limited extent – the gradual recovery of the euro area. By contrast, Japan continues to be burdened by higher taxation. Expansion in the emerging markets is expected to be higher than that of the industrial nations, as before, though the pace will slow compared with previous years. All in all, the IMF anticipates that the global economy will grow by 3.7 % in 2014.

The gradual stabilization presumed in the **eurozone** in 2014 is based on the fact that the side effects of budgetary consolidations are showing signs of abating, and the increasing competitiveness of a number of peripheral countries is set to provide stimulus for exports. In addition, a moderate recovery in consumption and capital expenditure propensity is anticipated despite the continued braking effects of the high debt levels and unemployment on the economy. The IMF predicts overall economic growth of 1.0 % in 2014, marking the end of the recession.

The modest upswing in **Germany** should hold steady in 2014, as the comparatively low jobless rate and financing conditions encouraging investment should provide impetus for the domestic economy. The conditions for foreign trade should also improve in response to more the favorable economic environment of many customer countries. The growth forecast for the gross domestic product ranges from 1.2 % to 2.0 %.

GDP Germany: forecast range 2014



In % GDP y/y change Source: BDA as of 2014/02/05 (f=forecast)

Global market continues to expand

The German Steel Association forecasts growth of 3.4 % in the **global demand for steel** in 2014. Crude steel production is likely to rise to 1.67 billion tons (+3.7 %). Given the foreseeable, ongoing expansion of global capacity, however, the capacity utilization rate is not expected to rise in 2014.

There are prospects of moderate improvement in the market supply of the **EU 28**, starting from the low level already attained. Stimulus is expected to emanate from real demand, as well as from an upbeat inventory cycle. Growth (+2.1 %) and the development of crude steel output (+1.6 %) are nonetheless likely to be restrained.

The German Steel Association assumes that demand for steel in **Germany** will recover, thereby promoting a marginal expansion of crude steel production (+1.0 %; 43.0 million tons). The general market environment is nonetheless likely to remain challenging over the forecasting horizon, as no substantial reduction of capacity underutilization can be anticipated in the steel companies of the EU periphery. Consequently, exceptionally fierce competition is likely to persist.

Upturn in global demand for steel, driven by China and North America

Estimates for the development of steel tubes production vary widely throughout the world: For instance, infrastructure expansion and increasing energy requirements are likely to support demand in the emerging countries, particularly in China. The shale gas boom and accelerating industrial activity based on comparatively favorable energy prices should boost growth in North America. By contrast, Western Europe lacks the stimulus which could underpin an extensive trend reversal. The forecasts for the construction industry are especially subdued. A moderate economic recovery could, however, result in demand for steel tubes stabilizing, above all in southern Europe. Persistent capacity underutilization is nevertheless likely to keep exerting pressure on margins.

German producers, particularly in the large-diameter pipes segment, are reticent in their expectations. Owing to the lack of major projects, with the exception of South Stream, business is likely to be weak, at least in the first quarter. The producers of smaller welded and seamless steel tubes expect demand to repeat the year-earlier level. In the automotive business, the precision tubes industry should continue to benefit from a strong position of German premium manufacturers in the global markets.

Mechanical engineering anticipating growth in 2014

The German Engineering Federation (VDMA) expects sales to grow (+3 %) overall in 2014.

The food and packaging machinery business is likely to be bolstered by great demand from major industry events such as “interpack” that will take place in Düsseldorf in May 2014. Similarly strong effects are expected from business ensuing after the “drinktec” trade fair event. The Trade Association for Food and Packaging Machinery therefore assumes a sales uptrend (+6 %) in 2014.

The mechanical engineering companies operating in the plastics processing industry also anticipate sales growth (+6 %).

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 as well as aggregated economic indicators. This enables us to assess the specific situation of the individual sales market as well as the general macroeconomic conditions applicable to the Group. With the aforementioned as a basis, we prepare our rolling corporate planning and sales forecasts in each subsidiary as well as at Group level. Incorporating special information on products and market developments ultimately permits a sound strategy to be derived.

We can derive forecasts for shipments and sales figures for the Strip Steel Business Unit as well as the precision tubes group that 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, or derive conclusions from decisions on energy policy.

Business activities in the construction and chemicals industries as well as the mechanical engineering sector exert a strong impact on 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.

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

The following guidance was compiled on the basis of the new Group organization structure that took effect on January 1, 2014. For the purpose of facilitating comparison with the previous year, the figures for the financial year 2013 resulting from preliminary consolidation reflecting the new Group structure are also provided. Guidance on the development of the macroeconomic situation is already fundamentally subject to a great deal of uncertainty, particularly in the current environment prevailing in Europe. In addition, the impact on earnings resulting from European and German energy and climate policies is difficult to predict. The forward-looking statements below on the individual business units assume the absence of renewed recessionary development in Europe. Instead, we anticipate a relatively restrained economic recovery in volumes and selling prices in the current financial year, with markets remaining fiercely contested.

New Group organization structure: external sales and earnings before taxes as per preliminary consolidation

		2013
External sales	**€ m**	**9,244**
Strip Steel Business Unit	€ m	2,018
Plate/Sections Steel Business Unit	€ m	1,042
Energy Business Unit	€ m	1,321
Trading Business Unit	€ m	3,546
Technology Business Unit	€ m	1,118
Other/Consolidation	€ m	200
Earnings before taxes (EBT)	**€ m**	**– 478**
Strip Steel Business Unit	€ m	– 85
Plate/Sections Steel Business Unit	€ m	– 403
Energy Business Unit	€ m	– 47
Trading Business Unit	€ m	31
Technology Business Unit	€ m	13
Other/Consolidation	€ m	14

Against this background, the business units anticipate that business will develop as follows in the financial year 2014:

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

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

The **Energy Business Unit** does not anticipate a strong market recovery in 2014 either. EUROPIPE GmbH (EP) will again be operating well below capacity in the first quarter and run short-time work. The booking of significant volumes for the major South Stream contract will improve the situation as from the second quarter. The other tubes companies anticipate a generally more positive development of business. Against this backdrop, we anticipate a marginal uptrend in sales and a notably higher pre-tax result in comparison with the previous year.

The **Trading Business Unit** has budgeted for a slight increase in sales and a pre-tax result around the year-earlier level in 2014. The stockholding steel trade has calculated for growth in sales and the result based on a potential trend reversal in the western and southern European countries and rising prices in Europe. International trading expects a satisfactory result.

Judging by the trend of new orders and the high level of orders on hand, the **Technology Business Unit** anticipates an increase in sales and a noticeably higher result. The KHS Group is likely to achieve sales growth, as well as being able to command better margins. With the aid of the “Fit4Future” program, launched back in 2011 and consistently implemented, additional cost reductions are expected in the current year, thereby generally lifting the pre-tax result. The prospects for the other companies are also positive.

In **Other/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 services companies assigned to it, and other associated companies, including Aurubis AG (NAAG), the pre-tax result is expected to settle at the previous year’s level.

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

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

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

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.

The extensive investment program in our steel business has been largely completed. We have therefore restricted our capital expenditure budget for the Group to € 200 million in the financial year 2014. Together with the follow-up amounts of investments approved in previous years, the cash-effective portion of the 2014 budget should amount to approximately € 300 million (previous year: € 360 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 2014 will fall slightly below the level of depreciation and amortization, so that financing can be funded by the cash flow from operating activities.

The financial position of our Group should be comparatively sound at the end of the year 2014 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 interest 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

EUROPIPE joint venture is the main supplier for the first offshore strand of the South Stream Pipeline

EUROPIPE, a 50/50 joint venture of the Salzgitter Group and AG der Dillinger Hüttenwerke, is to supply 450,000 tons of steel pipes for the first strand of the offshore section of the South Stream Pipeline. This major order, won against the backdrop of challenging competition, will secure satisfactory basic capacity utilization for the next twelve months at EUROPIPE from the second quarter onward. The feedstock will be provided in the form of high-grade plate by the two shareholding companies. The South Stream Pipeline system will connect Russia's gas fields with Central and Southeast Europe. The pipeline runs through the Black Sea and is scheduled to become operational at the end of 2015. The construction of four offshore strands has been planned.

More information is available on EUROPIPE's homepage: www.europipe.com

Overview of the Consolidated Financial Statements

B. Consolidated Financial Statements

I. Consolidated Income Statement

In € m	Note	2013	2012
Sales	[1]	9,244.2	10,397.2
Increase/decrease in finished goods and work in process/other own work capitalized	[2]	– 87.0	23.7
		9,157.2	**10,420.9**
Other operating income	[3]	235.4	260.2
Cost of materials	[4]	6,653.6	7,712.8
Personnel expenses	[5]	1,567.5	1,506.4
Amortization and depreciation of intangible assets and property, plant and equipment	[6]	523.0	358.2
Other operating expenses	[7]	1,006.4	1,078.5
Income from shareholdings	[8]	14.4	17.6
Income from associated companies	[9]	– 55.1	54.5
Finance income	[10]	46.2	45.8
Finance expenses	[11]	125.4	172.4
Earnings before taxes (EBT)		**– 477.8**	**– 29.4**
Income taxes	[12]	11.8	70.4
Consolidated net loss		**– 489.6**	**– 99.8**
Consolidated net loss due to Salzgitter AG shareholders		– 492.3	– 102.0
Minority interests in consolidated net result for the year	[13]	2.7	2.2

Appropriation of profit in € m	Note	2013	2012
Consolidated net loss		– 489.6	– 99.8
Profit carried forward from the previous year		15.1	27.1
Minority interests in consolidated net loss for the year		2.7	2.2
Dividend payment		– 13.5	– 24.3
Transfers to/from other retained earnings		502.8	114.3
Unappropriated retained earnings of Salzgitter AG		**12.1**	**15.1**
Basic earnings per share (in €)	**[14]**	**– 9.10**	**– 1.89**
Diluted earnings per share (in €)	**[14]**	**– 9.10**	**– 1.89**

II. Statement of Total Comprehensive Income

In € m	2013	2012
Consolidated net loss	**– 489.6**	**– 99.8**
Recycling		
Changes in currency translation	– 14.8	– 0.9
Change in value from hedging transactions		
of which changes in fair value recorded directly in equity	0.1	– 0.2
of which recognition of settled hedging transactions with effect on income	0.2	– 1.1
Changes in the value of financial assets in the “held-for-sale assets” category recorded directly in equity	– 1.5	4.3
Adjustment from associated companies without effect on income	4.8	– 1.5
Deferred taxes on current changes without effect on income	– 0.1	– 1.3
Subtotal	**– 11.3**	**– 0.7**
Non-recycling		
Remeasurement pensions	79.8	– 315.6
Adjustments from associated companies without effect on income	1.6	– 11.9
Deferred taxes on current changes without effect on income	– 16.4	67.9
Subtotal	**65.0**	**– 259.6**
Other comprehensive income	**53.8**	**– 260.2**
Total comprehensive income	**– 435.8**	**– 359.9**
Total comprehensive income due to Salzgitter AG shareholders	– 438.9	– 361.9
Total comprehensive income due to minority interests	3.0	1.9
	– 435.8	**– 359.9**

III. Consolidated Balance Sheet

Assets in € m	Note	2013/12/31	2012/12/31
Non-current assets			
Intangible assets	[15]	113.2	112.3
Property, plant and equipment	[16]	2,283.2	2,519.7
Investment property	[17]	21.3	22.8
Financial assets	[18]	218.8	192.1
Associated companies	[19]	638.5	680.3
Deferred income tax assets	[20]	237.2	260.4
Other receivables and other assets	[21]	6.4	4.7
		3,518.6	**3,792.3**
Current assets			
Inventories	[22]	1,915.2	2,068.0
Trade receivables	[23]	1,425.0	1,544.8
Other receivables and other assets	[24]	308.6	482.4
Income tax assets	[25]	17.9	31.1
Securities	[26]	98.4	132.5
Cash and cash equivalents	[27]	777.0	878.6
		4,542.1	**5,137.4**
		8,060.7	**8,929.7**

Equity and liabilities in € m	Note	2013/12/31	2012/12/31
Equity			
Subscribed capital	[28]	161.6	161.6
Capital reserve	[29]	238.6	238.6
Retained earnings	[30]	3,136.2	3,589.7
Unappropriated retained earnings	[31]	12.1	15.1
		3,548.5	**4,005.0**
Treasury shares	[30]	– 369.7	– 369.7
		3,178.8	**3,635.3**
Minority interests	[32]	8.1	8.2
		3,186.9	**3,643.5**
Non-current liabilities			
Provisions for pensions and similar obligations	[33]	2,069.7	2,182.2
Deferred income tax liabilities	[20]	62.4	66.8
Income tax liabilities	[25]	149.1	193.5
Other provisions	[34]	315.9	284.4
Financial liabilities	[35]	345.8	612.1
		2,942.9	**3,339.0**
Current liabilities			
Other provisions	[34]	324.1	337.2
Financial liabilities	[36]	404.1	158.2
Trade payables	[37]	819.8	918.6
Income tax liabilities	[25]	55.6	57.5
Other liabilities	[38]	327.3	475.7
		1,930.9	**1,947.2**
		8,060.7	**8,929.7**

IV. Cash Flow Statement

(42) Cash flow statement

In € m	2013	2012
Earnings before taxes (EBT)	– 477.8	– 29.4
Depreciation, write-downs (+)/write-ups (–) of non-current assets	524.4	355.0
Income tax paid (–)/refunded (+)	– 45.9	7.8
Other non-cash expenses (+)/income (–)	197.9	137.8
Interest expenses	125.3	167.1
Gain (–)/loss (+) from the disposal of non-current assets	– 2.1	4.4
Increase (–)/decrease (+) in inventories	171.7	42.7
Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	145.3	– 139.2
Use of provisions affecting payments, excluding use of tax provisions	– 245.4	– 266.8
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	– 268.2	147.8
Cash inflow from operating activities	**125.1**	**427.2**

In € m	2013	2012
Cash inflow from the disposal of fixed assets	13.1	3.9
Cash outflow for investments in intangible assets and property, plant and equipment	– 274.7	– 320.8
Cash inflow (+)/cash outflow (–) for investments of funds	138.5	– 45.6
Cash inflow from the disposal of financial assets	4.2	2.0
Cash outflow for investments in financial assets	– 77.8	– 83.2
Cash outflow from investment activities	**– 196.6**	**– 443.7**
Cash outflow in payments to company owners	– 13.5	– 24.3
Cash inflow (+)/outflow (–) for borrowings and other financial liabilities	– 3.1	– 9.1
Interest paid	– 12.7	– 18.3
Cash outflow from financing activities	**– 29.3**	**– 51.7**
Cash and cash equivalents at the start of the period	878.6	946.2
Cash and cash equivalents relating to changes in the consolidated group	4.3	1.0
Gains and losses from changes in foreign exchange rates	– 5.1	– 0.4
Payment-related changes in cash and cash equivalents	– 100.8	– 68.2
Cash and cash equivalents at the end of the period	**777.0**	**878.6**

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 2012/01/01	**161.6**	**238.6**	**– 369.7**	**4,311.1**	**– 15.0**	**1.1**	**– 14.0**	**– 316.3**	**27.1**	**4,024.4**	**9.0**	**4,033.5**
Initial consolidation of group companies so far not consolidated for materiality reasons	–	–	–	1.7	–	–	–	–	–	1.7	0.1	1.8
Goodwill resulting from the acquisition of minority interests	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	0.3	– 0.9	– 1.3	4.3	– 262.4	– 102.0	– 361.9	1.9	– 359.9
Dividend	–	–	–	–	–	–	–	–	– 24.3	– 24.3	– 3.2	– 27.5
Group transfers from retained earnings	–	–	–	– 114.3	–	–	–	–	114.3	–	–	–
Other	–	–	–	– 0.2	–	–	–	– 4.5	–	– 4.7	0.3	– 4.4
As of 2012/12/31	**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**
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	– 14.8	0.3	– 1.5	69.8	– 492.3	– 438.9	3.0	– 435.8
Dividend	–	–	–	–	–	–	–	–	– 13.5	– 13.5	– 2.8	– 16.3
Group transfers from retained earnings	–	–	–	– 502.8	–	–	–	–	502.8	–	–	–
Other	–	–	–	1.6	–	–	–	– 4.2	–	– 2.6	– 0.3	– 2.9
As of 2013/12/31	**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**

VI. Notes

(43) Segment reporting

In € m	Steel		Trading		Tubes		Services		Technology		Total segments	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
External sales	2,388.2	2,654.7	3,878.6	4,646.8	1,423.4	1,559.5	399.2	412.4	1,123.6	1,093.6	9,212.8	10,367.0
Sales to other segments	1,171.2	1,176.8	67.1	25.3	277.8	528.9	770.4	940.3	0.6	0.7	2,287.1	2,671.8
Sales to Group companies that cannot be allocated to an operating segment	–	–	–	–	0.9	0.6	6.0	5.9	0.4	0.5	7.3	7.0
Segment sales	3,559.3	3,831.5	3,945.7	4,672.1	1,702.0	2,089.0	1,175.5	1,358.6	1,124.6	1,094.7	11,507.1	13,045.9
Interest income (consolidated)	6.5	2.6	6.1	6.1	0.7	1.0	1.1	0.8	3.9	3.6	18.2	14.1
Interest income from Group companies that cannot be allocated to an operating segment	0.1	0.2	0.2	1.6	0.5	–	10.6	11.4	–	0.1	11.4	13.4
Segment interest income	6.6	2.8	6.3	7.7	1.2	1.0	11.7	12.2	3.9	3.7	29.6	27.5
Interest expenses (consolidated)	23.2	33.5	9.7	14.3	8.6	8.9	13.1	15.1	4.6	5.5	59.2	77.3
Interest expenses to Group companies that cannot be allocated to an operating segment	73.4	76.2	9.3	10.1	10.4	14.7	6.2	4.0	0.8	1.0	100.0	106.0
Segment interest expenses	96.6	109.7	19.0	24.4	18.9	23.6	19.3	19.0	5.4	6.5	159.2	183.3
Scheduled depreciation of property, plant and equipment and amortization of intangible assets (excluding impairment costs in accordance with IAS 36)	224.1	233.1	12.6	11.3	48.4	46.1	26.2	24.9	24.8	25.7	336.1	341.1
Impairment of tangible and intangible assets (according to IAS 36)	185.0	15.0	–	–	–	–	–	–	–	–	185.0	15.0
Reversal of impairment of tangible and intangible assets (according to IAS 36)	–	2.5	–	–	–	5.6	–	–	–	–	–	8.1
Impairment of financial assets	–	–	1.4	6.5	0.1	–	–	–	–	–	1.4	6.5
Segment result for the period	– 428.2	– 176.3	25.7	77.1	– 94.8	7.8	5.2	15.9	13.9	9.5	– 478.2	– 66.0
of which income from associated companies	–	–	–	–	0.4	– 1.0	–	–	–	–	0.4	– 1.0
Material non-cash items	69.6	27.9	6.5	35.4	29.2	28.2	19.9	18.9	35.8	36.7	161.0	147.1
Segment operating assets	2,656.9	3,090.4	1,217.3	1,283.8	1,093.2	1,246.5	658.3	656.9	875.0	832.6	6,500.7	7,110.3
of which shares in associated companies	–	–	–	–	135.8	111.4	–	–	–	–	135.8	111.4
Investments in property, plant and equipment and intangible assets	179.5	187.0	10.3	16.6	46.2	49.9	31.4	49.5	17.6	19.2	285.1	322.2
Segment operating liabilities	2,257.4	2,590.1	1,109.2	1,175.3	886.6	1,010.0	671.4	680.1	847.3	466.5	5,771.9	5,922.0

Analysis of Fixed Assets 2013

In € m	Acquisition and production costs						
	2013/01/01	Currency translation differences	Changes in the consoli-dated group	Additions	Disposals	Transfers to other accounts	2013/12/31
Intangible assets							
Concessions, industrial property rights and similar rights and assets, including licenses to such rights and assets	302.2	– 0.5	9.2	8.7	11.6	1.5	309.6
Payments on account	0.9	–	–	0.1	1.0	0.3	0.3
	303.1	**– 0.5**	**9.2**	**8.8**	**12.6**	**1.8**	**309.9**
Property, plant and equipment							
Land, similar rights and buildings, including buildings on land owned by others	1,474.9	– 3.7	12.0	7.1	3.8	16.9	1,503.4
Plant equipment and machinery	5,761.1	– 5.8	4.8	155.1	78.1	102.7	5,939.7
Other equipment, plant and office equipment	366.3	– 1.2	1.1	20.8	13.3	3.4	377.2
Payments made on account and equipment under construction	152.7	– 0.2	–	93.7	0.3	– 124.7	121.3
	7,755.1	**– 11.0**	**18.0**	**276.8**	**95.6**	**– 1.7**	**7,941.5**
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	10.2	–	–	–	1.0	–	9.2
Loans to affiliated companies	81.5	–	–	49.9	–	–	131.5
Non-current securities	32.6	– 0.1	–	4.6	1.3	–	36.0
Other loans	22.4	– 0.6	–	0.7	3.1	–	19.4
	200.6	**– 0.7**	**– 20.0**	**56.8**	**9.4**	**–**	**227.6**
	8,288.4	**– 12.2**	**7.2**	**342.4**	**118.7**	**–**	**8,507.3**

In € m	Valuation allowances									Book values	
	2013/01/01	Currency translation differences	Changes in the consoli-dated group	Write-ups in the financial year	Deprecia-tion in the financial year[1]	Disposals	Other changes without effect on income	Transfers to other accounts	2013/12/31	2013/12/31	2012/12/31
Intangible assets											
Concessions, industrial property rights and similar rights and assets, including licenses to such rights and assets	190.9	0.2	– 0.3	–	16.2	10.4	–	–	196.6	112.9	111.3
Payments on account	–	–	–	–	–	–	–	–	–	0.3	0.9
	190.9	**0.2**	**– 0.3**	**–**	**16.2**	**10.4**	**–**	**–**	**196.6**	**113.2**	**112.3**
Property, plant and equipment											
Land, similar rights and buildings, including buildings on land owned by others	804.3	– 1.0	2.6	–	77.4	1.2	–	–	882.2	621.2	670.6
Plant equipment and machinery	4,146.0	– 2.8	0.8	–	401.5	69.4	–	0.2	4,476.3	1,463.3	1,615.1
Other equipment, plant and office equipment	284.3	– 0.7	0.8		27.6	12.4	–	–	299.5	77.7	82.0
Payments made on account and equipment under construction	0.7	–	–	–	–	0.2	–	– 0.2	0.3	121.0	152.0
	5,235.4	**– 4.5**	**4.2**	**–**	**506.5**	**83.2**	**–**	**–**	**5,658.3**	**2,283.2**	**2,519.7**
Investment property	**6.7**	**–**	**–**	**–**	**0.3**	**–**	**–**	**–**	**7.0**	**21.3**	**22.8**
Financial assets											
Investments in affiliated companies	8.3	–	–	–	1.3	–	–	–	9.5	22.0	45.7
Shareholdings	0.8	–	–	–	0.1	1.0	–	–	–	9.2	9.3
Loans to affiliated companies	–	–	–	–	–	–	–	–	–	131.5	81.5
Non-current securities	– 1.1	– 0.1	–	–	–	–	–	–	– 1.2	37.2	33.7
Other loans	0.5	–	–	–	–	–	–	–	0.5	18.9	21.9
	8.5	**– 0.1**	**–**	**–**	**1.4**	**1.0**	**–**	**–**	**8.8**	**218.8**	**192.1**
	5,441.4	**– 4.4**	**3.9**	**–**	**524.4**	**94.6**	**–**	**–**	**5,870.6**	**2,636.5**	**2,846.9**

[1] The composition of the impairments contained herein (non-scheduled depreciation) is shown in Note 6.

Analysis of Fixed Assets 2012

Acquisition and production costs

In € m	2012/01/01	Currency translation differences	Changes in the consoli-dated group	Additions	Disposals	Transfers to other accounts	2012/12/31
Intangible assets							
Concessions, industrial property rights and similar rights and assets, including licenses to such rights and assets	306.2	– 0.2	0.1	6.4	11.2	1.0	302.2
Payments on account	0.9	–	–	0.3	–	– 0.3	0.9
	307.1	**– 0.2**	**0.1**	**6.7**	**11.2**	**0.7**	**303.1**
Property, plant and equipment							
Land, similar rights and buildings, including buildings on land owned by others	1,451.8	– 0.6	2.5	16.9	3.0	7.3	1,474.9
Plant equipment and machinery	5,551.7	– 2.1	12.2	167.5	39.1	70.9	5,761.1
Other equipment, plant and office equipment	356.3	– 0.4	0.5	24.8	17.8	3.0	366.3
Payments made on account and equipment under construction	127.9	– 0.2	0.7	109.3	1.8	– 83.2	152.7
	7,487.7	**– 3.3**	**15.9**	**318.4**	**61.6**	**– 2.0**	**7,755.1**
Investment property	**30.9**	**–**	**–**	**0.1**	**2.8**	**1.3**	**29.5**
Financial assets							
Investments in affiliated companies	58.5	–	– 8.7	7.8	3.7	–	53.9
Shareholdings	10.1	0.1	–	–	–	–	10.2
Loans to affiliated companies	43.1	–	– 2.2	41.5	1.0	–	81.5
Non-current securities	26.4	–	–	7.1	0.9	–	32.6
Other loans	13.0	– 0.4	–	11.0	1.2	–	22.4
	151.1	**– 0.3**	**– 10.8**	**67.4**	**6.8**	**–**	**200.6**
	7,976.8	**– 3.7**	**5.1**	**392.7**	**82.5**	**–**	**8,288.4**

Valuation allowances / Book values

In € m	Valuation allowances 2012/01/01	Currency translation differences	Changes in the consoli-dated group	Write-ups in the financial year	Deprecia-tion in the financial year[1]	Disposals	Other changes without effect on income	Transfers to other accounts	2012/12/31	Book values 2012/12/31	Book values 2011/12/31
Intangible assets											
Concessions, industrial property rights and similar rights and assets, including licenses to such rights and assets	186.3	– 0.1	–	–	15.8	11.2	–	–	190.9	111.3	119.9
Payments on account	–	–	–	–	–	–	–	–	–	0.9	0.9
	186.3	**– 0.1**	**–**	**–**	**15.8**	**11.2**	**–**	**–**	**190.9**	**112.3**	**120.8**
Property, plant and equipment											
Land, similar rights and buildings, including buildings on land owned by others	779.9	0.3	–	2.5	31.0	4.4	–	–	804.3	670.6	671.9
Plant equipment and machinery	3,900.4	– 1.0	2.5	5.6	282.1	32.5	–	0.1	4,146.0	1,615.1	1,651.3
Other equipment, plant and office equipment	272.4	– 0.2	0.2	–	28.9	17.0	–	–	284.3	82.0	83.9
Payments made on account and equipment under construction	1.4	–	–	–	–	0.6	–	– 0.1	0.7	152.0	126.5
	4,954.1	**– 0.9**	**2.7**	**8.1**	**342.0**	**54.4**	**–**	**–**	**5,235.4**	**2,519.7**	**2,533.6**
Investment property	**6.9**	**–**	**–**	**–**	**0.4**	**0.5**	**–**	**–**	**6.7**	**22.8**	**24.0**
Financial assets											
Investments in affiliated companies	13.9	–	– 7.0	1.7	6.5	3.5	–	–	8.3	45.7	44.6
Shareholdings	0.8	–	–	–	–	–	–	–	0.8	9.3	9.3
Loans to affiliated companies	–	–	–	–	–	–	–	–	–	81.5	43.1
Non-current securities	– 0.1	–	–	–	–	0.1	– 0.9	–	– 1.1	33.7	26.5
Other loans	0.4	0.2	–	–	–	–	– 0.2	–	0.5	21.9	12.6
	15.0	**0.2**	**– 7.0**	**1.7**	**6.5**	**3.6**	**– 1.0**	**–**	**8.5**	**192.1**	**136.1**
	5,162.3	**– 0.8**	**– 4.3**	**9.8**	**364.7**	**69.7**	**– 1.0**	**–**	**5,441.4**	**2,846.9**	**2,814.5**

[1] The composition of the impairments contained herein (non-scheduled depreciation) is shown in 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							
Salzgitter Flachstahl GmbH, Salzgitter	SZFG	EUR	5.05	94.95	185,287	0	P&L A.
Peiner Träger GmbH, Peine	PTG	EUR	5.18	94.82	54,930	0	P&L A.
Ilsenburger Grobblech GmbH, Ilsenburg	ILG	EUR	5.37	94.63	26,213	0	P&L A.
Salzgitter Bauelemente Gesellschaft mit beschränkter Haftung, Salzgitter	SZBE	EUR		100.00	1,013	0	P&L A.
HSP Hoesch Spundwand und Profil Gesellschaft mit beschränkter Haftung, Dortmund	HSP	EUR		100.00	14,724	0	P&L A.
Salzgitter Europlatinen Gesellschaft mit beschränkter Haftung, Salzgitter	SZEP	EUR		100.00	4,886	0	P&L A.
Hövelmann & Lueg GmbH, Schwerte	HLG	EUR	5.10	94.90	2,999	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.
Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH, Karlsruhe	SMS	EUR		100.00	10,877	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.

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Salzgitter Mannesmann Grobblech GmbH, Mülheim an der Ruhr	MGB	EUR		100.00	10,633	0	P&L A.
Salzgitter Mannesmann Rohr Sachsen GmbH, Zeithain	MRS	EUR		100.00	14,665	0	P&L A.
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.
KHS GmbH, Dortmund	KHSDE	EUR		100.00	206,017	0	P&L A.
Klöckner Desma Elastomertechnik GmbH, Fridingen	KDE	EUR		100.00	3,835	0	P&L A.
Klöckner Desma Schuhmaschinen GmbH, Achim	KDS	EUR		100.00	8,758	0	P&L A.
RSE Grundbesitz und Beteiligungs-GmbH, Mülheim an der Ruhr	RSE	EUR		100.00	37,078	1,172	
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.
DEUMU Deutsche Erz- und Metall-Union Gesellschaft mit beschränkter Haftung, Peine	DMU	EUR	5.10	94.90	10,699	0	P&L A.
Verkehrsbetriebe Peine-Salzgitter Gesellschaft mit beschränkter Haftung, Salzgitter	VPS	EUR	5.10	94.90	12,974	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		19,974	0	Transfer of losses due to declaration of loss assumption
Salzgitter Hydroforming GmbH & Co. KG, Crimmitschau	SZHF	EUR	100.00		15,054	1,355	

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Salzgitter Automotive Engineering GmbH & Co. KG, Osnabrück	SZAE	EUR		100.00	6	– 30	
Salzgitter Automotive Engineering Immobilien GmbH & Co. KG, Osnabrück	SZAI	EUR		100.00	347	91	
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.
SZST Salzgitter Service und Technik GmbH, Salzgitter	SZST	EUR		100.00	250	0	P&L A.
Salzgitter Mannesmann Forschung GmbH, Salzgitter	SZMF	EUR		100.00	804	0	P&L A.
TELCAT MULTICOM GmbH, Salzgitter	TMG	EUR		100.00	2,996	0	P&L A.
Salzgitter Mannesmann GmbH, Salzgitter	SMG	EUR	100.00		2,583,278	0	Transfer of losses due to declaration of loss assumption
Salzgitter Klöckner-Werke GmbH, Salzgitter	SKWG	EUR		100.00	515,070	0	Transfer of losses due to declaration of loss assumption
b) Abroad							
Salzgitter Mannesmann Staalhandel B.V., Oosterhout	SMNL	EUR		100.00	82,432	2,257	
Salzgitter Mannesmann International (Canada) Inc., Vancouver	SMIV	CAD		100.00	24,435	– 584	
UNIVERSAL STEEL AMERICA, Inc., Henderson	UESUS	USD		100.00	23,342	1,421	
Salzgitter Mannesmann Acélkereskedelmi Kft., Budapest	SMHU	HUF		100.00	3,235,973	169,839	
Salzgitter Mannesmann Stahlhandel s.r.o., Prague	SMCZ	CZK		100.00	28,896	– 12,758	

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Salzgitter Mannesmann Stahlhandel Sp. z o.o., Slupca	SMPL	PLN		100.00	16,013	5,076	
Salzgitter Mannesmann International (USA) Inc., Houston	SMIH	USD		100.00	14,178	1,633	
Salzgitter Mannesmann Précision Etirage SAS, Chéu	MPE	EUR		100.00	13,082	3,352	
Salzgitter Mannesmann Precisie B.V., Helmond	MPN	EUR		100.00	10,859	– 1,337	
Salzgitter Mannesmann Precisión S.A. de C.V., El Salto	MPM	USD		100.00	– 9,448	978	
Salzgitter Mannesmann Stainless Tubes France SAS, Montbard	MSTF	EUR		100.00	55,038	7,989	
Salzgitter Mannesmann Stainless Tubes Italia S.r.l., Costa Volpino	MSTI	EUR		100.00	7,770	2,717	
Salzgitter Mannesmann Stainless Tubes USA, Inc., Houston	MSTU	USD		100.00	21,015	1,281	
KHS USA Inc., Waukesha	KHSUS	USD		100.00	73,719	3,322	IFRS annual financial statements
KHS Industria de Máquinas Ltda., São Paulo	KHSBR	BRL		100.00	– 21,689	1,333	IFRS annual financial statements
KHS Mexico S.A. de C.V., Zinacantepec	KHSME	MXN		100.00	128,213	45,302	IFRS annual financial statements
KHS Machinery Pvt. Ltd., Ahmedabad	KHSIN	INR		94.50	1,006,146	267,836	IFRS annual financial statements
KHS Pacific Pty. Ltd., Tullamarine	KHSAU	AUD		100.00	3,599	3,399	IFRS annual financial statements
KHS Manufacturing (South Africa) (Pty.) Ltd., Kramerville	KHSSA	ZAR		100.00	53,406	11,748	IFRS annual financial statements
KHS RUS OOO, Moscow	KHSRU	RUB		99.00	130,034	75,519	IFRS annual financial statements
KHS Asia Pte. Ltd., Singapore	KHSSI	EUR		100.00	410	230	IFRS annual financial statements
KHS Japan Corporation, Osaka	KHSJA	JPY		100.00	303,640	48,760	IFRS annual financial statements
Klöckner DESMA Machinery Pvt. Ltd., Ahmedabad	KDEIN	INR		100.00	482,532	57,299	IFRS annual financial statements
DESMA USA, Inc., Hebron	KDEUS	USD		100.00	5,099	867	IFRS annual financial statements
DESMA Slovakia s.r.o., Povazska Bystrica	KDESL	EUR		90.00	1,811	200	
DESMA Rubber Injection Machinery (Wuxi) Co. Ltd., Wuxi	DRIM	CNY		100.00	15,484	4,329	

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Salzgitter Finance B.V., Oosterhout	SZFBV	EUR	100.00		3,298	361	
2. Non-consolidated group companies							
a) Domestic							
SESTA Stahl Gesellschaft mit beschränkter Haftung, Düsseldorf	SSG	EUR		100.00	51	0	P&L A., financial year to 2013/09/30, financial statements not subject to an audit review
SBH Stahlblechhandel GmbH, Neuss	SBH	EUR		100.00	39	2	Financial statements not subject to audit review
SMS Immobilie Rheinhafen Verwaltungs-GmbH, Karlsruhe	SMSIV	EUR		100.00	25	0	Financial year to 2012/12/31
Hildesheimer Stahlhandel GmbH & Co. KG, Hildesheim	HSH	EUR		100.00	34	– 318	Financial year to 2012/12/31
Stahlhandel GmbH, Hildesheim	STI	EUR		100.00	37	3	Financial year to 2012/12/31
Mannesmannröhren-Werke Qualifizierungs-gesellschaft mbH, Mülheim an der Ruhr	MQG	EUR		100.00	26	0	P&L A.
RSE Projekt-entwicklungs-GmbH, Mülheim an der Ruhr	RSEPE	EUR		100.00	25	0	P&L A.
SEITZ ENZINGER Noll GmbH, Bad Kreuznach	SEN	EUR		100.00	27	0	Financial year to 2013/09/30, financial statements not subject to audit review
Holstein und Kappert GmbH, Dortmund	KD	EUR		100.00	24	0	Financial year to 2013/09/30, financial statements not subject to audit review
Phoenix Immobilien-verwaltungsgesellschaft mbH & Co. KG, Mülheim an der Ruhr	PHOI	EUR		100.00	– 27,628	– 2,835	Financial year to 2012/12/31
RSE Phoenix Holding GmbH, Mülheim an der Ruhr	PHOH	EUR		100.00	33	0	Financial year to 2012/12/31
Phoenix Office Garden GmbH, Mülheim an der Ruhr	PHOG	EUR		100.00	33	2	Financial year to 2012/12/31
Gewerbepark am Borsigturm GmbH, Mülheim an der Ruhr	GAB	EUR		100.00	– 2,714	4	Financial year to 2012/12/31
RSE Falkenhagen GmbH, Mülheim an der Ruhr	RSEFH	EUR		100.00	521	8	Financial year to 2012/12/31

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
RSE Borsiggelände GmbH, Mülheim an der Ruhr	RSEBG	EUR		100.00	306	– 10	Financial year to 2012/12/31
RSE Projektmanagement Holding-Verwaltungs-GmbH, Mülheim an der Ruhr	RSEGG	EUR		94.00	26	1	Financial year to 2012/12/31
RSE Projektmanagement Holding GmbH & Co. KG, Mülheim an der Ruhr	RSEPM	EUR		100.00	7	– 2	Financial year to 2012/12/31
RSE Projektmanagement GmbH, Mülheim an der Ruhr	RSEPA	EUR		100.00	– 14,490	– 50	Financial year to 2012/12/31
Klöckner PET International GmbH, Salzgitter	PETIG	EUR		100.00	21	– 1	Financial year to 2012/12/31
Salzgitter Mannesmann Technik GmbH, Salzgitter	SMTG	EUR		100.00	28	1	Financial year to 2012/12/31
RSE Grundstücksverwaltungs-GmbH, Mülheim an der Ruhr	RSEGV	EUR		100.00	25	– 1	Financial year to 2012/12/31
VPS Infrastruktur GmbH, Salzgitter	VPSI	EUR		100.00	25	0	P&L A., financial year to 2012/12/31
BSH Braunschweiger Schrotthandel GmbH, Braunschweig	BSH	EUR		100.00	– 216	– 190	Financial year to 2012/12/31
Salzgitter Hydroforming Verwaltungs GmbH, Crimmitschau	SZHV	EUR	100.00		58	3	Financial year to 2012/12/31
Salzgitter Magnesium-Technologie Gesellschaft mit beschränkter Haftung, Salzgitter	SZMT	EUR		100.00	887	51	
Salzgitter Automotive Engineering Verwaltungsgesellschaft mbH, Osnabrück	SZAW	EUR		100.00	47	2	Financial year to 2012/12/31
Salzgitter Automotive Engineering Immobilien Verwaltungsgesellschaft mit beschränkter Haftung, Osnabrück	SZEV	EUR		100.00	46	1	Financial year to 2012/12/31
Salzgitter Mannesmann Personalservice GmbH, Mülheim an der Ruhr	SZMP	EUR		100.00	1,049	0	P&L A., financial year to 2012/12/31
betterCALL GmbH, Salzgitter	BCG	EUR		100.00	401	51	Financial year to 2012/12/31
TELEFONBAU MARIENFELD GmbH & Co. KG, Essen	TBM	EUR		100.00	6,259	264	Financial year to 2012/12/31
NorthStar Telecom GmbH, Salzgitter	NST	EUR		100.00	323	12	Financial year to 2012/12/31

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Salzgitter Mannesmann Dritte Verwaltungsgesellschaft mbH, Salzgitter	SMDV	EUR		100.00	26	0	P&L A.
GVG Grundbesitz- und Vermögensverwaltungsgesellschaft mbH, Salzgitter	GVGG	EUR		100.00	109	4	Financial year to 2012/12/31
KHS Corpoplast Verwaltungsgesellschaft mbH, Hamburg	CVG	EUR		100.00	26	0	Financial year to 2012/12/31
b) Abroad							
Salzgitter Mannesmann (Scandinavia) AB, Lulea	SMSC	SEK		100.00	321	– 1,447	Financial year to 2012/12/31
Salzgitter Mannesmann International (México) S.A. de C.V., Mexico D.F.	SMIM	MXN		100.00	14,698	4,649	Financial year to 2012/12/31
UNIVERSAL STEEL HOLLAND B.V., SK Papendrecht	USN	EUR		100.00	7,176	505	
UNIVERSAL Aciers Sarl, Couzon au Mont d'Or	UAC	EUR		100.00	1,622	– 152	
UNIVERSAL OCEL spol. s r.o., Prague	UOC	CZK		100.00	101,839	11,059	
UNIVERSAL Stal Sp. z o.o., Gliwice	USP	PLN		100.00	36,937	2,314	
Salzgitter Mannesmann (Italia) S.r.l., Milan	SMIT	EUR		100.00	1,254	71	Financial year to 2012/12/31, financial statements not subject to audit review
Salzgitter Mannesmann (France) S.A.R.L., Saint Mandé	SMFR	EUR		100.00	882	– 178	Financial year to 2012/12/31
Salzgitter Mannesmann (UK) Ltd., Harrogate	SMUK	GBP		100.00	1,169	238	Financial year to 2012/12/31
Salzgitter Mannesmann (España) S.A., Madrid	SMSP	EUR		100.00	– 45	– 101	Financial year to 2012/12/31
Salzgitter Mannesmann International (Asia) Pte. Ltd., Singapore	SMSG	USD		100.00	5,567	446	Financial year to 2012/12/31
Salzgitter Mannesmann Trade (Beijing) Co., Ltd., Beijing	SMCN	CNY		100.00	– 99	– 120	Financial year to 2012/12/31
Salzgitter Mannesmann International (HK) Ltd., Hong Kong	SMHK	EUR		100.00	9,887	704	Financial year to 2012/12/31
Salzgitter Mannesmann International Tehran (Private Joint Stock Company), Tehran	SMIR	IRR		100.00	– 455,900	– 336,000	Financial year to 2012/12/31
Salzgitter Mannesmann Distributie S.R.L., Bukarest	SMRO	RON		100.00	2,964	– 1,785	Financial year to 2012/12/31

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Salzgitter Mannesmann Pentasteel International (India) Pvt. Ltd., Mumbai	SMPI	INR		51.00	76,520	29,651	Financial year to 2013/03/31
Salzgitter Mannesmann International do Brasil Ltda., São Paulo	SMBR	BRL		85.00	951	– 323	Financial year to 2012/12/31
Salzgitter Mannesmann Stahlhandel Austria GmbH, Gratkorn	SMSA	EUR		100.00	3,795	10	Financial year to 2012/12/31
KHS UK Ltd., Solihull	KHSGB	GBP		100.00	785	262	
KHS Machine & Equipment (Qinhuangdao) Co., Ltd., Qinhuangdao	KHSC	CNY		100.00	7,368	3,949	
Klöckner Holstein Seitz S.A., Sant Cugat del Valles	KHSSP	EUR		100.00	588	104	Financial statements not subject to audit review
KHS Skandinavien ApS, Albertslund	KHSDK	DKK		100.00	185	– 120	
KHS Benelux B.V., Breda	KHSNL	EUR		100.00	277	48	
KHS FRANCE S.A.R.L., Torcy	KHSFR	EUR		100.00	856	526	Financial statements not subject to audit review
KHS Czech s.r.o., Ceské Budejovice	KHSTS	CZK		100.00	4,832	1,770	IFRS annual financial statements, financial statements not subject to audit review
KHS Schweiz GmbH, Wolfwil	KHSCH	CHF		100.00	541	238	IFRS annual financial statements, change of name in the financial year, financial statements not subject to audit review
KHS Austria GmbH, Wiener Neudorf	KHSÖS	EUR		100.00	454	71	Financial statements not subject to audit review
KHS Makine Sanayi VE Ticaret Limited Sirket, Istanbul	KHSTK	TRY		100.00	184	101	Financial statements not subject to audit review
KHS Italia S.r.l., Pero	KHSIT	EUR		100.00	17	– 194	Financial year to 2012/12/31, financial statements not subject to audit review
KHS Ukraine OOO, Kiev	KHSUK	UAH		100.00	3,711	2,344	IFRS annual financial statements, financial year to 2012/12/31, financial statements not subject to audit review
KHS Sibiu S.R.L., Sibiu	KHSRO	RON		100.00	416	– 30	IFRS annual financial statements, 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 statements not subject to audit review

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
KHS East Africa Ltd., Nairobi	KHSEA	KES		100.00	26,250	– 30,160	Establishment or acquisition in financial year, short fiscal year May-December 2013
Kisters Limited, Solihull	KIGB	GBP		100.00	254	0	IFRS annual financial statements, financial statements not subject to audit review
DESMA Machinery & Engineering Co. Ltd., Guangzhou	KDSM	CNY		100.00	714	29	Financial year to 2012/12/31
KHS Argentina S.A., Buenos Aires	KHSAR	ARS		95.00	907	849	Financial year to 2012/12/31
KHS Korea Co. Ltd., Seoul	KHSSK	KPW		100.00	149,928	74,682	Financial statements not subject to audit review
KHS Corpoplast Argentina S.A., Buenos Aires	BEVAR	ARS		100.00	641	41	Financial year to 2012/12/31
KHS Corpoplast Trading (Shanghai) Co., Ltd., Shanghai	BEVCN	CNY		100.00	42,723	13,172	Financial year to 2012/12/31
KHS Corpoplast (UK) Ltd., Houghton Le Spring	BEVUK	GBP		100.00	157	0	Financial year to 2011/12/31
KHS Corpoplast España SL, Sant Cugat del Valles	BEVSP	EUR		100.00	274	– 400	Financial year to 2012/12/31
Corpoplast Beverages Equipment (Suzhou) Co. Ltd., Suzhou	CBE	CNY		100.00	8,458	– 12,287	Financial year to 2012/12/31
Salzgitter Hydroforming s.r.o., Chomutov	HFCZ	CZK		100.00	1,973	637	Financial year to 2012/12/31
3. Proportionately consolidated joint ventures							
a) Domestic							
EUROPIPE GmbH, Mülheim an der Ruhr	EP	EUR		50.00	150,622	– 60,516	
Mülheim PIPECOATINGS GmbH, Mülheim an der Ruhr	MPC	EUR		100.00	4,631	– 9,598	
b) Abroad							
EUROPIPE France S.A., Grande Synthe	EPF	EUR		100.00	7,851	– 4	
Berg Steel Pipe Corporation, Wilmington	BSPC	USD		100.00	116,910	16,265	
Berg Spiral Pipe Corporation, Wilmington	BSPM	USD		100.00	38,172	– 2,156	
BERG EUROPIPE Holding Corp., New York	BEHC	USD		100.00	191,416	– 30	

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
4. Associated companies							
a) Domestic							
Hüttenwerke Krupp Mannesmann Gesellschaft mit beschränkter Haftung, Duisburg	HKM	EUR		30.00	363,438	31	
Aurubis AG, Hamburg	NAAG	EUR		25.00	1,177,751	109,007	Financial year to 2013/09/30
5. Other shareholdings							
a) Domestic							
ERZKONTOR RUHR GMBH, Essen	ERE	EUR		33.33	107	0	Financial year to 2012/09/30
Beck & Co. Industriebedarf GmbH & Co. KG, Mönchengladbach	BIG	EUR		51.25	1	– 102	Financial year to 2013/09/30
Bahners GmbH, Mönchengladbach	BGN	EUR		50.00	39	0	Financial year to 2013/09/30
EUROPIPE 1. Verwaltungsgesellschaft mbH, Mülheim an der Ruhr	EPV	EUR		100.00	32	0	Financial year to 2012/12/31, financial statements not subject to audit review
EUROPIPE Projekt GmbH, Mülheim an der Ruhr	EPP	EUR		100.00	41	15	Financial year to 2012/12/31, financial statements not subject to audit review
Klöckner Mercator Versicherungsvermittlung GmbH & Co. KG, Dortmund	KMVV	EUR		50.00	91	201	Financial year to 2011/12/31
DEUTRANS Rohstoff- und Recycling-Logistik GmbH, Braunschweig	DRRL	EUR		50.00	37	0	Financial year to 2012/12/31
GVZ Entwicklungsgesellschaft Salzgitter mbH, Salzgitter	GVZ	EUR		21.43	41	0	In liquidation, financial year to 2012/12/31

	Abbreviation	Currency	Direct in %	Indirect in %	Equity in 1,000	Net result for the financial year in 1,000	Comments
Industriepark Salzgitter-Watenstedt Entwicklungs-GmbH, Salzgitter	SZWE		49.00				Establishment or acquisition in financial year, short fiscal year February-December 2013
Wohnungsbaugesellschaft mit beschränkter Haftung Salzgitter, Salzgitter	WBG	EUR		25.05	48,843	2,604	Financial year to 2012/12/31
WBV Wohnbau Betreuungs & Verwaltungs GmbH, Salzgitter	WBV	EUR		100.00	26	0	P&L A., financial year to 2012/12/31
b) Abroad							
TAPIOMETALL Müszaki Kereskedelm Kft., Tápiószele	TMK	HUF		29.40	190,139	– 18,497	Financial year to 2010/12/31, financial statements not subject to 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
Mannesmann Coating Kazakhstan, Kulsary	MCK			25.00			Establishment or acquisition in financial year
Borusan Mannesmann Boru Yatirim Holding A.S., Istanbul	BMB	TRY		23.00	96,317	21,660	Financial year to 2013/03/31
Berg Europipe Corp., Wilmington	BEC	USD		100.00	994	644	
KHS-Zagora AD, Stara Zagora	KHSBU	BGN		50.00	1,687	959	Financial year to 2012/12/31, financial statements not subject to audit review
Impuls AD, Gabrovo	I98	BGN		15.15	4,880	867	Financial year to 2012/12/31
KHS AG (Thailand) Ltd., Bangkok	BEVTH	THB		49.00	54,918	7,282	Financial year to 2012/12/31

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 costs, 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]	Likely effects
IAS 1	Presentation of Items of Other Comprehensive Income – Amendments	2012/07/01	yes	change in presentation
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters – Amendments	2013/01/01	yes	none
IFRS 7	Disclosure – Offsetting of Financial Assets and Financial Liabilities	2013/01/01	yes	notes to the consolidated financial statements
IFRS 13	Fair Value Measurement	2013/01/01	yes	notes to the consolidated financial statements
IAS 12	Deferred taxes: Recovery of Underlying Assets – Amendments	2013/01/01	yes	none
IAS 19	Employee Benefits – Amendments	2013/01/01	yes	notes to the consolidated financial statements
	Annual Improvements IFRS 2009–2011	2013/01/01	yes	no material effects[2]
IFRS 1	First-time Adoption of the International Financial Reporting Standards – Government Loans	2013/01/01	yes	none
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	2013/01/01	yes	none

[1] On 2013/12/31

[2] Minor amendments to a multiplicity of standards (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) and consequent follow-up amendments

The amendment to IAS 19 resulted not only in adjustments to the corresponding disclosures in the notes, but also in changes in the valuation of the personnel provisions.

Standards not applied early:

Standards/Interpretation		Mandatory date	Adoption by EU Commission[1]	Likely effects
IFRS 10	Consolidated Financial Statements, incl. Transition Guidance	2014/01/01	yes	no material effects
IFRS 11	Joint Arrangements, incl. Transition Guidance	2014/01/01	yes	P&L, balance sheet
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	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets	2014/01/01	yes	notes to the consolidated financial statements
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	2014/01/01	yes	no material effects
IFRIC 21	Duties	2014/01/01	no	none
	Annual Improvements (2010–2012 and 2011–2013 cycle)	2014/07/01	no	no material effects[2]
IAS 19	Employee Benefits – Defined Benefit Plans: Employee Contributions	2014/07/01	no	not foreseeable
IFRS 9	Financial Instruments: Classification and Measurement	at the earliest 2017/01/01	no	not foreseeable
IFRS 14	Regulatory Deferral Accounts	2016/01/01	no	none

[1] On 2013/12/31

[2] Minor amendments to a multiplicity of standard (IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38, IAS 40) and consequent follow-up amendments

The changeover from proportionate consolidation to valuation using the equity method at the EP Group, and the changeover from valuation using the equity method to proportionate consolidation at HKM, which resulted from IFRS 11, have led jointly to a decrease of some € 44 million in sales. Due to the tax effects, there are no noteworthy factors influencing this result. Total assets have increased by approximately € 211 million.

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

The consolidated financial statements are disclosed in the electronic 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 Salzgitter AG's Executive Board is Eisenhüttenstraße 99, 38239 Salzgitter, Germany.

The consolidated financial statements and the Group Management Report were approved by the Executive Board on Thursday, February 27, 2014, 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 17, 2013, 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" 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.

The consolidated financial statements include all major companies whose financial and business policies Salzgitter AG is capable of determining directly or indirectly in such a way that the companies in the Salzgitter Group derive benefit from the activities of these companies. These companies are included in the consolidated financial statements as of the time when the Salzgitter Group becomes capable of controlling them. If this potential for control ceases, these companies are excluded from the consolidated group.

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.

The results generated by a subsidiary that was disposed of must be included in the consolidated financial statements until the date of its disposal. This is the date on which the control of the subsidiary by the parent company comes to an end. The difference between the proceeds from the sale of the subsidiary and the book values of the assets, less the debts at the time of the sale, is recognized in the consolidated income statement. If the subsidiaries being excluded from the consolidated group were allocated goodwill that was acquired prior to October 1, 1995, the past offsetting against retained earnings without effect on income is not annulled.

IAS 31 defines a joint venture as an arrangement where two or more partners carry out a commercial activity under joint management. Joint management is defined as the contractually agreed participation in the management of a commercial activity. Under IAS 31, joint ventures are included in the consolidated financial statements in accordance with the benchmark method by means of proportionate consolidation.

Shareholdings in companies in which the Salzgitter Group is able to exercise a decisive influence over financial and business policy decisions are valued in the consolidated financial statements using the equity method. If the Group is unable to exercise a decisive influence, the shares in the companies are included in the consolidated financial statements in accordance with IAS 39. The dates of admission into and departure from the group of consolidated companies valued using the equity method are determined by applying the same principles that are used for subsidiaries. The associated companies are reported using the revaluation method with their proportionate equity at the time of acquisition. The equity valuation is based on the last audited annual financial statements or, if a Group company has a financial year that deviates from that of the consolidated financial statements, on the interim financial statements as of December 31.

Business combinations are accounted for in accordance with IFRS 3.4 using the purchase method. The acquirer in such cases is the entity that has gained control of the acquired company, with the result that it can derive benefits from that company. 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 incurred in connection with the business combination must be recorded in full with effect on income 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 recorded. In the case of a business combination achieved in stages, 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 (i.e. at the point when control was gained) and any resulting profit or loss must be reported as appropriate under profit or loss. 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.

Minority interests in the consolidated companies are reported separately within equity.

In the case of assets and liabilities 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. Exchange rates are hedged as a matter of principle.

Intercompany sales, expenses and income, as well as receivables and liabilities between the companies included in the financial statements are eliminated.

Intercompany profits deriving from intercompany deliveries and services are eliminated with effect on income, taking deferred taxes into account. Intercompany deliveries and services are conducted on generally accepted market terms.

Consolidated Group

In addition to the annual financial statements of the parent company, the consolidated financial statements include the annual financial statements of 43 (previous year: 45) domestic and 27 (previous year: 27) foreign affiliated companies, all prepared as of the same reporting date.

Two domestic (previous year: two) and four foreign (previous year: four) joint ventures are included on a pro rata basis in the consolidated financial statements by means of proportionate consolidation.

The following assets, liabilities and expenses and income items (excluding income from shareholdings, net interest income and tax) are attributable to the Group on the basis of their shares in the respective joint ventures:

In € m	2013	2012
Non-current assets	96.8	100.6
Current assets	122.1	167.8
Non-current liabilities	56.7	45.4
Current liabilities	32.2	49.3
Income	287.8	287.6
Expenses	267.3	319.3

In the reporting year, two domestic shareholdings (previous year: two) over which Salzgitter AG or another Group company exercises a decisive influence are also included in the consolidated financial statements using the equity method.

A total of 34 (previous year: 35) domestic and 44 (previous year: 45) 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.

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 2012/12/31	Additions	Disposals	As of 2013/12/31
Consolidated subsidiaries	**72**	**1**	**3**	**70**
of which domestic	45	1	3	43
of which foreign	27	–	–	27
Joint ventures	**6**	**–**	**–**	**6**
of which domestic	2	–	–	2
of which foreign	4	–	–	4
Associated companies	**2**	**–**	**–**	**2**
of which domestic	2	–	–	2
of which foreign	–	–	–	–

The addition concerns a company from the Trading Division that has not yet been consolidated. The disposals concern three companies – one in the Steel Division, one in the Tubes Division and one in the Services Division, each by means of merger.

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 due to 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 the conducting of 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 one company, the functional currency is not that of the country where it is incorporated; instead, the company conducts its business in euros. 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	2013/12/31	2012/12/31	2013	2012
Australian dollar	1.5423	1.2712	1.3777	1.2407
Brazilian real	3.2576	2.7036	2.8687	2.5084
Indian rupee	85.3660	72.5600	77.9300	68.5973
Japanese yen	144.7200	113.6100	129.6627	102.4900
Canadian dollar	1.4671	1.3137	1.3684	1.2842
Mexican peso	18.0731	17.1845	16.9641	16.9029
Polish zloty	4.1543	4.0740	4.1975	4.1847
Russian ruble	45.3246	40.3295	42.3370	39.9262
South African rand	14.5660	11.1727	12.8330	10.5511
Czech koruna	27.4270	25.1510	25.9797	25.1490
Hungarian forint	297.0400	292.3000	296.8730	289.2500
US dollar	1.3791	1.3194	1.3281	1.2848

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 that is generally based on the forecast of the aggregate anticipated future cash flow. These valuations are closely related to 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 (net selling price) must be estimated. This is either the fair value less selling costs 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 selling costs 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 entails 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 customized contract production

Certain Group companies in the Technology Division conduct a proportion of their transactions as customized construction contracts, reported using the percentage-of-completion method under which sales must be shown in accordance with progress made in completing the order (cost-to-cost method). This method necessitates a precise estimate of the percentage of completion. Depending on the method of determining the degree of completion, the material estimates encompass the total costs of the order, the costs still to be incurred before completion, total revenues from the order, the risks that the order involves 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. 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 upon.

As of every balance sheet date, the Group assesses whether the realizability of future tax benefits is sufficiently probable for the reporting of deferred tax assets. This requires management to, among other things, 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 lowered or if changes to current tax laws restrict the time framework or the scope of realizability of future tax benefits.

Employee benefits

Pensions and other obligations are reported in the balance sheet 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 the discount rate, expected salary increases and mortality rates. These actuarial assumptions can diverge significantly from actual developments as a result of changed market and competitive conditions and can therefore lead to a substantial change in the pensions and similar obligations and in the future expenses associated with them.

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 are usually amortized over a period of 5 years. The assets identified within the framework of the purchase price allocations are amortized regularly over periods of between 5 and 19 years using the straight-line method.

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.

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 set off 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 likewise directly attributable parts of the development-related overheads. They are amortized from the start of production onwards 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, this amount is written down. 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 they 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 net present value of the minimum lease payments, whichever is lower, 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 and documented hedging instruments. 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 other 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 intention and ability to hold to maturity. In the financial year 2013, 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 stated 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 their 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 reliably ascertained.

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.

The other derivatives are in general 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 profits 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 profits 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 objective indications of 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 written off 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, that 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 and in which the hedged underlying transaction is posted to income. 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. 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 disclosed 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 stated 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 impairments. 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 determined reliably, 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 fair value, whichever is lower, less selling costs, if their book value will essentially be generated by a sale rather than through continued operational use.

Pension provisions

The provisions for pension 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 interest component of allocations to provisions as net interest income. The remeasurements are recorded in the pension provisions with no effect whatsoever on income in the year in which they are incurred.

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

	2013/12/31	2012/12/31
Actuarial rate	3.25 %	3.00 %
Salary trend	2.75 %	2.75 %
Pension trend	1.75 %	1.75 %
Staff turnover	1.00 %	1.00 %

To calculate the actuarial interest rate, the company, as in the previous year, used premium corporate bonds with lengthy terms from the influential Bloomberg Index. This index takes account of all bonds with a minimum term of ten years that have received an AA rating at minimum from at least one of the leading rating agencies. The actuarial rate calculated on the basis of these data was 3.25 %.

If the actuarial interest rate of 3.00 % used in the financial year 2012 had again been applied, the reported pension provisions would have been some € 70 million higher. Due to the offsetting of actuarial gains and losses with no effect on income, the actuarial gains in the financial year 2013 would have been reduced by the same amount and equity would have decreased accordingly. If an actuarial rate of 3.0 % had been applied, the interest expenses for the financial year 2014 would have been reduced by around € 3 million.

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 2013, 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 tax is calculated using the accounting-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, 2013, the deferred taxes of domestic corporate entities were valued using 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 provided 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 vis-à-vis 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 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 estimated reliably. 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 pre–requisites 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. 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, 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. Unscheduled depreciation is carried out if the benefit deriving from the asset is lower than its book value. The benefit deriving from an asset corresponds to the net selling price or the capitalized earnings value, whichever is higher. The capitalized value is determined by the net present value of future cash flows attributable to the asset. If the reason for a previous unscheduled depreciation no longer applies, a reversal is carried out.

Non-current assets that are classified as held for sale are reported at the book value or fair value, whichever is lower, less disposal costs.

Financial risk management

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

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.

Capital risk management

The Group manages its capital with the objective of maximizing the earnings from its shareholdings by optimizing the relationship between equity and debt. This also serves the objective of reducing the cost of capital procurement. 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	2013	2012
Breakdown by product category		
Flat rolled products	3,876.8	4,167.4
Sections	938.6	1,031.9
Pipes	1,871.6	2,452.1
Filling and packaging machinery	1,072.6	1,005.1
Other	1,484.6	1,740.8
	9,244.2	**10,397.2**
Breakdown by region		
Domestic	3,908.7	4,342.5
Other EU	1,880.7	1,956.5
Rest of Europe	367.1	364.4
America	1,200.3	1,207.8
Asia	934.6	1,615.4
Africa	901.3	886.2
Australia/Oceania	51.5	24.4
	9,244.2	**10,397.2**

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

Sales include revenues amounting to € 610.9 million (previous year: € 587.4 million) recorded using the percentage-of-completion method.

(2) Changes in the inventory of unfinished and finished goods and other own work capitalized

In € m	2013	2012
Changes in the inventory of unfinished and finished goods	– 99.7	17.2
Other own work capitalized	12.7	6.5
	– 87.0	**23.7**

The partial reduction in production capacity in the Steel Division and the demand-related reduction in product inventories in the Tubes Division have led to a year-on-year decrease in inventories of finished goods and work in process.

(3) Other operating income

In € m	2013	2012
Reversal of provisions and allowances	94.8	112.7
Income from the valuation of financial derivatives and foreign currency positions	42.1	18.7
Income from exchange rate fluctuations	17.6	21.8
Ancillary operating income	15.8	12.8
Income from the disposal of non-current assets	8.6	3.9
Rental, lease and licensing income	7.4	7.7
Reimbursements from Bundesanstalt für Arbeit	6.3	11.5
Charged-on costs	6.1	5.9
Refund from previous years	4.3	1.4
Subsidies	4.2	4.8
Insurance compensation	3.0	8.0
Income from write-downs of receivables	0.8	7.3
Income from the sale of marketable securities	0.1	0.3
Income from rights	–	9.4
Reversal of impairment of tangible and intangible assets	–	8.1
Miscellaneous income	24.3	25.9
Other operating income	**235.4**	**260.2**

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

(4) Cost of materials

In € m	2013	2012
Cost of raw materials, consumables, supplies and goods purchased	6,231.8	7,316.1
Cost of services purchased	421.8	396.7
Cost of materials	**6,653.6**	**7,712.8**

The cost of raw materials, consumables, 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 downtrend in sales.

(5) Personnel expenses

In € m	2013	2012
Wages and salaries	1,303.4	1,233.2
Social security, pensions and other benefits	264.1	273.2
of which pension plans and retirement benefits	[122.2]	[127.0]
Personnel expenses	**1,567.5**	**1,506.4**

In the financial year 2013, the defined contribution plan payments in the Salzgitter Group totaled € 95.7 million (previous year: € 106.8 million). Allocations to the provisions for pensions are shown as costs of defined benefit pension plans. The allocations to provisions consist almost entirely of ongoing pension costs for employees' earned pension expectancies in the reporting year. The costs for retirement pensions do not include the compounding of the pension provisions that is shown under finance expenses.

Average number of employees (excl. employees in non-active age-related part-time employment)	2013	2012
Wage labor	14,182	14,682
Salaried employees	9,156	8,750
Group core workforce	**23,338**	**23,432**

Of the Group core workforce, 631 (previous year: 649) are accounted for by joint ventures.

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

The amortization of intangible assets and the depreciation of property, plant and equipment were carried out according to schedule in the reporting year and are shown in the analysis of fixed assets. The following impairment losses and reversals of impairment were also taken into account:

In € m	2013	2012
Plant equipment and machinery	185.0	15.0
Impairment losses	**185.0**	**15.0**

In € m	2013	2012
Land, similar rights	–	2.5
Plant equipment and machinery	–	5.6
Reversal of impairment	**–**	**8.1**

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 the net selling price, 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, with property, plant and equipment and investment property, such a test is carried out only on specific grounds. In the Salzgitter Group, the value of goodwill and intangible assets with indeterminate useful lives is basically determined by their net realizable value.

The calculation of net realizable value is based on the current plans prepared by management for the three following years. 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. The net realizable value was calculated using the discounted cash flow method based on an interest rate of 6.00% (previous year: 6.23%) for the Technology Division and 6.66% p.a. (previous year: 6.49% p.a.) for the other divisions.

The impairment amount for the cash-generating unit Peiner Träger GmbH came about against the background of the changed corporate concept, which involves a reduction in production capacity by way of alternating two-furnace operations and the downsizing of the workforce.

A reduction or increase of 1% in the interest rate applied to the calculation of impairment for intangible assets and tangible fixed assets to 5.94% or, respectively, 6.06% for the Technology Division and 6.59% or 6.73% for the other divisions incurs to a reduction of € 5.5 million (previous year: € 12.6 million) or, respectively, an increase of € 24.5 million (previous year: € 11.6 million) in total impairment.

(7) Other operating expenses

In € m	2013	2012
Selling expenses	340.6	346.1
External services and provisioning	278.5	300.9
Administrative expenses including insurance costs, fees, charges and consulting costs	90.0	98.0
Advertising/information and travel expenses	61.1	58.2
Rent and leases	36.9	35.8
Valuation allowances for doubtful accounts	24.3	19.9
Exchange losses	21.2	46.3
Other taxes	20.7	21.5
EDP costs	19.8	19.8
Welfare-related personnel and non-personnel expenses	16.7	17.5
Expenses from the valuation of financial derivatives and foreign currency positions	7.7	35.1
Loss on the disposal of non-current assets	6.4	8.9
Financial/monetary transfer expenses	5.5	9.1
Impairment losses on non-current financial assets	1.4	6.5
Miscellaneous expenses	75.6	54.9
Other operating expenses	**1,006.4**	**1,078.5**

The "Administrative expenses including insurance costs, fees, charges and consulting costs" item includes insurance costs of € 31.3 million (previous year: € 34.0 million), expenses for fees, charges and appraisals amounting to € 15.5 million (previous year: € 11.9 million) and consulting costs of € 9.5 million (previous year: € 14.3 million). Similar to "Miscellaneous expenses", this item also includes a large number of individual transactions involving minor amounts at consolidated companies.

The amortizations of non-current financial assets that were shown separately in the previous year were reclassified as other operating expenses due to their insignificant amounts and to the fact that under IAS 1 they did not need to be disclosed in the reporting year 2013.

(8) Income from shareholdings

In € m	2013	2012
Income from profit and loss transfer agreements	2.2	0.4
of which affiliated companies	[2.2]	[0.1]
Income from shareholdings	12.8	21.0
of which affiliated companies	[10.4]	[18.4]
Expenses from the assumption of losses	0.6	3.8
of which affiliated companies	[0.6]	[3.8]
Income from shareholdings	**14.4**	**17.6**

The income from shareholdings of the previous year includes an extraordinary effect of € 9.0 million which can be attributed to a repatriation of capital by an associated company.

(9) Income/loss from associated companies

In € m	2013	2012
Income/loss from associated companies	– 55.1	54.5

The income/loss from associated companies originates from Aurubis AG, Hamburg, and Hüttenwerke Krupp Mannesmann GmbH, Duisburg.

(10) Finance income

In € m	2013	2012
Income from loans	0.4	0.3
Other interest and similar income	45.8	45.5
of which affiliated companies	[1.4]	[2.1]
Finance income	**46.2**	**45.8**

(11) Finance expenses

In € m	2013	2012
Interest component from allocation to pension provisions	63.6	77.9
Other interest and similar expenses	61.8	94.5
of which affiliated companies	[1.0]	[1.6]
Finance expenses	**125.4**	**172.4**

The decrease in other interest and similar expenses results primarily from the discontinuation of non-recurring effects from the previous year.

(12) Income taxes

In € m	2013	2012
Income taxes		
current tax expenses/tax income (+/–)	11.7	23.1
deferred tax expenses/tax income (+/–)	0.1	47.3
	11.8	**70.4**
of which unrelated to the reporting period	[– 7.5]	[– 10.2]
Total	**11.8**	**70.4**

Income taxes amounting to € 11.8 million pertain to earnings before taxes. The income taxes unrelated to the reporting period comprise deferred and actual tax income for previous years.

The decrease in current income taxes results primarily from lower domestic tax assessment bases. Despite the decrease in earnings, there was no increase in deferred tax income in the financial year; instead, the deferred tax expenses declined to € 0.1 million. This resulted mainly from the reassessment of the intrinsic value of deferred tax assets.

Thanks to the utilization of tax loss carryforwards that had previously not been taken into consideration, actual tax expenses were reduced by € 0.9 million (previous year: € 0.5 million).

Future dividend payments will not incur any consequences as far as income tax is concerned. Claims amounting to € 0.9 million (previous year: € 0.8 million) are reported in the balance sheet for German companies' corporate income tax reduction credits.

Deferred taxes amounting to € 122.6 million (previous year: € 139.1 million) were recorded for business transactions that have influenced equity directly. The change in deferred taxes with no effect on income pertains to the remeasurements of the pension commitments in the amount of € 16.4 million (previous year: € 67.9 million).

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	2013/12/31		2012/12/31	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	9.9	10.7	11.2	11.1
Property, plant and equipment	86.9	165.2	38.8	176.4
Financial assets	0.5	2.0	0.5	1.1
Current assets	16.5	88.5	16.1	113.2
Pension provisions	130.6	–	165.1	–
Other provisions	78.2	6.7	81.7	8.7
Special reserve with equity portion	–	3.9	–	4.3
Liabilities	22.2	2.6	24.4	2.1
Other items	47.3	4.0	63.5	1.0
Total	**392.1**	**283.6**	**401.3**	**317.9**

Summary of the capitalized tax savings from loss carryforwards that may be realized in the future:

In € m	2013/12/31	2012/12/31
Corporate income tax	37.1	59.7
Trade tax	29.1	50.5
Capitalized tax savings	**66.2**	**110.2**

Development of the capitalized tax savings from loss carryforwards that may be realized in the future:

In € m	2013	2012
Capitalized tax savings, 01/01	110.2	175.2
Changes in the consolidated group	–	1.3
Capitalization of tax savings from losses carried forward	0.8	4.1
Valuation allowances from losses carried forward	– 44.0	– 62.3
Use of losses carried forward	– 0.8	– 8.1
Capitalized tax savings, 12/31	**66.2**	**110.2**

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 € 1,473.8 million (previous year: € 1,437.5 million) and corporate income tax loss carryforwards amounting to € 1,993.7 million (previous year: € 1,959.7 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.

Likewise, no deferred tax assets were formed for foreign loss carryforwards without intrinsic value amounting to € 128.4 million (previous year: € 131.9 million). Of this amount, € 116.0 million (previous year: € 128.6 million) can be utilized for an unlimited period, € 10.9 million (previous year: € 2.6 million) for a period limited to the next 5 years, and € 1.5 million (previous year: € 0.7 million) for a period limited to the next 20 years. In addition, no deferred tax assets were formed for deductible temporary differences amounting to € 140.1 million (previous year: € 86.6 million) for domestic and foreign companies.

Deferred tax assets amounting to € 170.1 million (previous year: € 188.3 million) were capitalized as of December 31, 2013, on the grounds of expected future taxable income at Group companies that incurred tax losses in the financial year under review or the previous financial year.

Reconciliation of expected and actual income tax expenses (+) and income (–):

In € m	2013	2012
Consolidated net loss/income before taxes	**– 477.8**	**– 29.4**
Expected income tax (30.6 %)	– 146.2	– 9.0
Tax share for:		
differences between tax rates	1.6	– 0.6
effects of changes in statutory tax rates	0.6	– 0.5
tax credits	– 0.3	– 0.6
tax-free income	– 3.9	– 20.2
non-deductible tax expenses and other permanent differences	15.7	32.4
effects of temporary differences and losses		
without capitalization of deferred tax	63.8	17.7
adjustments in the value of capitalization benefits	89.9	62.3
utilization of benefits not previously capitalized	– 0.9	– 0.5
tax expenses and income unrelated to the reporting period	– 7.5	– 10.2
other deviations	– 1.0	– 0.4
Actual income tax	**11.8**	**70.4**

The actual income tax expenses of € 11.8 million deviate by a total of € 158.0 million from the expected income tax income of € –146.2 million. This results primarily from effects arising from the adjustment of the intrinsic value of deferred tax assets on tax loss carryforwards and on other deferred tax assets, as well as from the non-capitalization of deferred taxes on ongoing losses. This is counterbalanced by effects from tax-exempt income and tax income unrelated to the reporting period.

(13) Minority interests in consolidated net result for the year

In € m	2013	2012
Minority interests in consolidated net result for the year	2.7	2.2

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, and
- DESMA Slovakia s.r.o., Povazska Bystrica.

(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 € –9.10 (previous year: € –1.89) 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 € –9.10 (previous year: € –1.89).

	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	–	–	–	–
End of financial year	60,097,000	6,009,700	54,087,300	3,550,457
Weighted number of shares	**60,097,000**	**6,009,700**	**54,087,300**	**3,550,457**

Earnings per share		2013	2012
Consolidated net income/loss for the financial year	In € m	– 489.6	– 99.8
Minority interests	In € m	2.7	2.2
Amount due to Salzgitter AG shareholders	In € m	– 492.3	– 102.0
Earnings per share – basic	(in €)	– 9.10	– 1.89
Diluted result	In € m	– 481.8	– 91.4
Earnings per share – diluted	**(in €)**	**– 9.10**	**– 1.89**

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.

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 € 103.2 million (previous year: € 96.1 million), including € 15.3 million (previous year: € 14.4 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 Steel, Tubes and Services divisions.

The book values of the assets capitalized as finance leases in accordance with IAS 17 are shown in the following table:

In € m	2013/12/31	2012/12/31
Plant equipment and machinery	52.6	58.9
Assets capitalized as finance leases	**52.6**	**58.9**

The amount of the reported impairment expenses is shown in Note (6).

The restrictions on ownership and disposal have increased to € 53.1 million (previous year: € 7.6 million) as a result of borrowing conditions in foreign countries.

Government grants amounting to € 2.3 million (previous year € 7.4 million) were deducted from the acquisition costs of property, plant and equipment.

(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	2013/12/31	2012/12/31
Salzgitter Klöckner-Werke GmbH	19.5	19.7
Klöckner DESMA Schuhmaschinen GmbH	1.2	1.2
RSE Grundbesitz und Beteiligungs-GmbH	0.6	1.8
Investment property	**21.3**	**22.8**

Rental income amounted to € 5.9 million (previous year: € 6.0 million) in the reporting period. The direct operating expenses for the investment property totaled € 4.0 million (previous year: € 3.6 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 to carry 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, 2013, the fair value of the investment properties was € 31.9 million (previous year: € 34.0 million).

(18) Financial assets

The development of the individual items under intangible assets is shown in the analysis of fixed assets.

Breakdown of financial assets:

In € m	2013/12/31	2012/12/31
Investments in affiliated companies	22.0	45.7
Shareholdings	9.2	9.3
Non-current securities	37.2	33.7
Other loans	150.4	103.4
Financial assets	**218.8**	**192.1**

The decrease in the shares held in affiliated companies results from a first-time consolidation and the merger of an entity that has not yet been consolidated.

Other loans relate largely to loans extended to participating interests.

(19) Associated companies

In € m	2013	2012
Opening balance, 01/01	680.3	600.9
Result of current financial year	– 55.1	54.5
Capital increase	21.9	18.0
Value adjustment in connection with the equity method (Aurubis)	–	33.8
Dividends	– 15.2	– 13.5
Other changes in equity	6.5	– 13.4
Book value, 12/31	**638.5**	**680.3**

The figure reported for shares in associated companies measured using the equity method decreased by € 41.8 million compared with the previous financial year. This resulted primarily from the companies' negative results for the year. The fair value of Aurubis AG as of December 31, 2013, totaled € 497.9 million (previous year: € 605.2 million).

The German Federal Financial Supervisory Authority (BaFin) has established that the consolidated financial statements of the associated company Aurubis for the period to September 30, 2010, are erroneous because, instead of being measured in accordance with the first-in, first-out method or the average method, parts of the assets included under unfinished products were accounted for on the basis of their acquisition costs from 2004. As a result, the balance sheet items "Inventories" and "Group equity" were reported at below their actual levels in the Aurubis consolidated financial statements.

In its consolidated financial statements for the period to December 31, 2011 (and prior to that), Salzgitter AG had carried out the adjustment of equity value assessed on the basis of the Aurubis data which have now been found to be inaccurate (reported profit too low and/or reported loss too high). The change in the valuation methods at Aurubis which was necessitated by the BaFin findings referred to above has been reported in the Salzgitter AG consolidated financial statements for 2012.

The associated companies are as follows:

2013 in € m	Assets	Debt	Income	Profit	Share (%)
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	1,524.2	1,071.5	2,525.8	1.2	30.0
Aurubis AG, Hamburg	4,058.3	2,159.7	11,828.1	– 214.9	25.0

2012 in € m	Assets	Debt	Income	Profit	Share (%)
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	1,373.9	1,002.5	2,782.6	– 3.2	30.0
Aurubis AG, Hamburg	4,755.7	2,541.6	14,090.1	236.4	25.0

(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 2013 are as follows:

In € m	2013/12/31	2012/12/31
Deferred income tax assets	**237.2**	**260.4**
Realization within 12 months	10.0	11.2
Realization after more than 12 months	227.2	249.2
Deferred income tax liabilities	**62.4**	**66.8**
Realization within 12 months	56.2	62.4
Realization after more than 12 months	6.2	4.4
Balance of deferred tax assets and deferred tax liabilities	**174.8**	**193.6**

(21) Other receivables and other assets

The long-term receivables consist mainly of receivables from finance leases, which were as follows:

In € m	2013/12/31	2012/12/31
Total gross investment	6.6	5.1
Unrealized finance income	0.5	0.4
Book value	**6.1**	**4.7**

This position also includes the transactions from the finance leases for telecommunications equipment at two subsidiaries in the Services Division. All of the transactions have a residual term of less than five years. The remaining receivables include € 0.3 million in tax receivables.

Current assets

(22) Inventories

In € m	2013/12/31	2012/12/31
Raw materials, consumables and supplies	627.6	664.3
Unfinished products	528.5	536.8
Unfinished goods or services	9.4	10.2
Finished products and goods	720.7	830.0
Payments on account	29.0	26.7
Inventories	**1,915.2**	**2,068.0**

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 € 4.8 million (previous year: € 23.2 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 selling expenses amounted to € 508.1 million in the reporting year (previous year: € 412.9 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 € 81.2 million (previous year: € 85.9 million) were posted to expenses.

There are restrictions on ownership or disposal amounting to € 8.1 million (previous year: € 8.7 million) for the reported inventories.

(23) Trade receivables

In € m	2013/12/31	2012/12/31
Receivables from third parties	1,407.5	1,522.4
Receivables from affiliated companies	16.9	22.0
Receivables from companies in which the company holds a participating interest	0.6	0.4
Trade receivables	**1,425.0**	**1,544.8**

Impairments on trade receivables amounting to € 24.3 million (previous year: € 19.9 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.

Trade receivables are subject to restrictions on ownership or disposal amounting to € 14.0 million (previous year: € 13.7 million). These are largely accounted for by the forfaiting of receivables. For further details, please refer to Note (35), “Non-current financial liabilities” and Note (36), “Current financial liabilities”.

Trade receivables include the following receivables from contract production recognized using the percentage-of-completion method:

In € m	2013/12/31	2012/12/31
Production costs, including result from construction contracts	388.6	300.4
Payments received on account	– 234.4	– 174.7
Receivables from construction contracts	**154.2**	**125.7**

Receivables from construction contracts include 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	2013/12/31	2012/12/31
Other receivables from affiliated companies	77.7	100.7
of which other receivables	[17.0]	[15.8]
of which loan receivables	[60.7]	[84.9]
Other receivables from participating interests	1.8	3.0
of which other receivables	[1.8]	[3.0]
Borrower's note	99.9	99.5
Forward contracts	–	99.5
Other tax assets	31.9	48.1
Deferred expenses	12.7	11.9
Derivatives	6.3	11.6
Advances on company pensions	3.5	8.6
Subsidies for age-related part-time employment	5.1	8.4
Assets available for sale	0.9	7.3
Other assets	68.8	83.8
Other receivables and other assets	**308.6**	**482.4**

The other receivables and other assets include the sum of € 5.1 million (previous year: € 8.4 million) that did not become legally effective until after the reporting date.

Other receivables are subject to restrictions on ownership or disposal amounting to € 2.7 million (previous year: € 0.1 million).

The current receivables from finance leases consist of the following:

In € m	2013/12/31	2012/12/31
Total gross investment	3.8	1.8
Unrealized finance income	0.5	0.4
Book value	**3.3**	**1.4**

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	2013/12/31	2012/12/31
up to 1 year	4.1	4.8
1 to 5 years	3.8	6.0
over 5 years	1.3	1.3
Total	**9.2**	**12.1**

In the income for the reporting year, € 0.9 million (previous year: € 1.0 million) was reported as conditional rental income.

(25) Income tax assets and income tax liabilities

The income tax refund claims of € 17.9 million (previous year: € 31.1 million) that existed as of December 31, 2013, relate essentially to capital yield withholding tax claims by three domestic Group companies. This is offset by non-current income tax liabilities of € 149.1 million (previous year: € 193.5 million) and current income tax liabilities of € 55.6 million (previous year: € 57.5 million).

Refund claims 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 refund claim 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 € 98.4 million (previous year: € 132.5 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	2013/12/31	2012/12/31
Cash at banks	341.4	492.9
Term deposits	435.0	385.0
Checks, cash in hand	0.6	0.7
Cash and cash equivalents	**777.0**	**878.6**

The term deposits shown here have terms of less than three months.

Equity

(28) Subscribed capital

The subscribed capital (share capital) remained unchanged at € 161,615,273.31. The 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, 35,600 shares authorized on May 27, 2009, and 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, in the period up to 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 (Contingent 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 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 from the Authorized Capital since May 23, 2013.

The nominal value of the convertible bond issued by the company totaled € 296,450,000 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. In order to service the conversion right from the convertible bonds, the company's capital stock has been increased conditionally by € 9,458,031.99, divided into 3,550,457 no-par bearer shares (Conditional Capital 2009). This conditional capital increase will be carried out only if and when the holders of the convertible bonds issued by the company on October 6, 2009 exercise of their conversion rights.

Furthermore, the Executive Board is 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 in the period up to 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 € –30.5 million (previous year: € –15.8 million). The revaluation reserve from the financial assets/financial instruments amounts to € –11.1 million (previous year: € –9.9 million). This change results primarily from the lower market value of a listed Indian manufacturing company in the Tubes Division.

According to the provisions of IAS 19 (revised 2011) "Employee Benefits", all pension obligations are accounted for and the revaluations are recorded directly in equity.

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 2013 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 € 31.00 on December 31, 2013, the dividend yield amounts to 0.6 % (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, and
- DESMA Slovakia s.r.o., Povazska Bystrica.

In the income statement, the result is reported proportionately under "Minority interests in consolidated net result 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 is fund financed (largely life insurance and reinsurance policies).

With regard to the non-fund financed pension commitments, there are collective and individual 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 and the annual income 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. 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 Division and a small number of companies in the Trading and Services Divisions 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.

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 commitments 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).

Overview of the treatment of pension provisions in the annual financial statements:

In € m	2013/12/31	2012/12/31
Reported pension provisions	**2,069.7**	**2,182.2**

In € m	2013	2012
Expenses and income according to income statement		
Service cost (personnel expenses)	26.5	20.2
Net interest expense	63.6	77.9
	90.1	**98.1**

In € m	2013	2012
Development of remeasurement		
As of 01/01	731.0	415.4
Adjustments	–	– 0.1
Change in financial year	– 79.8	315.7
As of 12/31	**651.2**	**731.0**

For reasons of materiality, the previous year was not remeasured in line with IAS 19.

The amount of provisions in the balance sheet as of 2013/12/31 is calculated as follows:

In € m	Projected benefit obligation	Plan assets	Net pension provision
As of 2013/01/01	**2,192.8**	**10.6**	**2,182.2**
Service cost	26.5	–	26.5
Interest expenses/–income	63.9	0.3	63.6
	90.4	**0.3**	**90.1**
Remeasurements (pensions)			
Experience gains (–)/losses (+)	– 4.8	–	– 4.8
Gain (–)/loss (+) from change in demographic assumptions	– 6.0	–	– 6.0
Gain (–)/loss (+) from change in financial assumptions	– 69.5	–	– 69.5
Return on plan assets excluding amounts included in interest income	–	– 0.5	0.5
	– 80.3	**– 0.5**	**– 79.8**
Benefits paid	– 121.7	– 0.2	– 121.5
Contributions			
Employers	–	0.9	– 0.9
Plan participants	0.1	0.1	–
Currency translation differences	– 0.4	– 0.1	– 0.3
Transfers/transfers to other accounts/changes in the consolidated Group	– 0.2	– 0.1	– 0.1
As of 2013/12/31	**2,080.7**	**11.0**	**2,069.7**

The amount of provisions in the balance sheet as of 2012/12/31 is calculated as follows:

In € m	Projected benefit obligation	Plan assets	Net pension provision
As of 2012/01/01	**1,901.0**	**7.8**	**1,893.2**
Service cost	20.2	–	20.2
Interest expenses/-income	78.1	0.2	77.9
	98.3	**0.2**	**98.1**
Remeasurements (pensions)			
Experience gains (–)/losses (+)	–	–	–
Gain (–)/loss (+) from change in demographic assumptions	–	–	–
Gain (–)/loss (+) from change in financial assumptions	317.6	–	317.6
Return on plan assets excluding amounts included in interest income	–	1.9	– 1.9
	317.6	**1.9**	**315.7**
Benefits paid	– 124.5	–	– 124.5
Contributions			
Employers	–	0.7	– 0.7
Plan participants	–	–	–
Currency translation differences	–	–	–
Transfers/transfers to other accounts/changes in the consolidated Group	0.4	–	0.4
As of 2012/12/31	**2,192.8**	**10.6**	**2,182.2**

Subdivision of the net present value of the obligations:

In € m	2013/12/31	2012/12/31
Actual net present value of the defined benefit obligation (Germany)	**2,055.8**	**2,168.4**
thereof aspirant	643.6	670.9
thereof recipient	1,412.2	1,497.5
Actual net present value of the defined benefit obligation (abroad)	**24.9**	**24.4**
Actual net present value of the defined benefit obligation	**2,080.7**	**2,192.8**

The sensitivity of the pension obligations is as follows:

In € m	Reference	Degree of sensitivity	+ Unit	– Unit
Actuarial rate	3.25 %	0.5 %-points	– 124.1	+139.2
Salary trend	2.75 %	0.5 %-points	+4.2	– 4.0
Pension trend	1.75 %	0.25 %-points	+55.1	– 53.0
Mortality	Heubeck 2005G/ Mod. Salzgitter	1 year	+100.8	– 99.4

The pension payments in subsequent years are as follows:

In € m	
2014	125.0
2015	123.5
2016	121.5
2017	121.3
2018	118.9
2019–2023	566.1
2024–2033	974.6

The duration as per Macaulay is 13.47 years.

(34) Other provisions

The development of the other current and the other non-current provisions is shown in the following table:

In € m	2013/01/01	Currency translation differences	Addition/disposal from changes in consolidated Group	Transfer	Transfer to other accounts	Used	Reversal	Allocation	Compound interest	2013/12/31
Other taxes	**11.2**	**– 0.1**	**–**	**–**	**–**	**– 2.9**	**– 0.7**	**3.8**	**0.4**	**11.7**
Personnel	**158.9**	**– 0.4**	**0.1**	**–**	**–**	**– 38.4**	**– 3.9**	**74.1**	**– 1.4**	**189.0**
of which anniversary provisions	[49.8]	[–]	[–]	[– 0.1]	[–]	[– 4.5]	[– 0.1]	[6.4]	[– 0.5]	[51.0]
of which for the social compensation/age-related part-time employment/demographics fund	[59.7]	[–]	[–]	[–]	[–]	[– 24.1]	[– 1.9]	[20.3]	[–]	[54.0]
Operating risks	**169.1**	**–**	**–**	**–**	**0.9**	**– 4.6**	**– 3.5**	**14.5**	**7.6**	**184.0**
Other risks	**282.4**	**– 2.8**	**0.6**	**–**	**– 0.9**	**– 76.4**	**– 60.2**	**113.2**	**– 0.6**	**255.3**
of which price reductions/complaints	[116.4]	[– 0.9]	[–]	[–]	[– 1.0]	[– 40.0]	[– 23.7]	[66.0]	[–]	[116.8]
of which risks from pending transactions	[27.9]	[– 0.1]	[–]	[–]	[4.0]	[– 0.8]	[– 12.8]	[9.9]	[–]	[28.1]
Total	**621.6**	**– 3.3**	**0.7**	**—**	**–**	**– 122.3**	**– 68.3**	**205.6**	**6.0**	**640.0**

The comparative figures for the previous year are as follows:

In € m	2012/01/01	Currency translation differences	Addition/disposal from changes in consolidated Group	Transfer	Transfer to other accounts	Used	Reversal	Allocation	Compound interest	2012/12/31
Other taxes	**9.2**	**– 0.1**	**–**	**–**	**–**	**– 0.4**	**– 3.0**	**4.7**	**0.8**	**11.2**
Personnel	**164.9**	**– 0.2**	**0.1**	**– 0.5**	**– 0.7**	**– 54.9**	**– 4.6**	**43.0**	**11.8**	**158.9**
of which anniversary provisions	[47.8]	[–]	[–]	[–]	[–]	[– 3.3]	[– 0.7]	[1.5]	[4.5]	[49.8]
of which for the social compensation/age-related part-time employment/demographics fund	[67.3]	[0.1]	[–]	[0.2]	[– 0.8]	[– 37.6]	[– 1.7]	[27.8]	[4.4]	[59.7]
Operating risks	**162.8**	**– 0.1**	**–**	**–**	**– 2.6**	**– 6.7**	**– 11.1**	**8.6**	**18.2**	**169.1**
Other risks	**275.0**	**– 1.3**	**0.2**	**–**	**2.6**	**– 78.9**	**– 65.3**	**150.1**	**–**	**282.4**
of which price reductions/complaints	[102.7]	[– 0.3]	[0.2]	[–]	[– 4.2]	[– 34.1]	[– 29.7]	[81.8]	[–]	[116.4]
of which risks from pending transactions	[22.1]	[–]	[–]	[–]	[1.3]	[– 1.6]	[– 13.0]	[19.1]	[–]	[27.9]
Total	**611.9**	**– 1.7**	**0.3**	**– 0.5**	**– 0.7**	**– 140.9**	**– 84.0**	**206.4**	**30.8**	**621.6**

For reasons of materiality, the personnel provisions in the previous year were not remeasured in line with IAS 19.

The restructuring expenses incurred during the financial year relate in particular to the groupwide restructuring project “Salzgitter AG 2015”. They amount to € 54.6 million, of which € 40.8 million result from the transfer to provisions and € 13.8 million were accounted for as ongoing restructuring expenses.

The non-current other provisions were generally discounted at a term-dependent rate ranging from 2.75 % to 3.5 % p.a. (previous year: 2.75 %).

The allowances for employees leaving the company under the terms of semi-retirement employment contracts are capitalized as an asset worth € 5.1 million (previous year: € 8.4 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 2013/12/31	Short-term	Long-term
Other taxes	**11.7**	**11.7**	**–**
Personnel	**189.0**	**48.6**	**140.4**
of which anniversary provisions	[51.0]	[–]	[51.0]
of which for the social compensation/age related part-time employment/demographics fund	[54.0]	[18.6]	[35.4]
Operating risks	**184.0**	**9.6**	**174.4**
Other risks	**255.3**	**254.2**	**1.1**
of which price reductions/complaints	[116.8]	[116.8]	[–]
of which risks from pending transactions	[28.1]	[28.1]	[–]
Total	**640.0**	**324.1**	**315.9**

In € m	Total 2012/12/31	Short-term	Long-term
Other taxes	**11.2**	**11.2**	**–**
Personnel	**158.9**	**36.1**	**122.8**
of which anniversary provisions	[49.8]	[–]	[49.8]
of which for the social compensation/age related part-time employment/demographics fund	[59.7]	[20.7]	[39.0]
Operating risks	**169.1**	**7.5**	**161.6**
Other risks	**282.4**	**282.4**	**–**
of which price reductions/complaints	[116.4]	[116.4]	[–]
of which risks from pending transactions	[27.9]	[27.9]	[–]
Total	**621.6**	**337.2**	**284.4**

(35) Non-current financial liabilities

In € m	2013/12/31	2012/12/31
Bonds	282.9	550.5
Liabilities from finance lease agreements	51.2	57.2
Liabilities to banks	11.5	3.9
Liabilities from forfaiting	0.2	0.5
Financial liabilities	**345.8**	**612.1**

The liabilities from finance leases reported under non-current financial liabilities are shown in the following tables:

In € m	Residual term 1–5 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**

In € m	Residual term 1–5 years	Residual term > 5 years	2012/12/31
Minimum lease payments	33.6	39.2	72.8
Finance costs	9.7	5.9	15.6
Present value of minimum lease payments	**23.9**	**33.3**	**57.2**

The non-current liabilities from lease transactions relate essentially to the leasing of plant equipment and machinery.

Current liabilities

(36) Current financial liabilities

In € m	2013/12/31	2012/12/31
Bonds	286.6	–
Liabilities to banks	72.7	117.9
Liabilities		
to affiliated companies	24.9	23.6
to participating interests	3.2	0.6
Liabilities from forfaiting	9.8	9.2
Liabilities from finance lease agreements	6.0	6.3
Other borrowings	0.9	0.6
Current financial liabilities	**404.1**	**158.2**

The companies Salzgitter Mannesmann International GmbH, Düsseldorf, Salzgitter Mannesmann International (USA) Inc., Houston, and Klöckner DESMA Elastomertechnik GmbH, Fridingen, made other non-Group external financing arrangements and sold trade receivables totaling € 9.8 million which continue to be reported in the companies balance sheet. The receivables were assigned. The default risk continues to be borne by the companies. 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 liabilities from finance leases reported under non-current financial liabilities are shown in the following tables:

In € m	2013/12/31	2012/12/31
Minimum lease payments	8.9	9.5
Finance costs	2.9	3.2
Present value of minimum lease payments	**6.0**	**6.3**

The current liabilities from lease transactions relate essentially to the leasing of plant equipment and machinery and of plant and office equipment.

(37) Trade payables

In € m	2013/12/31	2012/12/31
Liabilities		
to third parties	757.9	876.2
to affiliated companies	8.9	8.2
to participating interests	53.0	34.2
Trade payables	**819.8**	**918.6**

Trade payables include the following payables from construction contracts recognized using the percentage-of-completion method:

In € m	2013/12/31	2012/12/31
Payments received on account	141.4	111.7
Less production costs including result from construction contracts	– 73.5	– 74.7
Payables from construction contracts	**67.9**	**37.0**

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.

(38) Other liabilities

In € m	2013/12/31	2012/12/31
Other liabilities		
to affiliated companies	1.7	3.1
to participating interests	–	–
Other liabilities	325.6	472.6
of which payments received on account	[86.3]	[183.8]
of which to employees	[84.5]	[85.6]
of which derivatives	[41.8]	[81.1]
of which taxes	[34.5]	[42.5]
of which social security contributions	[12.4]	[15.4]
of which customer credit	[4.2]	[3.2]
of which interest	[1.7]	[1.7]
of which other liabilities	[60.2]	[59.3]
Other liabilities (current)	**327.3**	**475.7**

Of the sum total of liabilities, some € 14.1 million (previous year: € 11.9 million) is secured by liens and similar rights.

(39) 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 amount is € 148.2 million (previous year: € 193.2 million).

The contingencies include sureties and guarantees totaling € 115.4 million (previous year: € 160.2 million). Based on past experience, the probability of their being utilized can be regarded as low.

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 situation. Adequate provisions have been formed at the respective Group companies to cover potential financial burdens arising from legal proceedings or arbitration.

We regard the potential obligations arising from the state aid investigation, initiated by the European Commission vis-à-vis the Federal Republic of Germany on December 18, 2013, in respect of the German renewable Energies Act (EEG), which is aimed in particular at the special equalization scheme provided for by the German EEG in 2012 for companies with energy-intensive operations, as a contingent liability not subject to mandatory balance sheet reporting. The extent to which the EEG reallocation charges were utilized by the Salzgitter Group companies in 2013 may amount to some € 43 million. The procedure is being conducted by the European Commission in an open and unbiased way. Salzgitter AG itself is not directly involved in the procedure, which means that no control is being exercised over future developments. We believe that any outflow of resources in connection with this matter will be of minor significance.

(40) Other financial obligations

In € m	2013/12/31		
	up to 1 year	**1 to 5 years**	**over 5 years**
Purchase commitments	79.6	79.8	–
Obligations from long-term rental agreements	34.7	74.2	117.9
Other financial obligations	595.6	302.1	76.2
Total	**709.9**	**456.1**	**194.1**

In € m	2012/12/31		
	up to 1 year	**1 to 5 years**	**over 5 years**
Purchase commitments	113.7	46.7	–
Obligations from long-term rental agreements	34.8	73.2	123.8
Other financial obligations	671.8	386.6	80.9
Total	**820.3**	**506.5**	**204.7**

The other financial obligations primarily concern long-term purchasing commitments of the companies in the Steel Division 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.

(41) Financial instruments

As of the balance sheet date 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	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	218.8	150.4	68.4	–	–	–	–	238.3
Other receivables and other assets (€ 6.4 m acc. to balance sheet); of which financial instruments	6.1	–	–	–	–	–	6.1	6.4
Trade receivables	1,425.0	1,425.0	–	–	–	–	–	1,425.0
Other receivables and other assets (€ 308.6 m acc. to balance sheet); of which financial assets	259.2	249.6	–	6.1	0.2	–	3.3	259.5
Securities	98.4	–	34.6	63.8	–	–	–	98.4
Cash and cash equivalents	777.0	–	777.0	–	–	–	–	777.0
Assets financial instruments		**1,825.0**	**880.0**	**69.9**	**0.2**	**–**	**9.4**	
Equity and liabilities								
Non-current financial liabilities	345.8	–	–	–	–	294.6	51.2	368.7
Current financial liabilities	404.1	–	–	–	–	398.1	6.0	413.3
Trade payables	819.8	–	–	–	–	819.8	–	819.8
Other liabilities (€ 327.3 m acc. to balance sheet); of which financial instruments	96.2	–	–	41.7	0.1	54.4	–	96.2
Equity and liabilities financial instruments		**–**	**–**	**41.7**	**0.1**	**1,566.9**	**57.2**	

The fair value disclosures for financial assets and liabilities not reported in the accounts at fair value are generally calculated by discounting future cash flows. The method applied in this process is an interest rate in line with the term to maturity that reflects the risk-free interest rate and the Salzgitter Group's counterparty risk derived by way of a peer group. The fair value disclosure for non-current financial liabilities (€ 368.7 million) comprises the fair value for an issued bond in the amount of € 303.7 million which is calculated in a different way. In this case, the fair value derives from the market value of the bond together with the elimination of an embedded derivative measured using an acknowledged method (Black-Scholes) whose value, in turn, depends above all on a listed company's share price. The calculation parameters are based on data from directly and indirectly observable input factors. The overall fair value disclosures must therefore be classified in Level 2.

As of the balance sheet date December 31, 2012, the transition of the balance sheet items to the various categories of financial instruments was as follows:

2012 in € m	Book value			Valuation according to IAS 39			Valuation according to IAS 17	Fair value
	2012/12/31	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	192.1	103.4	88.7	–	–	–	–	211.8
Other non-current receivables and assets	4.7	–	–	–	–	–	4.7	4.2
Trade receivables	1,544.8	1,544.8	–	–	–	–	–	1,544.8
Other receivables and other assets (€ 482.4 m acc. to balance sheet); of which financial instruments	313.3	293.0	7.3	11.4	0.2	–	1.4	314.4
Securities	132.5	50.3	23.6	58.6	–	–	–	132.5
Cash and cash equivalents	878.6	–	878.6	–	–	–	–	878.6
Assets financial instruments		**1,991.5**	**998.2**	**70.0**	**0.2**	**–**	**6.1**	
Equity and liabilities								
Non-current financial liabilities	612.1	–	–	–	–	554.9	57.2	654.1
Current financial liabilities	158.2	–	–	–	–	151.9	6.3	158.2
Trade payables	918.6	–	–	–	–	918.6	–	918.6
Other liabilities (€ 475.7 m acc. to balance sheet); of which financial instruments	134.0	–	–	80.7	0.4	52.9	–	134.0
Equity and liabilities financial instruments		**–**	**–**	**80.7**	**0.4**	**1,678.3**	**63.5**	

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. For the measurement of derivatives' fair value, please refer to the “Financial assets – estimation and measurement” section in the chapter “Accounting and Valuation Principles”. The book value of the derivative financial instruments corresponds to their market value. The securities are listed and are measured on the basis of the stock market price prevailing on the reporting date. The same procedure is applied to listed shares under financial assets.

Trade payables and other liabilities regularly have short residual terms, and as a result their reported values correspond to their fair values.

When determining the fair value of an asset or liability, the Group uses data observable on the market wherever possible. Based on the input factors used in the measurement techniques, the fair values are allocated to different levels in the fair value hierarchy.

Level 1: Listed prices on active markets for identical assets and liabilities

Level 2: Measurement parameters that do not involve the listed prices to be taken into account in Level 1, but are either directly or indirectly observable for the asset or liability in question (from the derivation of prices)

Level 3: Measurement parameters for assets or liabilities which are not based on observable market data

If the input factors used for calculating the fair value cannot be allocated to one single level, they are allocated 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 assets totaling € 68.4 million (previous year: € 88.7 million). This sum includes financial assets amounting to € 31.2 million (previous year: € 55.0 million) for which no reliable fair values can be ascertained because they are not listed on the market. In this category there are also securities amounting to € 34.6 million (previous year: € 30.9 million) as well as financial resources totaling € 777.0 million (previous year: € 878.6 million).

Fair value calculation – assets:

In € m	2013/12/31			
	Financial assets available for sale	**Financial instruments held for trading**	**Derivates with documented hedging arrangements**	**Total**
Level 1	71.8	63.8	–	135.6
Level 2	–	6.1	0.2	6.3
Level 3	–	–	–	–
Total	**71.8**	**69.9**	**0.2**	**141.9**

In € m	2012/12/31			
	Financial assets available for sale	**Financial instruments held for trading**	**Derivates with documented hedging arrangements**	**Total**
Level 1	64.6	58.6	–	123.2
Level 2	–	11.4	0.2	11.6
Level 3	–	–	–	–
Total	**64.6**	**70.0**	**0.2**	**134.8**

Fair value calculation – equity and liabilities:

In € m	2013/12/31		
	Financial instruments held for trading	Derivates with documented hedging arrangements	Total
Level 1	–	–	–
Level 2	41.7	0.1	41.8
Level 3	–	–	–
Total	**41.7**	**0.1**	**41.8**

In € m	2012/12/31		
	Financial instruments held for trading	Derivates with documented hedging arrangements	Total
Level 1	–	–	–
Level 2	80.7	0.4	81.1
Level 3	–	–	–
Total	**80.7**	**0.4**	**81.1**

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 Steel Division, the credit insurance does not extend to sales to dealers or companies in the iron and steel industry enterprises, 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	2013/12/31		2012/12/31	
	Maximum default risk	Hedged default risk	Maximum default risk	Hedged default risk
Trade receivables	1,425.0	841.2	1,544.8	968.7
Other receivables	249.6	3.7	293.0	8.4
Financial assets	150.4	0.7	103.4	–
Securities	–	–	50.3	–
Total	**1,825.0**	**845.6**	**1,991.5**	**977.1**

There are also default risks in respect of financial assets held for trading in the amount of the positive market values of the derivatives and, with lease receivables, in an 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 in an amount of € 234.8 million as of the cut-off date (previous year: € 229.3 million) but are not impaired produced the following result:

2013/12/31 in € m	overdue for				
	< 30 days	31–60 days	61–90 days	91–180 days	> 180 days
Loans and receivables originated by the company	151.9	37.0	9.9	22.7	13.3

2012/12/31 in € m	overdue for				
	< 30 days	31–60 days	61–90 days	91– 180 days	> 180 days
Loans and receivables originated by the company	152.0	30.0	14.9	19.1	13.3

A sum of € 93.3 million (previous year: € 93.9 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 the amount of € 24.3 million (previous year: € 19.9 million) and reversals of impairment and allowances in the amount of € 15.2 million (previous year: € 11.3 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 those assets that are neither overdue nor impaired could be collected at any time.

The net results of the categories are as follows:

In € m	2013	2012
Assets/liabilities held for trading	43.7	– 22.5
Loans and receivables originated by the company	15.0	7.3
Financial assets available for sale	13.9	13.9
Financial liabilities measured at amortized cost	– 31.8	– 36.1
Total	**40.8**	**– 37.4**

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 € 29.6 million (previous year: € 34.9 million). Interest expenses amounting to € 31.2 million (previous year: € 33.7 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. Nor were there any losses from their disposal in the financial year 2013 or the previous year. Valuation allowances of € 1.4 million (previous year: € 4.9 million) with effect on income were recorded for the assets in the "Financial assets available for sale" 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 € 5.5 million (previous year: € 9.1 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	2013	2012
As of 01/01	– 9.7	– 14.0
Write-up without effect on income	0.9	4.5
Disposal	–	0.2
Write-down without effect on income	2.4	–
As of 12/31	**– 11.2**	**– 9.7**

The change in value not measured through profit and loss amounting to € 2.4 million in the financial year 2013 relates primarily to the shares in an Indian manufacturing company in the tubes industry and to securities held in connection with deferred compensation.

In the financial year 2013, the Salzgitter Group applied hedge accounting in accordance with IAS 39 only to forward exchange contracts. In the process, it hedged the currency risks using cash flow hedges. The respective market values were as follows:

Positive market values in € m	2013/12/31	2012/12/31
Forward exchange contracts – cash flow hedges	0.2	0.2

Negative market values in € m	2013/12/31	2012/12/31
Forward exchange contracts – cash flow hedges	0.1	0.4

The underlying transactions that were secured using cash flow hedges will generally affect income within 12 months of the reporting date.

The cash flow hedge reserve, which was posted to equity with no effect on income, developed as follows:

In € m	2013	2012
As of 01/01	– 0.2	1.1
Write-up without effect on income	0.1	–
Write-down without effect on income	–	– 0.2
Realization	0.2	– 1.1
As of 12/31	**0.1**	**– 0.2**

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, slight ineffectivities arose from cash flow hedges.

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 generally 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 current 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 (%)	
	2013/12/31	2012/12/31	2013/12/31	2012/12/31	2013/12/31	2012/12/31
1 month	0.2160	0.1090	0.4894	0.4931	0.1677	0.2087
3 months	0.2870	0.1870	0.5253	0.5150	0.2461	0.3060
6 months	0.3890	0.3200	0.6228	0.6669	0.3480	0.5083
1 year	0.5560	0.5420	0.9113	1.0138	0.5831	0.8435
2 years	0.5290	0.3830	1.0310	0.7300	0.4870	0.3840
4 years	1.0150	0.6120	1.8330	0.8720	1.3330	0.6290
10 years	2.1820	1.5690	3.0060	1.8630	3.0860	1.7850

The liquidity structure of all the financial liabilities was as follows:

2013/12/31 in € m	up to 1 year	1 to 5 years	over 5 years
Trade payables	819.8	–	–
Financial liabilities	408.3	312.8	0.1
Lease liabilities	8.9	32.6	31.2
Other liabilities	54.4	–	–

2012/12/31 in € m	up to 1 year	1 to 5 years	over 5 years
Trade payables	918.6	–	–
Financial liabilities	162.7	586.8	1.0
Lease liabilities	9.5	33.6	39.2
Other liabilities	53.2	–	–

As of December 31, 2013, disbursements from derivatives in an amount of € 769.9 million (previous year: € 874.4 million) were offset by in-payments amounting to € 764.1 million (previous year: € 869.9 million). Derivatives have terms of less than one year.

Netting

Salzgitter AG concludes financial futures transactions only with core banks and solely on the basis of a standardized 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 “unnetted amounts” column contains the amounts of the derivatives accounted for which do not satisfy the criteria for netting under IAS 32.42.

2013/12/31 in € m	Gross book value	Offsetting amount	Net book value	Amount not offset	Total net book value
Positive market values derivates	4.3	–	4.3	2.2	2.1
Negative market values derivates	10.5	–	10.5	2.2	8.3

2012/12/31 in € m	Gross book value	Offsetting amount	Net book value	Amount not offset	Total net book value
Positive market values derivates	7.5	–	7.5	4.4	3.1
Negative market values derivates	11.3	–	11.3	4.4	6.9

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.

2013/12/31 in € m	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	– 31.5	– 1.1	– 32.6	44.7	1.4	46.1
GBP	1.5	0.1	1.6	– 1.8	– 0.2	– 2.0
Other currencies	– 0.5	– 1.7	– 2.2	0.5	1.6	2.1
Currency sensitivities	**– 30.5**	**– 2.7**	**– 33.2**	**43.4**	**2.8**	**46.2**
Degree of sensitivity	+100 bp	+100 bp	+100 bp	– 100 bp	– 100 bp	– 100 bp
Interest rate sensitivities	**– 3.2**	**–**	**– 3.2**	**3.1**	**–**	**3.1**
Degree of sensitivity	+10%	+10%	+10%	– 10%	– 10%	– 10%
Other price sensitivities	**– 10.9**	**–**	**– 10.9**	**7.9**	**–**	**7.9**

2012/12/31 in € m	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	– 31.9	– 2.5	– 34.4	60.8	3.0	63.8
GBP	0.6	0.4	1.0	– 0.8	– 0.5	– 1.3
Other currencies	–	– 1.1	– 1.1	– 0.4	1.1	0.7
Currency sensitivities	**– 31.3**	**– 3.2**	**– 34.5**	**59.6**	**3.6**	**63.2**
Degree of sensitivity	+100 bp	+100 bp	+100 bp	– 100 bp	– 100 bp	– 100 bp
Interest rate sensitivities	**– 6.8**	**–**	**– 6.8**	**6.3**	**–**	**6.3**
Degree of sensitivity	+10%	+10%	+10%	– 10%	– 10%	– 10%
Other price sensitivities	**– 28.4**	**–**	**– 28.4**	**25.4**	**–**	**25.4**

(42) 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 2013 and 2012, 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 flow from operating activities, the income and expenses from fixed asset disposals have been eliminated. Interest income amounts to € 27.8 million (previous year: € 32.4 million). Income received from shareholdings during the financial year 2013 amounted to € 29.6 million (previous year: € 31.0 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 HKM GmbH.

The cash inflows and outflows from/for financial investments comprise bond funds, futures contracts, borrower's notes and term deposits (term of more than three months). The cash inflows in the financial year 2013 amounted to € 149.8 million (previous year: € 104.7 million), while the cash outflows totaled € 11.3 million (previous year: € 150.3 million).

Interest paid is attributed solely to financing activities. In the financial year ended, non-current financial liabilities amounting to € 10.0 million were redeemed and such liabilities totaling € 6.9 million were incurred (previous year: redeemed € 9.1 million; incurred: € 0).

(43) Notes on segment reporting

The segmentation of the Salzgitter Group into five divisions 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 Steel, Trading, Tubes, Services and Technology divisions 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 Steel Division manufactures high-quality branded steel and special steels. Its main products are hot-rolled strip and cold-rolled steel, sections and sheet piling, heavy plate, elements for roofing and cladding, blanks and tailored blanks.

The Tubes Division is concerned primarily with the manufacture of line pipes, HFI-welded pipes, precision tubes and stainless steel tubes.

The Trading Division operates a tightly-knit European sales network as well as trading companies and agencies worldwide that ensure that the Salzgitter Group's products and services are marketed efficiently.

The companies in the Services Division do most of their work for the Group. The range of services they provide includes data processing, telecommunications services, scrap dealing, the handling and storage of bulk cargo, transportation, and other services for, among others, the automotive industry.

The Technology Division operates mainly in the filling and packaging technology segment.

Sales between segments are always conducted on standard market terms of the kind that also constitute the basis of transactions with third parties (arm's length).

Segment 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, € 2,347.5 million (previous year: € 2,554.6 million) is accounted for by Germany and € 208.0 million (previous year: € 214.6 million) by non-EU countries. A further € 725.0 million (previous year: € 762.7 million) relates to consolidated units not assigned to a segment.

In the financial year 2013, as in the previous year, no single customer accounted for more than 10% of the Salzgitter Group's sales.

The transition of total segment assets and segment 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	2013	2012
Total sales of the segments	11,507.1	13,045.9
Other sales	31.4	30.2
Elimination of sales with other segments	– 2,287.1	– 2,671.8
Elimination of sales with Group companies not assigned to a segment	– 7.3	– 7.0
Sales	**9,244.2**	**10,397.2**

In € m	2013	2012
Total results of the segments for the period	– 478.2	– 66.0
Other results for the period	0.4	36.7
Earnings before taxes (EBT)	**– 477.8**	**– 29.4**

In € m	2013/12/31	2012/12/31
Segment operating assets	6,500.7	7,110.3
Other assets	1,292.2	1,515.9
Income tax assets	17.9	31.1
Deferred income tax assets	237.2	260.4
Deferred item	12.7	11.9
Statement of financial position total	**8,060.7**	**8,929.7**

In € m	2013/12/31	2012/12/31
Segment operating liabilities	5,771.9	5,922.0
Other liabilities	– 1,173.2	– 963.7
Tax liabilities	267.1	317.8
Group equity	3,186.9	3,643.5
Deferred item	8.0	10.1
Statement of financial position total	**8,060.7**	**8,929.7**

Other sales, results for the period under review, assets and liabilities are accounted for by the companies Salzgitter AG, Salzgitter Mannesmann GmbH, Salzgitter Klöckner-Werke GmbH and Salzgitter Finance B.V., which cannot be assigned to any operating segment. Information about the associated companies can be obtained from the appropriate sections in the notes to the income statement and the balance sheet.

The other assets item largely comprises cash and cash equivalents, as well as shareholdings in Aurubis AG valued using the equity method. The holding companies' pension provisions as well as effects from the consolidation of liabilities and receivables from the Group's accounting are largely reported under other liabilities.

(44) Related party disclosures

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

Material delivery and service relationships between companies in the consolidated Group and companies related to the Salzgitter Group are depicted in the following table:

In € m	Sale of goods and services		Purchase of goods and services	
	2013	2012	2013	2012
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	15.2	22.4	447.2	554.0

Outstanding items 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	Trade receivables		Trade payables	
	2013/12/31	2012/12/31	2013/12/31	2012/12/31
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	1.5	2.7	50.4	34.2

In addition, the Group has an outstanding long-term loan to Hüttenwerke Krupp Mannesmann GmbH, Duisburg, in an amount of € 129.0 million (previous year: € 80.0 million).

The deliveries and services received essentially comprise deliveries of input material for the Tubes Division.

There are contingencies in relation to non-consolidated associated companies totaling € 31.6 million (previous year: € 32.0 million).

Remuneration paid to members of the management in key positions:

In € m	2013	2012
Salary and other current payments	8.3	8.6
Payments after termination of the employment relationship	1.3	1.4
Total	**9.6**	**10.0**

In addition, the employee representatives on the Supervisory Board who are employed in the Salzgitter Group received remuneration within the scope of their employment contracts. The amounts in question corresponded to appropriate remuneration for comparable functions and tasks in the Group.

(45) 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	2013	2012
Audit services	2.3	2.0
Other certification or assessment services	0.1	0.1
Tax consulting services	0.1	0.1
Other services	–	1.0

In addition, expenses relating to other auditors were incurred in an amount of less than € 0.1 million (previous year: € 0.4 million) for the auditing of the annual financial statements of consolidated German-based companies, and no expenses (previous year: less than € 0.1 million) were incurred by tax consulting and other consulting services rendered for German-based Group companies.

(46) Significant events after the reporting date

Significant events occurring after the reporting date are explained in the Management Report.

(47) Waiver of disclosure and preparation of a management report in accordance with Section 264 para. 3 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 of the German Commercial Code (HGB) and are therefore exempted from the disclosure of their financial statements and from the obligation to prepare a management report:

- Salzgitter Mannesmann GmbH, Salzgitter
- Salzgitter Klöckner-Werke GmbH, Salzgitter
- Salzgitter Flachstahl GmbH, Salzgitter
- Peiner Träger GmbH, Peine
- Ilsenburger Grobblech GmbH, Ilsenburg
- HSP Hoesch Spundwand und Profil GmbH, Dortmund
- Salzgitter Europlatinen GmbH, Salzgitter
- Salzgitter Bauelemente GmbH, Salzgitter
- Glückauf Immobilien GmbH, Peine
- SZST Salzgitter Service und Technik GmbH, Salzgitter
- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg,
- GESIS Gesellschaft für Informationssysteme mbH, Salzgitter
- telcat multicom GmbH, Salzgitter
- telcat Kommunikationstechnik GmbH, Salzgitter
- DEUMU Deutsche Erz- und Metall-Union GmbH, Peine
- Salzgitter Mannesmann Forschung GmbH, Salzgitter
- Salzgitter Mannesmann Handel GmbH, Düsseldorf
- Hövelmann & Lueg GmbH, Schwerte
- Salzgitter Mannesmann International GmbH, Düsseldorf
- Salzgitter Mannesmann Stahlhandel GmbH, Düsseldorf
- Stahl-Center Baunatal GmbH, Baunatal
- Universal Eisen und Stahl GmbH, Neuss
- Stahl-Metall-Service Gesellschaft für Bandverabeitung mbH (as of January 3, 2014, trading under the name of Salzgitter Mannesmann Stahlservice GmbH)
- Mannesmannröhren-Werke GmbH, Mülheim
- Salzgitter Mannesmann Großrohr GmbH, Salzgitter
- Salzgitter Mannesmann Line Pipe GmbH, Siegen
- Salzgitter Mannesmann Rohr Sachsen GmbH, Zeithain
- Salzgitter Mannesmann Precision GmbH, Mülheim
- Salzgitter Mannesmann Grobblech GmbH, Mülheim
- Salzgitter Mannesmann Stainless Tubes GmbH, Mülheim
- Salzgitter Mannesmann Stainless Tubes Deutschland GmbH, Remscheid
- KHS GmbH, Dortmund
- Klöckner PET-Technologie GmbH, Salzgitter
- Klöckner DESMA Elastomertechnik GmbH, Fridingen
- Klöckner DESMA Schuhmaschinen GmbH, Achim
- KHS Corpoplast GmbH, Hamburg
- KHS Plasmax GmbH, Hamburg
- Salzgitter Automotive Engineering Beteiligungsgesellschaft mbH, Osnabrück
- Salzgitter Automotive Engineering GmbH & Co. KG, Osnabrück
- Salzgitter Automotive Engineering Immobilien GmbH & Co. KG, Osnabrück
- Salzgitter Hydroforming GmbH & Co. KG, Crimmitschau

(48) Supervisory Board and Executive Board

For the discharge of their duties, the members of the Executive Board received the sum of € 4.7 million (previous year: € 5.4 million) in the financial year. Of this total, € 1.7 million (previous year: € 2.0 million) was accounted for by performance-related remuneration components.

Provisions for pension obligations to members of the Executive Board amounted to € 25.3 million (previous year: € 24.3 million) in the financial year. Former members of the Executive Board and their surviving dependents received a total of € 2.0 million for the financial year (previous year: € 1.8 million). Pension provisions totaling € 34.2 million (previous year: € 29.8 million) have been set aside to cover obligations to former Executive Board members and their surviving dependents.

Supervisory Board members received a total of € 1.5 million (previous year: € 1.1 million) for the financial year.

The remuneration of the individual members of the Executive and Supervisory Boards of Salzgitter AG is disclosed in the "Group Management Report and Management Report on Salzgitter AG" in Section I.2 "Management and Control".

(49) 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, are 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 fairly described.

Salzgitter, February 27, 2014

The Executive Board

Fuhrmann Becker Eging

Groschke Kieckbusch

VII. Auditor's Report

Independent Auditor's Report

"We have audited the consolidated financial statements – consisting of income statement, statement of total comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes – and the group management report, which is combined with the company's management report, for the financial year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the condensed group management report according to IFRS, as adopted in the EU, and the additional provisions stated in Section 315a para. 1 of the German Commercial Code (HGB) are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the condensed group management report based on our audit.

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). These 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, observing the German principles of proper accounting, and in the condensed group management report are detected with a reasonable degree of certainty. Knowledge of the business activities and the economic and legal environment of the Group and expectations of 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 condensed group management report are examined primarily on a sample basis within the framework of the audit. The audit includes an assessment of the annual financial statements of the companies in the consolidated group, the determination of the composition of the consolidated group, the accounting and consolidation principles used and significant estimates made by the Company's Executive Board, as well as an assessment of the overall presentation of the consolidated financial statements and the condensed group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

In our opinion based on the results of our audit, the consolidated financial statements are in compliance with the IFRS, 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 provisions. The condensed group management report accords with the consolidated financial statements and, all in all, provides an accurate picture of the Group's position and an accurate description of the opportunities and risks of future development."

Hanover, February 27, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

signed	signed
Thomas Stieve	Prof. Dr. Mathias Schellhorn
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 (P&L A.)

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).

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

Bainite (bainitic material)
Microstructure formed by the special heat treatment of steel.

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

Induction heating/annealing

The term induction heating/annealing denotes the process of passing steel plate continuously through several successive inductor coils to heat them to a temperature of 1,200 °C.

Innofill Can DVD

New can filler platform.

InnoPET Blomax Series IV

Stretch blow molder for blowing PET bottles.

Innosept ASR
Rotary, aseptic filling machine.

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

Recuperators
Heat exchanger, built for efficient heat transfer from exhaust gas to the combustion air. In the fireplace are pipes fitted, where combustion air flows through (counter-current and ribs cross power). Heat energy of the exhaust gas in the fireplace is transferred to the fresh combustion air and returned to the oven.

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 produced 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 2014

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

III. Editorial Details and Contact

Contact:
SALZGITTER AG
Eisenhüttenstraße 99
38239 Salzgitter
Germany

Postal address:
38223 Salzgitter
Germany

Public Relations:
Phone: +49 (0) 53 41/21-27 01
Fax: +49 (0) 53 41/21-23 02

Investor Relations:
Phone: +49 (0) 53 41/21-18 52
Fax: +49 (0) 53 41/21-25 70

Online Annual Report:
www.salzgitter-ag.de/gb2013

Publisher:
SALZGITTER AG

Concept and design:
BUTTER. GmbH, Düsseldorf

Editorial Office:
SALZGITTER AG, Investor Relations

Photo credits/photography:
p. 15, 17: Marcus Pietrek
p 26/27: gettyimages
p. 54/55: corbis
p. 78/79: maground, corbis, gettyimages
p. 110/111: gettyimages
p. 124/125: gettyimages, mauritius images
p. 148/149: gettyimages

Image processing/composing:
Pixology/creative postproduction, Hamburg

Lithography:
Publication Partners Medienkompetenz GmbH, Willich

Printed by:
Rasch, Druckerei und Verlag, Bramsche

Translation:
Baker & Harrison, Munich

Production:
BUTTER. GmbH, Düsseldorf

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

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

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

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