

# Q1

Interim Report  
**1st Quarter 2015** ■





# Contents

<b>Salzgitter Group Figures</b> .....	<b>2</b>
<b>Summary</b> .....	<b>3</b>
<b>Investor Relations</b> .....	<b>4</b>
<b>Profitability of the Group and Business Units</b> .....	<b>6</b>
Economic environment.....	6
Earnings Situation within the Group.....	7
Procurement.....	9
Steel market developments .....	10
Strip Steel Business Unit.....	11
Plate / Section Steel Business Unit .....	13
Energy Business Unit.....	16
Trading Business Unit.....	19
Technology Business Unit .....	21
Industrial Participations / Consolidation .....	23
<b>Financial Position and Net Assets</b> .....	<b>24</b>
<b>Investments</b> .....	<b>25</b>
<b>Research and Development</b> .....	<b>27</b>
<b>Employees</b> .....	<b>28</b>
<b>Guidance, Opportunities and Risk Report</b> .....	<b>30</b>
<b>Events of Significance</b> .....	<b>33</b>
<b>Interim Financial Statements</b> .....	<b>34</b>
<b>Notes</b> .....	<b>40</b>
<b>Financial Calendar 2015</b> .....	<b>44</b>

## Salzgitter Group Figures

		Q1 2015	Q1 2014	+/-
<b>Crude steel production</b>	kt	1,780.7	1,875.0	- 94.3
<b>External sales</b>	€ m	2,287.9	2,300.9	- 13.0
Strip Steel Business Unit	€ m	524.8	575.4	- 50.7
Plate / Section Steel Business Unit	€ m	253.2	251.8	1.4
Energy Business Unit	€ m	293.9	338.9	- 45.0
Trading Business Unit	€ m	851.9	774.6	77.3
Technology Business Unit	€ m	315.1	313.0	2.1
Industrial Participations / Consolidation	€ m	49.0	47.2	1.8
<b>EBIT before depreciation and amortization (EBITDA)<sup>1)</sup></b>	€ m	149.5	97.1	52.4
<b>Earnings before interest and taxes (EBIT)<sup>1)</sup></b>	€ m	66.9	13.4	53.5
<b>Earnings before taxes (EBT)</b>	€ m	51.8	- 8.7	60.5
Strip Steel Business Unit	€ m	16.6	- 2.2	18.8
Plate / Section Steel Business Unit	€ m	- 0.7	- 22.4	21.8
Energy Business Unit	€ m	- 4.7	- 12.3	7.5
Trading Business Unit	€ m	11.8	4.9	6.9
Technology Business Unit	€ m	10.1	9.2	0.9
Industrial Participations / Consolidation	€ m	18.7	14.1	4.6
<b>Net income/loss for the financial year</b>	€ m	32.7	- 13.3	46.0
<b>Earnings per share – basic</b>	€	0.58	- 0.26	0.84
<b>Return on capital employed (ROCE)<sup>2)3)</sup></b>	%	7.5	0.4	7.1
<b>Operating cash flow</b>	€ m	42.5	- 93.5	136.0
<b>Investments<sup>4)</sup></b>	€ m	69.5	51.6	17.9
<b>Depreciation/amortization<sup>4)</sup></b>	€ m	- 82.6	- 83.7	1.1
<b>Total assets</b>	€ m	8,698.8	8,390.2	308.6
<b>Non-current assets</b>	€ m	3,543.8	3,565.0	- 21.2
<b>Current assets</b>	€ m	5,155.0	4,825.1	329.9
of which inventories	€ m	2,044.5	2,035.2	9.4
of which cash and cash equivalents	€ m	666.6	466.6	199.9
<b>Equity</b>	€ m	2,688.8	3,174.6	- 485.8
<b>Liabilities</b>	€ m	6,010.0	5,215.5	794.4
Non-current liabilities	€ m	3,271.3	3,040.5	230.8
Current liabilities	€ m	2,738.7	2,175.0	563.7
of which due to banks <sup>5)</sup>	€ m	336.3	183.8	152.5
<b>Net position<sup>6)</sup></b>	€ m	344.9	104.1	240.8
<b>Employees</b>				
Personnel expenses	€ m	- 404.4	- 384.6	- 19.7
Core workforce on the reporting date <sup>7)</sup>	empl.	23,651	23,450	201
Total workforce on the reporting date <sup>8)</sup>	empl.	25,454	25,474	- 20

Disclosure of financial data in compliance with IFRS

<sup>1)</sup> EBIT = EBT + interest expenses/-interest income; EBITDA = EBIT + depreciation and amortization

<sup>2)</sup> ROCE = EBIT (= EBT + interest expenses excl. interest portion in transfers to pension provisions) divided by the sum of shareholders' equity (excl. calculation of deferred tax), tax provisions, interest-bearing liabilities (excl. pension provision) and liabilities from finance leasing, forfaiting

<sup>3)</sup> Annualized

<sup>4)</sup> Excluding financial investments

<sup>5)</sup> Current and non-current bank liabilities

<sup>6)</sup> Including investments, e.g. securities and structured investments

<sup>7)</sup> Excl. trainee contracts and excl. non-active age-related part-time work

<sup>8)</sup> Incl. trainee contracts and incl. non-active age-related part-time work

# Summary

## On track: restructuring program resounding success – highest quarterly profit since 2011

In the first quarter of the financial year 2015, the Salzgitter Group achieved the highest pre-tax profit since the second quarter of 2011. In spite of the upcoming regular major repair of a blast furnace that will burden profit by around € 80 million in the second half of the year, the foundations have been laid for the Group's sustainable return to the profit zone. Against the backdrop of merely marginal improvements in Europe's economic environment and the protracted structural crisis in the European steel market, this gratifying trend results first and foremost from the powerful impact exerted by the groupwide "Salzgitter AG 2015" restructuring program. Also after another reduction in the actuarial rate applicable to pension provisions to only 1.5%, the company enjoys an extremely sound financial basis, with an equity ratio of 31% and a net credit balance of € 345 million.

### Group

- **External sales:** virtually unchanged
- Considerable improvement in the **pre-tax result:** € 51.8 million (first three months of 2014: € –8.7 million).
- **After-tax profit:** € 32.7 million
- **Earnings per share** (basic): € 0.58
- **Net credit balance:** € 345 million
- **Equity ratio** of 31% remains at a sound level

### Development of the business units

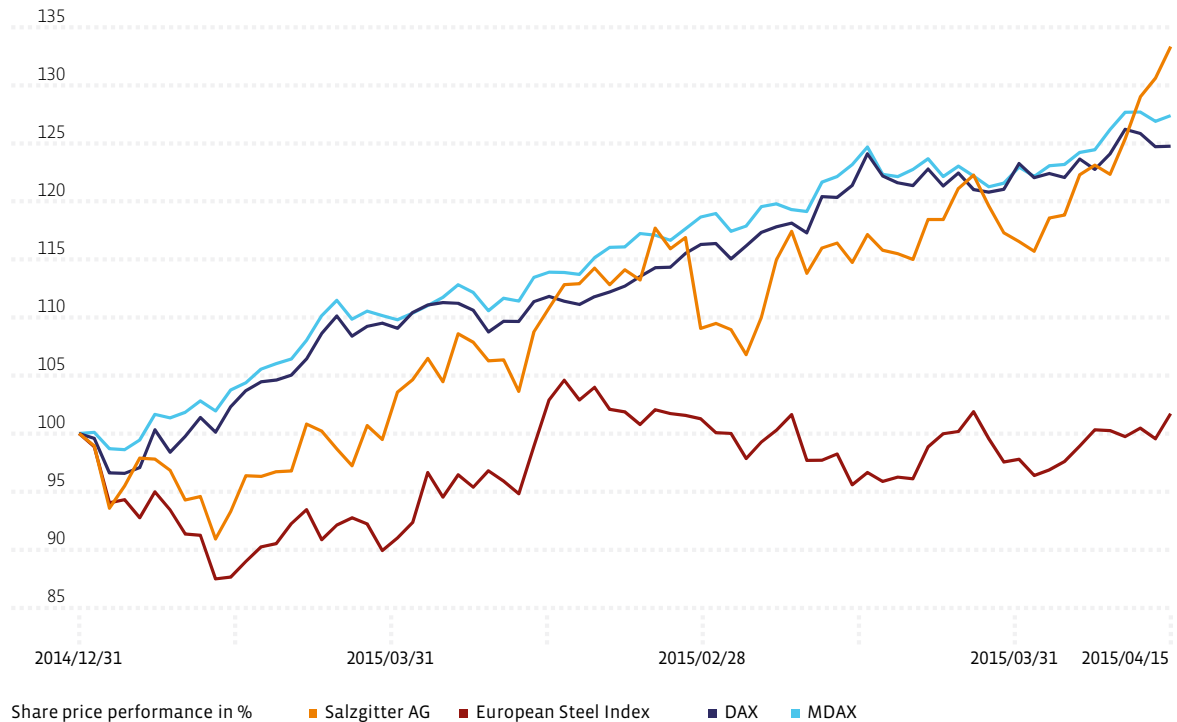
- **Strip Steel:** shipments marginally short of year-earlier level, slight decline in external sales owing to lower selling prices, notable growth achieved in pre-tax result first and foremost due to Salzgitter Flachstahl GmbH returning to the profit zone
- **Plate/Section Steel:** shipment growth, stable external sales, breakeven almost achieved in pre-tax result and significant improvement reflect both the plate producers' success in considerably raising their result, as well as Peiner Träger GmbH's swift implementation of restructuring and operational optimization
- **Energy:** downturn in shipment tonnage; decline in external sales, lower single-digit pre-tax loss marking a considerable improvement compared with the previous year's period
- **Trading:** shipment volumes increase on the back of international trading, growth in external sales, pre-tax profit more than doubled compared with year-earlier figure
- **Technology:** steady external sales, presentable pre-tax result with another increase
- **Industrial Participations / Consolidation** notably positive pre-tax profit includes € 3.1 million in earnings from the Aurubis investment, as well as valuation effects from foreign exchange transactions that firmed up profit

**Guidance:** Based on the planning of the individual business units, and taking account of ongoing positive effects from the groupwide "Salzgitter AG 2015" program, the Salzgitter Group now anticipates stable sales, pre-tax profit in the lower to mid-double-digit million euro range, as well as an increase in return on capital employed compared with the year-earlier figure.

# Investor Relations

## Capital Market and Price Performance of the Salzgitter Share

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



Sources: XETRA closing price Deutsche Börse AG, Datastream STEELEU

Developments in the **equity markets** proved extremely favorable in the first quarter of 2015. Whereas, at the start of January, investors continued to focus their anxiety on Greece staying within the EU, the decision of the Swiss National Bank to abandon the cap on the Swiss franc/euro exchange rate, as well as the purchasing of government bonds by the European Central Bank in the same month, triggered a bull market that largely held steady through to the end of the reporting period. Mid-February saw the DAX exceed the 11,000 threshold and then breach the 12,000 mark for the first time in March. The overall performance of the DAX and the MDAX amounted to 22% in the first three months of 2015.

The European steel index shed 4% in the period under review, with the Salzgitter share successfully decoupling from this trend. Based on a year-end price of € 23.41, the share saw an initially slow start to the new year following the suspension of the South Stream contract. The first uptrend set in at the end of January and held steady through to the publication of the key data for the financial year 2014 on 27 February, enabling the share price to rise by 17%. Some investors used reports for profit-taking, which resulted in a countermovement at the start of March that was followed by a second uptrend, still ongoing at the end of the period, during which the share peaked at € 29.57 on March 25. Having closed at € 27.09 on March 31, the Salzgitter share had climbed by around 16% by the end of the quarter. In April, it was quoted at more than € 30 for the first time since September 2014.

In the current **analyst coverage** conducted by 22 banks, the Salzgitter share has been assessed with the following recommendations (as of March 31, 2015): 8 buy/outperform, 7 hold/market perform, 7 sell/underperform.

The average **daily turnover** of the Salzgitter share on German stock exchanges came to around 467,000 units during the reporting period. As of March 31, 2015, Salzgitter AG therefore took 22th place measured by turnover and held 46th place in terms of free float market capitalization in the MDAX ranking of Deutsche Börse AG.

In the period under review, we presented the Salzgitter Group as part of our **capital market communication** at investor conferences in Frankfurt and New York, as well as in roadshows organized in Frankfurt and London. In addition, investors and analysts took advantage of the offer of visiting our plants in Salzgitter, Peine and Mülheim and informing themselves about our company in discussions with company representatives. The results of the financial year 2014 were presented to the capital market at well-attended analyst conferences in Frankfurt and London. Once again, information events and site visits arranged by the “Freundeskreis der Aktionäre der SZAG” (Circle of Friends of Salzgitter AG Shareholders) met with lively interest on the part of our private investors.

## Treasury shares

Salzgitter AG’s portfolio of treasury shares amounted to 6,009,700 units as of March 31, 2015, unchanged from December 31, 2014, which corresponds to 10% of the shares issued.

## Dividend

As before, the **dividend amount** will be geared to the profit trend. The cyclical fluctuations typical of the sector are by nature reflected in the results of the Group on the one hand, and in its share price, on the other. The separate financial statements of SZAG are decisive for the ability to pay dividend. The Salzgitter Group pursues a fundamental policy of paying out steady and attractive dividend – removed from volatile reporting-date related influences – based on the pre-requisite of achieving actual operating profit. Such payment does not necessarily have to fully reflect the cyclicity of the earnings performance. In line with these considerations, a dividend distribution of €0.20 per share for the financial year 2014 will be put forward for approval to the Annual General Meeting of Shareholders on May 28, 2015.

## Information for investors

		Q1 2015	Q1 2014
Nominal capital as of 03/31/	€ m	161.6	161.6
Number of shares as of 03/31/	units m	60.1	60.1
Number of shares outstanding as of 03/31/	units m	54.1	54.1
Market capitalization as of 03/31/1)	€ m	1,466	1,552
<b>Closing price as of 03/312)</b>	€	<b>27.09</b>	<b>28.69</b>
Stock market high 01/01 – 03/312)	€	29.57	33.14
Stock market low 01/01 – 03/312)	€	21.01	26.98

Securities identification number: 620200, ISIN: DE0006202005

<sup>1)</sup> Calculated on the basis of the respective year-end closing price multiplied by the number of shares outstanding as per December 31

<sup>2)</sup> All data relate on prices in XETRA trading

# Profitability of the Group and Business Units

## Economic environment

**Global economic** growth accelerated during the first three months of 2015, supported by the impact of oil prices that have more or less halved since mid-2014, thereby stimulating the advanced economies. In addition, employment figures in the USA rose, along with disposable income and consumer confidence, although the weather conditions posed a temporary setback in the initial months of the year. Private consumption in Japan rose recently, and the weaker yen against the US dollar underpinned foreign trade. As regards the emerging markets, the economies of Brazil and Russia came under pressure from falling oil prices, while China lost economic momentum due to the slowdown in the real estate and construction sector. In its most recent forecast, the International Monetary Fund (IMF) anticipates an expansion in the global economy to 3.5% in 2015.

The gradual economic recovery in the **eurozone** continued, albeit at a low level, driven mainly by private consumption that has picked up momentum owing to higher available disposable income due to declining energy prices and the slow increase in employment. By contrast, gross fixed capital formation made only a slight contribution to growth. Regional development remained varied. The economies of Spain and Portugal, for example, recently reported growth fueled largely by domestic demand, as opposed to France's economy that stagnated. Stabilization in Greece has meanwhile come to a halt due to lack of clarity about the further political development. The IMF currently puts the eurozone growth rate at 1.5% in the current year.

**Germany's** economy reported sound growth in the reporting period. Declining oil prices and the introduction of a minimum wage has strengthened consumer buying power. Despite the increase in labor force potential, the unemployment rate continued to decline. At the same time, the competitiveness of the export economy improved in response to the euro's depreciation. Stimulus also emanated from the eurozone's economic recovery. The IMF is currently predicting full-year growth of 1.6% for the German economy, while the leading German economic research institutes revised their forecast upward to 2.1% in their spring reports.



		Q1 2015	Q1 2014
Crude steel production	kt	1,780.7	1,875.0
<b>External sales</b>	<b>€ m</b>	<b>2,287.9</b>	<b>2,300.9</b>
EBIT before depreciation and amortization (EBITDA) <sup>1)</sup>	€ m	149.5	97.1
Earnings before interest and taxes (EBIT) <sup>1)</sup>	€ m	66.9	13.4
<b>Earnings before taxes (EBT)</b>	<b>€ m</b>	<b>51.8</b>	<b>-8.7</b>
<b>Net income/loss for the financial year</b>	<b>€ m</b>	<b>32.7</b>	<b>-13.3</b>
<b>Return on capital employed (ROCE)<sup>2)3)</sup></b>	<b>%</b>	<b>7.5</b>	<b>0.4</b>
Investments <sup>4)</sup>	€ m	69.5	51.6
Depreciation/amortization <sup>4)</sup>	€ m	-82.6	-83.7
Operating cash flow	€ m	42.5	-93.5
<b>Net position<sup>5)</sup></b>	<b>€ m</b>	<b>344.9</b>	<b>104.1</b>
Equity ratio	%	30.9	37.8

<sup>1)</sup> EBIT = EBT + interest expenses/-interest income; EBITDA = EBIT + depreciation and amortization

<sup>2)</sup> ROCE = EBIT (= EBT + interest expenses excl. interest portion in transfers to pension provisions) divided by the sum of shareholders' equity (excl. calculation of deferred tax), tax provisions, interest-bearing liabilities (excl. pension provision) and liabilities from finance leasing, forfeiting

<sup>3)</sup> Annualized

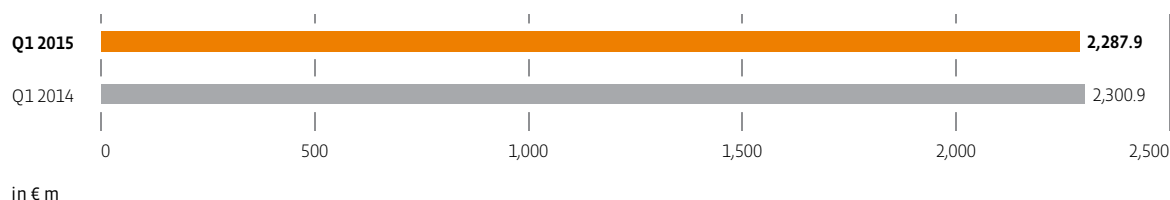
<sup>4)</sup> Excluding financial investments

<sup>5)</sup> Including investments, e.g. securities and structured investments

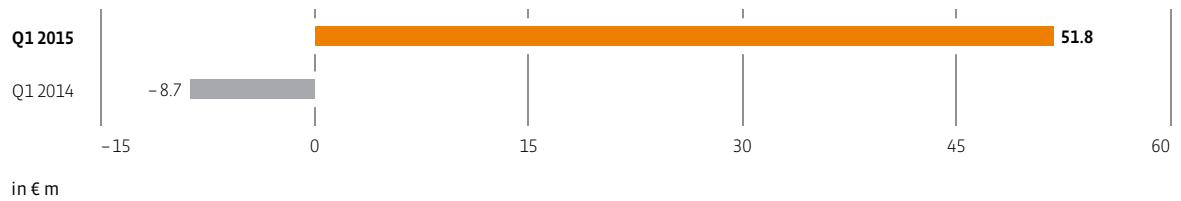
## Earnings Situation within the Group

In the first quarter of the financial year 2015, the Salzgitter Group achieved the highest pre-tax profit since the second quarter of 2011. In spite of the upcoming regular major repair of a blast furnace that will burden profit by around € 80 million in the second half of the year, the foundations have been laid for the Group's sustainable return to the profit zone. Against the backdrop of merely marginal improvements in Europe's economic environment and the protracted structural crisis in the European steel market, this gratifying trend is reflected first and foremost in the powerful impact exerted by the groupwide "Salzgitter AG 2015" restructuring program. Also after another reduction in the actuarial rate applicable to pension provisions to only 1.5%, the company continues to enjoy an extremely sound financial basis, with an equity ratio of 31% and a net credit balance of € 345 million.

### External sales



## EBT



In the reporting period, **external sales** remained virtually unchanged compared with the year-earlier period (€ 2,287.9 million; first quarter of 2014: € 2,300.9 million). **Earnings before taxes** of € 51.8 million significantly exceeded the figure posted in the first quarter of 2014 (€ -8.7 million). Along with particularly positive performance by the Strip Steel and Plate / Section Steel business units, all the other business units also contributed to this success. Pre-tax profit comprises a profit contribution of € 3.1 million by the Aurubis investment (first quarter 2014: € 8.2 million). The **after-tax result** stood at € 32.7 million (first quarter of 2014: € - 13.3 million), which brings basic earnings per share to € 0.58 (first quarter of 2014: € - 0.26). The return on capital employed (ROCE) was recorded at 7.5% (first quarter of 2014: 0.4%).

## Procurement

### Significant downturn in ore prices

The **iron ore market** was determined by an unexpected drastic price plunge in 2014. Platts IODEX 62% Fe CFR China, the spot market's benchmark, halved over the course of the year, declining from 135 USD/dmt to 66 USD/dmt, and continued this downtrend during the first quarter of 2015 as well. The index undercut the 60 USD/dmt mark in March – a historical low since the index was launched in July 2008. This trend resulted from the interplay of several factors: The growth of China's steel industry, whose imports account for some 70% of seaward traded ore, has lost much of its momentum in the past one and a half years. Although customer buying interest hardly weakened - tumbling global market prices are increasingly crowding out part of the cost-intensive Chinese ore production – the increase in supply was markedly stronger. Against the backdrop of long-standing expansion measures, the producers in Australia and Brazil have significantly ramped up their output, thereby exerting considerable pressure on ore prices. Various market participants and analysts anticipate that the spot market price will move within a range of 50 to 70 USD/dmt CFR China over the remainder of the year.

### Ongoing price declines on the coking coal market

In contrast to the index-determined ore market pricing, the quarterly **coking coal** prices that have benchmark characteristics continue to be negotiated between large mining corporations and customers. The market was determined by a huge excess supply of coking coal in 2014 that pushed prices down sharply, from 143 USD/t in the first quarter of 2014 to 120 USD/t in the two following quarters, and ultimately to 119 USD/t. Up until and including March 2015, contracts concluded ranged within a narrow corridor of 117 to 120 USD/t. Another significant reduction of the benchmark price to 109.50 USD/t has been agreed for the second quarter of 2015. For the remainder of the year as well, a considerable surplus supply is largely anticipated in the coking coal market that should leave little scope for producers to raise prices.

### Price fluctuations in metals and ferro-alloys

The situation on the international **metal and alloy markets** varied widely. The average price of manganese-based bulk alloys remained virtually unchanged in the first three months of 2015 compared with the fourth quarter of 2014. By contrast, listed materials such as zinc, nickel, copper and aluminum were trading at significantly lower levels.

### Decline in steel scrap prices

At the start of the year, the demand for **steel scrap** by German steel works partly exceeded supply, which drove prices up to 8 €/t depending on the grade and region. Surplus demand was reflected in particular in the area of old scrap grades. From February onward, steel scrap prices tumbled on the US domestic market, leaving a strong impact on prices for steel scrap deliveries from the euro area to Turkey in its wake. Given the ongoing relatively good capacity utilization of Germany's steel industry and satisfactory demand for steel scrap by electric steel works, the situation on the German market was quite different: here, prices only declined in a range of between –10 to –22 €/t in February and March, depending on the grade.

## Steel market developments

Demand in the world for steel is currently stagnating. After having grown a mere 1% in 2014, **global crude steel production** saw virtually no growth at all at the start of 2015. A turning point appears to have been reached in the Chinese steel market: In 2014, the market supply of rolled steel entered into a decline for the first time in 25 years and, also at the start of the reporting period, declined further, while the massive increase in Chinese exports continued apace.

Starting from a high year-earlier level, around 1% less crude steel was smelted in the **European Union** in the period from January to March 2015. In the first quarter, market supply continued to rise, as expected, and remained only marginally below the exceptionally good level reported a year ago. Foreign trade trends constitute a considerable risk for the European steel market as imports from China and Russia are likely to continue to increase as the year progresses.

**Germany's steel market** started the new year against the backdrop of relatively favorable general conditions, including in particular the low level of inventories held by the distribution sector following the rigorous inventory reductions during the second half-year. These circumstances are also reflected in the development of order intake for rolled steel products which, in the reporting quarter, almost reached the exceptionally high level observed in the first three months of 2014. Crude steel output nonetheless declined somewhat in the first three months of 2015 (-2%).

## Strip Steel Business Unit

		Q1 2015	Q1 2014
Order intake	kt	1,201.0	1,213.7
Order backlog on reporting date	kt	766.1	751.5
Crude steel production	kt	1,123.5	1,195.8
Rolled steel production	kt	905.5	903.0
Shipments	kt	1,214.5	1,249.0
<b>Segment sales<sup>1)</sup></b>	<b>€ m</b>	<b>696.1</b>	<b>765.0</b>
<b>External sales</b>	<b>€ m</b>	<b>524.8</b>	<b>575.4</b>
<b>Earnings before taxes (EBT)</b>	<b>€ m</b>	<b>16.6</b>	<b>-2.2</b>

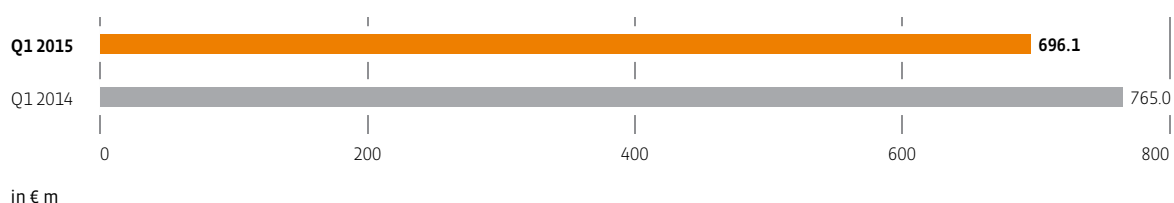
<sup>1)</sup>Including sales with other business units in the Group

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

The demand for **flat steel products** ran at a healthy level in the European Union (EU). Owing to the still sound automotive business and inventory replenishment, Germany saw a strong recovery compared with the second half of 2014. Relentlessly fierce competition, however, against the backdrop of imports into the EU steel market as well as declining iron ore prices have not yet allowed for any price increases.

In the first quarter of 2015, the Strip Steel Business Unit's **order intake and orders on hand** settled around the level recorded in the previous year's period, while **shipments** did not quite attain the year earlier figure. Both **segment and external sales** fell short of the figures posted in the first three months of 2014 for reason of shipments and selling prices. Thanks to the gratifying increase in SZFG's result, the business unit reported **earnings before taxes** of €16.6 million, thereby significantly exceeding the previous year's figure (€ -2.2 million).

### Sales





Order intake and orders on hand of **Salzgitter Flachstahl GmbH** (SZFG) reported little change compared with the good year-earlier level. Rolled steel production also repeated the previous year's volume, as opposed to crude steel output that was lower. As a consequence of the decline in selling prices, **sales** dropped markedly below the level achieved in the first three months of 2014. Persistently fierce competition on the EU steel market and the downtrend in ore prices did not leave any leeway for price increases. **Shipments** benefited from the ongoing good order situation and settled only marginally below the year-earlier figure. Smooth production and lower raw materials procurement prices enabled SZFG to return to the profit zone in the first quarter of 2015

**Salzgitter Mannesmann Stahlservice GmbH** (SMS) reported notable shipment growth that is also attributable to the consistent implementation of the joint sales strategy with SZFG. As a result, sales also rose. As in the year-earlier period, the pre-tax result almost achieved breakeven.

The lower level of sales generated by **Salzgitter Bauelemente GmbH** (SZBE) in a year-on-year comparison was mainly attributable to weaker shipment volumes and declining prices, which was reflected in a lower, slightly negative pre-tax result.

Compared with the first quarter of 2014, the shipments of **Salzgitter Europlatinen GmbH** (SZEP) declined in the reporting period. In conjunction with a downturn in selling prices this caused sales to drop. As a result, the pre-tax profit fell short of the year-earlier figure.

## Plate / Section Steel Business Unit

		Q1 2015	Q1 2014
Order intake	kt	613.8	546.8
Order backlog on reporting date	kt	482.2	324.6
Crude steel production	kt	280.4	281.2
Rolled steel production	kt	659.6	594.5
Shipments <sup>1)</sup>	kt	658.0	579.0
<b>Segment sales<sup>2)</sup></b>	<b>€ m</b>	<b>475.8</b>	<b>455.7</b>
<b>External sales</b>	<b>€ m</b>	<b>253.2</b>	<b>251.8</b>
<b>Earnings before taxes (EBT)</b>	<b>€ m</b>	<b>-0.7</b>	<b>-22.4</b>

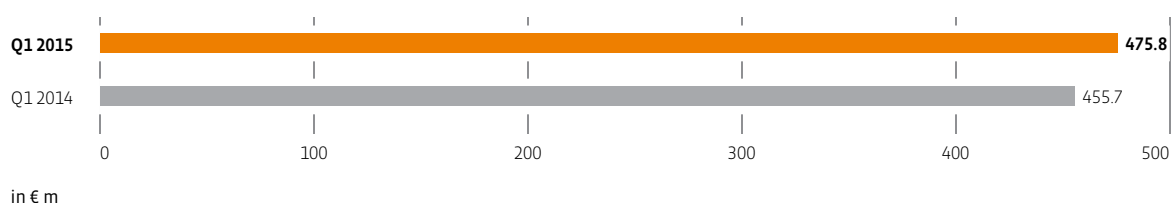
<sup>1)</sup>Excluding DMU Group

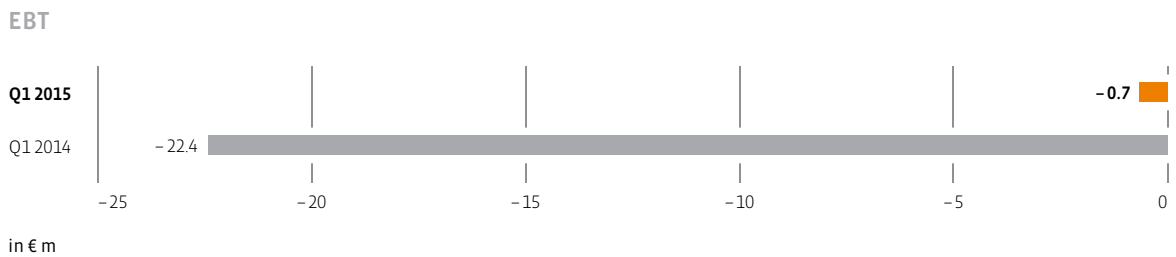
<sup>2)</sup>Including sales with other business units in the Group

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

**Order intake and orders on hand** of the Plate / Section Steel Business Unit were higher in a year-on-year comparison. **Rolled steel output** and **shipments** also reported growth compared with the previous year's period. **Segment sales** increased despite lower selling prices largely on the back of higher volumes, while **external sales** remained stable. The **pre-tax result** almost reached breakeven (€ -0.7 million; first quarter of 2014: € -22.4 million). This significant improvement reflects both the plate producers' success in considerably reducing the loss and PTG's swift implementation of restructuring and operational optimization that enabled it to deliver a profit. A countereffect emanated from the once again negative, unsatisfactory result of HSP.

### Sales





The numerous political crises and subdued economic expectations since mid-2014 have prevented a recovery in **Europe's plate market**. Although a much weaker euro compared with the US dollar improved competitiveness with regard to exports and imports in the first quarter of 2015, demand nonetheless remained only modest, accompanied by a continued downtrend in selling prices. Above all, consumer groups with a greater dependency on exports to emerging markets, such as building and agricultural machinery manufacturers, as well as mining equipment suppliers, reported a slowdown in investment activity due to the drop in raw materials prices, and an associated decline in order activity. Moreover, demand for boiler plate suffered from projects postponed due to the steep decline in oil prices. By contrast, the offshore industry generated positive stimulus. Imports from non-EU countries into the EU rose by almost 40%, with volumes largely from China seeing a drastic increase.

Order intake of **Ilsenburger Grobblech GmbH (ILG)** and **Salzgitter Mannesmann Grobblech GmbH (MGB)**, both now under uniform management, exceeded the previous year's figures due to the notable growth achieved by MGB. The increase in orders on hand was in particular due to MGB's performance. Alongside residual volumes from the South Stream project suspended in December 2014, this figure included just under half of the contract booked in 2014 for the ETC Rover pipeline. Rolled steel output and shipments rose, which was exclusively due to the higher figures of the Mülheim-based company. This volume-related effect was also reflected in sales that, despite lower selling prices, exceeded the year-earlier period. MGB above all contributed to significantly reducing the pre-tax loss through its marginally positive result, along with the improvement in ILG's result that was attributable to cost savings and the reduction in input material prices.

The situation in the **European heavy section market** presented a disparate picture with regard to trading and the plants in the first quarter of 2015: As export volumes were booked thanks to the good EUR-USD exchange rate and imports settled at a low level given the weak euro, the plants reported good capacity utilization. Against this backdrop, they raised prices by 10 €/t, and selling prices stabilized from February onward despite the decline in scrap steel procurement prices. In the case of the stockholding steel trade, however, the sales dropped due to hesitant real demand, which resulted in price discounts and a further squeeze on margins. The steel construction business continued to contend with very poor capacity utilization, weak order intake, and the ensuing strong price competition.



In the first three months of 2015, **Peiner Träger GmbH** (PTG) generated substantially higher levels of order intake and orders on hand compared with the previous year's period. Rolled steel production also exceeded the year-earlier figures that were almost matched by crude steel output. Sales rose on the back of shipment tonnage growth accompanied by lower selling prices. PTG delivered a gratifying pre-tax profit, thereby affirming its turnaround that was based on considerable cost cutting measures and successful process optimization. The **DMU Group** reported a selling price-induced decline in sales in a year-on-year comparison. The pre-tax result matched the figure posted in the first three months of 2014 owing to lower input material costs.

Demand on the **sheet piling market** remained at an unsatisfactory level. Economic impetus from the USA observed in 2014 has not yet led to the recovery in new orders anticipated at the start of the year. The decline in the sales of **HSP Hoesch Spundwand und Profil GmbH** (HSP) resulted from lower shipments in particular. The pre-tax loss settled around the extremely unsatisfactory year-earlier result.

## Energy Business Unit

		Q1 2015	Q1 2014
Order intake	€ m	347.9	439.5
Order backlog on reporting date <sup>1)</sup>	€ m	443.9	503.1
Crude steel production	kt	376.7	397.9
<b>Segment sales<sup>2)</sup></b>	<b>€ m</b>	<b>418.8</b>	<b>455.9</b>
<b>External sales</b>	<b>€ m</b>	<b>293.9</b>	<b>338.9</b>
<b>Earnings before taxes (EBT)</b>	<b>€ m</b>	<b>- 4.7</b>	<b>- 12.3</b>

<sup>1)</sup>Tubes

<sup>2)</sup>Including sales with other business units in the Group

The **Energy Business Unit** is primarily geared to serving the international project business in the area of energy supply and infrastructure and covers a wide range of line pipe diameters. The portfolio is supplemented by leading suppliers of precision steel tubes for the automotive industry and industrial applications, as well as stainless steel and nickel-based alloy tubes. Long-term customer demand will be shaped by the megatrends in the areas of “water”, “energy” and “mobility”.

The Division has its own supply of crude steel in the form of a 30% stake in Krupp Mannesmann GmbH (HKM), technical crude steel capacity of 6 million tons, and the production of semi-finished material for the manufacturing of seamless tubes. The Energy Business Unit also makes intensive use of the Group’s own trading organization to procure semi-finished material and to ship its products.

The EUROPIPE Group (EP Group) is reported at equity at 50%, with the proportionate after-tax result. It is not included in the other figures of the business unit but, given its importance, is nonetheless disclosed in the following and annotated for information purposes. HKM has been reported at 30% on a proportionate basis and is included accordingly in the order intake, sales and the result of the business unit at 30%. Conversely, it is not reported in terms of orders on hand and shipments, as only tubes are disclosed here, and HKM produces input material.

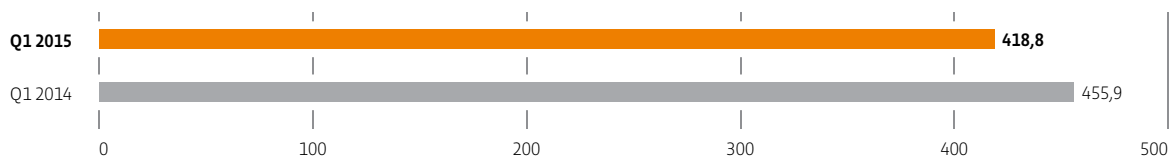
Business at the start to the year 2015 was generally subdued. Along with ongoing excess capacities, weak raw materials prices, currency effects and political decisions burdened the **global steel tubes market**. Sales of seamless steel tubes primarily in the lower product dimension segment did not match the year-earlier figure, impacted above all by weaker demand for drill pipes owing to tumbling oil prices. The capacity utilization of large-diameter pipe manufacturers was lower in Western Europe, although large-diameter pipe production in Germany exceeded the extremely weak year-earlier quarter. North America, Eastern Europe and Asia presented a brighter picture. The production of smaller welded steel tubes with external diameters of up to 16" in the European Union remained unchanged in a year-on-year comparison as orders from industry compensated for a weak project business. Precision tubes manufacturing was supported by robust demand from the automotive industry.

In the first three months of 2015 **order intake** in Energy Business Unit is settled below the previous year's period, since all product segments reported weaker incoming orders. Outside the group of consolidated companies, new orders placed with EUROPIPE, in which a 50% stake is held, fell short of the year-earlier level that comprised the major South Stream project. **Orders on hand** were recorded below the previous year's figure, mainly as a result of the lower level of stainless steel tubes.

**Sales** dropped below the figure posted in the first three months of 2014. Consequently, **segment** and **external sales** did not repeat the 2014 levels.

All in all, the Energy Business Unit reported a **pre-tax loss** of € 4.7 million in the reporting period that has been scaled back significantly in comparison with the first three months of 2014 (€-12,3 million). The result was negatively impacted by the unsatisfactory capacity utilization following the suspension of the South Stream contract with EUROPIPE GmbH (EP). By contrast, the basic capacity utilization in the US steelworks remained high, with the commensurate positive effect on the result. The line pipe companies halved the negative result of the year-earlier quarter. Salzgitter Mannesmann Precision Group (SMP Group) achieved breakeven, not least due to the effects from the program of measures, while the Salzgitter Mannesmann Stainless Tubes Group (MST Group) made another remarkable contribution to profit.

#### Segmentumsatz



in Mio. €

#### EBT



in Mio. €

### Business development of the product segments:

The **EP Group's** order intake declined in the first three months of 2015, compared with the previous year's period that included the major orders placed for the South Stream project. Orders on hand were significantly higher than the year-earlier figure, boosted by the high level of new orders in America. The question of whether the South Stream contract will be continued following the suspension and the associated capacity utilization of the European plants has not yet been decided. By contrast, a high level of basic capacity utilization has been secured for the US-plants through to mid-2016. Shipments and sales exceeded the previous year's figures due to the delivery of volumes already produced for the aforementioned major projects. Although the pre-tax loss of EUROPIPE GmbH (EP) was higher year on year due to the unsatisfactory situation regarding capacity utilization and selling prices, but overall the EP Group's performance contributed to lowering the negative pre-tax results due to the better situation for the US-companys.

In the **HFI and spiral welded pipes business**, the steep decline in the oil price in the first quarter of 2015 resulted in energy utilities' huge reticence in placing orders. The few projects put out for international tender were fiercely contested and subject to extreme price competition, which had a negative effect on the order intake and orders on hand of Salzgitter Mannesmann Line Pipe GmbH (MLP) in particular that decreased considerably compared with the year before. As a result, MLP's shipments and sales did not match the good figures delivered in the first quarter of 2014. The shipments of Salzgitter Mannesmann Großrohr GmbH (MGR) grew substantially on the back of deliveries of pre-produced project volumes, resulting in significant sales growth. Owing to the cost cutting measures implemented, both companies reported pre-tax losses that were significantly lower than in the year-earlier period.

The **precision tubes** market benefited from still high-volume orders placed by export-oriented premium German automotive manufacturers in the first three months of 2015. The situation in industrial business continued to improve. Conversely, the energy sector showed no signs of a trend reversal, although large volumes were sporadically booked. New orders, as well as the orders on hand of Salzgitter Mannesmann Precision Group (SMP Group) fell short of the level posted in the first three months of 2014. Shipments and sales also failed to match the year-earlier figures as intensive competition in the market, first and foremost in industry and energy sectors, continued unabated. Both the optimization of the process and organization structure under the "Salzgitter AG 2015" program, as well as the additional program designed to improve the productivity of the precision tubes group contributed to almost achieving breakeven in earnings before taxes.

The reticence of the European stockholding steel trade, ongoing since mid-2014, was offset in the first three months of 2015 by demand holding steady in the project business for the Chinese power plant sector. In line with expectations, the **MST Group's** order intake fell significantly short of the year-earlier figure since it marked the second highest quarterly figure achieved in the company's history due to numerous major projects. Orders on hand, that were notably lower, nonetheless secured a high level of capacity utilization in all sites through to mid-2015. Shipments remained healthy but, measured against the year earlier period, had declined. With sales holding steady overall, the satisfactory pre-tax profit achieved in the year-earlier period was even exceeded.

## Trading Business Unit

		Q1 2015	Q1 2014
Shipments	kt	1,343.2	1,206.2
<b>Segment sales<sup>1)</sup></b>	<b>€ m</b>	<b>900.0</b>	<b>795.8</b>
<b>External sales</b>	<b>€ m</b>	<b>851.9</b>	<b>774.6</b>
<b>Earnings before taxes (EBT)</b>	<b>€ m</b>	<b>11.8</b>	<b>4.9</b>

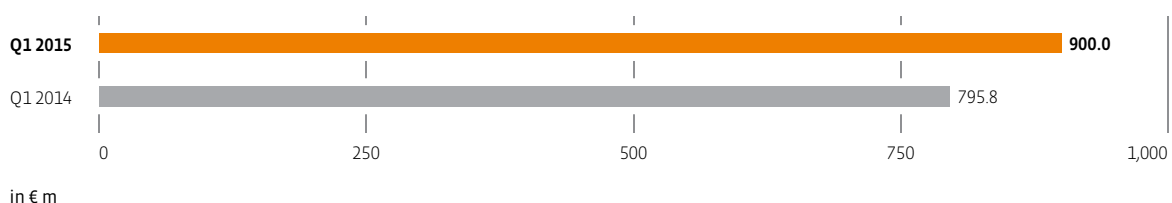
<sup>1)</sup>Including sales with other business units in the Group

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

Demand on the international steel markets remained lackluster in the first quarter of 2015 in almost all regions and product segments. Excess supplies exerted huge pressure on prices, a situation that was compounded by the decline in raw materials prices. The European market presented a similar picture. By contrast, the situation in Germany was comparatively stable, albeit determined by persistently fierce competition.

In the first three months of 2015, the Trading Business Unit nonetheless reported significantly higher **shipments** than in the previous year's quarter. **Segment and consolidated sales** rose accordingly. Owing largely to the pleasing pre-tax result of international trading, the business unit more than doubled its **pre-tax profit** to € 11.8 million (first quarter 2014: € 4.9 million)

### Sales



### EBT



The higher shipment volume of **Salzgitter Mannesmann Handel** Group (SMHD Group) pushed sales to above the level reported in the first three months of 2014, a development driven by international trading's good business. Better margins resulted in the pre-tax profit exceeding the previous year's figure.

The shipments of the European **stockholding steel trading companies** matched the year-earlier figure in the first three months of 2015. Sustained pressure on market prices, however, caused a slight decline in sales. The stockholding steel trade nonetheless raised its pre-tax profit in year-on-year comparison.

**International trading** reported a strong upturn in shipments on the back of the positive developments in selected markets that resulted in sales growth, despite weaker prices. With additional support from an advantageous product mix, pre-tax profit exceeded the figure achieved in the first quarter of 2014.

The **Universal Eisen und Stahl** Group (UES Group) continued to operate in a difficult market in Germany, with uneven demand, supply running at a high level, and short delivery times. Accordingly, there were no signs of recovery in stagnating prices. The Group's sales declined in conjunction with the downturn in shipment tonnage. Although the volume of business in North America had entered a slight downtrend, the result reported was higher. All in all, the UES Group's pre-tax profit exceeded the year-earlier figure.

## Technology Business Unit

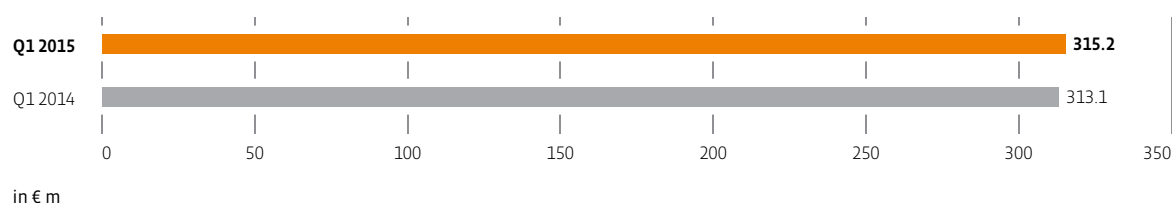
		Q1 2015	Q1 2014
Order intake	€ m	318.4	292.2
Order backlog on reporting date	€ m	701.1	600.9
<b>Segment sales<sup>1)</sup></b>	<b>€ m</b>	<b>315.2</b>	<b>313.1</b>
<b>External sales</b>	<b>€ m</b>	<b>315.1</b>	<b>313.0</b>
<b>Earnings before taxes (EBT)</b>	<b>€ m</b>	<b>10.1</b>	<b>9.2</b>

<sup>1)</sup>Including sales with other business units in the Group

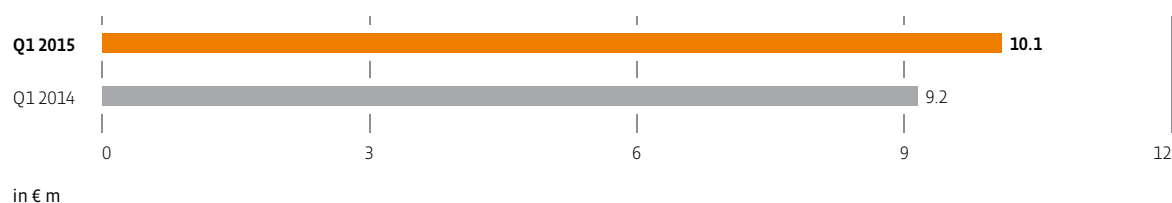
The **Technology Business Unit** comprises internationally operating mechanical engineering companies. KHS GmbH (KHSDE), a company holding a leading international position in filling and packaging technology, represents the mainstay of sales. The KHS Group is a full-line supplier, from intralogistics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

According to the statistics of the German Engineering Federation (VDMA), the sector's order intake and sales exceeded the previous year's levels. Domestic demand edged up, while international demand surged. The market for food and packaging machinery remained virtually unchanged.

### Sales



### EBT



In the first three months of 2015, the Technology Business Unit raised **order intake** compared with the first three months of the growth year 2014. The KHS Group and the KDE Group reported new order growth, whereas orders received by Klöckner DESMA Schuhmaschinen GmbH (KDS) declined marginally. The business unit's **orders on hand** notably exceeded the previous year's figure.

**Segment and external sales** matched year-earlier levels. Given a recovery in the automotive sector's capital expenditure, the KDE Group reported strong sales growth. The KHS Group and KDS sustained slight declines.

In the first three months of 2015, the Technology Business Unit generated presentable **profit before tax** of € 10.1 million, delivering another increase compared with the previous year's period (€ 9.2 million). The KHS Group lifted its profit on the back of improvements to its service business. The KDE Group also raised profit, while KDS' pre-tax profit was slightly lower in a year-on-year comparison.

The KHS Group is consistently implementing measures to develop its business and raise its profit level. The "Fit4Future 2.0" program launched for this purpose in 2015 comprises 14 components. The essence of these components underscores the aim of technology and service leadership and pursues the objective of reducing process and product complexity, enhancing operational excellence, and forging ahead with standardizing the product program. In addition, emphasis has been placed on developing personnel, especially in the service and installation areas.



## Industrial Participations / Consolidation

		Q1 2015	Q1 2014
Sales <sup>1)</sup>	€ m	203.8	222.5
External sales	€ m	49.0	47.2
Earnings before taxes (EBT)	€ m	18.7	14.1

<sup>1)</sup>Including sales with other business units in the Group

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

The **sales** of Industrial Participations/Consolidation that are generated mainly by business in semi-finished products and services provided for subsidiaries stood at € 203.8 million in the reporting period (previous year: € 222.5 million), representing a slight decline in a year-on-year comparison. **External sales** climbed slightly to € 49.0 million compared with € 47.2 million in the first three months of 2014.

The **pre-tax profit** that came in at € 18.7 million exceeded the year earlier figure (previous year: € 14.1 million). The accounts include € 3.1 million in income from the Aurubis investment comprising the proportionate Aurubis after-tax result, as well as the valuation result of the exchangeable bond that, among other factors, depends on the price performance of the Aurubis share. In addition, the Group companies not directly allocated to a business unit made an overall positive contribution to profit that exceeded the year-earlier figure. The result was boosted additionally by valuation effects from foreign exchange transactions.

## Financial Position and Net Assets

### Explanations on the balance sheet

The **total assets** of the Salzgitter Group rose by € 206 million in the current reporting period compared with December 31, 2014.

**Non-current assets** (€ -31 million) declined above all due to the negative results of the companies reported in accordance with the equity method pursuant to IFRS (€ -19 million), as well as a consequence of the scheduled depreciation of fixed assets (€ -6 million). The growth in current assets (€ +237 million) resulted mainly from the higher level of trade receivables (€ +222 million).

On the **liabilities side**, pension provisions were valued € 185 million higher due to another reduction compared with 2014 (2.0%) in the actuarial rate (1.5%) derived from the current level of capital market rates. Equity declined accordingly (€ -187 million). As before, the equity ratio of 30.9% remained at a sound level. All in all, non-current liabilities rose by € 156 million. In addition, higher trade payables (€ +81 million) and other financial liabilities (€ +127 million) in particular caused current liabilities to rise (€ +237 million).

The **net credit balance** had slightly decreased to € 345 million by the end of the reporting period (December 31, 2014: € 403 million). Cash investment, including securities, (€ 1.03 billion) were offset by liabilities of € 689 million (December 31, 2014: € 694 million), of which € 336 million were owed to banks (December 31, 2014: € 342 million), while convertible and exchangeable bonds remained unchanged at € 353 million.

### Notes to the cash flow statement

The **cash flow from operating activities** stood at € 43 million, thereby notably exceeding the previous years' figure (€ -94 million). Alongside the positive result of ordinary activities, this was also attributable to higher non-cash expenses.

**Cash outflow from investing activities** (€ -149 million) was due principally to disbursements for capital expenditure (€ -77 million) and cash investment (€ -74 million).

Interest payments (€ -4 million), along with the redemption of loans (€ -3 million) constituted a **cash outflow from financing activities** of € 7 million.

**Cash and cash equivalents** declined by € 107 million compared with December 31, 2014.

## Investments

In the first three months of the financial year 2015, **investments in property, plant and equipment and intangible assets** stood at € 69.5 million, which exceeds the figure recorded in the previous year's period (€ 51.6 million). Depreciation and amortization (€ -82.6 million) settled around the level in the first quarter of 2014 (€ -83.7 million).

In 2015 the **Strip Steel Business Unit** has focused on its capital expenditure on procuring new aggregates, as well as on optimizing and extending existing facilities. To further these goals, progress was made with the following projects in particular in the first quarter of 2015:

In order to reduce metallurgy costs **Salzgitter Flachstahl GmbH** (SZFG) commenced with the construction of a pulverized coal injection plant that enables the substitution of oil and coke sourced externally by cheaper pulverized coal in 2013. Following successful installation, hot commissioning was carried out on March 23, 2015 according to plan and the first coal volumes injected into the blast furnace.

SZFG is investing € 80 million in the construction of Ruhrstahl-Heraeus plant for the production of decarburized and desulphurized steels and grades of the highest purity. This measure will eliminate the capacity bottleneck in secondary metallurgy. The project is currently at the engineering stage. The facilities are due to be ramped up in 2017.

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

The "Converter C Renewal" investment measure involves enlarging the vessel by around 50 m<sup>3</sup> and improving the drive concept. This is also a replacement investment. An additional aim is to optimize output volumes while reducing operating costs. The technical components of the facilities are currently being manufactured, and installation will be carried out in parallel with the relining of Blast Furnace B.

During the blowing process on the converters, hot steel gas is generated and captured in boiler system, cooled, refined and recovered for thermal reuse. Technical conversion of the cooling system enables a reduction of around 12 % in the boiler system's energy consumption that, in turn, lowers the necessary procurement of natural gas, as well as CO<sub>2</sub> emissions. All three converter boilers are to have been switched to this new technology by the start of 2017.

During the reporting period, smaller, targeted investments were made in the **Plate / Section Steel Business Unit**, specifically at **Ilsenburger Grobblech GmbH** (ILG) in order to enhance the quality and optimize processes.

The **Energy Business Unit** is focusing first and foremost on replacement and supplementary investments in 2015. This includes extending the extrusion press of the Montbard mill as part of the **Salzgitter Mannesmann Stainless Tubes Group** (MST Group), which has been planned for the summer. This measure will lay the foundations for rounding off the product portfolio in the medium term to include seamless stainless steel tubes in larger dimension. In addition, the **Salzgitter Mannesmann Precision Group** (SMP Group) based in Saint Florentin has planned a project for a heat treatment system, with trial operations to commence at the start of 2016. This system will mainly temper the next generation of hybrid airbags. **Salzgitter Mannesmann Rohr Sachsen GmbH** (MRS) is investing in renewing the tube cut-off unit's automation. The first stage was successfully completed at the start of 2015.

In the current financial year, the **Trading Business Unit** continued to concentrate its investment activities on maintaining and upgrading existing facilities. The project initiated by **Salzgitter Mannesmann Stahlhandel GmbH** (SMSD) to expand the finishing capacities of the German stockholding steel trade, as exemplified by extending the flame cutting operations at the Plochingen site and adding to the warehouse capacities for the tubes business in Mannheim, is proceeding to plan.

In 2015, the **Technology Business Unit** continued to focus on replacement and streamlining measures geared to promoting the sustainable competitiveness. IT projects in Germany and in the international companies are currently being carried out to further optimize workflows at **KHS-Group**. The extensive "Product Configurator" project launched in 2012 enables an even more efficient tendering of quotations and processing of orders based on products and processes that are standardized to a high degree. Implementation is being carried out in close coordination with the Customer Relationship Management (CRM) system. Great progress has been made in implementing the CRM system, and the testing and introduction phase is now imminent. Similarly, the templates of a number of SAP modules are to be standardized and simplified throughout the entire Group in 2015. Emulating the successful approach to lean manufacturing adopted in the Kleve and Worms plants, as well as in parts of the Bad Kreuznach and Dortmund plants, the decision was taken to comprehensively upgrade the Bad Kreuznach location over a number of years.

## Research and Development

Salzgitter Mannesmann Forschung GmbH (SZMF) is the central research company of the Strip Steel, Plate/Section Steel and Energy business units. The R&D activities are concentrated on materials development and processing, as well as on application, coating and testing technologies. In addition to Salzgitter Group companies, customers include external companies, for example from the steel processing industry, the automotive industry, machinery and plant engineering, energy technology, as well as the construction industry.

### **Chassis steels of high strength hot-rolled strip now also equipped with active corrosion protection system**

Salzgitter Flachstahl GmbH (SZFG) is a market leader in the business of uncoated chassis materials. The extensive product range has now been supplemented by corrosion-protected versions of the SZBS600 and 800 products. SZFG has therefore presented automotive manufacturers and their suppliers with various surface coatings, such as electro-galvanized (ZE), hot-dipped galvanized (Z) or zinc-magnesium (ZM) coatings. The ZM version has already successfully entered into series production under the brand name of StronSal®.

### **Optimized liquidus temperature calculation in continuous casting**

Assisted by the Thermo-Calc software, SZMF has developed an optimized model for calculating the liquidus temperature on behalf of Hüttenwerke Krupp Mannesmann GmbH (HKM). The analytic formulae were integrated into HKM's process technology and facilitate the right temperature settings in continuous casting. Based on theoretical approaches, a model for determining the solidus temperature that can precisely and provenly predict solidification processes was also devised. The aim of these two models is to achieve optimal temperature management in HKM's steel works, thereby enhancing the product quality further.

### **Consumer friendly PET bottles for milk and mixed milk beverages**

Increasingly lightweight PET bottles offer manufacturers as well as consumers manifold advantages, that are now being delivered by the KHS Group for milk products as well. A 1-liter bottle weighing only 20 grams was developed in the bottle design center located in Hamburg and offers the milk industry a recyclable alternative to cartons. The typical vacuum created in bottles by the differences in temperature between hot filling and subsequent cooling has been taken into account and safely compensated by the special design of the bottle's base for which patent application has been filed. With this especially sustainable bottle solution the KHS Group is giving its customers a type of packaging that can be aseptically filled, protects the milk products, while reducing their manufacturing costs and looking attractive on the shelves.

## Employees

	2015/03/31	2014/12/31	Change
<b>Core workforce<sup>1)</sup></b>	<b>23,651</b>	<b>23,555</b>	<b>96</b>
Strip Steel Business Unit	6,217	6,192	25
Plate / Section Steel Business Unit	3,112	3,108	4
Energy Business Unit	4,970	4,959	11
Trading Business Unit	1,912	1,888	24
Technology Business Unit	4,937	4,899	38
Industrial Participations / Consolidation	2,503	2,509	-6
Apprentices, students, trainees	1,361	1,548	-187
Non-active age-related part-time employment	443	426	17
<b>Total workforce</b>	<b>25,454</b>	<b>25,529</b>	<b>-75</b>

In light of prorata shareholdings, rounding differences can occur

<sup>1)</sup> Excluding the members of executive and non-executive bodies

The **core workforce** of the Salzgitter Group came to 23,651 employees on March 31, 2015, representing an addition of 96 staff members since December 31, 2014. This growth is chiefly attributable to taking over 187 trainees, 136 of whom were given temporary contracts.

The **total workforce** comprised 25,454 employees.

The number of **temporary employees** stood at 1,264 on March 31, representing an increase of 26 persons in year-on-year comparison, though the year-earlier figure did not reflect changes to the consolidated group as of September 30, 2014 that entered into force retrospectively as of January 1, 2014.

At the end of the first quarter, a total of 26 employees were affected by short-time work, the majority of whom are employed by Salzgitter Mannesmann Großrohr GmbH (MGR), a development impacted by the suspension of the South Stream project.

All in all, the implementation of the personnel-related effects identified under our “Salzgitter AG 2015” streamlining program is generally progressing according to plan. As of March 31, 2015, 80 % of the entire personnel adjustments that concentrated mainly on Peiner Träger GmbH (PTG) and Salzgitter Mannesmann Precision Group (SMP Group) had been carried out. Apart from the personnel adjustments realized under “Salzgitter AG 2015”, the following personnel-related effects, among others, are noteworthy: The number of employees working for international KHS companies has risen in parallel with the expansion of the business line and in accordance with the strategic realignment. The positive development in capacity utilization at Salzgitter Mannesmann Stainless Tubes Group (MST Group) also necessitated hiring additional staff.

A pilot collective agreement was concluded in the metal and electronics industry in the tariff area of Baden-Württemberg on February 24, 2015, and was subsequently adopted by the rest of the Federal Republic in regards to the negotiation results on compensation and age-related part time. The collective bargaining agreement applies to a good quarter of domestic Group employees and, over the term through to March 31, 2016, provides for an increase in wages and salaries and trainee allowances of 3.4 %, effective April 1, 2015. Employees received an additional one-off payment of € 150 and trainees € 55 in March 2015. In addition, the FlexÜ (age-related part time) collective bargaining agreement with qualitative adjustments was renewed until December 31, 2021, and different collective bargaining agreements on promoting the respective qualifications were concluded, depending on region.

## Guidance, Opportunities and Risk Report

Guidance on the development of the macroeconomic situation is already fundamentally subject to a great deal of uncertainty, particularly in the current political and financial environment. The forward-looking statements below on the individual business units assume the absence of renewed recessionary developments in Europe. Instead, we anticipate a relatively restrained economic recovery in volumes and selling prices for our continuously fiercely contested main markets in the current financial year.

Given the sustained pressure on selling prices in the EU steel market, the **Strip Steel Business Unit** expects business to remain challenging in 2015 as well. Moreover, Salzgitter Flachstahl GmbH (SZFG) as by far the largest company of the business unit will have to absorb the considerable cost burden of around € 80 million for the scheduled relining of one of its large blast furnaces. The lower shipment volumes associated with this measure will therefore result in slightly lower sales. Savings on the cost front, also thanks to the new pulverized coal injection plant, will not be able to offset the extraordinary charges from the blast furnace relining. Without these burdening effects, a return to the profit zone could have well been expected. Including the direct and indirect impact of relining the blast furnace, the business unit's pre-tax result will fall notably short of the figure reported in 2014.

The **Plate / Section Steel Business Unit** will also continue to operate in a difficult market environment in the current financial year. The plate mills anticipate an only slight improvement in the result due to tough price competition and the suspension of the South Stream project. Following its turnaround, the primary aim of Peiner Träger GmbH will be to stabilize its business, also under difficult market conditions. Due to the temporary capacity underutilization of Salzgitter Mannesmann Grobblech GmbH and the ongoing restructuring of HSP Hoesch Spundwand GmbH, the development of sales and the pre-tax result of the business unit are subject to considerable unpredictability. The business unit will nonetheless be aiming at raising the pre-tax result. Sales are likely to decrease slightly.

As before, the **Energy Business Unit** will suffer from the weak European market for large-diameter pipes in 2015. This constellation will lead to more extended periods of capacity utilization shortfalls in the European mills. By contrast, the situation in North America presents an extremely positive picture, as the orders on hand secure the capacity utilization of the production sites far into the year 2016. The precision tubes companies expect stable demand from automotive manufacturers, whereas orders from the energy and industry product segments will remain fiercely contested. After a highly successful course of business in 2014, the seamless stainless steel tubes anticipate bookings at a good level. The Energy Business Unit expects sales overall to remain around the year-earlier level in 2015. Despite the large shortfall in the capacity utilization of European large-diameter pipe production sites, the pre-tax result is expected to improve due to the rigorous implementation of the measures under the "Salzgitter AG 2015" program and the non-recurrence of special charges.

The **Trading Business Unit's** stockholding steel trade anticipates raising sales and profit thanks to the ongoing concentration on higher-grade and pre-processed products, along with prices and demand conditions that are expected to stabilize in Europe. By contrast, international trading forecasts a downturn in sales, with profit nonetheless remaining satisfactory. All in all, we anticipate a lower level of



sales for the business unit, as well as a notable decrease in pre-tax profit due to positive one-off effects that will not reoccur.

Based on a high order backlog, the **Technology Business Unit** anticipates a moderate increase in sales and an upturn in pre-tax profit. The growth targeted in profitable product segments, as well as the further expansion of the service business, combined with enhanced efficiency from the “Fit4Future 2.0” program, should enable the KHS Group to deliver higher sales and profit. The outlook for the KDS and the KDE Group is also very promising.

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

- stable **sales**,
- a **pre-tax profit** in the lower to mid-double-digit million euro range and
- a **return on capital employed** that is higher than the previous year’s figure.

As in recent years, we make reference to the fact that **opportunities and risks** from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as changes in the currency parity, may considerably affect performance in the course of the financial year 2015. The resulting fluctuation in the consolidated pre-tax result may, as current events show, be within a considerable range, either to the positive or to the negative. The dimensions of this range become clear if one considers that, with around 12 million tons of steel products sold by the Strip Steel, Plate / Section Steel, Energy and Trading business units, an average € 25 change in the margin per ton is sufficient to cause a variation in the annual result of more than € 300 million. Moreover, the accuracy of the company’s planning is restricted by the volatile cost of raw materials and shorter contractual durations, on the procurement as well as on the sales side.

## Risk management

With regard to the individual **opportunities and risks**, we make reference to the Annual Report 2014. At the time of reporting there were no risks which could endanger the Salzgitter Group as a going concern.

In terms of risks arising from strained market conditions, including the volatility of raw materials prices, the effects on the results of the companies have been factored in to the extent they can be estimated. Given the downtrend in ore and coal prices, we do not anticipate any risks from raw materials procurement from today's standpoint.

The risk situation associated with climate and energy policies has remained unchanged in principle from the status described in the Annual Report 2014. Due to the evaluation proviso under the amended EEG concerning electricity generated for own consumption, we continue to see a risk of additional burdens of up to around € 140 million a year from 2017 onward. Furthermore, our Group will likely have to purchase CO<sub>2</sub> allowances for the fourth EST trading period commencing 2021. Indirectly associated in this context is the risk of a price increase in the electricity sourced externally. In terms of these two aspects, we still assess risk to be in the order of approximately € 150 million a year. We view the probability of occurrence as likely due to the nature of EEG and CO<sub>2</sub>/emissions trading. The amount of loss will hinge on the development of the political environment.

## Events of Significance

### **“Salzgitter AG 2015” – rigorous implementation ongoing**

In a market environment continuously determined by the structural crisis of Europe’s steel industry, the “Salzgitter AG 2015” program is geared to securing the Salzgitter Group’s competitiveness. As before, the implementation of the package of measures yielding an overall potential of more than € 200 million is proceeding within the time horizon originally envisaged. More than half the measures had already been realized by the end of 2014. In 2015, the company continues to forge ahead with implementing the program as a high priority. Work on building the pulverized coal injection plant, for instance, proceeded according to plan. In March 2015, the hot commissioning of the individual aggregates commenced. When regular production goes live, which is scheduled for mid-year, this measure will significantly lower metallurgy costs. With the aim of improving the profit and performance of the KHS group further, the successful “Fit4Future” restructuring program of the years 2011 to 2014 is being continued in its successor “Fit4Future 2.0” program and will contribute to further strengthening sustainable performance in 2015.

### **Long-term markets developments necessitate additional structural measures**

In view of the difficult structurally induced market conditions in Europe’s sheet piling business, all options that could contribute to improving the economic situation for the Salzgitter Group are currently under investigation at HSP Hoesch Spundwand und Profil GmbH (HSP). As part of the restructuring program, HSP’s production was adjusted to double-shift work on April 1. In this context, 100 jobs were reduced, bringing the workforce to 340 employees.

EUROPIPE France SA (EPF), a wholly-owned subsidiary of EUROPIPE GmbH (EP), is continuing the process of restructuring the company introduced a year ago against the backdrop of long-standing and considerable economic problems.

# Interim Financial Statements

## I. Consolidated Income Statement

In € million	Q1 2015	Q1 2014
Sales	2,287.9	2,300.9
Increase/decrease in finished goods and work in process/other own work capitalized	-12.1	8.3
	<b>2,275.8</b>	<b>2,309.2</b>
Other operating income	96.0	58.1
Cost of materials	1,517.6	1,628.9
Personnel expenses	404.4	384.6
Amortization and depreciation of intangible assets and property, plant and equipment	82.6	83.7
Other operating expenses	323.2	239.3
Income from shareholdings	6.9	2.0
Result from investments accounted for using the equity method	15.9	-21.6
Finance income	7.4	9.5
Finance expenses	22.5	29.4
<b>Earnings before taxes (EBT)</b>	<b>51.8</b>	<b>-8.7</b>
Income tax	19.1	4.6
<b>Consolidated net income/loss</b>	<b>32.7</b>	<b>-13.3</b>
<b>Appropriation of profit</b>		
Consolidated net income/loss	32.7	-13.3
Profit carried forward from the previous year	12.1	12.1
Minority interests in consolidated net loss/income for the year	1.2	0.8
Transfer from (+)/to (-) other retained earnings	-31.5	14.2
<b>Unappropriated retained earnings</b>	<b>12.1</b>	<b>12.1</b>
<b>Earnings per share (in €) – basic</b>	<b>0.58</b>	<b>-0.26</b>
<b>Earnings per share (in €) – diluted</b>	<b>0.58</b>	<b>-0.26</b>

## II. Statement of Comprehensive Income

In € million	Q1 2015	Q1 2014
<b>Consolidated net income/loss</b>	<b>32.7</b>	<b>-13.3</b>
<b>Recycling</b>		
Changes in currency translation	23.0	-0.5
Change in value from hedging transactions		
of which changes in fair value recorded directly in equity	-41.5	0.6
of which settled hedging transactions accounted as basis adjustment	7.9	-
of which recognition of sale of securities with effect on income	-	0.1
Changes in the value of financial assets in the "held-for-sale assets" category recorded directly in equity		
Changes in current value recorded directly in equity	1.0	-0.1
Recognition from the sale of securities with effect on income	-	-
Adjustments from investments accounted for using the equity method		
of which changes in fair value recorded directly in equity	-11.8	1.0
of which with effect on the income	-	-
of which from currency translation	8.4	-0.5
thereof from deferred taxes	0.3	-0.1
Deferred taxes on changes without effect on income	-0.1	-0.2
<b>Subtotal</b>	<b>-12.8</b>	<b>0.4</b>
<b>Non-recycling</b>		
Remeasurement of pensions	-185.0	-
Adjustments from investments accounted for using the equity method	-20.4	-
Deferred taxes on changes without effect on income	-	-
<b>Subtotal</b>	<b>-205.4</b>	<b>-</b>
<b>Other comprehensive income</b>	<b>-218.1</b>	<b>0.4</b>
<b>Total comprehensive income</b>	<b>-185.5</b>	<b>-13.0</b>
Total comprehensive income due to Salzgitter AG shareholders	-186.5	-13.8
Total comprehensive income due to minority interests	1.0	0.8
	<b>-185.5</b>	<b>-13.0</b>

### III. Consolidated Balance Sheet

Assets in € million	2015/03/31	2014/12/31	2014/01/01
<b>Non-current assets</b>			
Intangible assets	105.1	106.3	116.7
Property, plant and equipment	2,381.6	2,387.3	2,438.0
Investment property	21.5	21.6	21.3
Financial assets	160.7	160.6	180.9
Investments accounted for using the equity method	583.4	602.1	632.7
Deferred income tax assets	291.5	295.8	226.1
Other receivables and other assets	0.0	1.4	6.4
	<b>3,543.8</b>	<b>3,575.1</b>	<b>3,622.1</b>
<b>Current assets</b>			
Inventories	2,044.5	1,991.5	1,972.5
Trade receivables	1,868.3	1,646.6	1,474.7
Other receivables and other assets	470.1	374.4	311.6
Income tax assets	20.4	17.7	15.5
Securities	85.1	113.6	98.4
Cash and cash equivalents	666.6	774.0	754.9
	<b>5,155.0</b>	<b>4,917.8</b>	<b>4,627.7</b>
	<b>8,698.8</b>	<b>8,492.9</b>	<b>8,249.8</b>
<b>Equity and liabilities in € million</b>			
<b>Equity</b>			
Subscribed capital	161.6	161.6	161.6
Capital reserve	238.6	238.6	238.6
Retained earnings	2,637.2	2,825.1	3,136.2
Unappropriated retained earnings	12.1	12.1	12.1
	<b>3,049.5</b>	<b>3,237.4</b>	<b>3,548.5</b>
Treasury shares	-369.7	-369.7	-369.7
	<b>2,679.8</b>	<b>2,867.7</b>	<b>3,178.8</b>
Minority interests	9.0	7.8	8.1
	<b>2,688.8</b>	<b>2,875.5</b>	<b>3,186.9</b>
<b>Non-current liabilities</b>			
Provisions for pensions and similar obligations	2,616.4	2,442.2	2,120.2
Deferred tax liabilities	10.4	9.4	49.3
Income tax liabilities	135.1	132.9	149.1
Other provisions	327.9	327.9	318.8
Financial liabilities	180.0	180.0	397.2
Other liabilities	1.6	23.0	0.0
	<b>3,271.3</b>	<b>3,115.4</b>	<b>3,034.5</b>
<b>Current liabilities</b>			
Other provisions	337.5	310.9	324.8
Financial liabilities	564.5	568.5	422.2
Trade payables	1,231.2	1,150.7	849.3
Income tax liabilities	61.9	55.4	55.8
Other liabilities	543.5	416.5	376.3
	<b>2,738.7</b>	<b>2,502.0</b>	<b>2,028.4</b>
	<b>8,698.8</b>	<b>8,492.9</b>	<b>8,249.8</b>

## IV. Cash Flow Statement

In € million	Q1 2015	Q1 2014
Earnings before taxes (EBT)	51.8	-8.7
Depreciation, write-downs (+)/write-ups (-) of non-current assets	82.6	83.7
Income tax paid (-)/refunded (+)	-10.2	-5.9
Other non-cash expenses (+)/income (-)	123.3	61.9
Interest expenses	22.5	29.4
Gain (-)/loss (+) from the disposal of non-current assets	1.9	-0.8
Increase (-)/decrease (+) in inventories	-36.4	-62.6
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-283.6	-307.4
Use of provisions affecting payments, excluding income tax provisions	-65.5	-71.5
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	156.1	188.5
<b>Cash outflow/inflow from operating activities</b>	<b>42.5</b>	<b>-93.5</b>
Cash inflow from the disposal of fixed assets	0.4	4.5
Cash outflow for investments in intangible assets and property, plant and equipment	-76.6	-84.0
Cash inflow (+)/outflow (-) for/from investments of funds	-73.7	-124.5
Cash inflow from the disposal of financial assets	4.0	5.1
Cash outflow for investments in financial assets	-2.6	-4.2
<b>Cash flow from investment activities</b>	<b>-148.5</b>	<b>-203.1</b>
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilities	-3.2	12.8
Interest paid	-3.4	-5.2
<b>Cash outflow/inflow from financing activities</b>	<b>-6.6</b>	<b>7.6</b>
Cash and cash equivalents at the start of the period	774.0	754.9
Gains and losses from changes in foreign exchange rates	5.2	0.6
Payment-related changes in cash and cash equivalents	-112.6	-289.1
<b>Cash and cash equivalents at the end of the period</b>	<b>666.5</b>	<b>466.6</b>

## V. Statement of Changes in Equity

In € million	Subscribed capital	Capital reserve	Sale/repurchase of treasury shares	Other retained earnings	Reserve from currency translation
<b>As of 2013/12/31</b>	<b>161.6</b>	<b>238.6</b>	<b>-369.7</b>	<b>3,694.5</b>	<b>-17.9</b>
Total comprehensive income	-	-	-	0.0	-0.5
Group transfers to(+)/from(-) retained earnings	-	-	-	-14.2	-
Other	-	-	-	-0.0	-
<b>As of 2014/03/31</b>	<b>161.6</b>	<b>238.6</b>	<b>-369.7</b>	<b>3,680.3</b>	<b>-18.4</b>
<b>As of 2014/12/31</b>	<b>161.6</b>	<b>238.6</b>	<b>-369.7</b>	<b>3,649.7</b>	<b>-2.3</b>
Total comprehensive income	-	-	-	0.1	23.0
Group transfers to(+)/from(-) retained earnings	-	-	-	31.5	-
Other	-	-	-	-0.1	-
<b>As of 2015/03/31</b>	<b>161.6</b>	<b>238.6</b>	<b>-369.7</b>	<b>3,681.3</b>	<b>20.7</b>



Changes in the value of the reserve from hedging transactions	Changes in the value reserve from „available for sale“ assets	Other changes in equity with no effect on income	Unappropriated retained earnings	Equity (excluding minority interests)	Minority interests	Equity
-2.1	-11.3	-527.0	12.1	3,178.8	8.1	3,186.9
0.8	-0.1	0.2	-14.2	-13.8	0.8	-13.0
-	-	-	14.2	-	-	-
-	-	0.6	-	0.6	-	0.6
-1.4	-11.4	-526.1	12.1	3,165.7	8.9	3,174.6
-27.6	-6.1	-788.7	12.1	2,867.7	7.8	2,875.4
-33.6	1.0	-208.5	31.5	-186.5	1.0	-185.5
-	-	-	-31.5	-	-	-
-	-	-1.3	-	-1.4	0.2	-1.2
<b>-61.2</b>	<b>-5.2</b>	<b>-998.5</b>	<b>12.1</b>	<b>2,679.8</b>	<b>9.0</b>	<b>2,688.8</b>

## Notes

## Segment Reporting

In € million	Strip Steel		Plate / Section Steel		Energy	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
External sales	524.8	575.4	253.2	251.8	293.9	338.9
Sales to other segments	170.8	188.3	222.3	203.6	38.4	37.6
Sales to Group companies that cannot be allocated to an operating segment	0.5	1.2	0.3	0.3	86.5	79.4
Segment sales	696.1	765.0	475.8	455.7	418.8	455.9
Interest income (consolidated)	1.6	0.1	0.0	0.0	0.4	0.4
Interest income from other segments	-	-	0.2	0.0	-	-
Interest income from Group companies that cannot be allocated to an operating segment	0.0	2.4	0.1	-	0.2	0.2
Segment interest income	1.6	2.4	0.3	0.0	0.6	0.6
Interest expenses (consolidated)	4.1	4.7	0.8	1.0	2.4	2.1
Interest expenses to other segments	-	-	-	-	-	0.0
Interest expenses to Group companies that cannot be allocated to an operating segment	8.4	12.3	3.4	3.9	1.9	1.9
Segment interest expenses	12.4	17.0	4.2	4.9	4.2	4.0
of which interest portion of allocations to pension provisions	3.2	3.8	0.7	0.9	1.2	1.6
Depreciation/amortization of tangible and intangible fixed assets	42.1	42.7	11.2	13.5	14.2	13.2
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	42.1	42.7	11.2	13.5	14.2	13.2
EBIT before depreciation and amortization (EBITDA)	69.5	55.0	14.5	-4.1	13.0	4.4
Earnings before interest and taxes (EBIT)	27.4	12.3	3.3	-17.6	-1.1	-8.8
Segment earnings before taxes (EBT)	16.6	-2.2	-0.7	-22.4	-4.7	-12.3
of which result from investments accounted for using the equity method	-	-	-	-	-9.9	-12.0
Investments in property, plant and equipment and intangible assets	27.9	26.3	8.1	6.9	16.7	10.0

Trading		Technology		Total segments		Industrial Participations/ Consolidation		Group	
Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
851.9	774.6	315.1	313.0	2,238.8	2,253.7	49.0	47.2	2,287.9	2,300.9
48.1	21.2	0.1	0.1	479.7	450.9	154.7	175.2	634.4	626.1
0.0	0.0	-	-	87.3	80.9	-	-	87.3	80.9
900.0	795.8	315.2	313.1	2,805.9	2,785.5	203.8	222.4	3,009.6	3,007.9
1.5	1.1	0.8	0.8	4.4	2.3	3.0	5.0	7.4	7.3
0.0	-	-	-	0.2	0.0	11.8	18.6	12.0	18.6
0.1	-	0.0	0.0	0.5	2.6	-	-	0.5	2.6
1.6	1.1	0.9	0.8	5.0	4.9	14.9	23.5	19.9	28.4
2.6	1.8	0.7	0.9	10.5	10.6	12.0	18.8	22.5	29.4
-	0.0	-	-	-	0.0	6.7	2.4	6.7	2.4
0.3	2.5	0.1	0.1	14.1	20.7	-	-	14.1	20.7
2.9	4.3	0.8	1.1	24.6	31.3	18.8	21.2	43.4	52.5
0.6	0.7	0.6	0.8	6.3	7.8	5.5	8.7	11.8	16.5
2.5	2.2	5.8	6.0	75.7	77.6	6.9	6.1	82.6	83.7
2.5	2.2	5.8	6.0	75.7	77.6	6.9	6.1	82.6	83.7
15.5	10.3	15.9	15.4	128.4	81.1	21.1	16.0	149.5	97.1
13.1	8.1	10.0	9.4	52.7	3.5	14.2	9.9	66.9	13.4
11.8	4.9	10.1	9.2	33.1	-22.9	18.7	14.1	51.8	-8.7
-	-	-	-	-9.9	-12.0	25.8	-9.7	15.9	-21.6
2.6	1.6	3.4	3.2	58.7	47.9	10.8	3.7	69.5	51.6

## Principles of accounting and consolidation, balance sheet reporting and valuation methods

1. The consolidated financial report of Salzgitter AG, Salzgitter (SZAG), for the reporting period from January 1 to March 31, 2015, has been prepared as a condensed report with selected notes. The report has been drawn up, as before, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) in consideration of the requirements set out under IAS 34 for condensed interim reports.
2. In comparison with the annual financial statements as at December 31, 2014, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended March 31, 2015.
3. In calculating the fair value of defined benefit obligations as of March 31, 2015, an actuarial rate of 1.50 % was applied (December 31, 2014: 2.00 %). The resulting increase in provisions for pensions and similar obligations are reported in other comprehensive income (pension revaluation) and incurs a corresponding reduction in equity.

## Selected explanatory notes to the income statement

1. Sales by business segment are shown in the segment report.
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of SZAG, came to € 0.58 in the period under review. Dilution would occur if earnings per share were reduced through the issuance of potential shares from option and conversion rights. Such rights, attached to a convertible bond, existed as of the balance sheet date. When taken into account there is no decrease in earnings per share from continued operations, as a result of which these option and conversion rights do not have a dilutive effect. Diluted earnings per share also amount to € 0.58.

## Disclosures on fair value

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

The calculation of fair value disclosures for assets and liabilities not accounted for applying fair value is always carried out by discounting future cash flows. In this instance, a term-dependent interest rate was applied that reflected the risk-free rate and the default risk derived from a peer group of the Salzgitter Group. In deviation here from, the fair value (€ 308.5 million) of a bond issued was calculated. Fair value was derived from the market value of the bond, while eliminating the embedded derivative. The embedded derivative was measured using a generally recognized method (Black-Scholes). This value depends specifically on the share price of a listed company. The calculation parameters are based on data sourced from directly and indirectly observed input factors. The fair value disclosures are therefore allocable overall to Level 2.

**Book value and fair value of the bonds:**

In € million	Convertible bond and exchangeable bond	
	2014/12/31	2015/03/31
Book value	342.4	344.9
Fair value	361.7	365.6

**Related party disclosures**

In addition to business relationships with companies that are consolidated fully and proportionately in the consolidated financial statements, relationships also exist to investments accounted for using the equity method, as well as non-consolidated subsidiaries that must be designated as related companies in accordance with IAS 24.

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

In € million	Sale of goods and services	Purchase of goods and services	Trade receivables	Trade payables
	01/01/ - 31/03/2015	01/01/ - 31/03/2015	2015/03/31	2015/03/31
Non consolidated group companies	15.8	14.2	54.0	35.5
Investments accounted for using the equity method	58.7	18.5	58.5	21.3
Proportionally consolidated companies	3.3	0.2	1.1	26.7

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

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

## Financial Calendar 2015

<b>February 27, 2015</b>	Key data for the financial year 2014
<b>March 27, 2015</b>	Publication of the consolidated financial statements for 2014 Annual Results Press Conference
<b>March 30, 2015</b>	Analysts' Conference in Frankfurt am Main
<b>March 31, 2015</b>	Analysts' Conference in London
<b>May 13, 2015</b>	Interim report on the first quarter 2015
<b>May 28, 2015</b>	General Meeting of Shareholders in 2015
<b>August 13, 2015</b>	Interim report on the first half 2015 Analysts' Conference in Frankfurt am Main
<b>August 14, 2015</b>	Analysts' Conference in London
<b>November 12, 2015</b>	Interim report on the first nine months 2015

### Legal disclaimer

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

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

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



**Contact:**

Salzgitter AG  
Eisenhüttenstraße 99  
38239 Salzgitter  
Germany

**Postal address:**

38223 Salzgitter  
Germany

**Public Relations:**

Tel.: +49 5341 21-2701  
Fax: +49 5341 21-2302

**Investor Relations:**

Tel.: +49 5341 21-1852  
Fax: +49 5341 21-2570

**Online Interim Report:**

[www.salzgitter-ag.com/zb-2015/q1](http://www.salzgitter-ag.com/zb-2015/q1)

**Publisher:**

Salzgitter AG

**Editorial Office:**

Salzgitter AG, Investor Relations

**Production:**

Inhouse mit FIRE.sys