Annual Report 2015

SALZGITTER AG
Stahl und Technologie

Annual Report 2015

Financial Year
from January 1 to December 31, 2015

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 around € 9 billion in 2015, a crude steel capacity of more than 7 million tons and a workforce of over 25,000 employees. The primary objective of our company – now and in the future – is the preservation of our independence through profitability and growth.

Our Group comprises more than 160 domestic and international subsidiaries and holdings and has been structured into the business units of Strip Steel, Plate / Section Steel, Energy, Trading and Technology since 2014.

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

Salzgitter Group in Figures

		Total Group		Continuing operations[8]	
		2015	2014	2015	2014
Crude steel production	**kt**	**6,652**	**7,287**	**6,652**	**7,287**
External sales	**€ m**	**8,618**	**9,040**	**8,501**	**8,885**
Strip Steel Business Unit	€ m	1,922	2,060	1,922	2,060
Plate / Section Steel Business Unit	€ m	909	1,119	836	1,004
Energy Business Unit	€ m	1,063	1,227	1,063	1,227
Trading Business Unit	€ m	3,211	3,255	3,167	3,214
Technology Business Unit	€ m	1,309	1,198	1,309	1,198
Industrial Participations / Consolidation	€ m	204	182	204	182
EBIT before depreciation and amortization (EBITDA)[1]	**€ m**	**431**	**484**	**481**	**527**
Earnings before interest and taxes (EBIT)[1]	**€ m**	**90**	**98**	**142**	**186**
Earnings before taxes (EBT)	**€ m**	**13**	**– 15**	**65**	**73**
Strip Steel Business Unit	€ m	– 26	– 9	– 26	– 9
Plate / Section Steel Business Unit	€ m	– 68	– 130	– 36	– 77
Energy Business Unit	€ m	2	– 41	2	– 41
Trading Business Unit	€ m	32	60	50	64
Technology Business Unit	€ m	25	25	25	25
Industrial Participations / Consolidation	€ m	48	79	49	110
Net income/loss for the financial year	**€ m**	**– 45**	**– 32**	**7**	**59**
Earnings per share – basic	**€**	**– 0.89**	**– 0.64**	**0.08**	**1.04**
Return on capital employed (ROCE)[2]	**%**	**2.1**	**1.8**	**3.5**	**4.3**
Cash flow from operating activities	**€ m**	**448**	**599**		
Investments[3]	**€ m**	**411**	**270**		
Depreciation/amortization[3]	**€ m**	**– 340**	**– 382**		
Balance sheet total	**€ m**	**8,284**	**8,493**		
Non-current assets	**€ m**	**3,650**	**3,575**		
Current assets	**€ m**	**4,634**	**4,918**		
Inventories	€ m	1,811	1,992		
Cash and cash equivalents	€ m	836	774		
Equity	**€ m**	**2,893**	**2,875**		
Liabilities	**€ m**	**5,391**	**5,618**		
Non-current liabilities	€ m	3,266	3,116		
Current liabilities	€ m	2,126	2,502		
of which due to banks[4]	€ m	282	342		
Net position[5]	**€ m**	**415**	**403**		
Employees					
Personnel expenses	€ m	– 1,675	– 1,601		
Core workforce on the reporting date[6]	empl.	23,524	23,555		
Total workforce on the reporting date[7]	empl.	25,459	25,529		

Disclosure of financial data in compliance with IFRS
[1] EBIT = EBT + interest expenses/–interest income; EBITDA = EBIT + depreciation and amortization
[2] 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
[3] Property, plant and equipment and intangible assets, excluding financial assets
[4] Current and non-current bank liabilities
[5] Including investments, e.g. securities and structured investments
[6] Excl. trainee contracts and excl. non-active age-related part-time work
[7] Incl. trainee contracts and incl. non-active age-related part-time work
[8] Without sheet piling activities

In recent years, we have worked hard on ourselves under the "Salzgitter AG 2015" program and launched many measures to increase the Group's efficiency. We have improved our structures, optimized technical processes and leveraged synergies within the Group.

In this year's annual report we therefore take stock of our successes so far – while also looking ahead to the future. We do both with a certain amount of pride: in what we have achieved – and in our employees. Despite the many difficulties, they have made their contributions to enabling us at Salzgitter to once again address and move forward with what makes us so special: with successful innovations, new opportunities and future perspectives.

Representative of all our employees, we have created a stage for a number of staff members on the following pages, together with the things that they can be rightly so proud of.

HIGHLIGHTS OF THE FINANCIAL YEAR 2015

01

Lower Saxony's Minister President Stephan Weil completes a training course lasting several hours in the quality control and workshop area at Peiner Träger GmbH (PTG) as part of his "Work and Dialog" series of visits. After his visit, the Minister President takes stock: "I have the impression that the turnaround has been achieved."

The Salzgitter Group presents itself together with its subsidiaries PTG and Salzgitter Bauelemente GmbH (SZBE) at the BAU trade fair event in Munich. At the 400 m² joint stand of bauforumstahl and its members, steel solutions and products are showcased under the motto of "Efficiency 4.0: Shaping the Future with Steel".

02

Salzgitter AG (SZAG) releases key data for the financial year 2014. Against the backdrop of a challenging environment in the European steel market, the Salzgitter Group has raised its pre-tax result by almost € 500 million and closed in line with forecast with a result close to breakeven.

03

The Executive Board presents the Annual Report 2014 at the Annual Results Press Conference on March 27, 2015. The Board subsequently engages in discussion with capital markets representatives at well-attended analysts' conferences in Frankfurt am Main and London.

Ilsenburger Grobblech GmbH books an order for more than 68,000 tons of plate for the offshore oil, gas and wind industry. Along with other equipment, the material is to be used in the construction of the offshore "Nordsee One" wind project.

04

Federal Chancellor Dr. Angela Merkel and Narendra Modi, Prime Minister of India as this year's partner country, visit SZAG's stand during their official opening round of the Hanover trade fair. They are welcomed by CEO Prof. Dr.-Ing. Heinz Jörg Fuhrmann who explains one of the main exhibits.

Other VIP visitors include Minister President Stephan Weil (Lower Saxony), Erwin Sellering (Mecklenburg-Western Pomerania) and Torsten Albig (Schleswig-Holstein).

Lower Saxony's Foreign Trade Prize 2015 is conferred during the Hanover trade fair. Olaf Lies, Minister of Economic Affairs, awards first prize to SZAG's subsidiary Klöckner DESMA Schuhmaschinen GmbH (KDS).

05

The new pulverized coal injection plant of Salzgitter Flachstahl GmbH (SZFG) goes on line. This plant, which required capital expenditure of € 78 million, will lower the cost of pig iron production in future.

In the first quarter of the financial year 2015, the Salzgitter Group achieves the highest pre-tax profit since the second quarter of 2011. CEO Prof. Dr.-Ing. Heinz Jörg Fuhrmann: "The success in the first quarter is the result of our own endeavors."

Around 750 shareholders, shareholder representatives and guests attend the Salzgitter Group's regular Annual General Meeting of Shareholders held in the Braunschweig Town Hall on May 28, 2015. On this day, the Annual General Meeting of Shareholders in Braunschweig approves dividend of € 0.20 per share, reflecting SZAG's pursuit of its policy of steady dividend distribution.

06

SZAG showcases cutting-edge developments and solutions for lightweight construction at the AUTOMOTIVE ENGINEERING EXPO in Nuremberg. The portfolio includes high-grade ultra-high-strength strip steel products, cold-drawn seamless and welded precision steel tubes, tailored blanks, as well as solutions from prototype and tool making – all the way through to a finished IHU component.

SZAG's Executive Board decides to discontinue the operations of HSP Hoesch Spundwand and Profil GmbH (HSP), a wholly-owned subsidiary of SZAG. Declining demand for these products over a period of years has repeatedly led to substantial losses, despite high levels of investment and restructuring endeavors. Closure is unavoidable if the Group is to be protected against further negative consequences.

07

SZAG again features as one of the large exhibitors and sponsors of IdeenExpo in Hanover. The Group actively engages in inspiring children and young people for technology and natural sciences by letting them have a hand themselves, and demonstrates the fascinating application potential of steel.

08

The Salzgitter Group closes the first half of 2015 with a significant year-on-year improvement in its pre-tax result. All business units contributed to this gratifying development with improved results compared to the previous year.

09

The Supervisory Board appoints Professor Dr.-Ing. Heinz Jörg Fuhrmann for a second five-year term as Chairman of the Executive Board. This term commences on July 1, 2016.

10

The Senate of the Fraunhofer-Gesellschaft elects Professor Dr.-Ing. Heinz Jörg Fuhrmann as its new Chairman, effective January 1, 2016. "I am delighted that, in the person of Prof. Fuhrmann, we have gained an outstanding individual for the position of Senate Chairman who, with his extensive entrepreneurial experience, competence and commitment, will help shape the development of the Fraunhofer-Gesellschaft", stated Prof. Reimund Neugebauer, President of the Fraunhofer-Gesellschaft, commenting on the Senate election.

The Salzgitter Group is awarded a contract to deliver 270 km of large-diameter pipes and 1,559 pipe bends for the construction of the Trans Adriatic Pipeline (TAP). The overall tonnage amounts to 170,000 tons. The large-diameter pipes are to be manufactured by Mülheim-based EUROPIPE GmbH (EP), a joint-venture between the Salzgitter Group and AG der Dillinger Hüttenwerke.

11

"Single source Service" – the Salzgitter Group, with six subsidiaries, exhibits under this motto at Blechexpo in Stuttgart.

In the first nine months of the financial year, the Salzgitter Group lifts its pre-tax profit considerably in a year-on-year comparison. The groupwide "Salzgitter AG 2015" restructuring program is the main driver of this improvement.

The KHS Group impresses numerous visitors from Germany and abroad with its technology and especially with the innovations showcased at BrauBeviale in Nuremberg. During the 3-day trade fair, KHS announces winning two prestigious prizes for various innovations and signing a volume of contracts that exceed expectations by a considerable measure.

Salzgitter AG's third Capital Markets Day takes place on November 23 and 24, 2015. Alongside taking stock of the successful implementation of the "Salzgitter AG 2015" program, the main emphasis was on Group's future strategic direction and development prospects. Particular attention was paid to the Steel Business Unit this year. A tour of the BCT® facilities in Peine rounds off the two-day event. A total of 26 delegates from 23 different banks and investment companies follow the invitation to come to Salzgitter and take the opportunity of talking to the Executive Board and members of the Group Management Board.

12

At the start of December, SZFG was awarded the Energy Efficiency Best Practice Label for its energy-efficient crude steel production. This was the third time, following on from winning the Energy Efficiency Award in 2013 and the Energy Efficiency Best Practice Label in 2014, that SZFG's energy efficiency received official acclaim.

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Preface by the Executive Board

Ladies and Gentlemen,

Yes, it is true: the year 2015 marked a positive turn in the development of our Group in two respects!

Firstly, we have already achieved more than three quarters of the ambitious objectives of the "Salzgitter AG 2015" project.

And, secondly, we delivered the first pre-tax result since 2011, despite one-off expenses totaling € 73.8 million in a market environment that was anything but helpful.

Neither of these successes fell into our lap. They are the result of hard and disciplined work. At the same time, they bear testimony to customer orientation as the undisputed overarching priority in our thought and action, of our innovation capabilities and, last but not least, of the Salzgitter Group's highly motivated employees. The freshly available findings of the employee survey show that over the past years that were determined by restructuring and realignment our staff's motivation and identification with their company have even discernibly improved. This is a source of gratification and, along with the hard facts and figures, affirms that we are on the right track to securing a successful future for the Salzgitter Group with our holistic and integrated 360° Concept.

One would naturally be justified in asking whether, against the backdrop of immense challenges – take China's imports into the EU and policies on energy and the environment, for instance – a "never-to-be-completed Sisyphean task" springs to mind when looking at all we have achieved. We don't think so! Although adjusting the structures of individual subsidiaries to unfavorable market conditions in the medium term is unavoidable, our Group is financially, technically and mentally strong enough to be ready for the future.

Of course, we are powerless in the face of a tsunami of dumped imports. The EU needs to act decisively here in order to protect the survival of the domestic steel industry. The first measures have been introduced, indicating that politicians in Brussels, Berlin and other European capital cities have understood how serious the situation is.

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


SUSTAINABILITY
FAIRNESS
CUSTOMER ORIENTATION
INNOVATION
RELIABILITY
COOPERATION
YOUNITED

Despite the alarmingly and increasingly escalating superficial policy of token acts and purported concern, this may also help to formulate a European and domestic energy and environmental policy that fosters a reversal of the de-industrialization so destructive to society's prosperity, while preventing it from degenerating into mere lip service.

We remain realistic optimists, which applies particularly to our Group's many employees who, in all modesty, can view their creativity and innovative projects with some pride. We have set the stage for a number of our employees to represent us all on the pages of this annual report – along with tangible results that count.

We at Salzgitter are not eager to sound our own horn. We have simply delivered and will remain true this style.

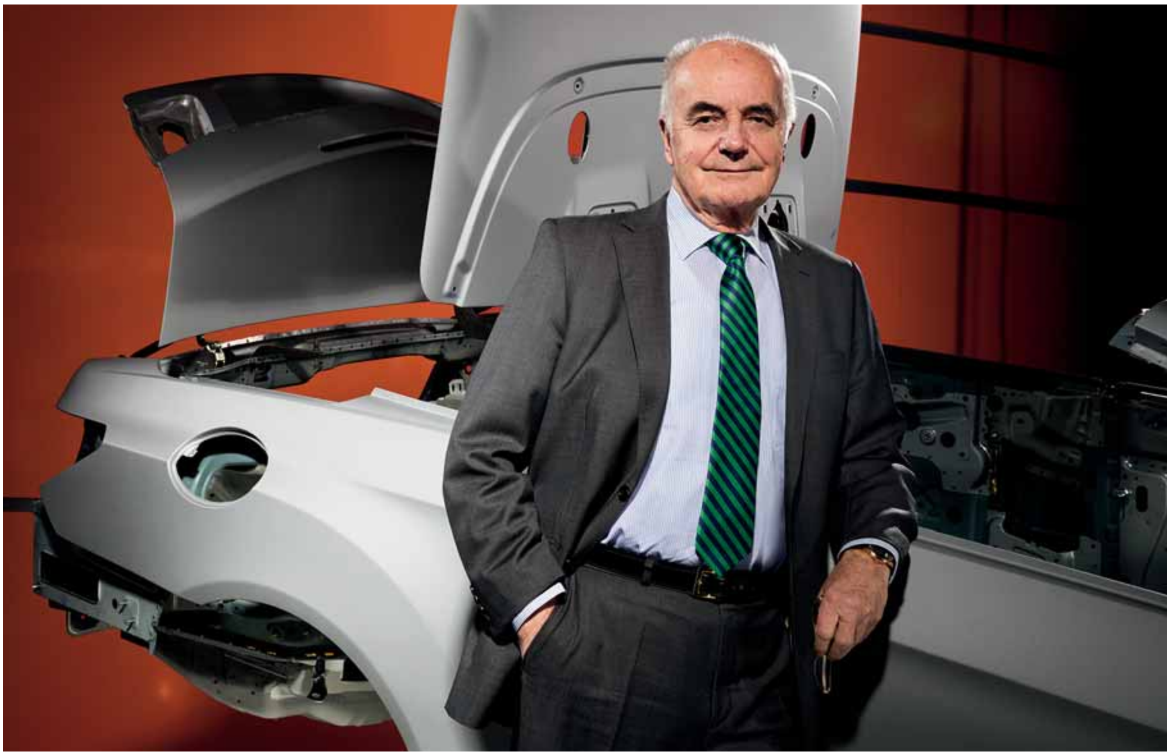
The financial year 2016 presents us with enormous challenges, and we are doing everything in our power to meet and overcome them as best we can. Not least our proposal for the financial year 2015 to pay dividend of € 0.25, which marks an increase of one quarter compared with the previous year, bears witness to our confidence.

May we thank you, also in the name of our dedicated employees, as the valued shareholders and business partners of Salzgitter AG for the trust you have placed in our company.

Sincerely,

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

Report of the Supervisory Board



Rainer Thieme, Chairman of the Supervisory Board

After three years of reporting extremely unsatisfactory results, the Salzgitter Group succeeded in returning to the profit zone in 2015. The "Salzgitter AG 2015" restructuring program made a decisive contribution to this achievement. Further individual measures for improving structures are, however, necessary. The massive increase in the second half year in cheap rolled steel imported from China due to surplus capacities there prevented better results for strip steel and plate. The growing burden on the Group's activities from climate- and energy-related policy measures and the associated competitive disadvantages present a major challenge. Mastering this challenge will necessitate a greater willingness to embrace change, among other things, in order to safeguard the future of our company.

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

The Supervisory Board kept itself continuously informed about the situation of the Group and the development of business. It deliberated the prospects and risks with the Executive Board in four meetings. Transactions requiring the approval of the Supervisory Board, as well as discrepancies between the development of business and corporate planning, were questioned in detail and discussed. Furthermore, between meetings, the Chairman of the Supervisory Board was regularly informed by the Executive Board Chairman 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 2015, the Supervisory Board concentrated primarily on promoting a sustainable improvement in the results of all the business units. To this end, it used regular reports in particular to keep abreast of progress made in implementing the measures under the "Salzgitter AG 2015" restructuring program. In addition, the Board discussed the impact of the suspension of the South Stream pipeline project on the Group and deliberated on the discontinuation of the sheet piling business that, following unsuccessful restructuring attempts, had become inevitable due to persistently unsatisfactory market demand. A further key topic of its consultations concerned the enormous burdens potentially facing the Group in the medium term, incurring significant disadvantages, due to climate- and energy-related policy measures, compared with competitors outside Europe. Such measures have taken concrete form, for instance, in the draft of the European commission of a new Emissions Trading Directive valid for the whole of Europe from 2021 onward. If this draft is enacted in law in its current form, Salzgitter AG's survival – along with that of other European steel companies – may be at risk. In its December meeting, the Supervisory Board dealt mainly with the corporate planning for the financial years 2016 to 2018.

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. These meetings dealt with important issues concerning the course of business, the stage reached in the implementation of the "Salzgitter AG 2015" restructuring program, the remuneration of Executive Board members and business unit managers, as well as a succession arrangement for the head of the Energy Business Unit.

The Audit Committee met four times during the period under review. Apart from the proposal for selecting the independent auditor for the financial year 2015, it discussed the interim reports the company, published on a quarterly basis throughout the year, with the Executive Board and prepared the audit and ratification of the 2015 financial statements at company and at Group level by the Supervisory Board, as well as its dividend proposal. In addition, the committee placed particular emphasis on the accounting process, the effectiveness of the internal control systems, of internal audit, and risk management, as well as compliance. The Audit Committee reported to the entire Supervisory Board on the results of its deliberations.

The Strategy Committee met once in the period under review. It discussed the strategy of the company with the Executive Board with a view to the potentially severe impact on the Group of the current environmental and energy policies, informed itself about the commercial and technical options and discussed possible courses of action.

The Nomination Committee met three times and deliberated on matters concerning the future composition of the Supervisory Board.

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

In our meeting on March 17, 2016, we examined the financial statements of SZAG and of the Group, both drawn up as of December 31, 2015, as well as the joint management report on the company and the Group for the financial year 2015. Prior to this meeting, the independent auditor PricewaterhouseCoopers

Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, selected by the General Meeting of Shareholders, reviewed both sets of financial statements and issued an unqualified auditor's opinion. The auditor thereby confirmed that the accounting, valuation and consolidation carried out in the consolidated financial statements complied with the International Financial Reporting Standards (IFRS). Furthermore, as part of its assessment of the early risk detection system, the auditor ascertained that the Executive Board had taken the steps required by the German Stock Corporation Act (AktG) for the early recognition of risks that could endanger the company as a going concern.

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

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

Changes to the Supervisory Board
Mr. Thomas Lehne, employee representative, laid down his mandate on February 28, 2015. Similarly, Dr. Johannes Teyssen, a shareholder representative, also withdrew from the Supervisory Board on September 15, 2015. The Supervisory Board thanks Mr. Lehne and Dr. Teyssen for their activities to promote the good of the company. The Braunschweig Local Court appointed Ms. Gabriele Handke to the Supervisory Board as successor to Mr. Lehne, effective March 1, 2015, and Mr. Heinz-Gerhard Wente as successor to Dr. Teyssen, effective September 16, 2015.

Changes to the Executive Board
There were no changes to the Executive Board. Prof. Dr.-Ing. Heinz Jörg Fuhrmann was reappointed by the Supervisory Board as Chairman of the Executive Board for a term of office from July 1, 2016 through to June 30, 2021. Mr. Burkhard Becker was also reappointed as Chief Financial Officer for the period from February 1, 2016 through to January 31, 2021.

Our thanks go to the Executive Board and all the employees of the Group for their dedicated work and sound commitment throughout the financial year 2015.

Salzgitter, March 17, 2016

The Supervisory Board

Rainer Thieme
Chairman

Corporate Governance

Declaration of Conformity and Corporate Governance Report

The corporate governance of Salzgitter AG (SZAG) is geared to ensuring the sustainable development and long-term success of the company in harmony with the principles of a social market economy and in observance of its corporate responsibility for people and the environment. It is based on the provisions set out under German stock corporation law and the recommendations laid down in German Corporate Governance Code (www.dcgk.de/en/home.html). It is intrinsically important and an obligation to ensure that the prevailing laws are complied with at all times, that generally accepted basic values in dealing with people and companies are observed, and that nature is preserved in a sustainable manner in conducting the company's business.

2015 Declaration of Conformity with the recommendations of the German Corporate Governance Code
The Executive Board and Supervisory Board 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 8, 2015:

> "Salzgitter Aktiengesellschaft has confirmed 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 (setting specific targets for the composition of the Supervisory Board) and in Code item 5.4.3, sentence 2 (limitation of an application for the judicial appointment of a Supervisory Board member up until the next Annual General Meeting).
>
> 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 and the regulation on limiting the length of membership of the Supervisory Board, as well as diversity. At this point in time, the Board does not consider it necessary to set specific targets.
>
> The Executive Board has applied to the competent court for the purpose of appointing a successor for a Supervisory Board member withdrawing from the Board for the period through to the expiration of the Supervisory Board's current term of office in order to allow it to discharge its activities for longer and to avoid repeated change at short notice."

Ethical standards of SZAG

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

Moreover, the Executive Board has defined a set of clear rules regulating conduct for all the Group’s employees in the form of a Code of Conduct that they are to follow in carrying out their activities. This includes compliance with the law, commitment to fair competition and the rejection of corruption of any kind. In addition, these rules enable the trustful cooperation of the employees among themselves and honest dealings with one another and in respect of business partners. The Code of Conduct can also be accessed on our website at www.salzgitter-ag.com/en/corporate-responsibility/management-values/compliance.

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 2015 General Meeting of Shareholders are available on our website at:
www.salzgitter-ag.com/en/investor-relations/shareholders-meeting.

The Executive Board of SZAG

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

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

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

Working practices of the Executive Board

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

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

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

The Supervisory Board of SZAG

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

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

Working practices of the Supervisory Board

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

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

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

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

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

The Audit Committee deals with the following in particular:

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

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

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

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

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

Corporate compliance

The Executive Board is responsible for compliance with the relevant statutory requirements and company guidelines. It acts through the Group companies with the aim of ensuring compliance. The Executive Board has expressly committed itself in our mission statement and in the Code of Conduct binding on our employees 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.

Target parameters for the proportion of women in management

On September 22, 2015, the Executive Board defined a target of 19% for the proportion of women in the first management level under the Board and 17% for women at the second management level under the Board. These quotas are to have been achieved by June 30, 2017. They were complied with in the period through to the reporting date.

In its meeting on September 24, 2015, the Supervisory Board decided in respect of the proportion of women represented on the Executive Board currently consisting of three male persons that, in the event a Board member having to be replaced, a target of 30% should be achieved for the proportion of women by June 30, 2017. In the period through to December 31, 2015, this target had not been achieved as the necessity of replacing a Board member did not arise. Moreover, for the purpose of clarity, the Supervisory Board also resolved at the same time that, in respect of the proportion of women represented on the Supervisory Board currently consisting of four women and seventeen male Board members, achieving a proportion of 30% in respect of female representation must be targeted in the future. There was no necessity of arranging for a successor in the period through to the reporting date.

Transparency of the company

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

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

Salzgitter, March 17, 2016

The Executive Board	The Supervisory Board
Prof. Dr.-Ing. Heinz Jörg Fuhrmann	Rainer Thieme
Chairman	Chairman

"Over the past seven years we have saved the overall annual energy consumption of more than 100,000 single-family homes."

Ralph Schaper
Head of Energy Management,
Salzgitter Flachstahl GmbH

Without energy there would be no steel production – energy alone accounts for 20 % of the production costs. It was not only cost considerations, however, that prompted Salzgitter Flachstahl GmbH (SZFG) to initiate the EE Energy Efficiency project seven years ago, comprising the successful implementation of more than 190 individual measures to date. Together with the Power Plant 2010 project that has significantly raised the efficiency of process gases, this project has saved more than 1.3 million tons of CO_2 and energy costs of approximately € 200 million at the same time.
Moreover, SZFG has won multiple awards from the Deutsche Energieagentur: first prize under the "Energy Efficiency Awards" in 2013, as well as the "Energy Efficiency Best Practice" label in 2014 and in 2015. Success stories to be rightfully proud of – today and in the future.

I. Business and Organization

1. Group Structure and Operations

With a crude steel capacity of more than 7 million tons, more than 25,000 employees, and external sales of around € 9 billion in 2015, the Salzgitter Group ranks among Europe's leading steel technology and plant engineering corporations. Worldwide, the Group comprises more than 160 subsidiaries and affiliated companies.

Global presence

Headquarter of Salzgitter AG

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









The Group, headed by Salzgitter AG (SZAG) as the holding company, is divided into the five business units of Strip Steel, Plate / Section Steel, Energy, Trading and Technology.

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

Legal factors

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

The structure of the Salzgitter Group is shown in the chart on the next page. More information on the individual business units is included in the section on "Performance and General Business Conditions of the Business Units".

Business Units

Salzgitter AG

Salzgitter Mannesmann / Salzgitter Klöckner-Werke

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

BU = Business Unit

Organization chart as of July 2015

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 2015, the following members belonged to the Executive Board of SZAG:

Prof. Dr.-Ing. Heinz Jörg Fuhrmann
Chairman

a)
- Aurubis AG, Hamburg (Chairman)
- Hüttenwerke Krupp Mannesmann GmbH, Duisburg (Chairman since July 2, 2015)
- Ilsenburger Grobblech GmbH, Ilsenburg (Chairman)
- KHS GmbH, Dortmund (Chairman)
- Mannesmannröhren-Werke GmbH, Mülheim/Ruhr (Chairman)
- Öffentliche Lebensversicherung Braunschweig, Braunschweig
- Öffentliche Sachversicherung Braunschweig, Braunschweig
- Peiner Träger GmbH, Peine (Chairman)
- Salzgitter Flachstahl GmbH, Salzgitter (Chairman)
- Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr (Chairman)
- Salzgitter Mannesmann Handel GmbH, Düsseldorf (Chairman)
- TÜV Nord AG, Hanover

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

Burkhard Becker
Finance

a)
- Aurubis AG, Hamburg
- EUROPIPE GmbH, Mülheim/Ruhr
- Ilsenburger Grobblech GmbH, Ilsenburg
- KHS GmbH, Dortmund, until February 15, 2015
- Mannesmannröhren-Werke GmbH, Mülheim/Ruhr
- Nord/LB Asset Management AG, Hanover
- Peiner Träger GmbH, Peine
- Salzgitter Flachstahl GmbH, Salzgitter
- Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr
- Salzgitter Mannesmann Handel GmbH, Düsseldorf, until February 15, 2015
- Salzgitter Mannesmann Precision GmbH, Mülheim/Ruhr

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

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

Michael Kieckbusch
Personnel
a) ▪ KHS GmbH, Dortmund
- Ilsenburger Grobblech GmbH, Ilsenburg
- Mannesmannröhren-Werke GmbH, Mülheim/Ruhr, until March 31, 2015 and since July 1, 2015
- Peiner Träger GmbH, Peine
- Salzgitter Flachstahl GmbH, Salzgitter
- Salzgitter Mannesmann Handel GmbH, Düsseldorf
- Verkehrsbetriebe Peine-Salzgitter GmbH, Salzgitter (Chairman)

b) ▪ Allianz für die Region GmbH, Braunschweig (Supervisory Board)
- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg (Supervisory Board, Chairman)
- Ilsenburger Grobblech GmbH, Ilsenburg, und Salzgitter Mannesmann Grobblech GmbH, Mülheim/Ruhr (Joint Advisory Council)
- Industriepark Salzgitter-Watenstedt Entwicklungs-GmbH, Salzgitter (Supervisory Board, Vice Chairman)
- Wohnungsbaugesellschaft mbH Salzgitter, Salzgitter (Supervisory Board)

Group Management Board

Prof. Dr.-Ing. Heinz Jörg Fuhrmann
Chairman

Burkhard Becker
Finance

Wolfgang Eging
Energy Business Unit until September 30, 2015

Ulrich Grethe
Strip Steel Business Unit

Michael Kieckbusch
Personnel

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

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

Prof. Dr. jur. Gerd Schöler
Trading Business Unit

Dr. Clemens Stewing
Energy Business Unit since October 1, 2015

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

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
Chairman Member of the Management Board of Industriegewerkschaft Metall, Frankfurt am Main
a) ▪ Salzgitter Flachstahl GmbH, Salzgitter (Vice Chairman)
▪ Treuhandverwaltung IGEMET GmbH, Frankfurt am Main

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

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

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

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

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

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

Dr. Thea Dückert
Member of the Bundestag, retired
Member of the German National Council for Impact Assessment (NKR) of the German Federal Government, Berlin
b) ▪ Norddeutscher Rundfunk, Hamburg (Board of Administration)

Karl Ehlerding
Managing Director of KG Erste “Hohe Brücke 1” Verwaltungs-GmbH & Co., Hamburg
a) ▪ Elbstein AG, Hamburg
▪ KHS GmbH, Dortmund
▪ Lloyd Werft Bremerhaven AG, Bremerhaven, until November 23, 2015
▪ MATERNUS-Kliniken AG, Berlin
▪ WCM Beteiligungs- und Grundbesitz-AG, Frankfurt am Main
b) ▪ German Dry Docks GmbH & Co. KG, Bremerhaven (Board of Administration)

Roland Flach
Chairman of the Executive Board of Klöckner-Werke AG, retired, Duisburg
Chairman of the Management Board of KHS AG, retired, Dortmund
a) ▪ KHS GmbH, Dortmund

Gabriele Handke
since March 1, 2015
Vice Chairwoman of the Works Council of Peiner Träger GmbH, Peine
▪ No membership in other governing bodies

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

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

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

Dr. Dieter Köster
Managing Shareholder of HomeStead GmbH & Co. KG, Osnabrück
Chairman of the Executive board Board of Köster Holding AG, retired, Osnabrück
a) ▪ Köster Holding AG, Osnabrück (Chairman)
▪ Klinikum Osnabrück GmbH, Osnabrück, since September 2015

Bernd Lauenroth
Secretary of the Management Board of Industriegewerkschaft Metall, Branch Office Düsseldorf
a) ▪ Georgsmarienhütte Holding GmbH, Georgsmarienhütte
▪ Aluminium Norf GmbH, Neuss, since May 2015

Thomas Lehne
until February 28, 2015
Vice Chairman of the Works Council of Salzgitter Flachstahl GmbH, Salzgitter
▪ Salzgitter Flachstahl GmbH, Salzgitter

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

Prof. Dr. Hannes Rehm
President of the Hanover Chamber of Industry and Commerce (IHK), Hanover, until January 31, 2016
General Manager of Nord-Ostdeutschen Bankbeteiligungs GmbH, Hannover
Chairman of the Executive Board of Norddeutsche Landesbank Girozentrale, retired, Hanover
▪ No membership in other governing bodies

Peter-Jürgen Schneider
Minister of Finance of the Federal State of Lower Saxony
a) ▪ Bremer Landesbank, Bremen (Vice Chairman)
▪ Deutsche Messe AG, Hanover
▪ Norddeutsche Landesbank Girozentrale, Hanover (Chairman)
b) ▪ Kreditanstalt für Wiederaufbau, Frankfurt am Main, (Board of Administration)

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
until September 15, 2015
Chairman of the Board of Directors of E.ON AG, Düsseldorf
a) ▪ Deutsche Bank AG, Frankfurt am Main

Heinz-Gerhard Wente
since September 16, 2015
Vice President of the Chamber of Industry and Commerce (IHK), Hanover
Member of the Management Board of Continental AG, retired, Hanover
▪ No membership in other governing bodies

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

Committees of the Supervisory Board

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

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

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

Nomination Committee:
Peter-Jürgen Schneider
Rainer Thieme

Remuneration of the Executive Board and of the Supervisory Board

Remuneration of the Executive Board

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

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

The amount of pension commitment depends on the length of service to the Group and is a maximum 60% of the fixed salary. The variable remuneration components are not relevant for pension commitments. Pension entitlement is valid when an Executive Board member reaches the age of 65. If Prof. Dr.-Ing. Fuhrmann retires from the company at its request at the age of 59 or at his own wish at the age of 62, he will be deemed eligible for payments as if he had already reached the age of 65. This regulation was amended effective July 1, 2016 so as to make this legal consequence applicable if, having completed his 61st year, Prof. Fuhrmann is asked by the company to retire or wishes to do so himself. 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 2015 or in 2014 for their activities as Executive Board members.

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

In k€	Prof. Dr.-Ing. Heinz Jörg Fuhrmann CEO 2014	2015	2015 (min.)	2015 (max.)	Burkhard Becker CFO 2014	2015	2015 (min.)	2015 (max.)
Fixed remuneration	948	984	984	984	480	535	535	535
Benefits	20	21	21	21	24	24	24	24
Total	**968**	**1,005**	**1,005**	**1,005**	**504**	**559**	**559**	**559**
One-year variable remuneration	602	590	0	595	280	345	0	315
Multi-year variable remuneration	0	0	0	850	0	0	0	450
Total	**1,570**	**1,595**	**1,005**	**2,450**	**784**	**904**	**559**	**1,324**
Pension expenses[1]	244	314	314	314	115	154	154	154
Total remuneration	**1,814**	**1,909**	**1,319**	**2,764**	**900**	**1,058**	**713**	**1,478**

In k€	Michael Kieckbusch Personnel 2014	2015	2015 (min.)	2015 (max.)	Wolfgang Eging Energy Business Unit until 2014/09 2014	2015	2015 (min.)	2015 (max.)	Heinz Groschke Trading Business Unit until 2014/09 2014	2015	2015 (min.)	2015 (max.)
Fixed remuneration	420	520	520	520	378	0	0	0	378	0	0	0
Benefits	40	44	44	44	16	0	0	0	29	0	0	0
Total	**460**	**564**	**564**	**564**	**394**	**0**	**0**	**0**	**407**	**0**	**0**	**0**
One-year variable remuneration	245	315	0	315	221	0	0	0	221	0	0	0
Multi-year variable remuneration	0	0	0	450	0	0	0	0	0	0	0	0
Total	**705**	**879**	**564**	**1,329**	**614**	**0**	**0**	**0**	**627**	**0**	**0**	**0**
Pension expenses[1]	142	170	170	170	0	0	0	0	197	0	0	0
Total remuneration	**848**	**1,049**	**734**	**1,499**	**614**	**0**	**0**	**0**	**824**	**0**	**0**	**0**

[1] Service cost pursuant to IAS 19

The one-year variable remuneration of Mr. Becker for 2015 includes k€ 30 for the additional interim assumption of the position of Managing Director of the Group company KHS GmbH (KHSDE) on an intermediary basis.

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

In k€	Prof. Dr.-Ing. Heinz Jörg Fuhrmann CEO 2014	2015	Burkhard Becker CFO 2014	2015	Michael Kieckbusch Personnel 2014	2015	Wolfgang Eging Energy Business Unit until 2014/09 2014	2015	Heinz Groschke Trading Business Unit until 2014/09 2014	2015
Fixed remuneration	948	984	480	535	420	520	378	0	378	0
Benefits	20	21	24	24	40	44	16	0	29	0
Total	**968**	**1,005**	**504**	**559**	**460**	**564**	**394**	**0**	**407**	**0**
One-year variable remuneration	602	590	280	345	245	315	221	0	221	0
Multi-year variable remuneration	0	0	0	0	0	0	0	0	0	0
Total	**1,570**	**1,595**	**784**	**904**	**705**	**879**	**614**	**0**	**627**	**0**
Pension expenses[1]	244	314	115	154	142	170	0	0	197	0
Total remuneration	**1,814**	**1,909**	**900**	**1,058**	**848**	**1,049**	**614**	**0**	**824**	**0**

[1] Service cost pursuant to IAS 19

Total remuneration paid to the current Executive Board in the financial year 2015 members for their work in the reporting year amounted to k€ 4,016 (previous year: k€ 5,000, including total remuneration of the former Board members Eging and Groschke who withdrew from the Board in the financial year 2014).

Pensions

In €		Annual payment upon pension eligibility	Allocation to pension provision according to HGB	Allocation to pension provision according to IFRS	Present value of the obligation according to HGB	Present value of the obligation according to IFRS
Prof. Dr.-Ing. Heinz Jörg Fuhrmann Chairman	2015	612,000[1]	1,747,609	693,012	8,050,447	10,855,418
	2014	568,800[1]	751,467	2,630,248	6,302,838	10,162,406
Burkhard Becker	2015	324,000[1]	972,821	520,687	3,664,511	5,165,275
	2014	288,000[1]	348,878	1,328,032	2,691,690	4,644,588
Wolfgang Eging until 2014/09/30	2015	0	0	0	0	0
	2014	326,592[1][2]	358,134	1,236,106[3]	5,389,475	7,308,356[4]
Heinz Groschke until 2014/09/30	2015	0	0	0	0	0
	2014	340,200[1][5]	884,403	1,871,073[6]	5,578,091	7,589,956[7]
Michael Kieckbusch	2015	324,000[1]	1,115,337	959,854	2,988,523	4,329,567
	2014	252,000[1]	37,813	732,978	1,873,186	3,369,713

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

Remuneration of the Supervisory Board

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

Remuneration received by the individual members of the Supervisory Board:

In €		Annual remuneration			
		Fixed remuneration	Committee remuneration	Attendance fees	Total
Rainer Thieme, Chairman	2015	180,000	0	7,000	187,000
	2014	180,000	0	8,000	188,000
Dr. Hans-Jürgen Urban, Vice Chairman	2015	120,000	0	4,500	124,500
	2014	120,000	0	5,000	125,000
Konrad Ackermann	2015	60,000	10,000	4,000	74,000
	2014	60,000	10,000	4,000	74,000
Bernhard Breemann	2015	60,000	0	2,000	62,000
	2014	60,000	0	1,000	61,000
Ulrike Brouzi	2015	60,000	0	1,500	61,500
	2014	60,000	0	2,000	62,000
Annelie Buntenbauch	2015	60,000	0	2,000	62,000
	2014	60,000	0	2,000	62,000
Hasan Cakir	2015	60,000	10,000	4,500	74,500
	2014	60,000	10,000	5,000	75,000
Ulrich Dickert	2015	60,000	0	1,500	61,500
	2014	60,000	0	2,000	62,000
Dr. Thea Dückert	2015	60,000	0	2,000	62,000
	2014	60,000	0	2,000	62,000
Karl Ehlerding	2015	60,000	0	1,000	61,000
	2014	60,000	0	1,500	61,500
Roland Flach	2015	60,000	0	2,000	62,000
	2014	60,000	0	2,000	62,000
Gabriele Handke since 2015/03/01	2015	50,000	0	2,000	52,000
	2014				0
Prof. Dr.-Ing., Dr. h.c. Jürgen Hesselbach	2015	60,000	0	2,000	62,000
	2014	60,000	0	2,000	62,000
Ulrich Kimpel	2015	60,000	5,000	2,500	67,500
	2014	60,000	5,000	2,500	67,500
Dr. Dieter Köster	2015	60,000	0	2,000	62,000
	2014	60,000	0	2,000	62,000

In €		Annual remuneration			
		Fixed remuneration	Committee remuneration	Attendance fees	Total
Bernd Lauenroth	2015	60,000	10,000	4,000	74,000
	2014	60,000	10,000	4,000	74,000
Thomas Lehne until 2015/02/28	2015	10,000	0	0	10,000
	2014	60,000	0	2,000	62,000
Volker Mittelstädt	2015	60,000	0	2,000	62,000
	2014	60,000	0	2,000	62,000
Prof. Dr. Hannes Rehm	2015	60,000	35,000	4,500	99,500
	2014	60,000	35,000	2,000	97,000
Peter-Jürgen Schneider	2015	60,000	10,000	6,000	76,000
	2014	60,000	10,000	4,500	74,500
Dr. Werner Tegtmeier	2015	60,000	0	2,000	62,000
	2014	60,000	0	2,000	62,000
Dr. Johannes Teyssen until 2015/09/15	2015	45,000	0	500	45,500
	2014	60,000	0	1,500	61,500
Heinz-Gerhard Wente since 2015/09/16	2015	20,000	0	1,000	21,000
	2014				0
Total	**2015**	**1,445,000**	**80,000**	**60,500**	**1,585,500**
	2014	1,440,000	80,000	59,000	1,579,000

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

In €		Annual remuneration			
		Fixed remuneration	Committee remuneration	Attendance fees	Total
Konrad Ackermann	2015	10,000	0	750	10,750
(KHS)	2014	10,000	0	750	10,750
Bernhard Breemann	2015	10,000	0	300	10,300
(SMHD)	2014	10,000	0	200	10,200
Hasan Cakir	2015	8,000	0	400	8,400
(SZFG)	2014	8,000	0	300	8,300
Ulrich Dickert	2015	10,000	0	300	10,300
(MRW)	2014	833	0	100	933
Karl Ehlerding	2015	10,000	0	250	10,250
(KHS)	2014	10,000	0	500	10,500
Roland Flach	2015	10,000	0	750	10,750
(KHS)	2014	10,000	0	750	10,750
Ulrich Kimpel	2015	10,000	0	300	10,300
(MRW)	2014	10,000	0	300	10,300
Thomas Lehne	2015				0
(formerly SZST)	2014	1,250	0	100	1,350
(SZFG)	2015	8,000	0	400	8,400
	2014	4,667	0	300	4,967
Volker Mittelstädt	2015	3,000	0	400	3,400
(Joint ILG/MGB Advisory Council)	2014	1,750	0	300	2,050
Dr. Werner Tegtmeier	2015	10,000	0	300	10,300
(MRW)	2014	10,000	0	300	10,300
(SMP)	2015	5,000	0	200	5,200
	2014	5,000	0	200	5,200
Dr. Hans-Jürgen Urban	2015	12,000	0	400	12,400
(SZFG)	2014	7,000	0	300	7,300
Total	**2015**	**106,000**	**0**	**4,750**	**110,750**
	2014	88,500	0	4,400	92,900
Sum total	**2015**	**1,551,000**	**80,000**	**65,250**	**1,696,250**
	2014	1,528,500	80,000	63,400	1,671,900

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

3. Corporate Governance and Declaration of Conformity

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

4. Employees

Our employees make a decisive contribution to the sustainable development of our Group, which is why Salzgitter AG (SZAG) places special emphasis on ensuring a motivating working environment that allows each individual employee to optimally integrate their talents. We invest concertedly in a healthy working environment, offer excellent continuous professional development, and promote our employees through attractive development opportunities. In this way, we contribute to bolstering the Salzgitter Group's competitive ability against the backdrop of the current business challenges and changing demographic conditions.

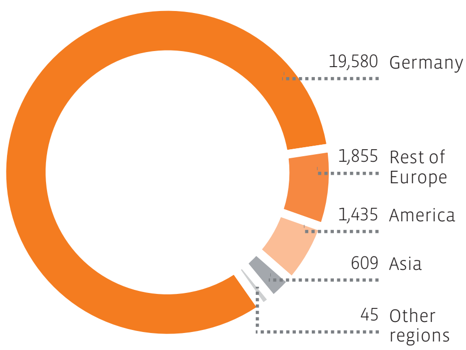
Trends in the workforce:

	2015/12/31	2014/12/31	Change
Core workforce Group[1)]	**23,524**	**23,555**	**– 31**
Strip Steel Business Unit	6,130	6,192	– 62
Plate / Section Steel Business Unit	2,952	3,108	– 156
Energy Business Unit	4,895	4,959	– 64
Trading Business Unit	1,858	1,888	– 30
Technology Business Unit	5,146	4,899	247
Industrial Participations / Consolidation	2,543	2,509	34
Apprentices, students, trainees	1,494	1,548	– 54
Non-active age-related part-time employment	441	426	15
Total workforce	**25,459**	**25,529**	**– 70**

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

As of December 31, 2015, the core workforce of the Salzgitter Group numbered 23,524 employees, which is reduction of 31 people, corresponding to a decrease of 0.1% compared with the end of the financial year 2014. This development reflects the implementation of the "Salzgitter AG 2015" program. The core workforce included in the program was reduced by 311 people, with personnel adjustment of 265 resulting from "Salzgitter AG 2015". The initial consolidation of various Group companies that took place in the third quarter and resulted in a total of 194 employees being included in the personnel statistics for the first time exerted a counter effect. In addition, we have raised the number of employees, mainly at Salzgitter Mannesmann Precisión S.A. de C.V. (MPM) and in the international KHS companies, due to the expansion of activities and in accordance with our strategy.

Regional distribution of the workforce



On June 16, 2015, SZAG's Executive Board took the decision to discontinue the operations of HSP Hoesch Spundwand and Profil GmbH (HSP). In accordance with legal stipulations, a reconciliation of interests and a social compensation plan was agreed with the HSP employee representatives on December 14, 2015. The closure affects a total of 342 HSP employees as of December 31, 2015. More information can be found in the sections on "Goals and Key Factors for Success" and "Management and Control of the Company, Goals and Strategy".

Including trainees and employees in non-active age-related part-time work, the core workforce of the Salzgitter Group stood at 25,459 employees.

At the end of the year we had 830 temporary employees, which corresponds to 3.4% of the sum total of core workforce members and staff outsourced, representing a reduction of 115 external temporary employees compared with 2014. As of December 31, 2015, no members of the workforce were working short time.

Personnel expenses amounted to € 1,674.8 million in 2015, which is 4.6% higher than in the previous year, a development also attributable, among other things, to the expansion of the group of consolidated companies, as well as wage increases from collective bargaining, with counter effects emanating from the "Salzgitter AG 2015" reorganization program.

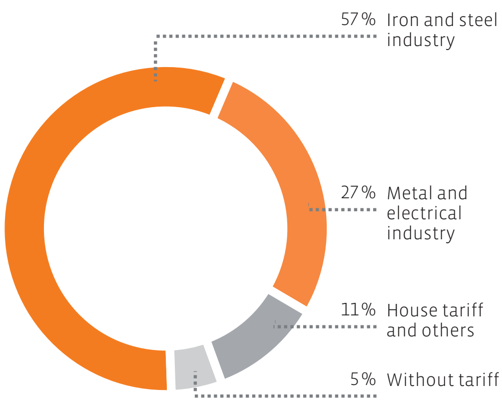
"Salzgitter AG 2015"

The implementation of the personnel-related effects identified under the "Salzgitter AG 2015" program on the basis of the Pact for the Future and company-specific agreements, signed between the Executive Board and employee representatives, accompanied by IG Metall, is generally progressing according to plan. By December 31, 2015, 90.7% of the reduction potential within the Group specified in excess of 1,500 jobs had been realized. As far as possible, personnel adjustments are made in line with the socially compatible practice. Since launching the program, the instruments largely deployed comprised the signing of severance agreements and natural fluctuation. Structural issues of the implementation were focused on Peiner Träger GmbH (PTG), Salzgitter Mannesmann Precision Group (SMP Group) and Salzgitter Flachstahl GmbH (SZFG).

Collective bargaining rounds in Germany

The west German steel industry reached a collective bargaining agreement in November that was subsequently adopted by the tariff area in the east. The agreement applies to around 57% of the Group's domestic workforce. It includes an increase of 2.3% in wages and salaries, as well as in trainee remuneration commencing January 1, 2016. One-off payments of € 200 were made in the months of November and December 2015, with trainees receiving € 80 respectively. The collective bargaining agreement may be terminated on February 28, 2017 at the earliest. Along with renewing the collective agreements on age-related part time, the use of service contracts, and regulations on hiring trainees that are valid through to January 31, 2019, the partial assumption of the costs of travel between the training workplace and the

Breakdown of tariffs within the Group (domestic)



vocational college was agreed in respect of trainees. The collective agreement pay increase is being implemented with a six month delay for the employees of PTG.

A pilot collective agreement in the metal and electronics industry was concluded in the pay scale area of Baden-Württemberg on February 24, 2015, and was subsequently adopted by the rest of the Federal Republic. The collective agreement applies to a good 27% of domestic Group employees and provides for an increase in wages and salaries and trainee allowances of 3.4%, effective April 1, 2015. In March 2015, members of the workforce received an additional € 150 in the form of a one-off payment and trainees a lump sum of € 55. In addition, the collective agreement governing age-related part time, with qualitative adjustments through to December 31, 2021, has been renewed. The agreement will run until March 31, 2016.

Human resources planning

SZAG views vocational training as an important investment in the future. At the end of 2015, we employed 1,156 trainees and students throughout the Group in a combination of theory and practice. They are offered attractive training programs in more than 28 professions and dual study programs. Our activities are concentrated on the technical area, as well as on commercial professions, IT and logistics. In addition, there were 337 other training contracts with interns, student trainees and other trainees. The ratio of trainees in the Salzgitter Group has exceeded its own requirements for decades. This is how we secure the next generation of employees while making a contribution to society.

The high standard of our training has been acknowledged through various awards from the German Chambers of Industry and Commerce, both at Chamber and at federal state level, that were conferred on 17 participants undergoing vocational examinations from the Salzgitter Group in recognition of their outstanding achievements the financial year ended.

Alongside classical vocational training, SZAG opts for activities geared to the long term in order to win young talent for the Group. Such activities include cooperations with universities and partnerships with schools, some of which go back 20 years and more. In addition, regional events regularly take place to enable schoolchildren and students to inform themselves about career prospects in the Group companies.

IdeeExpo, which we again supported in the role of premium sponsor and exhibitor, was one of the highlights of 2015. This event is aimed primarily at young people and school pupils who are on the verge of considering different careers. More than 350,000 guests visited the interactive event in Hanover from July 4 – 12 that showcased natural sciences and technology. SZAG exhibited steel as a material, its fields of application as well as innovative products of the Technology Business Unit, while also presenting the range of professions available in science-related and technical fields, as well as career entry opportunities within the Group. As a result of these activities, SZAG again ranked among the top hundred employees for students taking degree courses in engineering and natural sciences in 2015. SZAG also ranks among to the top employers for student trainees.

Personnel development

Personnel development traditionally enjoys a high priority with us. We promote our young professionals, experts and managers through a groupwide system of implementation- and practically-oriented programs. These programs dovetail and are geared to various target groups, depending on the professional experience and length of service to the company.

The first run of the "Career Paths for Women" orientation program commenced in 2015 as a new component of our personnel development concept. This program supports participants in choosing an expert or management career. It supplements the mentoring program already introduced for women in 2012.

Occupational safety and occupational health management

We view the health of our employees as a high-priority asset. Part of our entrepreneurial responsibility is to safeguard the well-being and physical integrity of our own employees, as well as the employees of partner companies. We naturally assume this responsibility equally toward our customers, suppliers and other visitors to our sites. Based on this premise, occupational safety and occupational health management are consistently implemented and practiced.

As in past years, our occupational safety activities are focused on measures to minimize hazards in the workplace, as well as to promote a change in the attitude and behavior of employees. In addition, we optimize structures and processes on an ongoing basis in order to guarantee top standards in occupational safety.

For instance, the "For the Love of Steel" campaign launched in the year under review met with huge acceptance by our employees through successfully drawing their attention to the topic of occupational safety by putting it in a new light. A positive and motivating presentation was deliberately chosen as food for thought and to promote an awareness of safety at work, as well as to underscore the potential influence of each individual. Originally intended for the Salzgitter Campus, other companies of the Group are now using the campaign, encouraged by its exceptionally gratifying response.

In our comprehensive occupational health management, we concentrate on prevention and early detection measures, promoting the individuals' responsibility for their own health, the training of managers, and our rehabilitation concept that has won multiple awards. The concept is characterized by its focus on key sickness factors and solving problems with the aid of system solutions. We optimized and supplemented existing programs and offers in 2015. Based, for instance, on our rehabilitation concept geared to the workplace, the link with internal and above with all external health experts and health care facilities has been perfected further. These measures enable us to support employees with health issues and illnesses even more swiftly, effectively and successfully.

Communication

"IMPULS" as the groupwide employee survey gives us an insight into satisfaction in the direct working environment, as well as the strength and improvements potential of our company from the standpoint of our employees. This feedback assists us in improving on an ongoing basis and in adjusting the Salzgitter Group to changed conditions. In November 2015, we therefore conducted the third survey, following on from the surveys in 2007 and 2011, on our employees to inquire about their work situation, their satisfaction and their attitude towards the company. Moreover, this year's survey was used to obtain feedback from our employees on the "Salzgitter AG 2015" reorganization program and on the significance of values under our **YOU**NITED corporate mission. More than 22,000 employees in 73 companies of the Salzgitter Group, 34 of which in countries outside Germany, were called upon to participate in the survey. Detailed results will be available in 2016 and used to derive specific changes at all levels of the Group.

We hold a Group Forum every year to keep our senior executives informed about topical issues within the company. In the year under review, the event was organized under the motto of "It's Working … – Our 360° Concept On the Road to Success!" The concept's key components are aimed at sustainably raising SZAG's profitability while preserving our entrepreneurial independence. More information can be found in the section on "Management and Control of the Company, Goals and Strategy". The Executive Board presented the current stage reached in the implementation of the 360° Concept at the Group Forum. Various presentations from the individual business units provided insights into specific projects and processes on this topic. A keynote presentation was given by Prof. Dr.-Ing. Reimund Neugebauer, President of the Fraunhofer-Gesellschaft, on "Industry 4.0 – Revolution or Evolution". All in all, 317 executives, general managers and executive employees from the domestic and international companies took part in the Group Forum.

YOUNITED corporate mission

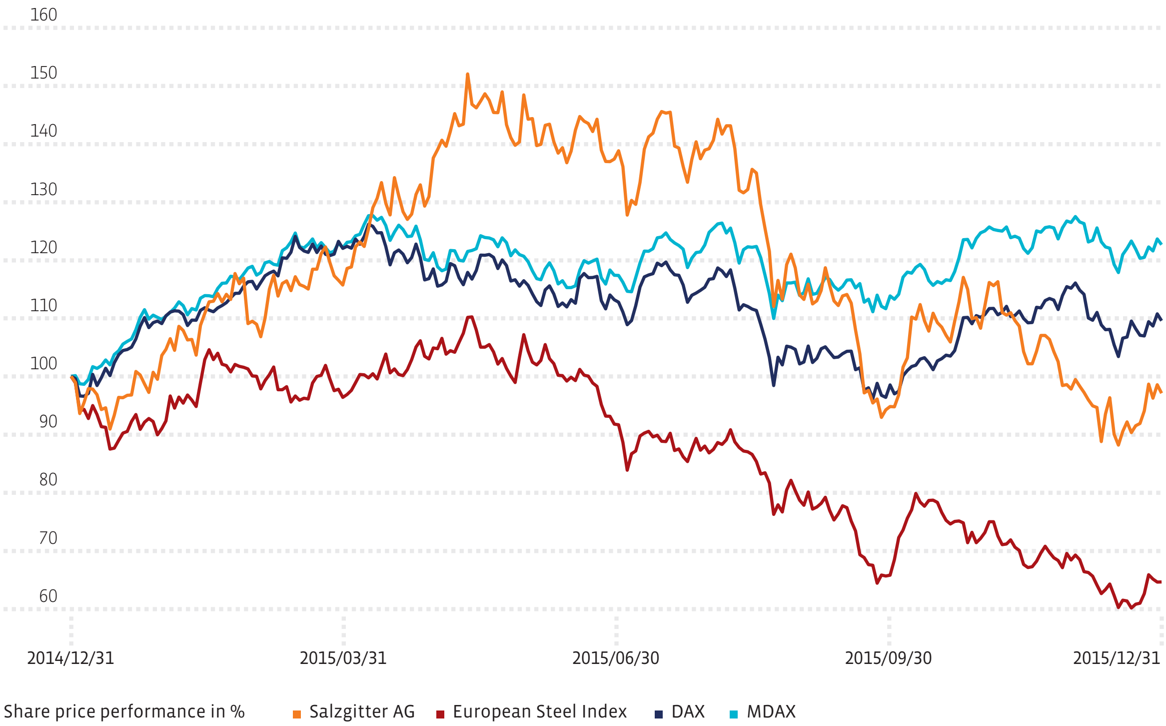
We believe that clear values form a prerequisite for taking our company further, while serving as a guideline for our day-to-day activities. SZAG core values and other principals of our entrepreneurial activity have been formulated in our **YOU**NITED corporate mission. With a view to anchoring the mission as firmly as possible and closely involving all employees, we are running initiatives to make the six fundamental values – one after the other – a live experience as "Value of the Year". The first initiative consisting of a groupwide ideas competition on the value of "Innovation" was brought to a close in 2015 and was a resounding success, with 3,933 ideas submitted. Innovative approaches in all areas of production and administrative processes, in the organization and in the range of product and services were eligible for awards. "Sustainability" as the new value of the year 2015/2016 is aimed at detecting "major and minor wastage" in the Salzgitter Group. Managers are initiating team measures throughout the Group that serve the purpose of identifying and leveraging joint potential for conducting business even more sustainably.

5. The Salzgitter Share

Capital Market and Price Performance of the Salzgitter Share

The **stock markets** developed in two opposite directions in 2015. The initial months of the year saw the stock markets boom, fueled above all by the European Central Bank's decision to launch an extensive round of bond buying, which lifted the DAX to a new record high. A consolidation phase followed in April through to the end of September, interrupted by merely short-lived counter-movements. This trend was driven mainly by the Greek financial crisis and, in the second half of the year, by uncertainty about the development of China's economy. October saw a two-month upswing that was only partly able to compensate for the bearish market that preceded it. In 2015, the DAX performance overall was up by 10%, while the MDAX gained 23%.

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



Sources: XETRA closing price Deutsche Börse AG, Datastream STEELEU

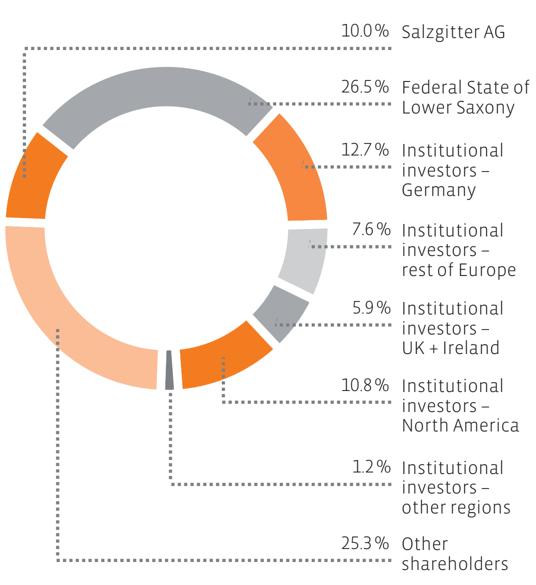
Growing uncertainty about global economic development, coupled with the structural crisis of Europe's steel industry, determined the performance of most steel equities in 2015. The pronounced nervousness of many investors expected in this kind of environment was reflected in considerable volatility that also impacted the **Salzgitter share**. Starting from a closing price of € 23.41 at year-end 2014, the share price climbed in spring considerably faster than the European steel index and peaked for the year at € 36.42 on May 14, thereby gaining 56%. This also showed the capital market's recognition of the quantifiable successes of the "Salzgitter AG 2015" program of measures. A change in China's exchange rate policy and the start of discussions about the country's future growth rate caused most cyclically sensitive equities to enter a steep downturn as from mid-August, which also affected our share. Mirroring the overall market, another uptrend materialized in October. Subsequently, our share price was once again impacted by the more pessimistic assessment of China's economy. The overall performance of the Salzgitter share posted a moderate –3% in 2015, while the European steel index shed 35%.

The average daily turnover of our share on Germany's stock exchanges stood at 458,000 in the period under review, thereby exceeding the year-earlier figure by almost 50%. With an accumulated trading volume of € 3.1 billion, Salzgitter AG (SZAG) took 19th place in the MDAX ranking of Deutsche Börse AG on December 30, 2015. A free float market capitalization of approximately € 841 million placed the company in 56th place measured by this criterion.

Shareholder structure

According to a survey commissioned in November 2015, the shareholder structure of SZAG has changed only slightly in comparison with year-end 2014. Apart from 10% in treasury shares, shareholders registered in Germany, including the Federal State of Lower Saxony as a major investor, held at least 39.2% of the Salzgitter shares, which is around 0.7% lower than in the previous year (2014: 39.9%). The stake held by German institutional investors edged up to 12.7% (2014: 13.4%); the share of foreign investors rose to 25.5% (2014: 20.7%). 25.3% of our investors could not be identified. The latter are likely to be private domestic and foreign investors, as well as institutional investors with no reporting requirements, such as insurance companies and trust foundations. Salzgitter shares in free float remain unchanged at 63.5%.

Shareholder structure



As per 2015/12

Treasury shares

SZAG's portfolio of treasury shares came to 6,009,700 units as per December 31, 2015, and is unchanged from December 31, 2014.

Information for investors

		2015	2014	2013	2012	2011
Nominal capital[1]	€ m	161.6	161.6	161.6	161.6	161.6
Number of shares[1]	units m	60.1	60.1	60.1	60.1	60.1
Number of shares outstanding[1]	units m	54.1	54.1	54.1	54.1	54.1
Market capitalization[1][2]	€ m	1,229.4	1,266.2	1,676.7	2,132.4	2,089.4
Year-end closing price[1][3]	€	22.73	23.41	31.00	39.43	38.63
Stock market high[3]	€	36.42	33.81	41.56	48.95	65.64
Stock market low[3]	€	20.34	21.07	24.54	27.03	32.43
Earnings per share/EPS[4][5]	€	–0.89	–0.64	–9.11	–1.89	4.31
Cashflow per share/CPS[4][5]	€	8.28	11.07	2.61	7.90	–3.63
Dividend per share (DPS)	€	0.25[6]	0.20	0.20	0.25	0.45
Total dividend	€ m	15.0[6]	12.0	10.8	13.5	24.3

Securities identification number: 620200, ISIN: DE0006202005

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

Dividend

The Executive and Supervisory boards propose that the General Meeting of Shareholders approve a dividend payment of € 0.25 per share for the financial year 2015. Based on a nominal share capital of € 161.6 million, the dividend distribution proposed totals € 15.0 million.

Investor Relations

As before, in the year 2015 we also used various channels to communicate intensively with our private and institutional investors. We presented the results of the financial year 2014, along with those of the first six months of 2015, at very well-attended analyst conferences in Frankfurt and London and engaged in intensive dialog with capital market representatives. We arranged telephone conferences when the reports were published for the first quarter and the first nine months of 2015. Our Capital Markets Day was held in Salzgitter in November. In addition, we made presentations at numerous investor conferences and road shows in Germany, Europe and the US. Many 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. The business situation and the potential of the Salzgitter Group were discussed in depth with Executive Board members and other managers on these occasions.

The "Freundeskreis der Aktionäre der Salzgitter AG" (circle of friends of Salzgitter AG shareholders) arranged a series of well-attended events for our private investors who were thus able to gain an insight into current developments within the Group and its business environment. Members of the Group's Executive Board and of the Group Management Board participated in these events by making keynote presentations and reporting on their areas of responsibility.

Recommendations and company reports on SZAG were issued by at least 25 financial institutions in the financial year 2015. At year-end their ratings were:

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

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

Alphavalue	HSBC
Baader Bank	Independent Research
Bank of America/Merrill Lynch	Jefferies
Bankhaus Lampe	Kepler Cheuvreux
Berenberg	LBBW
BHF Bank	M.M. Warburg
Citigroup	Macquarie Capital
Commerzbank	Metzler
Credit Suisse	NORD/LB
Deutsche Bank	RBC Capital Markets
DZ-Bank	Société Générale
EXANE BNP Paribas	Steubing
Goldman Sachs	UBS

"OUR JOINT INITIATIVE AUTOMOTIVE NOT ONLY STRENGTHENS COOPERATION THROUGHOUT THE ENTIRE GROUP, BUT ALSO BOOSTS CUSTOMER ORIENTATION."

Ansgar Geffert
Co-initiator of the Initiative Automotive

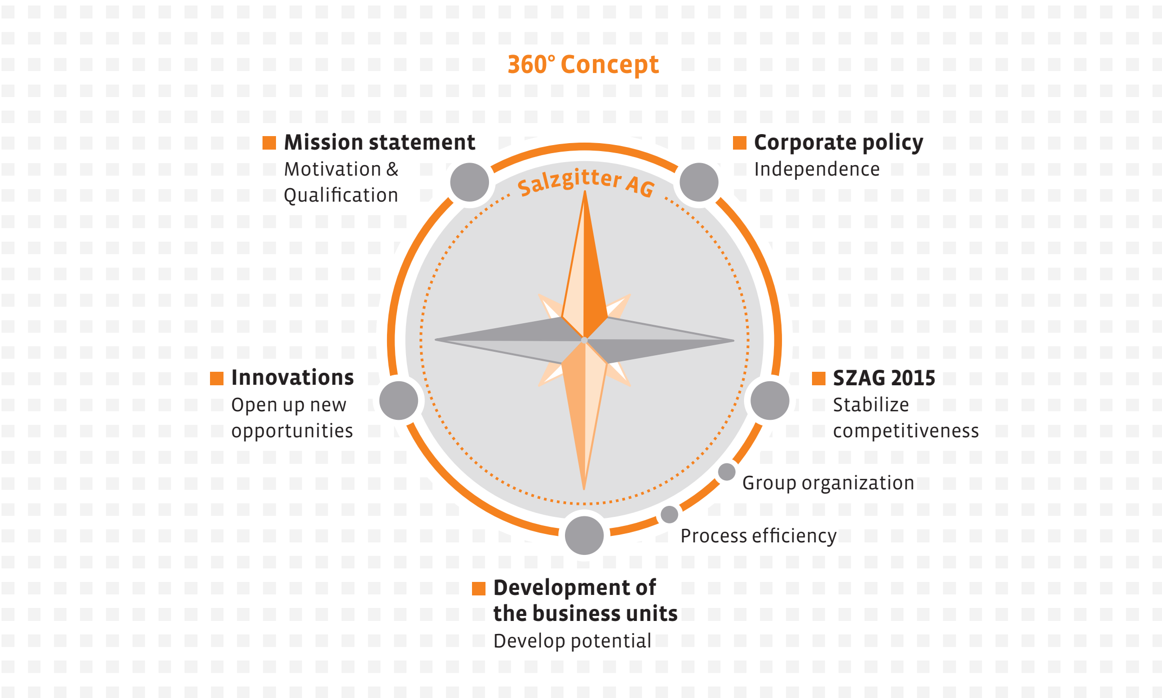
The Salzgitter Group concentrates its specialist capabilities in automotive and commercial vehicle construction under the Initiative Automotive – and is working continuously on developing materials, processes and services. It is no longer only a question of the individual companies' performance. Instead, the focus is on finding comprehensive solutions to the demanding challenges of our customers – an approach fully in line with "Salzgitter AG 2015" program envisaging a transformation away from product to customer orientation, among other aspects. The aim is to sharpen the profile of the Salzgitter Group as a competent automotive supplier and strong technology partner. In 2015, the Initiative Automotive picked up considerable momentum, examples being the successful expansion to the commercial vehicle market and a new website that went live.

II. Goals and Key Factors for Success

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

We develop the Group with the aid of an integrated, holistic 360° concept that is geared to actively shaping the future. Starting with the corporate policy, the concept comprises key components that flank the "Salzgitter AG 2015" program, such as the short to medium term development of our business units, opening up new opportunities, also over the long horizon, through innovations, and a new mission statement as a medium for developing the company's corporate culture.

Key components of the 360° Concept



Corporate policy – independence as a core prerequisite

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

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

The liquidity scope defines the Group's degree of self-determination and flexibility. The medium and long-term alignment of liquidity objectives is fundamentally based on the premise of self-funded financing and of creating sufficient financial leeway to allow investment in forward-looking business at our locations and beyond. Accordingly, Salzgitter AG (SZAG) uses the favorable framework conditions in the financial market for the purpose of diversifying its sources of finance.

Stabilizing competitiveness

The Salzgitter Group's market environment is subject to an ongoing structural crisis in Europe's steel industry that has now spread to other regions of the world. Thus, the protracted capacity underutilization experienced by numerous producers in southern Europe, as well as the huge influx of imports, above all from Chinese steel producers due to the lack of demand in their domestic markets, is exacerbating the already fierce competition, which continues to exert severe economic pressure on steel producing companies.

Against this backdrop, the completion of the "Salzgitter AG 2015" program constitutes the prerequisite for securing the Salzgitter Group's competitiveness. In conjunction with adjusting the goals, structures and processes for the entire group of companies to the challenging conditions prevailing in the sales markets, this program forms an essential basis for actively shaping the Group's future, as well as for systematically addressing new challenges.

The fundamental change towards a lean group and management structure in 2014 under the "Salzgitter AG 2015" program has paid off in terms of the aim of achieving stronger customer and market orientation, and enables comprehensive measures geared to optimizing process workflows.

The implementation of this package of measures harboring an overall profit improvement potential in excess of € 200 million is proceeding according to plan. By the end of 2015, more than 75% of the earnings improvement had been achieved. In particular, the rigorously and swiftly implemented restructuring programs of Peiner Träger GmbH (PTG) and the Precision Tubes Group, as well as KHS's "Fit4Future" program contributed to sustainably improving the results. In addition, the service organization units have made significant progress in improving their process workflows. The investment made as part of the program in the new pulverized coal injection plant of Salzgitter Flachstahl GmbH (SZFG), with the break-in stage commencing under production conditions in April 2015, makes a substantial contribution to lowering metallurgy costs at the Salzgitter site. The final implementation of the program should have been largely completed by the end of 2016.

Establishing the Shared Service Center (SSC) for accounting, a process launched in 2012 as one of the first steps toward realigning our core processes, was already successfully concluded at the Salzgitter site in 2013. November 2014 saw the SSC accounting in Mülheim take up operations, with the KHS Group's accounting based in Dortmund being integrated in a further step a month later. In May 2015, the two SSC sites in Dortmund and Mülheim were combined, with the result that services for the Group companies in North Rhine-Westphalia are now provided from Dortmund. The SSC 2.0 project was also initiated. Under the motto of "Best Practice – Learning from One Another", the activities in the SSC accounting departments in Dortmund and Salzgitter are to be developed further in order to standardize and harmonize processes and workflows as far as possible.

Development of the business units – fostering potential

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

Strategy of the business units:

The core competences of the **Strip Steel Business Unit** reside 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. We use the affiliated Steel Service Centers of Salzgitter Mannesmann Stahlservice GmbH (SMS) to serve the growing prefabrication requirements of our customers. The two processing companies Salzgitter Europlatinen GmbH (SZEP) and Salzgitter Bauelemente GmbH (SZBE) extend the value chain within the business unit with their customized products for the automotive and construction industries. In response to the growing demands customers make on steel as a material, SZFG is concentrating on high grade and special steels, while striving to achieve innovation leadership in its target product segments, above all in the automotive business. Investments, such as the construction of a Ruhrstahl-Heraeus (RH) plant, enable the production of grades with the highest purities. In addition, the expansion of existing production facilities strengthens the company's position as a premium producer of strip steel products. SZFG and the companies of the Salzgitter Group that serve the automotive industry maintain active dialog with customers, which fosters the development of innovative component solutions made of steel together with and for the automotive industry. Developing belt casting technology constitutes an investment in the energy-saving and resource-conserving steel production of the future. This innovative technology is focused on the production of new high manganese and aluminum content lightweight construction steels, such as HSD® steel that displays ultra-high strength combined with good ductility.

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 concentration of the heavy plate activities of Ilsenburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB) as part of the “Salzgitter AG 2015” program facilitates optimized market development, also thanks to the complementary supplementation of the product range. The integration of DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) as the scrap supplier of PTG permits logistics processes to be more closely coordinated and flexibly managed.

Investing in the Ilsenburg site has enabled us to strengthen our leading position as a vendor of input material supplied to the growing market of the wind turbine industry. Current capital expenditure, such as in SZFG’s RH plant to ensure the supply of vacuum-treated input material, is geared towards producing higher quality plate grades, thereby reinforcing the positioning of ILG as a full-line supplier of plate applications.

The plate mill in Mülheim (MGB) is an established supplier to the large-diameter pipe industry. As part of a joint mill cooperation, we tailor plate production flexibly to meet their requirements. Supplementing the product range in the segment of higher quality grades and increasing plate thicknesses and widths at MGB using the existing facilities is instrumental in expanding customer industries.

Against the backdrop of persistently fierce competition, exacerbated by the massive increase in Chinese imports, the plate companies are drawing up an extensive program aimed at enhancing efficiency and lowering costs on a sustainable basis in consultation with the employee representatives.

We counteracted the tense situation in the European section steel market in 2013 through adjusting capacities at PTG. The rigorous implementation of measures under the 1 Million ton Model resulted in significant improvement in the earnings situation.

In view of the difficult, structurally induced market conditions in Europe’s sheet piling business, SZAG’s Executive Board decided to close down the operations of HSP Hoesch Spundwand und Profil GmbH (HSP) in its meeting on June 16, 2015. Declining demand for these products over a period of years had repeatedly led to substantial losses, despite high levels of investment and restructuring endeavors. HSP ceased to operate in December 2015. A total of 342 employees are affected by the measure. In accordance with the statutory provisions, compensation and a redundancy scheme was agreed with HSP’s employee representatives.

The Group’s tubes activities are concentrated under the **Energy Business Unit**. A major part of these activities are focused on infrastructure projects in the energy sector. The portfolio is complemented through leading producers of precision steel tubes for the automotive industry and industrial applications, as well as through stainless steel and nickel based alloy tubes.

The Group's subsidiaries that supply the markets for the transportation of agents (media such as gas) reliant on pipelines are especially set to benefit – as before – from their excellent competitive position and the fact that access to energy and water are indispensable prerequisites for underpinning society's prosperity. The BRIC countries' growing demand for energy, the development of the USA toward becoming self-sufficient in oil and gas, accompanied by a downturn in energy demand in the industrial nations induced by efficiency gains now mean that growth opportunities are to be found especially outside western Europe, albeit against the backdrop of fiercer competition in some markets. In line with these developments, the Energy Business Unit intends to expand its globally oriented structures and reinforce collaboration with strong partners such as the Group's international trading business.

The European activities in the large- and medium-diameter line pipe segment meet the requirements of project business through optimizing production flexibility and measures to develop the market. Due to long-standing and considerable financial problems, EUROPIPE France S.A. (EPF), a wholly-owned subsidiary of EUROPIPE GmbH (EP), is continuing the process of restructuring introduced in 2014. The social compensation plan approved by the French employment authorities in June 2015 is currently being implemented. Given the persistently low oil prices, perpetually weak demand is anticipated in the medium-diameter line pipe segment. Against this backdrop, Salzgitter Mannesmann Line Pipe GmbH (MLP) is preparing for capacity adjustments and further cost reduction measures at the Siegen and Hamm locations to be implemented over the course of 2016.

The Salzgitter Mannesmann Precision Group (SMP Group) will continue its work on optimizing its European mills and expanding its activities in high-growth markets, such as in the NAFTA region.

In the stainless tubes segment, Salzgitter Mannesmann Stainless Tubes Group (MST Group) has strengthened its market position by expanding its product range.

The global network of the **Trading Business Unit** forms the link between our production companies and the sales and procurement markets. Accordingly, alongside a well-developed organization of stockholding steel trading subsidiaries, the Trading Business Unit also comprises companies specialized in plate and a globalized international trading network. It provides access to growth markets such as the USA, the BRIC countries and Eastern Europe. Apart from the rolled steel, pipes and tubes products of the Salzgitter Group, the unit sells the products of other manufacturers in Germany and abroad. Changed customer requirements have resulted in the product and service offerings evolving, which has been accounted for by investments in the European stockholding steel trade. Expanding our processing capacities also strengthens our market position here, while enhancing value added. With comprehensive coverage ensured by 14 warehouse locations in total, and with our focus on long and strip steel products, we serve a growing Eastern European market despite difficult conditions. New possibilities of digital customer networks in selling are at the heart of the "Trading 4.0" project. With the aim of enhancing customer benefit we are intensifying B2B activities with large retailers and consumer customers, as well as direct business with end customers.

The core aspiration of the **Technology Business Unit** centers around maintaining technological leadership with high quality, efficient products. As a leading vendor of filling and packaging machinery for the beverages industry, the KHS Group maintains production sites in all the main markets as well as a global service and sales network, thereby ensuring its customer proximity. Improving resource efficiency constitutes a focal point of development activities. The "Fit4Future 2.0" corporate development program is to be continued with the aim of improving profit and performance. Turnkey, resource-conserving system solutions for the production of rubber and silicon molded parts with the aid of an injection molding machine designed by Klöckner DESMA Elastomertechnik GmbH (KDE) meet the highest standards of the elastomer processing industry. This special market position is to be further strengthened through sustainable qualitative and quantitative growth, as well as through actively selling innovative products. Klöckner DESMA Schuhmaschinen GmbH (KDS) is the leading producer of machines and molding equipment for the direct soling of shoes and sole production processes. Backed by a long tradition, the company concentrates on innovative automation concepts that open up more direct ways of manufacturing individual shoes, accompanied by excellent service.

Innovations – tapping new opportunities through targeted research and development

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

Corporate mission – motivation and qualification

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

Management and control instruments

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

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

Apart from ROCE, the Salzgitter Group uses sales and earnings before taxes as key financial indicators. Sales is herein defined as consolidated sales, which is the part of total sales emanating from transactions with companies outside of the group of consolidated companies of Salzgitter AG (SZAG). Other parameters of control include order intake, shipment volumes and the development of the cash flow.

Management and control system applied within the company – ROCE

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

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

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

In € m	2015	2014
EBT	12.6	–15.2
+ Interest expenses	113.2	146.3
– Interest expenses for pension provisions	–47.7	–67.1
= EBIT I	**78.0**	**63.9**

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	2015	2014
Total assets	8,284	8,493
– Pension provisions	–2,327	–2,442
– Other provisions excluding provision for income taxes	–620	–635
– Liabilities excluding bonds, bank liabilities and notes payable, liabilities from finance leasing and forfaiting, derivatives	–1,361	–1,594
– Deferred tax claims	–300	–296
= Capital employed	**3,676**	**3,526**

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 (including discontinued operations) 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 2006 up to and including 2015, we did not achiefe the profitability target owing to the currently low earnings performance averaging 9.3%. In 2015 we generated a ROCE of 2.1% (previous year: 1.8%). Upon elimination of the net cash investments held at banks, ROCE from industrial operations stood at 1.6% (previous year: 1.3%).

Profit Improvement Program (PIP)

We view improving our Group's competitiveness sustainably through continuously optimizing our value-added processes as one of our permanent management tasks. Here, we place special emphasis on the systematic and consistent leverage of the existing potential in all our business units. To this end, we introduced the concept of our Profit Improvement Program (PIP) as a groupwide, uniform management instrument into the Salzgitter Group back in 1996.

PIP comprises measures defined specifically to improve the companies' profit and based on the prerequisite that the effects are measurable and can be evaluated using 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. Measures from the "Salzgitter AG 2015" program that also reflect these assessment criteria are integrated into PIP. They represent a sustainable profit improvement potential of more than € 200 million. These measures – more information can also be found under the section on "Strategy" – are geared first and foremost to reducing costs and improving productivity from re-engineered, leaner processes, as well as combining competences in maintenance and logistics. Projects relating to the individual companies include the "Fit4Future 2.0" (KHS Group), the "1 Million Ton Model" (PTG), the major investment involving the pulverized coal injection (PCI) plant, as well as the Lean Management Program running at Salzgitter Mannesmann Precision Group (SMP Group) and Salzgitter Mannesmann Line Pipe GmbH (MLP), to name a few. Lowering the costs of IT and the other areas of administration is being targeted throughout the Group. The degree to which goals are achieved under the "Salzgitter AG 2015" program is measured month by month. In addition, we have set up Personnel Controlling to monitor personnel-related measures.

Employees play an active part in PIP

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

Project success stories

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

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

Agreeing individual objectives for executives and non-tariff employees

Agreeing individual objectives combines the corporate goals and the individual employee’s personal endeavors. Salzgitter AG (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%. In addition, goals are defined for each Group company and, depending on the integration and role within the business units, targets derived for the business unit or affiliated companies.. The individual goals are derived from the goals of the next organization unit up in the hierarchy and agreed between superiors and employees. In this process we are concerned to ensure that the interaction between the various targets of all our employees has a positive impact on achieving the overall results of the Group.

2. Investments

As in previous years, the investments measures of the Salzgitter Group focused on the Strip Steel Business Unit in the financial year 2015. The most important projects are explained in the detailed sections which follow on the individual business units.

Additions to non-current assets from investments totaled € 419 million (2014: € 278 million). Capitalized investments from these additions in property, plant and equipment and in intangible assets (€ 411 million) were largely covered by scheduled depreciation and amortization (€ 340 million). Financial assets rose by € 8 million, which was mainly attributable to an increase in the securities portfolio for deferred compensation.

Along with the Strip Steel Business Unit (€ 239 million), major investments in property, plant and equipment and intangible assets were made this financial year in the Energy (€ 74 million) and Plate / Section Steel (€ 39 million) business units.

Depreciation/amortization[1]

	Investments[1]		Depreciation/amortization[2][3]	
In € m	Group	Strip Steel BU and Plate / Section Steel BU[4]	Group	Strip Steel BU and Plate / Section Steel BU[4]
2015	**411**	**278**	**340**	**221**
2014	270	155	382	261
2013	359	193	530	423
2012	325	187	358	248
2011	361	233	359	249
Total	**1,726**	**1,046**	**1,969**	**1,401**

[1] Property, plant and equipment and intangible assets, excluding financial assets
[2] 2013 restated
[3] Scheduled and unscheduled write-downs
[4] 2011–2012 Steel Division

No unscheduled write-downs were included in depreciation/amortization (previous year: € 43 million).

Investments and depreciations/amortization by business unit[1]

	Investments		Depreciation/amortization[2]	
In € m	2015	2014	2015	2014
Strip Steel	239.2	117.4	171.5	168.1
Plate / Section Steel	38.8	37.4	49.0	92.6
Energy	73.9	48.4	59.4	60.0
Trading	14.6	9.4	9.9	9.2
Technology	17.2	20.5	22.9	24.6
Industrial Participations / Consolidation	27.8	37.0	27.6	27.5
Group	**411.4**	**270.2**	**340.3**	**381.9**

[2] Scheduled and unscheduled write-downs

In 2015, the **Strip Steel Business Unit** invested in optimizing and extending its existing facilities as well as in new aggregates. To this end, the following projects in particular were realized or initiated:

In order to reduce metallurgy costs, Salzgitter Flachstahl GmbH (SZFG) commenced with the construction of a **pulverized coal injection plant** in 2013. This facility enables the substitution of oil and coke sourced externally by pulverized coal. Following its successful commissioning in line with planning, the plant is now fully operational. Due to the strong impact of dispensing with sourcing coke externally, operating the pulverized coal injection plant generates a positive cash flow, even against the backdrop of sharp oil price declines.

So as to maintain its competitive edge, SZFG is investing € 80 million in the construction of a **Ruhrstahl-Heraeus plant** for the vacuum treatment of crude steel. The production of decarburized and desulphurized steels and grades of the highest purity is intended to satisfy constantly rising customer-specific demands placed on metallurgic composition and ease the capacity bottleneck in secondary metallurgy. The project is currently at the engineering stage. Commissioning is scheduled for 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. The relining proceeded according to plan. Blast Furnace B was restarted on November 12, which was earlier than scheduled.

The **"Converter C Renewal"** investment measure involves enlarging the vessel by around 50 m^3 and improving the drive concept. This is also a replacement investment. Moreover, the production volume is to be optimized and operating costs reduced. This project was also completed on time, and the facilities have been successfully commissioned.

During the blowing process on the **converters** hot steel gas is generated and captured in a 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_2 emissions. All three converter boilers are to be switched to this new technology by the start of 2017.

In the **Plate / Section Steel Business Unit** the "ILG 2015" package of measures was completed at **Ilsenburger Grobblech GmbH** (ILG), entailing the upgrading of all auxiliary items. Thanks to this major investment, the input volume of thick slabs (350 mm) has doubled and the plate weight was raised from 21 to 28 tons, inceasing. Another key focus area involved optimizing operational process workflows and enhancing the product quality.

Peiner Träger GmbH (PTG) continued to keep its capital expenditure measures to a necessary minimum in 2015.

Salzgitter Mannesmann Line Pipe GmbH (MLP) that belongs to the **Energy Business Unit** continued to implement its program of upgrading the Siegen mill through investing in a new welding table and in a new sizing stand for the production of pipes with greater wall thicknesses and higher grades.

The installation of the new heat treatment system at the Saint Florentin site of the **Salzgitter Mannesmann Precision Group** (SMP Group) has commenced. The facilities are due to become operational in the spring of 2016 and will mainly serve the tempering of tubes for the next generation of hybrid airbags.

The **Salzgitter Mannesmann Stainless Tubes Group** (MST Group) made good headway with major maintenance work and with extending the extrusion press at the Montbard mill in France in the summer of 2015, thereby laying the foundations for extending the product portfolio to include seamless stainless steel tubes in larger dimensions.

In 2015, the **Trading Business Unit** focused its investment activities on maintaining and modernizing existing facilities. The projects 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, have been largely completed. Furthermore, the business unit invested in digitalizing SMSD's sales processes by running the "e-WORLD" project designed to enhance the efficiency of sales and leverage the potential of small customers to the full. "e-CONNECT" links customer systems to SMSD systems based on defined standards, thereby ensuring the faster, more cost-effective and efficient exchange of information and data. In addition, SMSD has set itself the goal of digitally tapping new customer groups not yet served by SMSD or unaware of the Salzgitter Group as a supplier to date.

In 2015, the **Technology Business Unit** continued to focus on replacement and streamlining measures geared to promoting its sustainable competitiveness. As a result, several items of production machinery were replaced in Brazil and Mexico, further boosting the plants' productivity and quality. IT projects in Germany and in the international companies were carried out at the KHS Group to further optimize workflows. Based on highly standardized products and processes, the extensive "Product Configurator" project launched in 2012 enables an even more effective tendering of quotations and processing of orders. Technical realization of the project was completed in 2015. The implementation was carried out in close coordination with the Customer Relationship Management (CRM) system, the pilot phase of which was launched in the third quarter. Similarly in 2015, the templates for the Finance/Controlling SAP modules were standardized and simplified throughout the entire Group. As scheduled, autumn saw the go-live in the German companies, while the international rollout is set to commence in 2016. Emulating the successful approach to lean manufacturing adopted at the Kleve and Worms plants, as well as in parts of the Bad Kreuznach and Dortmund plants, the comprehensive upgrading of the Bad Kreuznach location spanning a number of years has begun. Due to the sustained growth of the PET business, a further assembly hall will be added to the Hamburg and Kleve sites respectively. The two measures are currently being implemented.

3. Research and Development

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

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

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

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

The ability to innovate is our strength, as evidenced at year-end 2015 by the 5,587 patents and 1,537 trademark rights registered for the entire Group (2014: 5,182 and 1,458 respectively). The Technology Business Unit accounts for 4,854 active patents and patent registrations and 635 trademark rights (2014: 4,453 and 575 respectively).

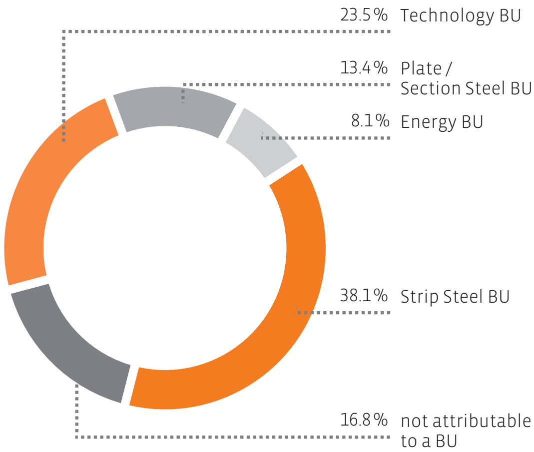
R&D expenditure

The Salzgitter Group spent € 100.6 million on research and development and related activities, € 15.3 million of which for external customers. A breakdown of expenditure by business unit is shown in the adjacent chart.

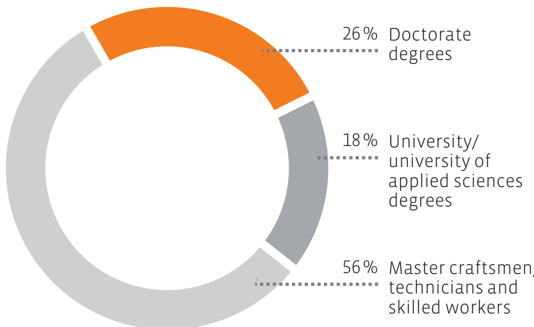
The R&D activities of Salzgitter AG (SZAG) were leveraged through cooperation projects with other market participants and research institutions, bringing the overall project budget to more than € 150 million. R&D-related expenses contributing to value added within the Group came to 4.8 % (2014: 5.2 %).

As of December 31, 2015, 767 employees in our Group were engaged in research and development activities. Of this number, 285 members of staff work at SZMF and 482 at the operating companies. This allocation underscores how strongly our R&D activities are focused on processes – and therefore on our customers.

Research and development expenses



Breakdown of qualifications at SZFM



Multi-year overview of research and development

		2015[1]	2014[1]	2013[2]	2012	2011	2010	2009	2008	2007[3]	2006[3]
R&D expenses[4]	€ m	85	87	88	82	79	78	81	80	60	58
R&D employees	empl.	767	784	828	879	910	972	916	983	725	688
R&D ratio[5]	%	1.0	1.0	0.9	0.8	0.8	0.9	1.2	0.6	0.6	0.7
R&D intersity[6]	%	4.8	5.2	7.4	5.1	4.4	4.9	9.0	3.0	2.2	2.0

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

R&D focus areas in 2015

R&D focus areas are based on market and customer requirements. Demand is not only for products but also increasingly for end-to-end technological solutions. The Salzgitter Group concentrates its automotive activities under the “Initiative Automotive” and presents them on a dedicated homepage (www.initiative-automotive.de/en.) and at the jointly held “Salzgitter Tech Days” at selective automotive customers. Current developments from the strip steel and tubes segments were showcased again at this event in 2015. Examples include the new xpand® dual phase highest strength steels with very good hole expansion capabilities, as well as StronSal®, a resource-efficient zinc-magnesium coating for automotive applications. In the Energy Business Unit a more exact examination was conducted on the load from plastic deformation of pipes transporting media containing acid gas (hydrogen sulphide), such as oil and gas, in order to enable customers to achieve optimum design in line with their requirements. In addition, SZMF successfully developed ultrasonic testing for solid steel products and implemented the solution on site for its external customers. The Technology Business Unit supports the competitiveness of our customers with its products, solutions and services by enabling them to raise their productivity, conserve resources and lower CO_2 emissions, thereby achieving considerable cost advantages

More detailed information on the aforementioned projects:

Development of dual-phase steel with maximum strength
Salzgitter Flachstahl GmbH (SZFG) and SZMF have developed a maximum-strength, cold-rolled and hot-dipped dual-phase steel in a joint collaboration. Target customers from steel service centers and the automotive supplier industry can be supplied with a thickness of 1.00 mm to 2.00 mm, and strip widths of between 900 mm and 1,350 mm. The new steel not only fulfills the basic properties specified in the Euronorm, but also the stricter requirements of automobile manufacturers. Each innovative product confers unique selling propositions on SZFG in the European steel market as regards superior processing resulting from particularly good hole expansion capability, which is becoming increasingly important for many customers. Hole expansion is defined as the susceptibility of material to crack at the edges during formability; these steels now bear the “xpand®” suffix.

Resource-efficient StronSal® coating for the automotive industry
StronSal®, a zinc-magnesium coating successfully launched by SZFG in 2010, makes a significant contribution as a coil-coated material to conserving resources, particularly in the construction sector. Thanks to significantly improved anti-corrosive capabilities, the thickness of the zinc layer has been reduced by half, in connection with identical corrosion protection. StronSal® – initially employed for parts of the vehicle structure – has been integrated into series production in the automotive industry since 2014. Thanks to its reduced layer thickness, StronSal® contributes to lightweight automotive construction and improves resource efficiency. In addition, customers benefit from significantly reduced zinc abrasion from multiple reshaping compared with conventional zinc coatings, which allows superior surface quality, thereby reducing the amount of cleaning work on forming tools. StronSal® is going to be available in outer skin quality, and the approval process for this application in the automotive industry is currently under way.

Large-diameter pipes for sour gas applications remain intact after plastic deformation

In the transport of media containing hydrogen sulfide such as oil and gas, large-diameter pipes have to meet special demands in terms of sour gas requirements. Plastic deformation can occur when laying pipes or as a result of external influences during the operation phase. The influence of this deformation on the sour gas resistance has remained generally unclear up until now. SZMF has developed an innovative 4-point bending test that enables up to 2% plastic deformation of the test samples in addition to the tension normally applied to the elastic section of the pipe material. A particular challenge here centered on adapting the necessary testing equipment. The findings from relevant testing on large-diameter pipes by EUROPIPE GmbH (EP) enable the points of failure for the transport of media containing sour gas in connection with additional plastic deformation to be assessed more precisely, thereby facilitating optimal design for customers.

Newly developed ultrasound testing technology for solid steel products

After one-and-a-half years of construction and development time, SZMF has completed an ultrasound system for automatically testing CASTOR casks bodies on time, and received approval. Realizing the system required the breaking of new ground on multiple occasions, including measures to control and analyze around 900 test tunnels distributed among an array of test buttons. The software architecture of the testing system used for this purpose was entirely redesigned. A robust testing mechanism was also constructed for maneuvering the almost 120 ton test subjects. The testing period per cask has now been dramatically reduced from two weeks to around six hours. This challenging project resulted in valuable technological insights that SZAG can also use for testing slabs and billets, for instance.

New packaging system avoids packaging waste

Consumers in Europe are increasingly demanding products that are not only available in multipack form, but also as individual products. With the new Innopack Kisters DP (display packer) machine series, the KHS Group offers the beverage, food and non-food industries a sustainable packaging system that caters to this trend. On customer request, the new development can be extended into a block unit, space-saving overall system. There is no need for secondary packaging material during the can, glass and PET bottle packaging process. Individual products, as well as pre-packed small and large volumes are placed on cardboard packaging and then stacked on pallets ready for dispatch. The KHS Group has adopted this approach to meet growing demands from the retail trade to sell directly from pallets in a simple and cost effective manner, particularly with regard to beverage and food products. For consumers, the ability to pick out individual products simply and effortlessly is just as much a plus point as the elimination of packaging material.

Unique market launch thanks to revolutionary direct printing

The Belgian brewery Martens Brouwerij embellished the launch of its new Dagschotel beer with some fun marketing by using high-quality digitally printed PET bottles which come to life with the aid of a specially developed app for smartphones. When two bottles come together, the innovative and creative app starts a dialog between both characters, with the bottles even conversing with each other, so to speak. KHS GmbH (KHS) and its subsidiary NMP Systems GmbH (NMP) were key innovation partners for Martens. The KHS Plasmax FreshSafe-PET® barrier coating, for instance, ensures a better shelf life. Notably, the project featured the first industrial implementation of a digital printing process with Direct Print Powered by KHS™. Low-migration, UV-curable inks guarantee a PET bottle solution that keeps the contents fit for consumption. This system dispenses entirely with the conventional use of plastic or paper labels.

Future key areas of R&D within the Group

SZMF analyses the relevant megatrends in the areas of mobility, energy and raw materials that have a direct impact on steel application with the aim of ensuring that our materials are able to offer innovative and particularly sustainable solutions.

The strip steel business focuses, for instance, on new applications for HSD® steels, as well as new materials that can be manufactured by belt casting technology. In terms of conventional grades, the development of highest strength hot strip grades and cold-rolled multi-phase, as well as press-hardened steels featuring improved product properties form the automotive industry's main focus of interest. The zinc-magnesium coating StronSal® is currently undergoing the process of qualifying as outer skin application.

The line pipe segment concentrates its activities on optimizing pipe properties and improving line pipe security in line with customer requirements. The "Intelligent Pipe" project therefore includes permanently monitoring the operating status of individual pipes with the aid of intelligent sensor systems. In addition, activities center around new services such as testing procedures and laying techniques in order to enhance customer benefit. A further field of development involves expanding and establishing applications for conventional as well as renewable power plants. To this end, the development and sale of modular concepts for building the foundation structures of wind turbines using Salzgitter products, together with cooperation partner Bilfinger Mars Offshore, are being pursued.

A new SZAG development project, carried out in cooperation with TU Braunschweig, concerns water wheel technology in renewable energy applications. The first water power plant for research purposes is currently being realized in Bannetze-Hornbostel on the banks of the Aller.

SZMF is pushing ahead with advance development projects driving innovative R&D undertakings entailing a longer time horizon. We draw on our extensive R&D network to build up our know-how and conduct targeted research as part of joint, partly funded projects with application-oriented and innovative content.

Our product developments in the Technology Business Unit explicitly combine customer benefits and sustainability thanks to minimum resource consumption matched by maximum efficiency. In this way we are strengthening our competitive capabilities. The modular structure of plants and machinery will remain a focal point in our endeavors to achieve the greatest possible flexibility based on standardized building block concepts.

4. Environmental Protection

The role of the steel industry in European emission rights trading

From a climate policy standpoint, the year 2015 was dominated by discussions based on the EU Council decisions of October 23, 2014 concerning the proposal of the EU Commission on how to regulate European emission rights trading from 2021 onward. This proposal would entail a drastic curtailment of the free allocation of emission allotments necessary for preserving the international competitiveness of the steel producing and processing industry. In the absence of notable recalibration during the legislative process at EU Council and EU Parliament level, the situation could assume proportions that would pose a threat to the existence of European steel production.

With this in mind, the Salzgitter Group has joined forces with other steel companies and energy-intensive industries to underscore the necessity of adjusting the imminent amendment of the Emissions Trading Directive by putting forward constructive suggestions at all political levels. In this context, we continuously emphasize that our steel production process has already come up against physico-chemical limits and that new – currently neither known, nor even tested – technologies potentially capable of substantially reducing emissions when scaled up for industrial use will in no event be available before 2030. For this reason, Europe’s steel industry calls for free benchmark-based allocation in particular that must be geared in its entirety and at all times to what is technically achievable on an industrial scale. Rules and regulations need to be determined in a way that prevents the best plants of Europe's energy-intensive industries from having to foot any additional costs.

Our main criticism is aimed at a further general whittling away of the benchmark envisaged by the EU Commission, and we call for a waiver of a fresh correction factor that would diminish allocations. In addition, the ecologically expedient use of process (cogeneration) gases generated during steel production processes must finally be taken into account when setting the benchmark in an appropriate manner and in accordance with the law. If the emissions trading system provides for minimum obligations for industries such as steel that are not offset by any corresponding technical mitigation options, this would ultimately result in no less than an additional taxation on production. In our view, Europe’s contribution to climate protection hinges on being able to preserve the fundaments of industrial value creation that underpin prosperity without any detriment. Otherwise we will be faced with the threat of relocating production capacities in the primary industry, which would not be conducive to fostering the economy or the environment.

Systematic energy management at Salzgitter AG

The amended German law on energy service providers and other energy efficiency measures (EDL-G) entered into force in April 2015. For many companies this means carrying out an energy audit that encompasses existing energy consumption and outlines measures for potential improvement by the end of 2015. Companies may be exempted if they can produce a certified energy management system installed in accordance with ISO 50001 or are in the process of introducing such a system. Salzgitter AG (SZAG) has systematically initiated and managed the process necessary for fulfilling this requirement in a target-oriented way. During these activities, the following was re-ascertained: today, more than 95% of the Group’s entire energy consumption in Germany has already been integrated into a high-quality ISO 50001 system. It forms the basis of our groupwide forum for energy management used by the Group companies' energy officers to promote structured, regular discussions about energy optimization and measures. Based on a knowledge platform derived from these measures, the Group companies provide each other with information on more than 750 energy efficiency measures in order to promote mutual learning drawing on the experience gained.

Salzgitter Flachstahl GmbH well positioned in terms of environmental protection

The implementation of the amended EU industry emission directive on the integrated avoidance and mitigation of environmental pollution has resulted in environmental inspections being introduced under German law. At Salzgitter Flachstahl GmbH (SZFG), all larger facilities (for instance, coking and sinter plants, integrated steelworks and hot white strip rolling mill) fall under this regulation. The one-day inspections take place once a year and are carried out by the State Inspectorate office of Braunschweig and the Lower Saxony Water Management, Coastal Defense and Nature Conservation Agency. All environmental inspections conducted in accordance with this stringent standard in 2014 and 2015 were passed, which is further proof of the high environmental standards fulfilled by our steel production in Salzgitter.

Another energy efficiency best practice label

SZFG was awarded the Energy Efficiency Best Practice Label in 2015. Having won the 2013 Energy Efficiency Award and the Energy Efficiency Best Practice Label for energy efficient crude steel production in 2014, this is now the third award conferred by the German Energy Agency (dena) in recognition of SZFG's energy management. The label specifically acknowledges the optimized extraction of converter gas in the steelworks achieved by the renewal of the Converter A vessels and an optimized control concept, coupled with more intensive internal monitoring. The measures enable approximately 15 GWh of additional energy to be recovered, sufficient to heat 7,500 households.

Raising energy efficiency: a permanent process

Energy efficiency requires the consistent recording and implementation of economic measures, and begins with coming up with the ideas in the first place. Examples worth mentioning at this point include technical improvements at Salzgitter Mannesmann Line Pipe GmbH (MLP) in 2015: An already existing system to recycle compressor waste heat is now being harnessed to heat part of the building accommodating offices in Siegen. Further efficiency gains have been achieved by exchanging gas-fueled ceiling-mounted radiant heating for more efficient radiant heating systems, as well as by upgrading the heating controls. In addition, optimizing the hydrotester equipment in the Siegen mill through frequency-controlled drives has cut the electricity consumption formerly necessary for filling the storage tank by 50%. Another very positive effect on the energy consumed by the building was achieved through replacing the lighting in parts of the production areas in the Siegen and Hamm sites: By installing highly efficient fluorescent tubes or LED lighting respectively, and by upgrading the twilight switches outside the building, electricity consumption has been reduced, while improving workplace illumination on a permanent basis.

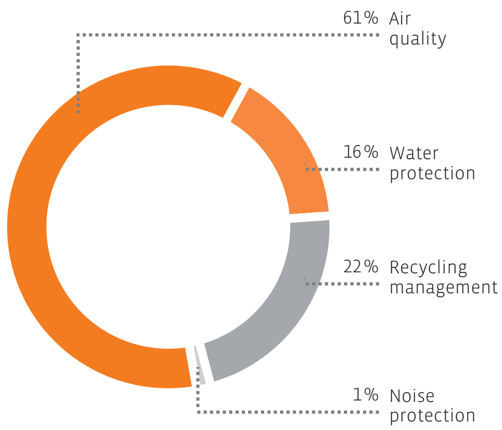
KHS's products and advisory services: greater energy efficiency for our customers

KHS has been consistently adding to its product range with the aim of further improving the energy efficiency of the products used by its customers. For instance, switching the controls on the packaging and palletizing machinery to "SIMOTION with Active Line Module" can now deliver energy savings of 35%. The conversion of the stretched-blow machinery of the Blomax III series can additionally achieve a reduction of compressed air consumption, similarly by 35%, since the compressed air is not released into the environment as it used to be, but is now recycled via a special ring circuit system and reused. This kind of important product innovation saves energy and protects the environment, while rendering the product more cost efficient during its useful life. In order to improve this systematic approach, KHS is therefore offering plant and machinery audits as well as optimization with the aim of conserving additional resources for the customer. More information can be found in KHS GmbH's sustainability report, published in August 2015 for the first time.

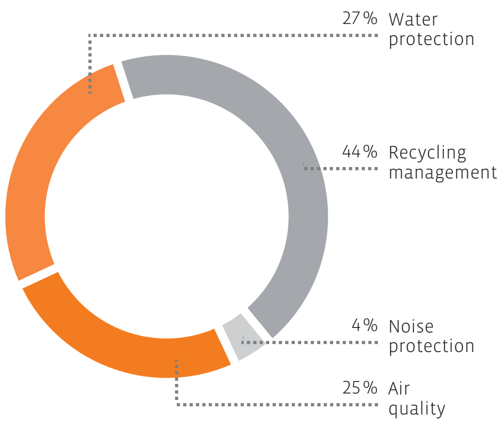
Environmental protection spend

The total spend of the Strip Steel Business Unit on environmental protection amounted to around € 141 million in the financial year 2015; the Plate / Section Steel Business Unit spent around € 26 million. The Energy Business Unit's companies (excluding Hüttenwerke Krupp Mannesmann GmbH [HKM]) based in Germany spent approximately € 7 million on environmental protection. The charts show the allocation of funds committed:

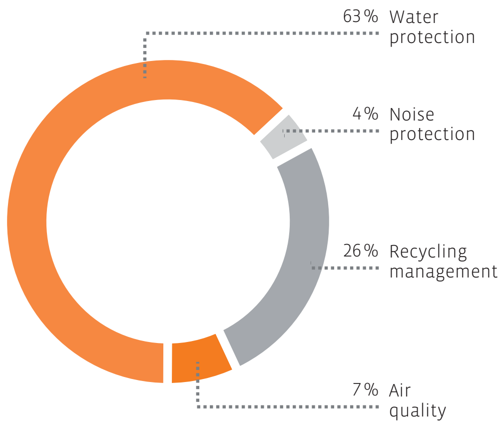
Environmental protection spend
Strip Steel Business Unit



Environmental protection spend
Plate / Section Steel Business Unit



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



Detlev Fleer
Overall winner of the
Idea Competition

Velibor Joksimovic
Winner of round 1 of the
Idea Competition

As part of the new **YOU**NITED corporate mission – and innovation as the value associated with it – the major "My Idea" initiative was launched at the end of 2014. With almost 4,000 submissions in six months, the response was not only impressive, but also the quality of the ideas. What is more, realizing the two best suggestions incurred virtually no expenses, while achieving plenty of cost savings: optimizing processes in loading sectional steel at the Peine location, for instance, has significantly raised efficiency in all areas. The second idea reduced the default rate of hollows extrusion at Salzgitter Mannesmann Stainless Tubes GmbH to virtually zero – simply by changing the shape of the so called lubrication plate.
The idea competition, however, documents one aspect above all else: the strong creativity and commitment of our employees.

III. Performance Report

1. Global Business Conditions

Economic environment[1]

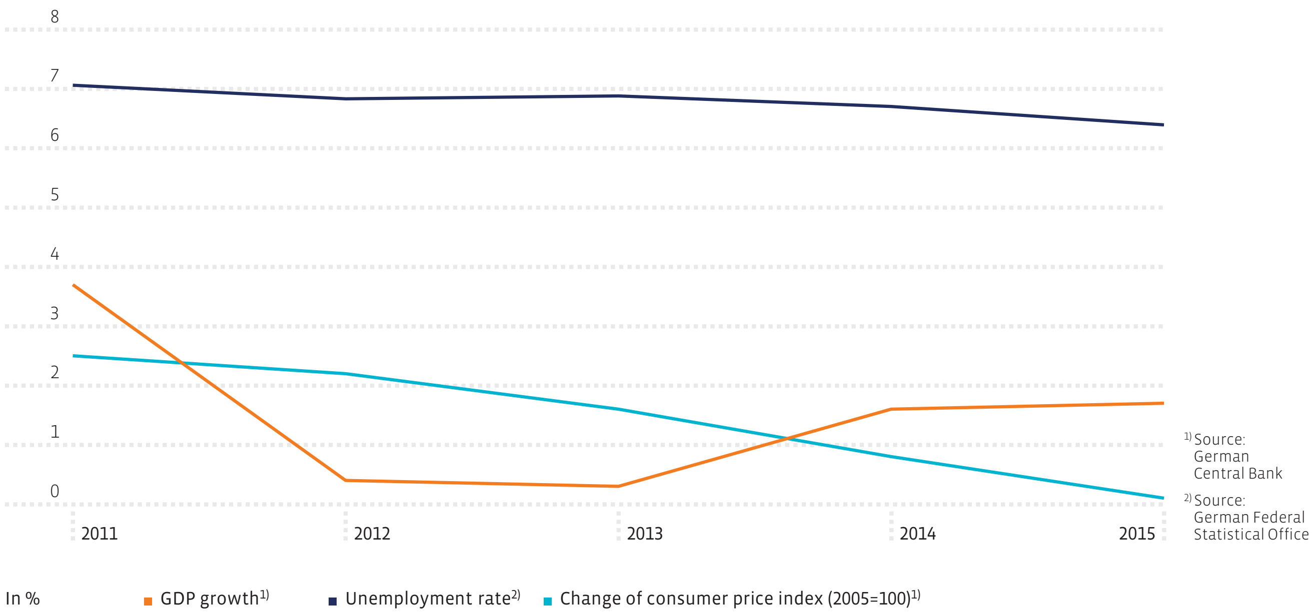
Growth momentum of the **global economy** weakened in 2015, which was largely attributable to the economic slowdown of the emerging and developing countries for five successive years. The very moderate expansion in the industrial nations was unable to fully compensate for this trend. Following a subdued start to the year due to the weather conditions, the US economy recovered notably until the upswing faltered somewhat during the second half of the year, also owing to the key interest rate hike. By contrast, the Japanese economy remained restrained. China's rate of expansion declined over the course of the year. Increasingly weaker raw material prices burdened many South American countries, as well as Russia that also suffered from the sanctions imposed due to the Ukraine crisis. Overall, the International Monetary Fund (IMF) estimated global economic growth at 3.1% in 2015 (2014: 3.4%).

The **Eurozone** continued to recover moderately over the period under review, although the growth rate slowed marginally during the year. This development reflects the increasing uncertainty about the growth prospects of China as an important trading partner. Ongoing structural problems exerted additional pressure on the economies of a number of larger euro countries, particularly Italy and France. Conversely, support for the economy emanated from the devaluation of the euro against the US dollar, along with falling oil prices. In its most recent survey, the IMF put economic growth in the Eurozone at 1.5% in 2015 (2014: 0.9%).

Germany's economy reported a moderate upswing in 2015, fueled mainly by the domestic economy and above all by private consumption. Along with an increase in real income due to the downturn in energy prices, additional impetus was provided by various government expenditures. Investment activity, however, proved to be reticent. Given the lower level of order intake, principally from countries outside Europe, capital expenditure entered a downtrend as from the summer onward, following a good start to the year. Export activities also lost further momentum over the course of 2015, as trading in particular with the emerging markets was often hampered by the economic slowdown in these countries induced by the raw materials price trend. According to the IMF the German economy grew by an overall 1.5% in 2015 (2014: 1.6%).

[1] Information was obtained mainly on the basis of the following sources: International Monetary Fund (January 2016): World Economic Outlook Update, German Steel Federation: Steel Forecast 2016; ifo economic forecast 2015–2017; German Federal Statistical Office, January 2016

Overall economic indicators – Germany



2. Industry-specific Framework Conditions

Procurement

Ore prices take a nosedive

Another decline in ore prices to an extent that came as a surprise to almost all market participants determined the global iron ore market in 2015. While, in 2014, fine ore still averaged a price of 97 USD/dmt, 2015 saw it drop to 56 USD/dmt (–42.6%). In December, prices tumbled to just under 39 USD/dmt, thereby ultimately marking their lowest level since the index was introduced in July 2008. It remains to be seen whether prices will firm up to a stable level despite the significant slowdown in the Chinese steel industry that sources around 70% of seaward traded ore and growth on the supply side owing to the large iron ore producers in Australia and Brazil ramping up capacity. The smaller ore producers have generally also been able to lower their production costs notably; along with substantially lower energy costs and favorable conditions on the capital market, the advantageous exchange rate trend against the US dollar has had a positive effect. Accordingly, a rapid market shakedown cannot be expected given the low price level of the fourth quarter at almost 47 USD/dmt.

Steep decline in the coking coal market

In contrast to the index-determined ore market pricing, the quarterly prices for coking coal with benchmark quality continue to be negotiated between large producers and customers. The market situation in 2015 was characterized by a huge excess supply of coking coal that sent prices tumbling, particularly in the second half of 2015. Whereas the benchmark agreements of the first and second quarter – of 117 USD/t and 110 USD/t FOB Australia respectively – were still priced above the 100 USD threshold, the benchmark price of 93 USD/t for the third quarter fell sharply again to 89 USD/t in the fourth quarter, thereby reaching its lowest level since 2005. Even cutbacks in production and temporary mine closures did not halt this downtrend.

Sea freights at a low level

Huge surplus capacity, low cargo volumes and extremely volatile market events determined the freight market over the course of 2015. The shipping market responded with excessive jitteriness to both positive and negative news, which was reflected in sharp blips in freight rate developments. The shipment volumes of bulk goods, such as iron ore and thermal coal, fell well short of shipping companies' expectations. Accordingly, new tonnage that continued to flood the market created considerable excess cargo space, pushing the rates on most routes to a very low level. Even a larger volume of ship scrapping was unable to counteract the general trend. Whereas the Tubarão–Rotterdam benchmark rate still stood at 9.30 USD/t in 2014, it averaged only 5.70 USD/t in 2015 (–41%).

Tumbling prices for metals and ferro-alloys

The situation on the international metal and alloy markets varied very widely: The prices for manganese-based bulk alloys remained stable in the first nine months of 2015 and then slipped considerably in the fourth quarter. Exchange-traded materials such as zinc, nickel, copper and aluminum displayed high volatility in the first five months and, as from mid-May, shed a great deal of their value. The average prices of the fourth quarter of 2015 also settled below those of the first three quarters.

Prices quoted for liquid reduction agents significantly weaker.

The global oil market entered a steep downtrend. Whereas, in 2014, the average price of benchmark Brent still posted 100 USD/barrel, it fell to 54 USD/barrel in 2015 (–46%). The prices of liquid reduction agents saw a similar decline. The reference price for heavy heating oil dropped to 257 USD/t FOB Rotterdam, corresponding to a downturn of 54% in comparison with the previous year (558 USD/t).

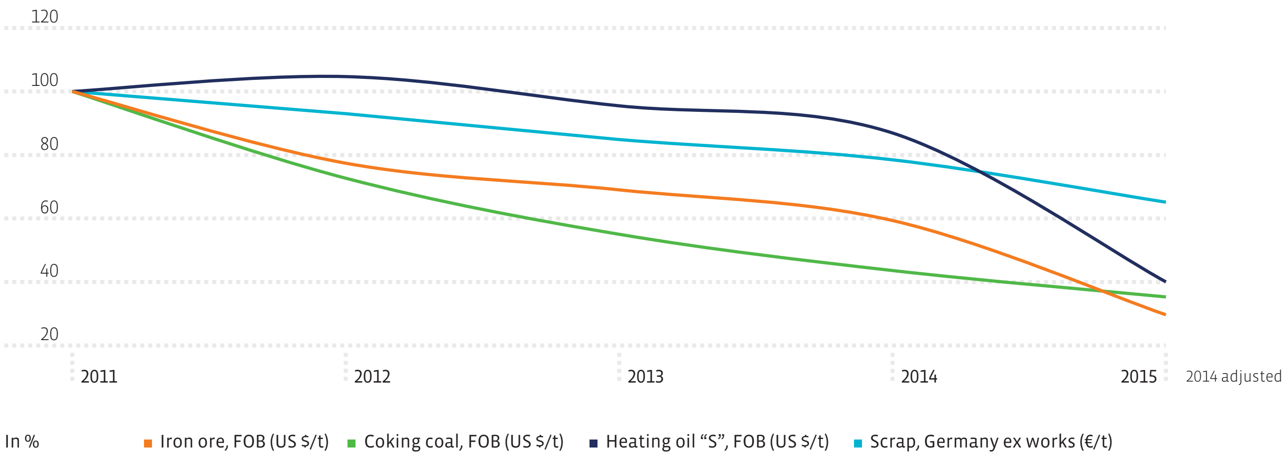
Lower price of electricity sourced externally

The Salzgitter Group requires around 2.6 terawatt hours (TWh) of electricity a year. By their nature, the largest electricity consumers are the two large steel producing mills of Salzgitter Flachstahl (SZFG) and Peiner Träger (PTG) that use around 2.3 TWh overall. SZFG covers virtually all its electricity requirements through its own power plant. By contrast, PTG sources electricity externally on the futures and spot markets. In 2014, the company saw a notable decline in the average price of electricity procured (energy price plus the statutory charges and grid fees). The development of the individual components making up the electricity price varied: While the costs of using the grid, the charge levied on renewable energies and the electricity price edged up, the pure price of energy declined significantly.

Marginal downturn in the price of natural gas

The Group requires around 3.4 TWh of natural gas a year. In this case as well, SZFG and PTG are the largest consumers with around 2.2 TWh in total. The procurement price is oriented toward the short-term natural gas market price and has dropped slightly compared with 2014.

Price development of selected raw materials and energy sources



Balance in the markets for operating supplies

In 2015, the markets for operating supplies and spare parts remained balanced on the whole, with no large surpluses on the demand or on the supply side. Apart from some niche products with unique selling propositions, prices held at the low level of the year-earlier period.

Halt to falling prices for steel scrap at year-end

In the first nine months, the market development of steel scrap varied widely. At the start of the year, demand for steel scrap from German steel works exceeded supply at times, which was reflected in price increases depending on the grade and region, before falling again in February and March. Following a short-lived downtrend, prices then remained relatively stable through to June. From the summer onward, demand by European consumers that had been satisfactory up until then was unable to support scrap prices any longer, which resulted in a steep price downturn of almost € 50/t in the third quarter. This trend was triggered by the ongoing decline in raw material prices, Chinese steel flooding the markets, accompanied by the falling prices of the steel industry’s products and a stronger dollar. Autumn also brought a reduction in prices of up to € 40/t. The last two months of the year saw a slight recovery, above all for scrap metal used as input material by processing plants. Demand here even exceeded supply on occasion, with consumers forced to adjust the prices upward.

Input material – volatile semi-finished price trend

The decline in slab prices, signs of which were already evident by the second half of 2014, continued in 2015. Over the course of the first quarter the price fell below the level of 2009 again for the first time. Persistently low demand for slab caused prices to decrease further in the second half of 2015. The price therefore mirrored the general trend in the steel market. The outlook for 2016 also does not give rise to expectations for any notable market recovery.

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

The procurement volume of the **Technology Business Unit** remained virtually unchanged in 2015 from the previous year. Emphasis was placed on further improving the availability of material based on a sustainable optimization of the procurement processes and material master data. The individual subsidiaries continued to cooperate well on an international basis, which resulted in significantly improving the management of global key suppliers. As in 2014, the business units continued to focus on consistently expanding product group management and on incorporating procurement at an early stage into development and the project business.

Distribution structures

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

Monthly and quarterly contracts

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

Longer-term contracts

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

Spot market transactions

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

Project deliveries

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

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

3. Overall Statement by Management on the Economic Situation

Salzgitter Group delivers first positive annual result since 2011

Against the backdrop of a persistently challenging environment in the European steel market that deteriorated continuously over the course of the year due to the massive rise in Chinese imports at dumping prices, the Salzgitter Group generated a positive pre-tax result for the first time since 2011. Despite an amount of € –73.8 million on balance in burdens on earnings from non-recurrent effects, the company therefore raised its result by almost € 30 million compared with the year-earlier period and closed – as forecasted – with a pre-tax profit in the lower double-digit million euro range. Above all, the groupwide “Salzgitter AG 2015” restructuring program, more than three quarters of which had been implemented by the end of 2015, contributed to improving the result. The already very sound balance sheet and financial structure was strengthened further by the growth in the equity ratio to 35% and the higher net financial position that rose to € 415 million.

The Salzgitter Group’s external sales (€ 8,618.4 million; 2014: € 9,040.2 million) declined due to the downturn in average selling prices for steel products. Earnings before taxes climbed to € 12.6 million (2014: € –15.2 million). This figure includes a profit contribution of € 21.8 million from the Aurubis investment (2014: € 31.2 million), as well as € –73.8 million on balance in burdens on earnings from the relining of a blast furnace in the Salzgitter steelworks and non-recurrent accounting-related effects. Earnings after tax stood at € –45.5 million (2014: € –31.9 million). This figure includes € 26.5 million in tax expenses due to potential burdens arising from a ruling by the German Federal Fiscal Court (BFH) on securities lending from January of 2016. Earnings per share therefore stood at € –0.89 (2014: € –0.64) and return on capital employed came in at 2.1% (ROCE 2014: 1.8%).

4. Performance and General Business Conditions of the Business Units

Salzgitter AG (SZAG) as the management holding company coordinated the five business units of Strip Steel, Plate / Section Steel, Energy, Trading and Technology. For a summary of the Salzgitter Group's sales and earnings before taxes as the key financial performance indicators at the level of the five business units we make reference to the section on "Profitability, Financial Position and Net Assets". In addition, the business performance of these business units in the financial year 2015 are outlined in the following on the basis of the annual reports of the individual companies drawn up pursuant to the International Financial Reporting Standards (IFRS).

Industrial Participations / Consolidation is not a segment within the meaning of IFRS. The transition of the sum total of segment revenues and results to form the consolidated revenues and earnings before taxes are shown in the "Notes to the Consolidated Annual Financial Statements". Information on related party disclosures is also reported there.

Steel market developments

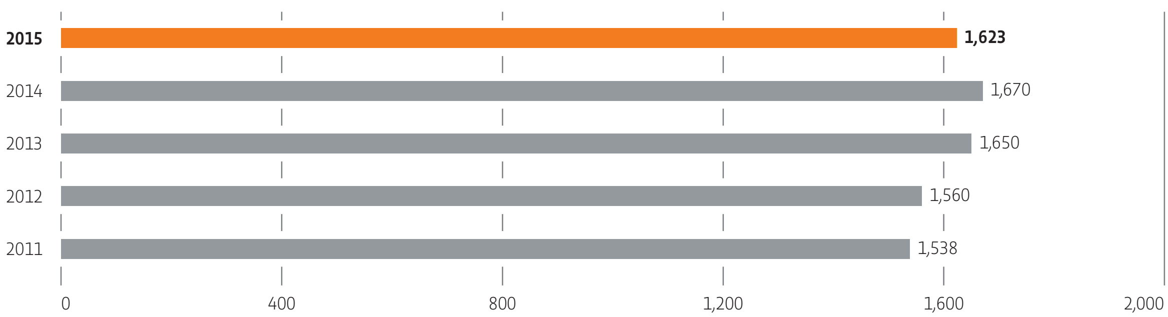
Ongoing crisis on the international steel market

In 2015, **global crude steel production** (–2.8%) dropped for the first time since 2009 across all major steel producing regions, with the exception of India. Capacity utilization during the year contracted steadily to a level of recently around 70%. Above all, the situation of the steel industry deteriorated across the board due to the massive price deterioration on the international markets. The Chinese steel market represented the epicenter of the crisis, where demand and crude steel production declined by more than 5% and by 2.3% respectively. The consolidation of the steel industry announced by the central government did not materialize in 2015 either. Instead, surplus capacity continued to increase and large volumes of steel products were exported abroad at dumping prices. In the United States, the plunge in the oil price, as well as high levels of inventory exerted considerable pressure on steel demand. Russia and Brazil suffered particularly from slowing demand owing to the severe overall economic recession in both countries.

By contrast, market supply in the **European Union** grew by 2.3% in 2015. European producers, however, were scarcely able to participate in this expansion: Crude steel production in Europe settled at 1.8% below the figure posted in 2014, while imports reported a double-digit increase for the third year in a row, with a market share of 23% that was as high as in the 2007 boom year. An even greater impact than the high import volume was exerted on the economic situation of the steel industry by the significant quantities of material delivered to the EU market clearly at dumping prices.

Demand on the **German steel market** remained at a relatively high and stable level; crude steel output that came in at almost 43 million tons remained at the year-earlier level. This development was attributable to the robust constitution of steel processors seen as an industry average that nonetheless presented a very disparate picture depending on the sector: The automotive industry, for instance, proved to be a growth driver once again, while the construction industry achieved another increase. By contrast, the pipe and tube industry that started from an already very low basis reported a notable production downturn. German steel producers were unable, however, to disengage from the massive headwind emanating from the international steel markets and the associated price pressure.

Crude steel production – world



In m tons

Source: World Steel Association 2016/01/22 (previous years adjusted accordingly)

Strip Steel Business Unit

Key data		2015	2014
Order intake	**kt**	**4,578**	**4,627**
Order backlog as of 12/31	**kt**	**878**	**768**
Crude steel production Salzgitter Flachstahl	**kt**	**4,221**	**4,681**
Rolled steel production Salzgitter Flachstahl	**kt**	**3,373**	**3,474**
Shipments	**kt**	**4,465**	**4,644**
Salzgitter Flachstahl	kt	4,241	4,451
Salzgitter Mannesmann Stahlservice	kt	610	568
Salzgitter Bauelemente	kt	43	43
Salzgitter Europlatinen	kt	66	71
Consolidation	kt	–495	–489
Segment sales[1)]	**€ m**	**2,518.3**	**2,781.9**
Salzgitter Flachstahl	€ m	2,324.4	2,596.6
Salzgitter Mannesmann Stahlservice	€ m	357.9	351.6
Salzgitter Bauelemente	€ m	43.8	48.2
Salzgitter Europlatinen	€ m	64.3	71.1
Consolidation	€ m	–272.1	–285.6
Sales to other segments/Group companies	**€ m**	**–595.8**	**–721.8**
External sales[2)]	**€ m**	**1,922.5**	**2,060.1**
Earnings before taxes (EBT)	**€ m**	**–26.0**	**–8.8**
Salzgitter Flachstahl	€ m	–27.8	–11.8
Salzgitter Mannesmann Stahlservice	€ m	–1.6	–2.6
Salzgitter Bauelemente	€ m	–1.2	0.0
Salzgitter Europlatinen	€ m	2.2	3.4
Consolidation	€ m	2.3	2.2
EBIT before depreciation and amortization (EBITDA)[3)]	**€ m**	**200.9**	**238.1**
Earnings before interest and taxes (EBIT)[3)]	**€ m**	**29.3**	**70.0**

1) Including sales with other business units in the Group

2) Contribution to consolidated external sales

3) EBIT = EBT + interest expenses/ – interest income; EBITDA = EBIT + depreciation and amortization

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

Intensified international competition, coupled with the sharp increase in imports at dumping prices, mainly from China, has left its mark on German and European steel producers. The start of the last quarter of 2015 saw their order books of German steel producers drop to the lowest level since 2009. Spot market prices for strip steel products stagnated initially at a low level through to mid-2015, only to veritably slump in the second half of the year. Despite the steep decline in raw material prices, this trend therefore counteracted the requisite improvement to margins to a large extent. Furthermore, the ongoing devaluation of the euro against the US dollar increasingly eroded the advantage on the procurement front.

Business development

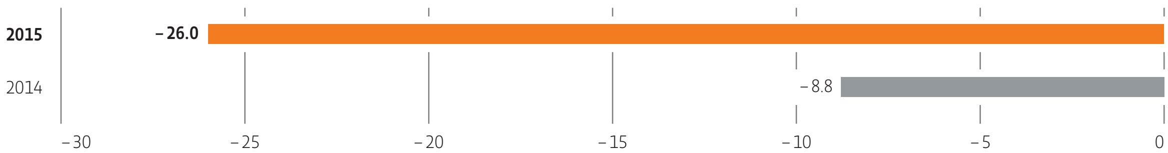
Order intake of the Strip Steel Business Unit was recorded at the level of the previous year in contrast to **orders on hand** that had risen considerably by the end of the year. The substantial increase in imports from China over the course of the year, accompanied by continuously slipping raw material prices, resulted in massive pressure on selling prices and margins. In conjunction with somewhat lower **shipments**, both **segment** and **external sales** fell short of the year-earlier figures.

Sales

In € m

The business unit's **pre-tax result** (€ –26.0 million; 2014: € –8.8 million) declined compared with the previous year's figure owing to the non-recurrent burden on earnings from relining the blast furnace at SZFG (€ –41.9 million). Excluding this effect, the segment would have delivered a pre-tax profit.

EBT



In € m

Despite the negative trend on the EU market, the order intake of **Salzgitter Flachstahl GmbH** (SZFG) remained virtually unchanged. Crude steel production, however, was recorded at below the year-earlier figure due in particular to the relining of Blast Furnace B over the period from the end of August through to mid-November 2015. The output of rolled steel also contracted. The order backlog rose considerably as shipments were lower year on year. During the entire reporting period, the market environment was characterized by fierce competition and declining selling prices, which is reflected by the notable downturn in SZFG's sales. The special burden from relining the blast furnace had a significant impact on the negative pre-tax result, bringing it to below the figure posted in 2014. The more favorable raw materials prices, as well as savings from commissioning the coal injection plant, were unable to compensate.

In 2015, the consistent implementation of the joint sales strategy with SZFG boosted the shipments of **Salzgitter Mannesmann Stahlservice GmbH** (SMS) to above the levels posted in 2014 despite fiercer competition. Falling market prices resulted in SMS's sales only marginally exceeding those of the previous year. The company nonetheless succeeded in notably reducing the pre-tax loss.

The shipments of **Salzgitter Bauelemente GmbH** (SZBE) recovered slightly in the second half of the year, but did not quite match the year-earlier level. Ongoing price pressure, compounded by persistent surplus capacities, were reflected by the lower level of sales, which caused the pre-tax result to fall short of the breakeven achieved in 2014.

The shipment tonnage of **Salzgitter Europlatinen GmbH** (SZEP) did not match the 2014 figure. Sales and the pre-tax profit declined in connection with falling margins.

Plate / Section Steel Business Unit

Key data		2015	2014
Order intake	**kt**	**2,199**	**2,505**
Order backlog as of 12/31	**kt**	**334**	**517**
Crude steel production Peiner Träger	**kt**	**1,039**	**1,063**
Rolled steel production	**kt**	**2,428**	**2,411**
Ilsenburger Grobblech / Salzgitter Mannesmann Grobblech	kt	1,299	1,222
Peiner Träger	kt	992	1,001
HSP Hoesch Spundwand	kt	137	188
Shipments	**kt**	**2,410**	**2,375**
Ilsenburger Grobblech / Salzgitter Mannesmann Grobblech	kt	1,293	1,192
Peiner Träger	kt	977	995
HSP Hoesch Spundwand	kt	140	189
Segment sales[1]	**€ m**	**1,733.8**	**1,879.5**
Ilsenburger Grobblech / Salzgitter Mannesmann Grobblech	€ m	875.6	883.0
Peiner Träger	€ m	516.8	545.6
HSP Hoesch Spundwand	€ m	106.0	151.3
DMU Group	€ m	542.7	679.9
Consolidation	€ m	–307.1	–380.2
Sales to other segments/Group companies	**€ m**	**–825.0**	**–760.8**
External sales[2]	**€ m**	**908.8**	**1,118.8**
Earnings before taxes (EBT)	**€ m**	**–68.0**	**–130.0**
Ilsenburger Grobblech / Salzgitter Mannesmann Grobblech	€ m	–41.3	–42.1
Peiner Träger	€ m	21.3	0.8
HSP Hoesch Spundwand	€ m	–56.9	–97.4
DMU Group	€ m	–3.2	0.9
Consolidation	€ m	12.1	7.8
EBIT before depreciation and amortization (EBITDA)[3]	**€ m**	**–2.1**	**–16.2**
Earnings before interest and taxes (EBIT)[3]	**€ m**	**–51.1**	**–108.8**

[1] Including sales with other business units in the Group

[2] Contribution to consolidated external sales

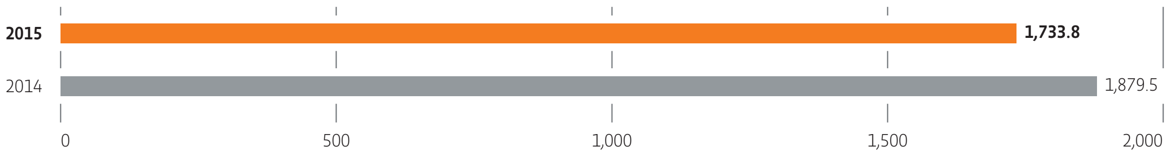
[3] EBIT = EBT + interest expenses/ – interest income; EBITDA = EBIT + depreciation and amortization

The Plate / Section Steel Business Unit incorporates the companies of the Group that primarily serve customers in the project-oriented construction and infrastructure sectors, namely Ilsenburger Grobblech GmbH (ILG), Salzgitter Mannesmann Grobblech GmbH (MGB) and Peiner Träger GmbH (PTG). ILG and MGB produce a wide range of high-grade plate products. The most important customers include heavy mechanical engineering, tube and pipe producers, as well as wind turbine manufacturers. PTG supplies to construction and civil engineering projects throughout the whole of Europe. The integration of DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) and its subsidiary Braunschweiger Schrotthandel (BSH) as a scrap supplier of PTG permits a closer and more flexible coordination of logistics processes. HSP Hoesch Spundwand und Profil GmbH (HSP) discontinued its business activities in December 2015.

Business development

Order intake and **orders on hand** of the Plate / Section Steel Business Unit decreased notably compared with the previous year, with plate producers in particular falling considerably short of the year-earlier figures. Both **rolled steel production** and **shipments** repeated the figures achieved in 2014. **Segment** and **external sales** declined, largely induced by selling prices.

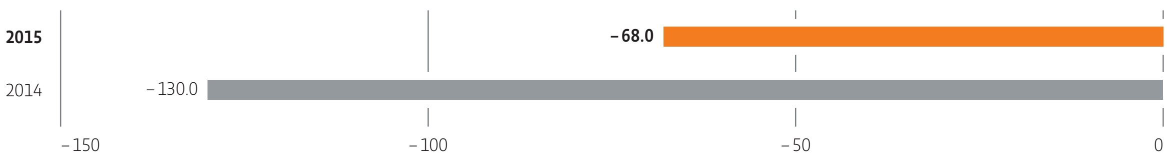
Sales



In € m

Although the business unit markedly improved its performance compared with 2014, it nonetheless delivered a negative **pre-tax result** (€ –68.0 million; 2014: € –130.0 million). This outcome mainly reflects the loss of € –56.9 million sustained by HSP that includes special items of € –29.4 million from winding down the business in December 2015. Moreover, the result comprises € –7 million in expenses assigned to ILG from relining the blast furnace. Thanks to the success of the rapidly implemented restructuring and operating optimization measures, PTG achieved a very gratifying profit before taxes. By contrast, the plate producers delivered another notably negative result around the year-earlier level.

EBT



In € m

Following a weak start to the year, the international **plate market** saw a steep decline in demand again from mid-year onward, accompanied by drastic price markdowns for all grades and application areas. The lifting of the suspension for the first strand of the South Stream contract and the announcement of the awarding of the North Stream pipeline did not ease the European plate mills' demand and capacity utilization situation. Moreover, in the face of the significant oil and gas price declines over the reporting year, more major investment projects from the energy sector failed to materialize. The massive increase in steel deliveries from China especially into the European economic area exerted a particularly negative effect. Both traders and consumers avoided longer-term contracts due to the heavy price pressure and increased fierce competition, seeking monthly agreements in order to participate in any price reductions at the shortest notice possible. These trends prompted the plate companies, in agreement with the employee representatives, to prepare an extensive program aimed at sustainably increasing efficiency and reducing costs.

Order intake and orders on hand of **Ilsenburger Grobblech GmbH** (ILG) and **Salzgitter Mannesmann Grobblech GmbH** (MGB), both under uniform management, remained substantially below the previous year's figures. At this point it should be noted that previous year's period was determined by the booking of several major projects. Rolled steel output exceeded the year-earlier figure, as opposed to sales that remained virtually unchanged year on year. The Mülheim-based company reported a volume-induced increase, whereas ILG suffered a decline in sales due to unsatisfactory selling prices and shipment volumes. Although MGB succeeded in improving its result compared with 2014, overall it reported a pre-tax loss similar to that of the previous year. This was attributable to the erosion of ILG's volumes and selling prices, as well as to the cost of € –7 million for relining the blast furnace allocated to the company.

The weakness on the **European section market** persisted in 2015. Volumes nonetheless developed satisfactorily at a modest level in the first six months. At the start of the year, producers benefited initially from good export opportunities thanks to the EUR/USD exchange rate. In the second quarter, requirements were generated mainly in core Europe. As the year progressed, export opportunities came under severe constraint as the North American mills lowered their prices and the energy sector adopted a reticent approach to investing due to the low gas and oil prices. The second half of the year was determined by summer vacation standstills in the plants and the resulting backlog in demand of the stockholding steel trade, although another significant slowdown in demand was reported as early as September and thereafter. The weak order flow led to standstills in October due to the unused capacity of all producers. This situation continued through to mid-November until inventories had adjusted to demand and orders returned to a normalized level again. Despite the steep decline in scrap prices, it proved possible to stabilize prices over the course of the year.

Order intake and orders on hand of **Peiner Träger GmbH** (PTG) in 2015 settled below the previous year's level. By contrast, both crude steel production and rolled steel output almost repeated the previous year's figures. Average selling prices that remained unsatisfactory and the somewhat lower shipment volume pushed sales down. Thanks to the gratifying margin trend and consistent compliance with the technical targets under the 1 Million Ton Model, pre-tax profit was nonetheless lifted appreciably.

The **DMU Group** reported weaker demand for steel scrap due to the subdued market environment. Coupled with lower prices, sales dropped compared with 2014, and a significantly reduced and therefore negative result before taxes was generated.

Demand on the sheet piling market that has been in a downtrend for years led to repeated substantial losses at **HSP Hoesch Spundwand und Profil GmbH** (HSP) despite high levels of investment and restructuring endeavors. At its meeting on June 16, 2015, the Executive Board of Salzgitter AG (SZAG) therefore resolved to discontinue the operations of the wholly-owned subsidiary. The existing materials inventories were processed by the end of the financial year. Consequently, shipments and revenues were lower than in 2014. The huge pre-tax loss comprises special items of € –29.4 million. 342 employees are impacted by the discontinuation of the sheet piling product segment. A social compensation plan was agreed in 2015.

Energy Business Unit

Key data		2015	2014
Order intake	**€ m**	**1,301**	**1,523**
Order backlog as of 12/31	**€ m**	**430**	**476**
Crude steel production Hüttenwerke Krupp Mannesmann (30%)	**kt**	**1,392**	**1,543**
Shipment tubes	**kt**	**526**	**569**
Salzgitter Mannesmann Großrohr / Salzgitter Mannesmann Line Pipe	kt	234	254
Salzgitter Mannesmann Precision Group	kt	264	282
Salzgitter Mannesmann Stainless Tubes Group	kt	28	33
Segment sales[1]	**€ m**	**1,496.4**	**1,693.9**
Salzgitter Mannesmann Großrohr / Salzgitter Mannesmann Line Pipe	€ m	223.8	245.1
Salzgitter Mannesmann Precision Group	€ m	455.2	484.4
Salzgitter Mannesmann Stainless Tubes Group	€ m	307.0	349.3
Hüttenwerke Krupp Mannesmann (30%)	€ m	601.5	724.2
Consolidation	€ m	–91.1	–109.0
Sales to other segments/Group companies	**€ m**	**–433.9**	**–467.4**
External sales[2]	**€ m**	**1,062.6**	**1,226.5**
Earnings before taxes (EBT)	**€ m**	**2.2**	**–40.6**
EUROPIPE Group (at equity)	€ m	0.6	–30.2
Salzgitter Mannesmann Großrohr / Salzgitter Mannesmann Line Pipe	€ m	–23.1	–27.3
Salzgitter Mannesmann Precision Group	€ m	–6.6	–7.2
Salzgitter Mannesmann Stainless Tubes Group	€ m	12.1	28.7
Hüttenwerke Krupp Mannesmann (30%)	€ m	15.1	–0.3
Other	€ m	0.4	0.6
Consolidation	€ m	3.7	–5.0
EBIT before depreciation and amortization (EBITDA)[3]	**€ m**	**77.1**	**36.0**
Earnings before interest and taxes (EBIT)[3]	**€ m**	**17.3**	**–24.0**

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

The Energy Business Unit is primarily geared to serving the international project business in the energy supply and infrastructure sectors and covers a wide range of line pipe diameters. A leading supplier in Europe for precision steel tubes used in automotive construction, as well as a leading global manufacturer of seamless stainless steel and nickel-based tubes supplement the portfolio. Customer demand is driven by the megatrends of "water", "energy" and "mobility".

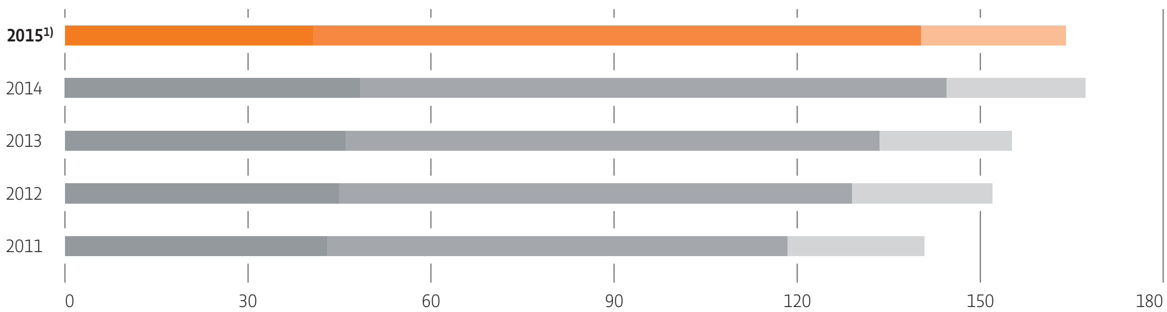
The business unit has its own supply of crude steel in the form of a 30% stake in Krupp Mannesmann GmbH ([HKM], a technical crude steel capacity of 6 million tons), and the production of semi-finished material for the manufacturing of seamless tubes. This business unit also makes intensive use of our 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 is 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.

Steel tube and pipe market in 2015: surplus capacities and tumbling oil prices restrict further growth

Steel tube production that stood at 168 million tons in 2015 fell marginally short of the record high achieved in the previous year. Except for China where output grew by another 11%, all other important regions of the world produced less steel tubes than in 2014. China's share therefore climbed to 58%.

Global steel tubes output by production method



[1)] Extrapolation

The production of seamless steel tubes declined by 14% on a global scale, posting only 42 million tons, and in some regions, above all in North America, the downturn was even steeper. The manufacturing of welded steel tubes in diameters measuring up to 406 mm was raised to 100 million tons (expansion of around 7%). Alongside a significant increase in China, EU manufacturers also ramped up their production in this segment. The global output of large-diameter pipes climbed by approximately 4% to just under 24 million tons. Lower production in the Western world contrasted with higher levels in CIS, China and the USA. The slump of 19% in seamless tube production in the EU, and the ailing large-diameter pipe business was not compensated by the 3% increase in the production of smaller welded steel tubes with diameters up to 16". All in all, EU output dropped almost 7% below the year-earlier figure.

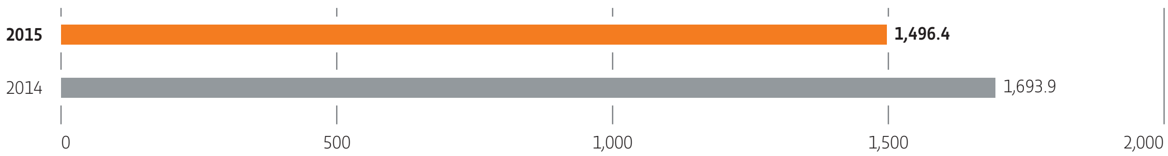
Various sources: including Steel Guru, Metal Bulletin Research, SBB

Business development

In 2015, **order intake** and **orders on hand** of the Energy Business Unit fell below the 2014 level, with almost all product segments reporting lower figures. Only new orders received by the line pipe companies remained stable. Outside the consolidated group, new orders of the 50% EUROPIPE participation, that included the booking of the pipeline project in the Black Sea, declined significantly year on year.

Shipments fell short of the year-earlier figure. To the exception of Salzgitter Mannesmann Großrohr GmbH (MGR), all companies reported declines. Consequently, **segment** and **external sales** also did not match the 2014 figures.

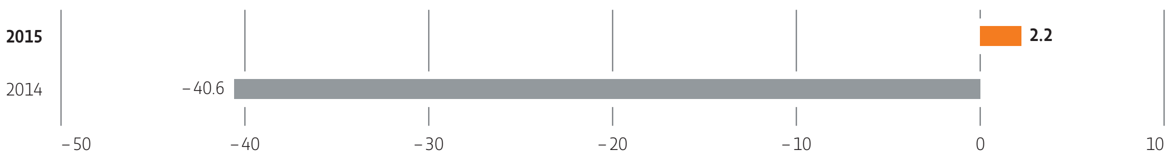
Sales



In € m

Having disclosed a significant loss at € –40.6 million in 2014, the Energy Business Unit generated a positive **pre-tax profit** (€ 2.2 million) in 2015. Despite the formation of € 10.0 million in provisions for restructuring measures at EUROPIPE France S.A. (EPF), the EUROPIPE Group (EP Group) delivered a profit thanks to the upbeat business of the US companies.

EBT



In € m

In 2015, order intake of the **EUROPIPE Group** (EP Group) was substantially lower than in 2014 as the reference period included the booking of several major orders. Due to new orders received in the last quarter of 2015, both by EUROPIPE GmbH (EP) and by the US plants, the order backlog exceeded the year-earlier level. The suspension of the South Stream contract for the first strand was lifted, allowing the production of the residual volume for the first pipeline to be completed. Due to the delays incurred, the around 170,000 tons under this contract were invoiced later in 2016. The EP Group's shipments and sales nonetheless considerably outperformed the year-earlier figures owing to the significant increase in shipment tonnage and better selling prices commanded by the US plants in the financial year 2015. Although, similar to 2014, the pre-tax result of EP was unsatisfactory due to disappointing capacity utilization and the selling price situation, as well as to the formation of provisions for restructuring measures in the French plant based in Dunkirk, the EP Group achieved an overall pre-tax profit based on the significant improvement in the US companies' situation.

Persistently low oil prices caused a massive decline in the international oil and gas project business of **Salzgitter Mannesmann Line Pipe GmbH** (MLP). Moreover, global excess capacities, particularly in China and Korea, resulted in ruinous price-led competition with regard to the few projects offered on the market. Despite stable business in central Europe, this situation resulted in a steep downtrend in order intake and orders on hand. Shipments and sales developed analogously, which resulted in an increase in the pre-tax loss.

Due to the Russia-Ukraine conflict, numerous line pipe projects in central Europe that had been postponed for many years were revived, prompting a significant improvement in the order situation in the core market of **Salzgitter Mannesmann Großrohr GmbH** (MGR) in 2015. Despite fierce competition, MGR acquired projects in France, Germany and Poland, thereby lifting order intake and orders on hand significantly above the year-earlier figures. Steady capacity utilization has been secured by these projects through to the start of 2017. Shipments and sales rose appreciably, yet remained below the normal level. In parallel, MGR succeeded in more than halving its loss compared with the previous year.

The financial situation of the **Salzgitter Mannesmann Precision Group** (SMP Group) painted a mixed picture in 2015: The healthy volume of orders from export-oriented German premium automotive manufacturers determined the automotive segment. As regards the industrial sector, the situation remained very tense, while the energy sector reported a substantial downturn in demand due to the low oil and gas prices. Consequently, the SMP Group's order intake and orders on hand, as well as sales and shipments, settled considerably below their year-earlier counterparts, which resulted in a negative pre-tax result. However, the measures under the "Salzgitter AG 2015" program, as well as additional programs for boosting efficiency in the precision tubes group, continued to contribute positively to earnings.

The **Salzgitter Mannesmann Stainless Tubes Group** (MST Group) experienced a rather more difficult year in 2015. Apart from business with the European stockholding steel trade that still remains weak today, the extremely low oil price levels that put a halt to investments by the oil and gas industry exerted a negative impact on the order situation. Booming business in the Chinese power plant sector was unable to compensate for this development, so that shipments, along with order intake and orders on hand, did not reach the level of the previous year's figures. Another drastic decline in alloy prices, with the associated lackluster demand, pared down sales. The MST Group nevertheless generated a presentable pre-tax profit that was, however, unable to match the figure achieved in 2014.

Trading Business Unit

Key data		2015	2014
Shipments	**kt**	**5,473**	**5,075**
Salzgitter Mannesmann Handel Group	kt	5,276	4,858
Universal Eisen und Stahl Group	kt	202	220
Consolidation	kt	–4	–4
Segment sales[1]	**€ m**	**3,313.1**	**3,347.1**
Salzgitter Mannesmann Handel Group	€ m	3,128.8	3,133.3
Universal Eisen und Stahl Group	€ m	189.4	219.7
Consolidation	€ m	–5.1	–5.9
Sales to other segments/Group companies	**€ m**	**–102.4**	**–92.3**
External sales[2]	**€ m**	**3,210.7**	**3,254.8**
Earnings before taxes (EBT)	**€ m**	**32.2**	**60.1**
Salzgitter Mannesmann Handel Group	€ m	28.8	48.1
Universal Eisen und Stahl Group	€ m	3.4	11.9
EBIT before depreciation and amortization (EBITDA)[3]	**€ m**	**48.6**	**78.8**
Earnings before interest and taxes (EBIT)[3]	**€ m**	**38.7**	**68.8**
Inventories	**€ m**	**275**	**343**

[1] Including sales with other business units in the Group

[2] Contribution to consolidated external sales

[3] EBIT = EBT + interest expenses/ – interest income; EBITDA = EBIT + depreciation and amortization

Alongside a well-developed organization of stockholding steel trading subsidiaries in Europe with a wide range of processing capabilities, the Trading Business Unit comprises companies specialized in plate, as well as an international trading network spanning the globe. Apart from the rolled steel, pipes and tubes products of the Salzgitter Group, it undertakes the supplementary sale of other manufacturers' products in Germany and abroad. Moreover, the Trading Business Unit procures input material for Group companies and external customers on the international markets.

In the third quarter, the consolidated group of the Salzgitter Group was expanded retroactively as of January 1, 2015 to include

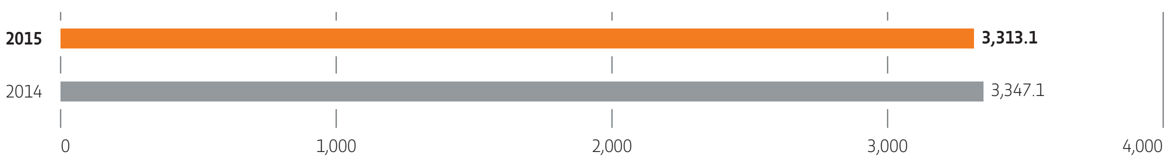
- Salzgitter Mannesmann International Asia Pte. Ltd., Singapore (SMSG),
- Salzgitter Mannesmann (Italia) S.r.l., Milano (SMIT),
- Salzgitter Mannesmann (Scandinavia), Lulea A.B. (SMSC) and
- Universal Steel Holland B.V., SK Papendrecht (USN).

Aside from SMSG, which operates its own trading business, and USN as a stockholder, the other companies function as agencies for the Salzgitter sites and therefore represent an extended distribution arm for Group products.

Demand on the international steel markets remained reticent in 2015 in almost all regions and product segments. The markets were characterized by virtually non-existent project business and price pressure due to excess supply. Falling raw materials prices also exacerbated the situation. The European market presented a similar picture. By contrast, demand in Germany was initially relatively stable overall, but nonetheless weakened increasingly over the course of the second half-year. Accordingly, demand in the first quarter developed positively at first, as opposed to the months of April and May that saw a renewed decline. A few weak signs of recovery appeared only at the end of the summer period against the backdrop of continued fierce competition – but proved to be unsustainable. A steady downturn in prices accompanied this trend.

Business development
In 2015, the Trading Business Unit's **shipments** nonetheless rose in a year-on-year comparison, which was largely attributable to international trading's robust performance. **Segment** and **external sales** suffered a price-induced decline compared with 2014 despite new companies joining the group of consolidated companies.

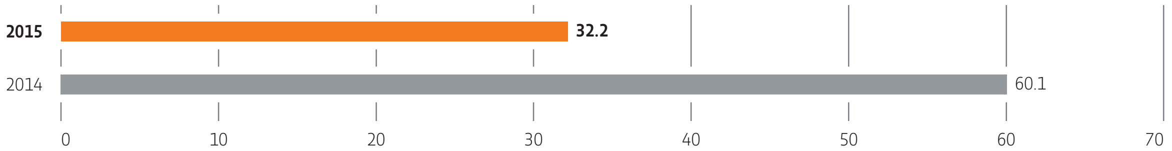
Sales



In € m

The business unit delivered a relatively pleasing **profit before taxes** of € 32.2 million (2014: € 60.1 million), boosted mainly by the good pre-tax result of international trading and an overall amount of € 27.0 million in dividend income from non-consolidated subsidiaries and non-recurrent accounting-related effects. Figures were positively impacted by the newly consolidated companies as well.

EBT



In € m

The Trading Business Unit's companies developed as follows:

The shipment volume of **Salzgitter Mannesmann Handel Group** (SMHD Group) rose mainly on the back of growth in international trading, as well as an increase in the deliveries of the stockholding steel trade. Sales decreased slightly as a consequence of declining prices, while earnings before taxes, though strengthened through dividend income, dropped below the previous year's level, which is to be seen in the context of higher positive non-recurrent effects in 2014.

Although the shipments of the European **stockholding steel trade** increased, sustained pressure on market prices caused sales to merely stagnate. In conjunction with the optimization measures introduced, the stockholding steel trade nonetheless lifted its result appreciably in a year-on-year comparison.

A stable order situation in the individual sub-markets, as well as SMSG joining the group of consolidated companies, enabled **international trading** to achieve strong shipment growth overall. Sales also increased despite weaker prices. An advantageous product mix and dividend income resulted in a pleasing pre-tax profit that nonetheless fell short of the year-earlier level.

The **Universal Eisen und Stahl Group** (UES Group) continued to operate in a difficult market environment in Germany, with uneven demand, supply running at a high level, and short delivery times. As a result, there were no signs of recovery and prices stagnated or trended down. The UES counteracted the prevailing market conditions by concentrating on areas where margins were still strong, and by reducing costs. The Group's sales also declined due to lower shipment tonnage. Comparatively healthy demand conditions determined the volume of business in North America during the initial months of the year. This situation weakened, however, as the year progressed owing to the development of the US oil and gas sector, which resulted in tangible price-led competition and dwindling earnings as a result. All in all, earnings before taxes of the UES Group, including USN's contribution to earnings and dividend income from non-consolidated subsidiaries, settled at a lower level in a year-on-year comparison.

Technology Business Unit

Key data		2015	2014
Order intake	**€ m**	**1,282**	**1,227**
Order backlog as of 12/31	**€ m**	**718**	**706**
Segment sales[1)]	**€ m**	**1,310.0**	**1,198.8**
KHS Group (consolidated)	€ m	1,172.3	1,076.8
KDE Group (consolidated)	€ m	97.4	78.5
Klöckner DESMA Schuhmaschinen	€ m	36.6	43.3
Other	€ m	9.9	11.8
Consolidation	€ m	–6.3	–11.6
Sales to other segments/Group companies	**€ m**	**–0.6**	**–0.6**
External sales[2)]	**€ m**	**1,309.4**	**1,198.2**
Earnings before taxes (EBT)	**€ m**	**24.6**	**25.2**
KHS Group (consolidated)	€ m	15.2	15.8
KDE Group (consolidated)	€ m	8.4	5.6
Klöckner DESMA Schuhmaschinen	€ m	1.7	5.1
Other	€ m	–0.7	–1.1
Consolidation	€ m	0.0	–0.2
EBIT before depreciation and amortization (EBITDA)[3)]	**€ m**	**47.9**	**54.7**
Earnings before interest and taxes (EBIT)[3)]	**€ m**	**25.0**	**27.1**

1) Including sales with other business units in the Group

2) Contribution to consolidated external sales

3) EBIT = EBT + interest expenses/ – interest income; EBITDA = EBIT + depreciation and amortization

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

On September 30, the following companies belonging to the business unit were newly admitted to the group of consolidated companies of Salzgitter AG (SZAG) with retrospective effect as of January 1, 2015:

- KHS Benelux B.V., Breda (KHSNL)
- KHS Czech s.r.o, Ceské Budejovice (KHSCZ)
- KHS Austria GmbH, Wiener Neudorf (KHSÖS)
- KHS Korea Co. Ltd., Seoul (KHSSK)
- KHS Filling and Packaging Equipment Co., Ltd., Shanghai (BEVCN)
- Holstein und Kappert GmbH, Dortmund (HUK))
- SEITZ ENZINGER Noll GmbH, Bad Kreuznach (SEN)

In drawing a comparison with the previous year, account must be taken of the fact that the key data of the companies that are now part of SZAG's consolidation group with retrospective effect as of January 1, 2015 had not been included in the financial year 2014. There would nonetheless be no significant change in the overall statement on the development of the business unit even if the companies had been included in the year-earlier figures.

Slight uptrend in German mechanical engineering order intake

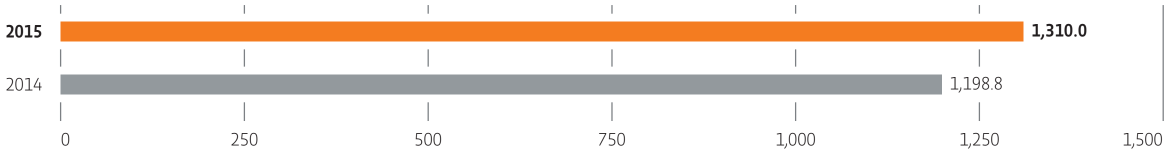
According to the German Engineering Federation (VDMA), order intake marginally exceeded the 2014 figure. Both domestic demand and international demand edged up. The sector's sales rose noticeably. Order activity in the market for food and packaging machinery entered a marginal decline overall, with domestic demand slowing considerably, as opposed to international demand that remained at a steady level. Sales increased notably, driven in particular by the surge in domestic sales.

Business development

Order intake by the Technology Business Unit exceeded the previous year's level. The KHS Group and Klöckner DESMA Schuhmaschinen GmbH (KDS) raised new orders appreciably compared with the KDE Group that did not match the 2014 figures. The business unit's **orders on hand** were slightly higher year on year.

Primary due to the development of the KHS Group, **segment** and **external sales** grew considerably compared with the previous year's period. The KDE Group reported strong growth, fueled by the recovery in capital expenditure in the automotive sector. KDS, however, was unable to repeat the record level achieved in 2014.

Sales



In € m

In a still fierce competitive environment, the Technology Business Unit delivered presentable **earnings before taxes** of € 24.6 million in 2015 at the year-earlier level (€ 25.2 million). The KHS Group settled slightly below the 2014 figure, as opposed to the KDE Group that considerably exceeded it. By contrast, KDS was unable to repeat its 2014 record profit.

EBT

In € m

In 2015 as well, the companies of the Technology Business Unit participated in numerous trade fairs, such as the BrauBeviale 2015. The KHS Group impressed numerous visitors from Germany and abroad with its technology, especially its innovations, thereby demonstrating the company's consistent pursuit of its "First Choice in Technology and Service" vision. The company presented brewery-specific innovations that deliver significant customer benefit, as well as excelling through their sustainability and economic handling of resources. Among other highlights, glass-coated directly printed PET beer bottles featured prominently. The ground-breaking Direct Print innovation used for printing these bottles that dispenses with labeling and allows PET bottles to be embellished with non-migrating UV inks instead was launched on the market in 2015. Alongside technical discussions, negotiations on specific projects were brought to a conclusion. In addition, KHS showcased its comprehensive service portfolio. At the end of the year, the first Nature MultiPack™ packaging system machine was installed for a customer on site and taken into operation, with the first products due to be brought to the market at the start of 2016. KDE presented compelling customer-oriented mechanical engineering solutions at its in-house exhibition, underscoring its technology leadership in the niche market of elastomer injection molding machines geared to the production of technical molded articles of rubber and silicon. On the occasion of its in-house fair in September, KDS exhibited its entire range of shoe technologies for automated traditional manufacturing types and cutting-edge process and production technology solutions, as well as robotics. The innovative automation concepts open up opportunities for customized shoe manufacturing and enhance productivity, economy and quality.

The KHS Group continues to consistently pursue measures to develop its business. With this in mind, the "Fit4Future 2.0" program that comprises 14 different components was launched in 2015. The focus was placed on the topics of clarifying offers, 100 % On-Time-In-Full (OTIF), and the preference portfolio in 2015.

Industrial Participations / Consolidation

Key data		2015	2014
Sales	**€ m**	**821.0**	**788.1**
Industrial Participations	€ m	389.0	341.2
Other	€ m	432.0	447.0
Sales to other segments/Group companies	**€ m**	**– 616.5**	**– 606.2**
External sales[1]	**€ m**	**204.5**	**181.9**
Earnings before taxes (EBT)	**€ m**	**47.5**	**78.9**
Industrial Participations	€ m	19.3	11.4
Aurubis (at equity) incl. bond-related option	€ m	21.8	31.2
Other/Consolidation	€ m	6.5	36.3
EBIT before depreciation and amortization (EBITDA)[2]	**€ m**	**58.7**	**92.3**
Earnings before interest and taxes (EBIT)[2]	**€ m**	**31.2**	**64.9**

[1] Contribution to consolidated external sales

[2] EBIT = EBT + interest expenses/ –interest income; EBITDA = EBIT + depreciation and amortization

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

Sales in the Industrial Participations / Consolidation segment, that are based mainly on business in semi-finished products with subsidiaries and external parties, climbed to € 821.0 million in the financial year 2015 (previous year: € 788.1 million). **External sales** also increased (€ 204.5 million; previous year: € 181.9 million).

Earnings before taxes stood at € 47.5 million, which is lower than in the year-earlier period (€ 78.9 million). This figure includes the contribution of the Aurubis participation amounting to € 21.8 million (previous year: € 31.2 million). This figure is made up of the proportionate Aurubis after-tax result of € 16.1 million, as well as the valuation result of € 5.7 million pertaining to a convertible bond that depends on the price performance of the Aurubis share, among other factors. Gratifying reporting-date related valuation effects from foreign exchange and derivatives positions, as well as Group companies not directly allocated to a business unit boosted the result. Lower interest income from cash management within the Group, as well as accruals of € 12.5 million to cover the interest rate risk arising from the potential non-recognition for tax purposes of securities lending carried out in former years had a counter effect.

5. Comparison between Actual and Forecasted Performance

At the time when the financial statements for the financial year 2014 were published, forecasts on the development of the macroeconomic situation against the backdrop of the prevailing political and economic environment were subject to a great deal of uncertainty. We based our assumptions for the financial year 2015 on the absence of a renewed recessionary development in Europe. With regard to the current financial year we now anticipate a moderate economic recovery in our main, still fiercely contested markets instead. Based on planning by the individual business units, and taking account of further positive effects from the “Salzgitter AG 2015” program, we assumed the following for the Salzgitter Group in the year 2015: an increase in sales to € 9.5 billion, a pre-tax profit in the lower double-digit million euro range and a return on capital employed (ROCE) that was higher than the previous year’s figure.

In the first quarter of the financial year 2015, the Salzgitter Group achieved a pre-tax profit of € 51.8 million, its highest since the second quarter of 2011. In spite of the upcoming regular major repair of a blast furnace that was expected to burden profit by around € 80 million in the second half of the year, the foundations were therefore laid for the Group's sustainable return to the profit zone. Given the merely marginal improvements in Europe's economic environment and the protracted structural crisis in the European steel market, this gratifying trend first and foremost reflected the powerful impact exerted by the groupwide "Salzgitter AG 2015" restructuring program. Accordingly, we forecasted stable sales and a pre-tax profit in the lower to mid-double-digit million euro range.

The Salzgitter Group closed the first half of 2015 with significantly higher earnings before taxes (€ 80.2 million) in a year-on-year comparison. All business units contributed to this pleasing development with improved results compared with the previous year. In total, € 33.1 million in expenses for measures to improve structures were absorbed. We kept our forecast for sales and profit unchanged.

In the first nine months of the financial year, the Salzgitter Group lifted its pre-tax profit (€ 24.0 million) notably compared with the year-earlier period. The result comprised an overall amount of € 77.1 million in burdens stemming from the relining of a blast furnace at the Salzgitter steelworks, which began at the end of August, as well as provisions for pending structural measures. Principally as a consequence of the decline in metal prices and the resulting impact on the profit contribution anticipated from the Aurubis participation, the Salzgitter Group returned to its original profit forecast released at the start of the year, which then entailed anticipating a pre-tax profit in the lower double-digit million euro range. The sales forecast remained unchanged.

Against the backdrop of a persistently challenging environment in the European steel market that deteriorated continuously over the course of the year due to the massive rise in Chinese imports at dumping prices, the Salzgitter Group generated a positive pre-tax result for the first time since 2011. Despite an amount of € –73.8 million on balance in burdens on earnings from non-recurrent effects, the company therefore raised its result by almost € 30 million compared with the year-earlier period and closed – as forecasted – with a pre-tax profit in the lower double-digit million euro range. Above all, the groupwide “Salzgitter AG 2015” restructuring program, more than three quarters of which had been implemented by the end of 2015, contributed to improving the result. Sales of € 8,618 million fell short of the forecast figure.

In our published statements we always made specific reference to the opportunities and risks that may influence the results in the financial year 2015. 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. The financial statements prepared for the financial year include provisions for restructuring measures, as well as accounting-related non-recurrent effects, among other items.

The **Strip Steel Business Unit** expected business to remain challenging in 2015 as well in the face of sustained pressure on selling prices in the EU steel market. Factoring in the direct and indirect effects of the scheduled blast furnace relining at Salzgitter Flachstahl GmbH (SZFG), a notably lower pre-tax result and sales also below the 2014 level were anticipated. As expected, an appreciable decline in the pre-tax result (€ –26.0 million) compared with the previous year was reported due to the non-recurrent burden on earnings from relining the blast furnace (€ –41.9 million). Excluding this effect, the business unit would have delivered a pre-tax profit. The anticipated sales level was reached at € 1,922 million.

Taking account of the general market environment, in conjunction with the special situations of Salzgitter Mannesmann Grobblech GmbH (MGB) and of HSP Hoesch Spundwand GmbH (HSP), the development of the sales and pre-tax result of the **Plate / Section Steel Business Unit** were subject to considerable imponderables. Compared with 2014, however, the business unit targeted a marginal increase in sales and a notable improvement in the pre-tax result. The segment considerably improved its performance compared with 2014, but nevertheless delivered another clearly negative pre-tax result (€ –68.0 million; 2014: € –130.0 million). This outcome primarily reflects the loss of € –56.9 million sustained by HSP that includes special burdens of € –29.4 million from winding down the business in December 2015. Moreover, the business unit’s result comprises € –7.0 million in costs assigned to Ilsenburger Grobblech GmbH (ILG) from relining the blast furnace. Sales of € 909 million came in lower than envisaged due to selling prices.

Assuming temporary capacity underutilization in Europe's large-diameter pipe production sites, the **Energy Business Unit** expected sales to remain at the year-earlier level in 2015. Given the rigorous implementation of measures under the “Salzgitter AG 2015” program and the non-recurrence of special items, a significant rise in earnings before taxes was anticipated. The Energy Business Unit generated a positive pre-tax result of € 2.2 million (2014: € –40.6 million). This figure includes an amount of € 10.0 million for provisions for restructuring measures at EUROPIPE France S.A (EPF). With sales of € 1,063 million, the forecast was marginally undercut due to a volumes.

The **Trading Business Unit** expected sales growth to be constrained in 2015 and anticipated a pre-tax result that would be notably lower in a year-on-year comparison owing to positive, unrepeatable one-off effects of € 40 million. The business unit delivered relatively pleasing earnings before taxes of € 32.2 million, boosted mainly by the good pre-tax profit of international trading and an overall amount of € 27.0 million in dividend income from non-consolidated subsidiaries and non-recurrent accounting-related effects. The figures were positively impacted by the newly consolidated companies as well. At € 3,211 million, sales almost met the expectations at the start of the year.

Based on a high order backlog, the **Technology Business Unit** anticipated a moderate increase in sales and an upturn in pre-tax profit in 2015. Sales increased to € 1,309 million as anticipated. In a persistently competitive environment, the segment generated a pre-tax profit of € 24.6 million, thereby delivering a presentable result around the level of the previous year (2014: € 25.2 million).

Phil Johnson
Managing Director,
NMP Systems GmbH

Martin Schach
Head of Print Technology,
KHS GmbH

Jan Martens
Owner of Brouwerij Martens

The digital Direct Print technology developed by KHS and distributed by NMP Systems not only enables more sustainable production thanks to saving paper, but also allows KHS and NMP customers to explore entirely new marketing avenues. Direct printing considerably shortens the time to market, for instance. In addition, it offers options for realizing local retailing promotions or entirely novel advertising campaigns.
A recent example: As part of a cooperation with Belgian brewery Martens, bottles have been “brought to life” with the help of an app. When a cell phone camera is focused on the bottles’ motifs, the persons printed there begin to speak – a wonderful example of how our good ideas can also inspire customer innovations.

IV. Profitability, Financial Position and Net Assets

1. Profitability of the Group

Against the backdrop of a persistently challenging environment in the European steel market that deteriorated continuously over the course of the year due to the massive rise in Chinese imports at dumping prices, the **Salzgitter Group** generated a positive pre-tax result for the first time since 2011 (€ 12,6 million). Despite an amount of € –73.8 million on balance in burdens on earnings from non-recurrent effects, the company therefore raised its result by almost € 30 million compared with the year-earlier period and closed – as forecasted – with a pre-tax profit in the lower double-digit million euro range. Above all, the groupwide “Salzgitter AG 2015” restructuring program, more than three quarters of which had been implemented by the end of 2015, contributed to improving the result. The already very sound balance sheet and financial structure was strengthened further by the growth in the equity ratio to 35 % and the higher net financial position that rose to € 415 million. Return on capital employed came in at 2.1 %.

The Salzgitter Group’s **external sales** declined to € 8,618.4 million (–5 %) due to the downturn in average selling prices for steel products. The table below shows a breakdown by business unit:

Consolidated sales by business unit

	2015		2014		
	In € m	**%**	**In € m**	**%**	**Change**
Strip Steel	1,922	22	2,060	23	– 7 %
Plate / Section Steel	909	11	1,119	12	– 19 %
Energy	1,063	12	1,227	14	– 13 %
Trading	3,211	37	3,255	36	– 1 %
Technology	1,309	15	1,198	13	9 %
Industrial Participations / Consolidation	204	2	182	2	12 %
Group	**8,618**	**100**	**9,040**	**100**	**– 5 %**
Discontinued operations	117		155		– 24 %
Continued operations	**8,501**		**8,885**		**– 4 %**

While all other business units reported a decline, our Technology Business Unit lifted its sales by a gratifying 9 %.

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 (€ 5.7 billion; 66 % share of sales). Germany remained by far the largest single market with sales of € 3.9 billion, equivalent to a share of 45 %. 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

	2015		2014	
	In € m	%	In € m	%
Germany	3,851	45	4,252	47
Other EU countries	1,799	21	1,847	20
Rest of Europe	281	3	314	3
America	1,196	14	1,042	12
Asia	789	9	781	9
Other regions	701	8	803	9
Group	**8,618**	**100**	**9,040**	**100**
Discontinued operations	117		155	
Continuing operations	**8,501**		**8,885**	

The Salzgitter Group generated **earnings before taxes** of € 12.6 million (2014: € –15.2 million). This figure includes a profit contribution of € 21.8 million from the Aurubis investment (2014: € 31.2 million), as well as € –73.8 million on balance in burdens on earnings from relining a blast furnace in the Salzgitter steelworks and non-recurrent accounting-related effects.

The business units delivered the following results:

The **Strip Steel Business Unit** recorded a notable decline in its pre-tax result (€ –26.0 million) compared with the previous year (2014: € –8.8 million) due to the non-recurrent burden on earnings from relining the blast furnace (€ –41.9 million). Excluding this effect, the business unit would have delivered a pre-tax profit.

The **Plate / Section Steel Business Unit** considerably improved its performance compared with 2014, but nevertheless delivered another clearly negative pre-tax result (€ –68.0 million; 2014: € –130.0 million). This outcome primarily reflects the loss of € –56.9 million sustained by HSP Hoesch Spundwand und Profil GmbH (HSP) that includes special burdens of € –29.4 million from winding down the business in December 2015. Moreover, the business unit's result comprises € –7.0 million in costs assigned to Ilsenburger Grobblech GmbH (ILG) from relining the blast furnace.

The **Energy Business Unit** delivered a positive pre-tax result of € 2.2 million (2014: € –40.6 million), which includes provisions of € 10.0 million earmarked for restructuring measures at EUROPIPE France S.A. (EPF).

The **Trading Business Unit** delivered a relatively pleasing profit before taxes of € 32.2 million (2014: € 60.1 million), boosted mainly by the good pre-tax result of international trading as well as an overall amount of € 27.0 million in dividend income from non-consolidated subsidiaries and non-recurrent accounting-related effects.

In a persistently competitive environment, the **Technology Business Unit** generated a pre-tax profit of € 24.6 million, thereby delivering a presentable result around the level of the previous year (2014: € 25.2 million).

Earnings before taxes of **Industrial Participations / Consolidation** stood at € 47.5 million, which is lower than in the year-earlier period (2014: € 78.9 million). This figure includes the contribution of the Aurubis investment amounting to € 21.8 million (2014: € 31.2 million). Lower interest income from cash management within the Group, as well as provisions of € 12.5 million to cover the interest rate risk arising from the potential non-recognition for tax purposes of securities lending carried out in former years incurred a countereffect.

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

In € m	2015	2014
Strip Steel	– 26.0	– 8.8
Plate / Section Steel	– 68.0	– 130.0
Energy	2.2	– 40.6
Trading	32.2	60.1
Technology	24.6	25.2
Industrial Participations / Consolidation	47.5	78.9
Earnings before taxes (EBT)	**12.6**	**– 15.2**
Discontinued operations	– 52.1	– 60.6
EBT from discontinuing operations	64.7	73.2
Taxes	58.0	16.7
Consolidated net income/loss for the financial year[1]	**– 45.5**	**– 31.9**

[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.

The “Increase/decrease in goods and work in process/other own work capitalized” item declined owing to the lower level of product inventories in the energy and steel businesses as of the reporting date. In particular, price reductions in raw materials, semi-finished goods and steel products sourced externally were reflected in the lower cost of materials. The expansion of the group of consolidated companies, as well as non-recurrent expenses for a company closure resulted in an above-average increase in personnel expenses. Following a loss in the previous year, the result of companies valued at equity again generated a positive contribution to earnings due in particular to the 25 % investment in Aurubis AG (NAAG).

Adjusted for € 58.0 million in tax expenses, a consolidated net loss of € 45.5 million was recorded. Of the current tax expenses totaling € 51.3 million, an amount of € 35.5 million is attributable to domestic business, with € 27.9 million accounted for by tax expenses incurred in previous years. These expenses mainly pertain to provisions for audit-related issues not yet resolved. Moreover, € 6.7 million in deferred income taxes had a negative effect.

Multi-year overview of earnings

In € m	2015	2014	2013[1]	2012	2011	2010	2009	2008	2007	2006
EBT	12.6	– 15.2	– 482.8	– 29.4	201.6	48.9	– 496.5	1,003.4	1,313.9	1,854.8
EBIT I[2]	78.0	63.9	– 422.7	59.8	264.7	102.9	– 468.1	1,072.1	1,350.7	1,900.5
EBIT[3]	90.4	97.9	– 393.2	98.0	304.5	159.8	– 411.3	1,026.9	1,312.4	1,891.6
EBITDA[4]	431.1	483.6	138.1	462.7	666.8	539.7	156.9	1,317.2	1,543.1	2,092.9
EBT margin	0.2	– 0.2	– 5.2	– 0.3	2.1	0.6	– 6.4	8.0	12.9	22.0
EBIT margin[4]	1.1	1.1	– 4.2	0.9	3.1	1.9	– 5.3	8.2	12.9	22.4
EBITDA margin[4]	5.0	5.4	1.5	4.5	6.8	6.5	2.0	10.5	15.1	24.8
ROCE %	2.1	1.8	– 10.5	1.3	5.6	2.2	– 10.5	21.9	28.0	47.8
ROCE % from industrial operations[5]	1.6	1.3	– 14.0	0.7	6.2	2.7	– 17.3	26.9	46.9	55.1

Values 2006 until 2012 not restated, including discontinued operations

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

Value added in the Salzgitter Group

The operational value added of the Group amounted to € 1,762 million in 2015, thereby providing full coverage for personnel expenses (€ 1,723 million). The public sector received 3.3 % in the form of taxes and levies (previous year: 1.0 %). Lenders accounted for a portion of 1.5 % which was lower than the year-earlier figure (2.0 %). Value added worth 0.9 % has been earmarked as dividend for the shareholders (including treasury shares) to be disbursed for the financial year ended (previous year: 0.7 %). An amount of € 2.9 billion from the value added has remained within the Group since 2003. In 2015, funds of € 61 million were deployed.

Value added

	2015/12/31		2014/12/31	
	In € m	%	In € m	%
Sources				
Group outputs	8,898	100.0	9,488	100.0
Inputs	7,136	80.2	7,800	82.2
Value added	**1,762**	**19.8**	**1,688**	**17.8**
Appropriation				
Employees	1,723	97.8	1,668	98.8
Public sector	58	3.3	17	1.0
Shareholders (dividend)	15	0.9	12	0.7
Lenders	27	1.5	34	2.0
Remaining within the Group	– 61	– 3.5	– 43	– 2.5
Value added	**1,762**	**100.0**	**1,688**	**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 January 1, 2012. Joint venture companies are not included.

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

Our international business activities 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 (2.25%) derived from the current level of capital market rates, they currently amount to € 2,327 million (previous year: € 2,442 million at 2.00%). In accordance with the standards of international accounting, this effect was reported with no effect on net income.

Cash Flow Statement

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

Cash and cash equivalents

In € m	2015	2014
Cash inflow from operating activities	447.7	598.5
Cash outflow from investment activities	–507.8	–347.5
Cash inflow/outflow from financing activities	114.9	–237.8
Change in cash and cash equivalents	**54.8**	**13.2**
Changes in the Group of consolidated companies/changes in exchange rates	7.4	5.9
Cash and cash equivalents on the reporting date	**836.2**	**774.0**

The Group generated € 448 million in cash flow from operating activities (previous year: € 599 million). The decline in this figure compared with the previous year resulted primarily from the significantly lower level of trade payables. The cash outflow from investment activities (€ 508 million) rose in comparison with the year-earlier period (€ 348 million), largely owing to disbursements for investments in property, plant and equipment and intangible assets, including relining the blast furnace at Salzgitter Flachstahl GmbH (SZFG).

In the financial year 2015, a positive cash flow from financing activities of € 115 million was generated (previous year: € –238 million), resulting mainly from the issuance of a new convertible bond worth € 167.9 million in June 2015. Dividend distribution for the financial year 2014 to shareholders of SZAG amounted to approximately € 11 million, which equates to € 0.20 per share.

The net financial position of € 415 million increased slightly in comparison with 2014 (€ 403 million). Higher cash investments, including securities (€ 1,218 million), as per the end of the financial year were offset by liabilities owed to banks € 803 million (previous year: € 694 million), of which € 521 million in obligations attached to nominal convertible and exchangeable bonds. Obligations from finance lease are not included in the net financial position.

The liquidity and debt-to-equity ratios in the financial year 2015 are as follows:

Multi-year overview of earnings

	2015	2014	2013[1]	2012	2011	2010	2009	2008	2007	2006
Solvency I (%)[2]	132	116	130	156	169	192	211	157	211	252
Solvency II (%)[3]	216	196	227	262	287	287	302	281	317	365
Dynamic debt burden (%)[4]	19.8	26.0	6.8	22.0	– 12.1	30.1	406.8	64.9	– 304.5	– 95.5
Gearing (%)[5]	186.4	195.4	158.9	145.1	120	125.9	106.2	100.3	98.0	101.9
Cash flow (€ m) from operating activities	448	599	141	427	– 197	209	1,190	547	781	488
Net financial position[6]	– 415	– 403	– 303	– 497	– 508	– 1,272	– 1,561	– 991	– 2,115	– 2,283

Values 2006 until 2012 not restated, including discontinued operations

[1] 2013 restated

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

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

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

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

[6] – ≙ cash in bank, + ≙ liabilities

Asset position

The Group's total assets had decreased by 2.5 % to € 8,284 million in comparison with the 2014 reporting date (€ 8,493 million). The growth in non-current assets (€ +75 million) resulted from the increase in the investment volume from the higher level of property, plant and equipment and intangible assets (€+ 68 million). Furthermore, shares accounted for using the equity method rose (€ +10 million), which was offset by the lower level of loans extended (€ –6 million). Current assets declined, largely due to lower inventories and a decrease in trade receivables.

Asset and capital structure

In € m	2015/12/31	%	2014/12/31	%
Non-current assets	3,650	44.1	3,575	42.1
Current assets	4,634	55.9	4,918	57.9
Assets	**8,284**	**100.0**	**8,493**	**100.0**
Equity	2,893	34.9	2,875	33.9
Non-current liabilities	3,266	39.4	3,115	36.7
Current liabilities	2,126	25.7	2,502	29.5
Equity and liabilities	**8,284**	**100.0**	**8,493**	**100.0**

As part of non-current assets, investments in property, plant and equipment and intangible assets (€ 411 million) were higher than depreciation and amortization (€ 340 million). Working capital stood at € 2,331 million (–6.3 %), which is marginally below the year-earlier figure.

The equity ratio (34.9 %) climbed slightly in comparison with the previous year (33.9 %). Determining factors here were the reduction in pension provisions due to the reporting-date-related increase in the actuarial rate to 2.25 % (previous year: 2.00 %). Non-current financial liabilities rose through the issuance of a new convertible bond. In addition, the repayment amount associated with the exchangeable bond has been reclassified under non-current financial liabilities. Moreover, the lower level of trade payables had a positive effect.

Multi-year overview of the asset position

	2015	2014	2013[1]	2012	2011	2010	2009	2008	2007	2006
Asset utilization ratio (%)[2]	44.1	42.1	43.9	42.5	41.8	39.7	39.5	33.5	25.8	23.4
Inventory ratio (%)[3]	21.9	23.4	23.9	23.2	23.9	19.9	18.2	29.3	24.8	23.7
Depreciation/amortization ratio (%)[4]	13.3	15.3	20.7	13.6	13.5	14.2	21.3	11.7	11.7	13.9
Debtor days[5]	63.4	66.5	57.8	54.2	53.7	51.7	49.3	48.4	54.5	47.9
Capital employed (€ m)	3,676	3,526	4,034	4,481	4,733	4,596	4,457	4,886	4,829	3,974
Working capital (€ m)	2,331	2,487	2,598	2,694	2,753	2,193	1,981	3,338	2,845	2,159

Values 2006 until 2012 not restated including discontinued operations

[1] 2013 restated

[2] $\frac{\text{non-current assets x 100}}{\text{total assets}}$

[3] $\frac{\text{inventories x 100}}{\text{total assets}}$

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

[5] $\frac{\text{trade receivables x 365}}{\text{sales}}$

Profitability, Financial Position and Net Assets

3. The Annual Financial Statements of Salzgitter AG

The annual financial statements of Salzgitter AG (SZAG) for the financial year 2015 have been drawn up in application of the accounting policies and valuation methods of the German Commercial Code, taking account of the supplementary provisions set out under the German Stock Corporation Act, and have been approved without qualification by the auditor PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Hanover. The complete text is published in the German Federal Gazette.

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

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

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

Balance sheet of Salzgitter AG (condensed)

In € m	2015/12/31	%	2014/12/31	%
Non-current assets	**50.9**	**5.4**	**49.2**	**6.4**
Property, plant and equipment[1]	19.0	2.0	19.7	2.5
Financial investments	31.9	3.4	29.5	3.8
Current assets	**896.2**	**94.6**	**723.6**	**93.6**
Trade receivables and other assets[2]	896.2	94.6	723.6	93.6
Cash and cash equivalents	0.0	0.0	0.0	0.0
Assets	**947.1**	**100.0**	**772.8**	**100.0**
In € m	**2015/12/31**	**%**	**2014/12/31**	**%**
Equity	385.0	40.6	381.4	49.4
Provisions	314.7	33.2	308.0	39.9
Liabilities	247.5	26.1	83.3	10.8
due to banks	[0.0]		[0.0]	
Equity and liabilities	**947.1**	**100.0**	**772.8**	**100.0**

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

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

On the liabilities side, pension obligations of € 289 million in particular as well as a residual repayment obligation (€ 225 million) in respect of the Dutch issuer of a convertible bond are disclosed, alongside equity. The increase in liabilities was due to the issuance of a new convertible bond (€ 168 million) in June 2015. As a result, the equity ratio has declined to 40.6 % (previous year: 49.4 %).

Income statement of Salzgitter AG (condensed)

In € m	2015	2014
Other operating income	26.5	26.1
Personnel expenses	48.6	19.1
Depreciation/amortization[1]	1.3	1.7
Other operating expenses	29.0	31.9
Income from shareholdings	80.9	58.8
Net interest result	–12.8	–25.1
Earnings before taxes (EBT)	**15.6**	**7.1**
Taxes	–1.7	3.8
Extraordinary result	0.0	0.0
Net income for the financial year	**13.8**	**10.8**

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

Other operating income primarily includes income from the levying of the Group contribution. Personnel expenses were impacted by non-recurrent allocations to pension provisions of € 29.6 million. Income from shareholdings consisted almost exclusively of the contribution to the result received by SMG. As of December 31, 2015, the company had a workforce of 156 employees.

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

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

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

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

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

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

Based on the resolutions passed by the General Meeting of Shareholders, the Executive Board has the following three 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). These 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 be issued only if shares making up a proportion of 20% of the capital stock, excluding subscription rights, from the Authorized Capital have not been issued since May 23, 2013. By the reporting date no shares had been issued from the Authorized Capital since May 23, 2013. On June 5, 2015, 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 3,548,407 new shares from contingent capital (Contingent Capital 2013), exercisable until May 26, 2022. By the reporting date, no holder of bonds forming part of the issue had yet exercised their conversion rights. On October 6, 2009, the Executive Board made use of an earlier 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. Since a group of partial bond holders exercised their right to earlier termination, conversion rights pertaining to 685,659 new shares existed in connection with this convertible bond on the reporting date. By the reporting date, no holder of bonds forming part of the issue 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 May 27, 2020, 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, which was valued at € 57 million on the reporting date, the 2015 convertible bond worth of € 168 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 annual net income of € 13.8 million in the financial year 2015. Including the profit carryforward (€ 1.3 million), unappropriated retained earnings amount to € 15.1 million.

The Executive Board and the Supervisory Board will propose to the General Meeting of Shareholders that these unappropriated retained earnings (€ 15.1 million) be used to fund payment of dividend of € 0.25 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.

Eraydin Alayayla
Hot strip mill
quality control,
Salzgitter Flachstahl GmbH

Hakan Alayayla
Hot strip mill shift foreman,
Salzgitter Flachstahl GmbH

Eraydin Alayayla and his son Hakan are not only bound together by family ties, but also as colleagues. They both work in the hot strip mill where up to 180 hot strip coils are rolled per shift. Hakan is shift foreman and his father Eraydin works in quality control.

In fact, it was already the family's grandfather who arrived in Salzgitter from Istanbul back in 1963 to earn money for a taxi, and was employed at Salzgitter Flachstahl. "My father worked here as a crane operator and I followed in his footsteps as a skilled steel worker. And now my son, as a master steelworker, is my boss – that's something to be proud of." We share this pride. After all, this story bears renewed testimony to our position as an attractive employer, offering career prospects over generations.

V. Opportunity and Risk Report, Guidance

1. Opportunity and Risk Management System

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

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

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

With the implementation of the “Salzgitter AG 2015” program, we have had a fundamental change in the Group’s organization and management structure since 2014, thereby realizing more efficient and effective structures and workflows. The challenging and dynamic environment harbors market opportunities that we are now able to seize more swiftly and in a more selective way. Combined with a comprehensive package of measures to enhance process efficiency, the “Salzgitter AG 2015” program serves to strengthen our competitiveness, while forming an important basis for rigorously leveraging potential.

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

Plant productivity and efficient resource deployment, as well as the continuous optimization of product quality are also components that are critical to our Group’s success. More detailed explanations can be found in the “Investments” section.

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

Risks and risk management

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

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

Qualified top-down set of rules and regulations

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

- identification,
- assessment,
- dealing with risk,
- communication and
- documentation

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

Identification

With risk management within the Salzgitter Group in mind, we identify situations in the business units that we have not yet incorporated – or been able to incorporate – into our planning or in our forecast. The damage or the amount of loss is based on the potential divergence from the forecast or anticipated result. The risk coordinators in the companies ensure that this is a continuous process. We have drawn up a checklist that can be used to identify risks. At the same time, the various situations are assigned to risk types. The categorization of the different types of risks in the Salzgitter Group consists of the following four main groups:

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

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

Assessment

We generally document the quantitative extent of the potential calculated loss or damage in the light of all influencing factors in order to track and assess the risks. Provisions and impairment mitigate any loss amounts, which is noted in the risk documentation.

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

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

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

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

Dealing with risk

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

Communication and documentation

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

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

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

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

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

2. Individual Risks

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

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

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

are particularly significant for the Salzgitter Group.

In order to minimize the associated business risks, we monitor the relevant trends and take account of them in risk forecasts. This is also true of potential restrictions resulting from financial or political measures affecting international business. Uncertainty prevails as to how this situation will develop.

The crisis in Europe's industry at large and steel industry continues to exert a considerable burden on the Salzgitter Group. The ongoing recession in some European countries and the associated downturn in the demand for steel continue to be the cause of significant capacity underutilization, particularly in southern Europe. The direct and indirect nationalization of peer competitors harbors a threat of additional competitive distortion. Moreover, huge pressure emanates from imports, especially from China. As a consequence of the ensuing challenging competition, the selling prices that can be commanded for many rolled steel products scarcely cover the manufacturing costs, despite an easing effect from the downturn in raw material prices. Our Plate / Section Steel and Strip Steel business units have been particularly hard hit. In 2016, we anticipate fierce competition.

Salzgitter AG (SZAG) produces rolled steel and steel tubes as well as focusing on trading and technology. This broad-based holding portfolio goes some way to reducing the Group's dependency on the strongly cyclical nature of the steel industry. We limit risks from changes in the steel and tubes markets by ensuring fast decision-making processes which allow us to adapt rapidly to new market conditions. Another topic constituting a huge burden for the steel industry in the EU consists in the rising exports from China's steel industry, with the resulting intense competition exerting pressure on the selling prices of most products. The EU is the only region in the world with a notable steel consumption that does not have effective external protection against imports in place. If this situation remains unchanged, risks threatening the survival of the company can no longer be excluded.

With regard to the current discussions on climate and energy policy, we make additional reference to the section entitled "Environmental Protection". Policies on the climate and energy, from the German Renewable Energies Act (EEG) and emission trading and energy systems, for instance, are already causing burdens today. Due to the evaluation proviso under the amended EEG concerning electricity generated for own consumption, we see a risk of additional burdens of up to € 139 million a year from 2017 onward.

Moreover, our Group will likely have to purchase CO_2 allowances for the fourth ETS trading period commencing 2021. Indirectly associated with this is the risk of a price increase in electricity sourced externally. In terms of these two aspects, we assess risk to be in the order of approximately a maximum € 155 million a year.

We generally view the probability of occurrence as likely due to the nature of EEG and CO_2-related topics. The amount of loss will hinge on the development of the political environment. The proposal tabled by the EU Commission in mid-2015 for adjusting the emissions trading guideline from 2021 has likely increased the probability of these burdens occurring.

Using all energy sources sparingly is an important aspect for us, if only for cost consideration, which is why we are stepping up our groupwide energy monitoring.

Price risks of essential raw materials

The procurement prices of iron ore and coking coal have dropped once more in comparison with the previous year. We do not anticipate any risks to the company as going concern of prices rising in the – rather unlikely – short term. We always endeavor to smooth price fluctuations for raw materials to the greatest extent possible through natural hedging: The Group applies a permanent system of monitoring sales and procurement to ensure congruence between the fixed-price procurement of raw materials and the fixed-price sale of our products. This system enables changes to be recognized at an early stage so that any resulting risk can be dealt with in time. Moreover, we use hedging to a limited extent for ore.

Procurement risks

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

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

Selling risks

A risk typical of our business may also result from sharply fluctuating prices and volumes in our target markets. In assessing the current economic environment with regard to the outlook for the financial year 2016, we refer to the section entitled “Overall Statement on Anticipated Group Performance”.

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

Production downtime risks

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

Legal risks

In order to exclude potential risks arising from a possible breach of the manifold fiscal, environmental, competition-related rules and regulations and other legal provisions we require our employees' strict compliance. The Executive Board has conveyed its fundamental understanding of values to all the Group's employees through the medium of a Code of Conduct distributed throughout the workforce. We seek extensive legal advice from our experts as well as, on a case-by-case basis, from qualified external specialists. Comprehensive training promotes the sensitivity of employees concerning this topic.

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

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

Financial risks

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

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

Currency risks

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

To limit the volatility of financial risks, we conclude derivative financial instruments with terms whose value develops counter to our operational business. The development of the market value of all derivative financial instruments is ascertained on a monthly basis. Moreover, for the purpose of the annual financial statements, we simulate the sensitivity of these instruments in accordance with the standards laid down under IFRS 7 (see the section entitled "Notes to the Consolidated Financial Statements"). Hedging arrangements are generally 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. We monitor the unsecured positions with great care, evaluate them and factor them into our transactions.

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

Liquidity risks

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

Interest rate risks

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

Tax risks

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

Since the spring of 2014, the Braunschweig public prosecutor's office has been investigating various Group companies on grounds of suspected tax evasion. The investigation proceedings concerning the formation of allegedly fiscally impermissible provisions, as well as commission payments and credit notes not recognized under tax legislation, are ongoing. SZAG and its subsidiaries are cooperating unconditionally with the investigating authorities and have hired external attorneys to investigate the matter comprehensively. We believe that the tax returns in question submitted by the Group companies are in compliance with the statutory regulations. Based on current findings, and taking account of the overall circumstances, the probability of the authorities asserting a claim to quantifiable back payments is less probable and not seriously anticipated.

Personnel risks

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

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

As of January 1, 2014, SZAG and its domestic Group companies carried out the examination on adjusting company pensions prescribed under Section 16 of the German Occupational Pensions Improvement Act (BetrAVG). The financial position of each individual company is definitive for the adjustment decision. Given the unsatisfactory financial situation, the pensions awarded by several Group companies were not adjusted as of January 1, 2014. A model procedure was signed with IG Metall for the purpose of reducing legal costs. Under this agreement, the decision-making principles of the legally valid model procedure are to be transfered to other employees with pension expectancies of the respective companies. The relevant actions are currently being prepared by IG Metall or are partly already pending. In the case of companies where the risk of an obligation arising to adjust company pensions at a later date is deemed unlikely, full restitution of company pension adjustments as of the reporting date of December 31, 2015 would signify an increase in the net pension obligation of around € 30.4 million. Of this amount, € 4.9 million would have to be reported as past service charge through profit and loss and € 25.5 million without effect on income in the context of revaluations.

Product and environmental risks

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

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

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

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

Information technology risks

The growing integration of information systems, also against the backdrop of "Industry 4.0", and the demand for their permanent availability place increasingly greater requirements on the information technology (IT) and the IT infrastructure deployed.

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

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

Corporate strategy risks

We invest on a regular basis in order to secure our future profitability. For more detailed information please see the sections on "Investments" and "Management and Control of the Company, Goals and Strategy". We nonetheless see a need for restructuring in response to market and competitive conditions that we are addressing in a targeted way (please also see information on the discontinuation of the sheet piling product segment [HSP Hoesch Spundwand und Profil GmbH], the reorganization of the large-diameter tubes business [EUROPIPE Group, Dunkirk site], as well as the reorganization of the plate business [Ilsenburger Grobblech GmbH and Salzgitter Mannesmann Grobblech GmbH] in the Group Management Report). We consider the risks inherent in this restructuring to be manageable.

3. Overall Statement on the Risk Position of the Group

Evaluation of the risk position by management

Having reviewed the overall risk position of the Salzgitter Group, we can conclude that there were no risks endangering either the individual companies or the entire Group as going concerns at the time when the 2015 annual financial statements were drawn up. This evaluation applies to the individual companies, as well as to the Group as a whole.

Nonetheless, we continue to be burdened by the ongoing structural crisis in the steel market and massive distortions of competition from direct and indirect nationalization, as well as by the developments in the Russia-Ukraine conflict and uncertainty in the Near and Middle East emanating from the terrorist activities of the “Islamic State in Iraq and Syria” extremist group (ISIS). We view the relentlessly huge pressure on imports, especially from China, and the energy and environmental policies of Germany and Europe respectively as particularly severe in their potential impact on further developments. Risks to the survival of the company may arise under certain circumstances.

Despite the limited planning reliability, we nevertheless consider ourselves well equipped in the current situation to master the considerably greater challenges placed on opportunity and risk management during this phase. 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 companies not rated by an external agency meanwhile also have access to all the instruments of capital market financing.

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, tax 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 overall financial position of Salzgitter AG (SZAG). The Audit Committee is also tasked with monitoring the effectiveness of the internal control system. An agreement has been made with the external auditor that the Chairman of the Supervisory Board will be informed without delay about all material findings and events connected with the auditing of the annual financial statements which are relevant to the tasks of the Supervisory Board.

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

SZAG's Internal Audit examines the operations and transactions relevant to the accounting of SZAG and its subsidiaries and holdings in terms of risk independently and on behalf of the Executive Board. 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 SZAG 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, 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 that Group companies must prepare is similarly defined in detail. A standardized and comprehensive set of forms is used for this purpose. The Group guidelines also include explicit instructions for the presentation and processing of offsetting procedures within the Group, with the respective process for reconciling balances and the calculation of the fair value of holdings. The heads of accounting in the companies are informed about changes under the law in regular events organized by the Group.

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

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

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

Moreover, the preparation of the management report is carried out centrally, thereby ensuring compliance with legal requirements.

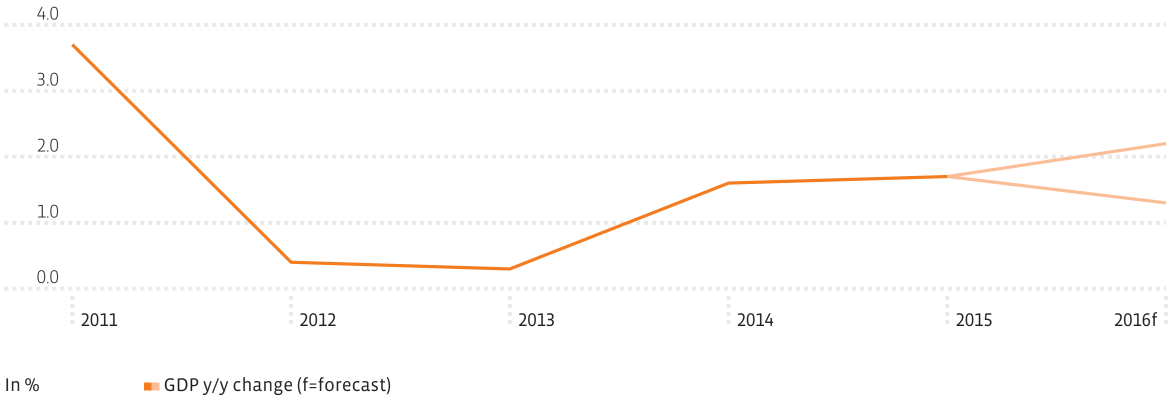
4. General Business Conditions in the Coming Year

The International Monetary Fund (IWF) anticipates moderate growth in the **global economy** in 2016 that will, however, continue to be very uneven depending on the economic region. The positive effect of lower energy prices can generally be factored in for the domestic economies of the industrial nations. The recovery in the USA is likely to prove robust, and the weaker currencies of Japan and Europe should benefit their export activities. China is expected to see a further slowdown in its growth rate as capital expenditure is set to decline in the context of the economy's transformation. The development of the commodity exporting countries will bear the brunt of the low prices of most resources in the global market; Brazil and Russia may even enter into recession. All in all, the International Monetary Fund (IMF) forecasts global economic growth of 3.4 % in 2016 (2015: 3.1 %).

A slight recovery in the domestic economy is anticipated in the **Eurozone** due to lower energy costs and exchange rate conditions that favor an export economy. In addition, the continued expansionary monetary policy, coupled with a predicted easing of the burdens emanating from numerous structural crises, should have a positive impact. Given these framework conditions, growth potential is assumed for private consumption as well as for gross government and private investments. Accordingly, the IMF anticipates that the euro area's growth rate will rise to 1.7 % (2015: 1.5 %).

Slightly higher economic expansion is similarly anticipated for **Germany** in 2016, with private consumption remaining the driver here. By contrast, in view of sufficient production capacities and the moderately positive outlook for foreign trade, only a slight increase is anticipated for capital investment. The IMF therefore puts growth in Germany at 1.7 % in the full year 2016 (2015: 1.5 %).

GDP Germany: forecast range 2016



Sources:
BDA
as of 2016/01/27
German Federal
Statistic Office
as of 2016/02/10

Difficult year expected for the steel industry

The German Steel Federation expects **global demand for steel** to remain virtually unchanged in 2016. Crude steel output of 1.63 billion tons is therefore also likely to remain at the year-earlier level. The main reason behind the predicted stagnation is the expansion of China's surplus capacity. Activities on the steel markets in the other regions will in all probability remain moderate. Against this backdrop, capacity utilization is likely to decline further.

In the German Steel Federation's opinion, supply within the **EU 28** is set to move sideways in 2016. Under the forecast, real steel consumption is expected to edge up. Stock replenishment – so far not ascertained – in the context of the steel import crisis could, however, put the brakes on demand. On the production front, the steel foreign trade balance is expected to deteriorate. A decline in crude steel output of 3.6% and capacity utilization remaining below the 80% threshold are therefore anticipated.

In **Germany**, the German Steel Federation is similarly counting on demand for steel remaining stable in 2016. The production of the majority of steel processing sectors is expected to develop robustly. Growth is predicted in the automotive as well as in the construction industries. In the steel tube business, the downturn in energy prices will continue to have a hampering effect, although a number of pipeline projects are likely to provide positive impetus. Given the high level of imports, crude steel production is expected to contract by 3% to 41.5 million tons.

Further market consolidation foreseeable in 2016

Against the backdrop of demand for steel tubes picking up momentum at a pace that is even weaker than in recent years, the surplus capacities existing worldwide dampen expectations for the current year. An increase in excess capacities must be expected, especially in China. The EU steel tube industry is benefiting from the overall robust economy in the industrial nations, driven by low energy prices, an expansionary fiscal policy, and a favorable euro/dollar exchange rate. In addition, a potential resumption of business relations with Iran could generate additional impetus. From the standpoint of German producers, demand emanating from the offshore wind sector is likely to enjoy stable development. While demand for automotive applications is expected to remain satisfactory overall despite weaker trends in the Russian and Chinese sales markets, the huge slump in crude oil prices suggests that investment restraint in the energy sector will remain unchanged. No positive stimuli are expected from conventional power plants either, which means that seamless tube production is set to remain weak. The large-diameter pipes industry could benefit from new projects in the line pipe segment.

German mechanical engineering predicts zero growth in 2016

With a look to the full year 2016, the German Engineering Federation (VDMA) believes that sales will stagnate. From a nominal standpoint, the production figure could, however, marginally exceed the € 200 billion mark for the first time ever in 2016. By contrast, sales growth in the food and packaging machinery market has been estimated at between 3% and 5%. The past has already shown that the sector is less susceptible to the impact of political or economic crises compared with other specialized sub-segments. In the USA, the largest single sales market, capital expenditure is still running at a high level. Business with China also reports growth. In addition, strong impetus is emanating from Latin America and the ASEAN nations.

Conversely, the Group's mechanical engineering companies that are operate in the plastics processing industry expect sales to stagnate in 2016.

Leading indicators specific to the company

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

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

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

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

Particularly in an extremely volatile environment such as that of the steel industry, the informative value of such indicators in terms of their time horizon must be examined and 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 multitude 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. 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. In view of the significant worsening of Europe's steel markets' economic outlook at the end of autumn 2015, an additional top-down earnings adjustment was incorporated as well for the financial year 2016.

5.2. Expected Earnings

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

Against this backdrop, the business segments anticipate that business will develop as follows in the financial year 2016:

The activities of the companies forming part of the **Strip Steel Business Unit** are subject to extremely challenging framework conditions in the current financial year. Customer demand for passing on favorable procurement prices, on the one hand, and the sharp increase in cheap imports from China into the European steel market since the second half-year of 2015, on the other, have exerted considerable pressure on prices. Salzgitter Flachstahl GmbH (SZFG), by far the business unit's largest company, expects selling prices to stabilize as from the second half of 2016, depending when anti-dumping measures by the European Union (EU) enter into force. EU anti-dumping measures for cold-rolled strip have meanwhile already been decided; a ruling on the respective measures for hot-rolled strip and plate is expected in the second half of the year. Assuming that demand remains robust and supported by further cost savings, virtually stable sales and a moderate deterioration in the pre-tax result is anticipated in comparison with 2015. The fact that the previous year's sales and result were burdened by relining one of the blast furnaces must be taken into account.

The **Plate / Section Steel Business Unit** will also be exposed to a difficult market environment in the current financial year. Above all the plate mills are confronted with partly ruinous price declines due to the flood of imports. Anti-dumping measures applied for in connection with this product segment are only likely to ease the situation to a certain extent in the second half of the year at the earliest. Moreover, plate production by Salzgitter Mannesmann Grobblech GmbH (MGB) depends greatly on realizing major projects (including the North Stream II pipeline) that are the topic of controversial political discussion. The implementation of extensive cost reduction and efficiency measures are deemed necessary for both mills over the course of the year. Peiner Träger GmbH (PTG) anticipates a somewhat lower, but nonetheless positive pre-tax result in the context of scrap prices returning to normal levels. Along with the non-recurrence of losses from Hoesch Spundwand GmbH (HSP), whose operations were discontinued at year-end 2015, this is, however, unlikely to be sufficient to compensate for the plate mills' deficit. We nonetheless anticipate that the business unit will significantly reduce its loss. Owing above all to selling prices, coupled with the discontinuation of the sheet piling business, a notable downturn in sales is expected.

The companies belonging to the **Energy Business Unit** will continue to operate in markets with varying potential in 2016. The awarding of major projects in Europe's large-diameter pipes market also depends on geopolitical considerations. Moreover, the currently low levels of oil and gas prices are hampering customers' investment propensity. Nonetheless, contracts that will secure capacity utilization are expected to be awarded in the early months of the year. In the mid-sized line pipes segment, demand is likely to remain reticent owing to the low oil price; preparations for capacity adjustments and cost reductions are currently under way and will be implemented over the course of the year. The precision tubes companies expect stable demand from automotive manufacturers, as opposed to the markets of the energy and industry product segments that will remain exposed to fierce competition. In the seamless stainless steel tubes business, all product segments are expected to recover in the second half of the year. Weaker selling prices will result in a marginal sales downturn overall; the pre-tax result is expected to remain at the year-earlier level.

In 2016, the **Trading Business Unit** forecasts a stabilization of the price level and a recovery in demand. International trading is likely to increase shipments on the back of a revival of project awards. In the stockholding steel trade, raising the processing capacities and expanding the customer base in the context of stepping up the digitalization of sales is likely to generate growth momentum. Special items in 2015 that firmed up profit will not be repeated in the financial year 2016. Adjusted for these effects, a notable improvement in operating profit is nevertheless anticipated based on a slight overall upturn in sales. Additional support will be provided by the foreseeable success of restructuring at Salzgitter Mannesmann Stahlhandel GmbH (SMSD) and the strategic realignment of Universal Eisen und Stahl GmbH (UES), with greater focus on high-margin business.

Based on a high order backlog, the **Technology Business Unit** anticipates a stable sales and profit trend. In an environment of persistently fierce price-led competition for project business, growth in profitable product segments, as well as a further expansion of the service business is to be generated. Accordingly, the KHS Group expects profit to remain at the year-earlier level at minimum. Above all, further efficiency enhancing measures under the “Fit4Future 2.0” program are set to develop their full impact. The outlook for Klöckner Desma Schuhmaschinen GmbH (KDS) and the KDE Group is similarly promising.

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

Against the backdrop of the current conditions, especially in the rolled steel and tubes market, and taking account of further positive effects from the "Salzgitter AG 2015" program, flanked by additional programs of measures for the individual companies, we assume the following for the Salzgitter Group in the year 2016:

- sales virtually stable at around € 8.6 billion,
- an operating pre-tax result around breakeven – depending on when anti-dumping measures take effect and net of non-recurrent expenses for specific measures aimed at structural improvements within the Group – as well as
- a marginally positive return on capital employed (ROCE).

As in recent years, please note 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 2016. 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 € 10 change in the margin per ton is sufficient to cause a variation in the annual result of more than € 120 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 cash and cash equivalents are used partly for financing investments that are ongoing primarily in our steel and technology business. In addition, we anticipate cash outflow through the utilization of provisions formed in previous years for measures to enhance structures and taxes. 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 on the capital market at short notice.

An amount of € 306 million has been earmarked for our Group's capital expenditure budget in 2016. Together with the follow-up amounts of investments approved in previous years, the cash-effective portion of the 2016 budget should amount to approximately € 346 million (previous year: € 411 million). As before, investments will be effectively triggered on a step-by-step basis and in accordance with the development of profit and liquidity.

The financial resources required for foreseeable investment measures in the financial year 2016 will fall slightly below the level of depreciation and amortization, so that financing is covered within the Group.

The financial position of our Group should be comparatively sound at the end of the year 2016 as well, particularly given 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.

As before, the dividend amount will be geared to the profit trend. The cyclical fluctuations typical of the sector are by nature reflected in the results of the Group, on the one hand, and in its share price, on the other. The separate financial statements of Salzgitter AG (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 payments do not necessarily have to fully reflect the cyclicality of the earnings performance. Against the backdrop of the market environment currently to be expected and the dependence of the earnings of SZAG on its subsidiaries we anticipate result available for distribution for the financial year 2016 around the level of the previous year.

All in all, it can be concluded 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 in the future as well.

6. Significant Events after the Reporting Date

There were no events requiring reporting after the reporting date.

Customer benefits have always been at the heart of Salzgitter Mannesmann Stahlhandel GmbH's endeavors. Introducing e-CONNECT, we are once again offering our customers a genuine competitive advantage. They can now simply extend their offerings without having to add to their own inventories. Thanks to a direct link-up with their merchandise management system, our customers can access our portfolio and place their orders immediately – directly, without delays or waiting times – with digital ease and from their own systems. With e-CONNECT, Salzgitter Mannesmann Stahlhandel GmbH has reinforced its position as a flexible system partner and cutting-edge service provider, while consistently pursuing its "Steel goes digital" course.

Jens Rojahn
Head of Sales,
Salzgitter Mannesmann
Stahlhandel GmbH

Henrik Forsmark
Managing Director,
Stena Stål AB

Overview of the Consolidated Financial Statements

B. Consolidated Financial Statements

I. Consolidated Income Statement

In € m	Note	2015	2014
Sales	[1]	8,501.5	8,885.2
Increase/decrease in finished goods and work in process/other own work capitalized	[2]	–50.9	49.1
		8,450.6	**8,934.3**
Other operating income	[3]	308.6	395.8
Cost of materials	[4]	5,649.4	6,228.0
Personnel expenses	[5]	1,621.0	1,573.2
Amortization and depreciation of intangible assets and property, plant and equipment	[6]	338.0	337.1
Other operating expenses	[7]	1,037.8	1,025.5
Income from shareholdings	[8]	13.8	31.8
Result from investments accounted for using the equity method	[9]	15.8	–10.7
Finance income	[10]	35.3	33.1
Finance expenses	[11]	113.2	147.3
Earnings before taxes (EBT)		**64.7**	**73.2**
Income tax	[12]	58.0	14.1
Consolidated result from continuing operations		6.7	59.1
Consolidated result from discontinued operations	[13]	–52.1	–91.0
Consolidated result		**–45.5**	**–31.9**
Amount due to Salzgitter AG shareholders		–48.1	–34.7
Minority interests	[14]	2.6	2.8

Appropriation of profit in € m	Note	2015	2014
Consolidated result		–45.5	–31.9
Profit carried forward from the previous year		12.1	12.1
Minority interests in consolidated net loss for the year		2.6	2.8
Dividend payment		–10.8	–10.8
Withdrawal from other retained earnings		61.9	45.5
Unappropriated retained earnings of Salzgitter AG		**15.1**	**12.1**
Earnings per share (in €) – basic	**[15]**	**–0.89**	**–0.64**
Earnings per share (in €) from continuing operations – basic	[15]	0.08	1.04
Earnings per share (in €) – diluted	**[15]**	**–0.89**	**–0.64**
Earnings per share (in €) from continuing operations – diluted	[15]	0.08	1.04

II. Statement of Total Comprehensive Income

2015 in € m	Total	Share of the Salzgitter AG shareholders	Minority interests
Consolidated result	**–45.5**	**–48.1**	**2.6**
Recycling			
Reserve from currency translation	12.1	12.2	–0.0
Changes in value from cash flow hedges	–14.1	–14.1	–
Fair value change	–60.9	–60.9	–
Basis adjustments	42.8	42.8	–
Recognition with effect on income	–2.9	–2.9	–
Deferred tax	7.0	7.0	–
Change in value due to available-for-sale financial assets	–0.1	–0.1	–0.0
Fair value change	0.3	0.3	–0.0
Recognition with effect on income	–	–	–
Deferred tax	–0.3	–0.3	–
Changes in value of investments accounted for using the equity method	14.8	14.8	–
Fair value change	–3.4	–3.4	–
Recognition with effect on income	8.7	8.7	–
Currency translation	9.1	9.1	–
Deferred tax	0.4	0.4	–
Deferred taxes on other changes without effect on the income	0.1	–0.0	0.2
	12.9	**12.8**	**0.1**
Non-recycling			
Remeasurements	53.8	54.1	–0.3
Remeasurement of pensions	68.0	68.1	–0.1
Deferred tax	–14.3	–14.0	–0.3
Changes in value of investments accounted for using the equity method	–9.1	–9.1	–
	44.6	**44.9**	**–0.3**
Other comprehensive income	**57.5**	**57.8**	**–0.2**
Total comprehensive income	**12.1**	**9.7**	**2.4**
Continuing operations		61.0	
Discontinued operations		–51.3	

2014 restated in € m	Total	Share of the Salzgitter AG shareholders	Minority interests
Consolidated profit or loss	**– 31.9**	**– 34.7**	**2.8**
Recycling			
Reserve from currency translation	15.6	15.6	– 0.1
Changes in value from cash flow hedges	– 17.5	– 17.5	–
Fair value change	– 39.8	– 39.8	–
Basis adjustments	14.5	14.5	–
Recognition with effect on income	– 0.1	– 0.1	–
Deferred tax	7.9	7.9	–
Change in value due to available-for-sale financial assets	3.7	3.7	– 0.0
Fair value change	5.2	5.2	– 0.0
Recognition with effect on income	–	–	–
Deferred tax	– 1.5	– 1.5	–
Changes in value of investments accounted for using the equity method	– 3.6	– 3.6	–
Fair value change	– 14.9	– 14.9	–
Recognition with effect on income	1.5	1.5	–
Currency translation	8.8	8.8	–
Deferred tax	1.0	1.0	–
Deferred taxes on other changes without effect on the income	– 0.1	0.1	– 0.2
	– 1.9	**– 1.6**	**– 0.3**
Non-recycling			
Remeasurements	– 261.4	– 261.9	0.5
Remeasurement of pensions	– 343.6	– 343.8	0.3
Deferred tax	82.2	81.9	0.2
Changes in value of investments accounted for using the equity method	– 3.9	– 3.9	–
	– 265.3	**– 265.8**	**0.5**
Other comprehensive income	**– 267.3**	**– 267.4**	**0.2**
			–
Total comprehensive income	**– 299.1**	**– 302.1**	**3.0**
Continuing operations		– 206.5	
Discontinued operations		– 95.6	

III. Consolidated Balance Sheet

Assets in € m	Note	2015/12/31	2014/12/31
Non-current assets			
Intangible assets	[16]	156.6	106.3
Property, plant and equipment	[17]	2,405.0	2,387.3
Investment property	[18]	21.4	21.6
Financial assets	[19]	154.6	160.6
Investments accounted for using the equity method	[20]	612.4	602.1
Deferred income tax assets	[21]	299.7	295.8
Other receivables and other assets	[22]	0.7	1.4
		3,650.4	**3,575.1**
Current assets			
Inventories	[23]	1,810.8	1,991.5
Trade receivables	[24]	1,495.8	1,646.6
Other receivables and other assets	[25]	416.8	374.4
Income tax assets	[26]	18.3	17.7
Securities	[27]	55.8	113.6
Cash and cash equivalents	[28]	836.2	774.0
		4,633.7	**4,917.8**
		8,284.1	**8,492.9**

Equity and liabilities in € m	Note	2015/12/31	2014/12/31
Equity			
Subscribed capital	[29]	161.6	161.6
Capital reserve	[30]	257.0	238.6
Retained earnings	[31]	2,839.8	2,847.8
Other reserves	[32]	– 19.1	– 22.7
Unappropriated retained earnings	[33]	15.1	12.1
		3,254.4	**3,237.4**
Treasury shares	[34]	– 369.7	– 369.7
		2,884.7	**2,867.7**
Minority interests	[35]	8.1	7.8
		2,892.8	**2,875.5**
Non-current liabilities			
Provisions for pensions and similar obligations	[36]	2,327.3	2,442.2
Deferred income tax liabilities	[21]	27.6	9.4
Income tax liabilities	[26]	37.2	132.9
Other provisions	[37]	307.2	327.9
Financial liabilities	[38]	543.0	180.0
Other liabilities	[39]	23.5	23.0
		3,265.8	**3,115.4**
Current liabilities			
Other provisions	[37]	299.6	310.9
Financial liabilities	[40]	284.9	568.5
Trade payables	[41]	975.7	1,150.7
Income tax liabilities	[26]	190.6	55.4
Other liabilities	[42]	374.7	416.5
		2,125.5	**2,502.0**
		8,284.1	**8,492.9**

IV. Cash Flow Statement

(47) Cash Flow Statement

In € m	2015	2014
Earnings before taxes (EBT)	12.6	– 15.2
Depreciation, write-downs (+)/write-ups (–) of non-current assets	340.7	385.6
Income tax paid (–)/refunded (+)	– 32.6	– 44.4
Other non-cash expenses (+)/income (–)	164.3	20.3
Interest expenses	113.2	146.3
Gain (–)/loss (+) from the disposal of non-current assets	8.6	8.3
Increase (–)/decrease (+) in inventories	193.6	2.6
Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	137.2	116.9
Use of provisions affecting payments, excluding use of tax provisions	– 247.8	– 233.1
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	– 242.0	211.3
Cash inflow from operating activities	**447.7**	**598.5**

[1] The result from ordinary activities (EBT) refers to the continuing and discontinued operations in total. A reconciliation of the result from discontinued operations can be found in Note (13) "Result from discontinued operations".

In € m	2015	2014
Cash inflow from the disposal of fixed assets	2.4	8.4
Cash outflow for investments in intangible assets and property, plant and equipment	– 421.0	– 294.6
Cash inflow (+)/cash outflow (–) for investments of funds	– 96.0	– 78.5
Cash inflow from the disposal of financial assets	13.5	24.9
Cash outflow for investments in financial assets	– 6.7	– 7.7
Cash outflow from investment activities	**– 507.8**	**– 347.5**
Cash outflow in payments to company owners	– 10.8	– 10.8
Cash inflow (+)/outflow (–) for borrowings and other financial liabilities	142.0	– 215.7
Interest paid	– 16.3	– 11.3
Cash inflow/outflow from financing activities	**114.9**	**– 237.8**
Cash and cash equivalents at the start of the period	774.0	754.9
Cash and cash equivalents relating to changes in the consolidated group	8.1	2.5
Gains and losses from changes in foreign exchange rates	– 0.7	3.4
Payment-related changes in cash and cash equivalents	54.8	13.2
Cash and cash equivalents at the end of the period	**836.2**	**774.0**

V. Statement of Changes in Equity

	Subscribed capital	Capital reserve	Treasury shares	Retained earnings	Other reserves from				Net profit	Share of the Salzgitter AG shareholders	Minority interests	Equity
In € m					Currency translation	Cash flow hedges	Available-for-sale financial assets	Investments in companies accounted for using the equity method				
As of 2014/01/01 restated	**161.6**	**238.6**	**–369.7**	**3,153.3**	**–17.9**	**–1.7**	**–13.1**	**15.5**	**12.1**	**3.178.8**	**8.1**	**3.186.9**
Consolidated result	–	–	–	–	–	–	–	–	–34.7	–34.7	2.8	–31.9
Other comprehensive income	–	–	–	–261.8	15.6	–17.5	3.7	–7.5	–	–267.4	0.2	–267.3
Total comprehensive income	–	–	–	–261.8	15.6	–17.5	3.7	–7.5	–34.7	–302.1	3.0	–299.1
Dividend	–	–	–	–	–	–	–	–	–10.8	–10.8	–3.2	–14.0
Allocations contributions and withdrawals to/from capital reserve	–	–	–	–	–	–	–	–	–	–	–	–
Allocations contributions and withdrawals to/from retained earnings	–	–	–	–45.5	–	–	–	–	45.5	0.0	–	0.0
Initial consolidation of Group companies so far not consolidated for materiality reasons	–	–	–	2.2	–	–	–	–	–	2.2	–0.0	2.2
Other	–	–	–	–0.4	–	–	–	–	–	–0.4	–0.2	–0.5
As of 2014/12/31 restated	**161.6**	**238.6**	**–369.7**	**2,847.8**	**–2.2**	**–19.2**	**–9.4**	**8.1**	**12.1**	**2,867.7**	**7.8**	**2,875.4**
Consolidated result	–	–	–	–	–	–	–	–	–48.1	–48.1	2.6	–45.5
Other comprehensive income	–	–	–	54.1	12.2	–14.1	–0.1	5.7	–	57.8	–0.2	57.6
Total comprehensive income	–	–	–	54.1	12.2	–14.1	–0.1	5.7	–48.1	9.7	2.4	12.1
Dividend	–	–	–	–	–	–	–	–	–10.8	–10.8	–2.6	–13.5
Allocations contributions and withdrawals to/from capital reserve	–	18.3	–	–	–	–	–	–	–	18.3	–	18.3
Allocations contributions and withdrawals to/from retained earnings	–	–	–	–61.9	–	–	–	–	61.9	–	–	–
Initial consolidation of Group companies so far not consolidated for materiality reasons	–	–	–	4.3	–	–	–	–	–	4.3	–	4.3
Other	–	–	–	–4.5	–	–	–	–	–	–4.5	0.6	–3.9
As of 2015/12/31 restated	**161.6**	**257.0**	**–369.7**	**2,839.8**	**9.9**	**–33.3**	**–9.4**	**13.7**	**15.1**	**2,884.7**	**8.1**	**2,892.8**

VI. Notes

(48) Segment Reporting

In € m	Strip Steel		Plate / Section Steel		Energy		Trading		Technology		Total segments		Industrial Participations/ Consolidation		Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
External sales	1,922.5	2,060.1	908.8	1,118.7	1,062.6	1,226.5	3,210.7	3,254.8	1,309.4	1,198.2	8,413.9	8,858.3	204.5	181.9	8,618.4	9,040.2
Sales to other segments	593.9	720.4	824.0	759.9	105.3	159.8	102.4	92.2	0.6	0.6	1,626.2	1,732.9	616.5	606.2	2,242.7	2,339.1
Sales to group companies that are not allocated to an operating segment	1.9	1.4	1.0	0.9	328.6	307.6	0.1	–	–	–	331.5	309.9	–	–	331.5	309.9
Segment sales	2,518.3	2,781.9	1,733.8	1,879.5	1,496.4	1,693.9	3,313.1	3,347.0	1,310.0	1,198.8	10,371.7	10,901.1	821.0	788.1	11,192.6	11,689.2
Interest income (consolidated)	0.6	0.4	0.6	1.7	0.4	0.8	4.1	5.3	3.5	3.4	9.2	11.6	26.2	21.5	35.4	33.1
Interest income from other segments	–	–	0.0	0.3	–	–	0.0	–	–	–	0.0	0.3	58.1	62.0	58.1	62.3
Interest income from group companies that are not allocated to an operating segment	0.2	0.1	0.1	–	0.9	1.1	1.2	1.0	0.0	–	2.5	2.2	–	–	2.5	2.2
Segment interest income	0.8	0.5	0.8	2.0	1.3	1.9	5.3	6.3	3.5	3.4	11.6	14.1	84.3	83.5	95.9	97.6
Interest expenses (consolidated)	21.9	44.3	3.4	5.4	9.0	10.6	10.2	8.2	3.2	4.6	47.7	73.1	65.4	73.3	113.2	146.4
Interest expenses to other segments	–	–	–	–	–	–	0.0	–	–	–	0.0	–	2.5	37.9	2.5	37.9
Interest expenses from group companies that are not allocated to an operating segment	34.2	35.0	14.3	17.8	7.3	7.8	1.6	6.9	0.7	0.8	58.1	68.3	–	–	58.1	68.3
Segment interest expenses	56.1	79.3	17.7	23.2	16.3	18.4	11.8	15.1	3.9	5.4	105.8	141.4	67.9	111.2	173.7	252.6
Scheduled depreciation of property, plant and equipment and amortization of intangible assets (excluding impairment costs in accordance with IAS 36)	171.5	168.1	49.0	53.9	59.4	55.9	9.9	9.2	22.9	24.6	312.7	311.7	27.6	27.5	340.3	339.2
Impairment of tangible and intangible assets (according to IAS 36)	–	–	–	38.7	–	4.0	–	–	–	–	–	42.7	–	–	–	42.7
Impairment of financial assets	–	–	–	–	0.4	–	–	0.8	–	3.0	0.4	3.8	–	–	0.4	3.8
Segment earnings before taxes	–26.0	–8.8	–68.0	–130.0	2.2	–40.6	32.2	60.1	24.6	25.2	–35.0	–94.1	47.5	78.9	12.6	–15.2
of which result from investments accounted for using the equity method	–	–	–	–	0.6	–30.2	–	–	–	–	0.6	–30.2	15.2	19.5	15.8	–10.7
Material non-cash items	6.7	16.3	41.0	29.8	18.4	22.5	–5.9	–2.9	38.0	38.9	98.2	104.6	13.4	–3.1	111.7	101.5
Investments in property, plant and equipment and intangible assets	239.2	117.4	38.8	37.4	73.9	48.4	14.6	9.4	17.2	20.5	383.6	233.1	27.8	37.0	411.4	270.1

Analysis of Fixed Assets 2015

In € m	Acquisition and production costs							Valuation allowances									Book values	
	2015/01/01	Currency translation differences	Changes in the consolidated group	Additions	Disposals	Transfers to other accounts	2015/12/31	2015/01/01	Currency translation differences	Changes in the consolidated group	Write-ups in the financial year	Depreciation in the financial year	Disposals	Other changes without effect on income	Transfers to other accounts	2015/12/31	2015/12/31	2014/12/31
Intangible assets																		
Concessions, brand names, industrial property rights plus licenses and emission rights	311.9	−0.1	0.2	62.8	6.3	2.9	371.4	205.6	−0.1	–	–	15.5	6.0	–	–	215.1	156.3	106.3
Payments on account	–	–	–	2.1	–	−1.8	0.3	–	–	–	–	–	–	–	–	–	0.3	–
	311.9	**−0.1**	**0.2**	**64.9**	**6.3**	**1.1**	**371.7**	**205.6**	**−0.1**	**–**	**–**	**15.5**	**6.0**	**–**	**–**	**215.1**	**156.6**	**106.3**
Property, plant and equipment																		
Land, similar rights and buildings, including buildings on land owned by others	1,634.9	3.7	1.1	13.4	4.2	9.2	1,658.2	959.7	0.8	0.8	–	31.3	3.2	–	–	989.5	668.7	675.2
Plant equipment and machinery	6,480.3	5.5	0.6	222.7	125.0	82.9	6,667.1	4,953.9	3.0	0.4	–	264.0	115.8	–	2.3	5,107.8	1,559.3	1,526.4
Other equipment, plant and office equipment	396.5	0.7	3.2	25.0	18.9	5.1	411.5	313.8	0.6	1.8	–	29.1	18.5	–	–	326.8	84.7	82.7
Payments made on account and equipment under construction	109.1	0.1	0.2	85.4	0.2	−98.3	96.4	6.1	–	–	–	0.2	–	–	−2.3	4.0	92.4	103.0
	8,620.8	**10.0**	**5.1**	**346.5**	**148.3**	**−1.1**	**8,833.2**	**6,233.5**	**4.4**	**3.0**	**–**	**324.6**	**137.5**	**–**	**–**	**6,428.2**	**2,405.0**	**2,387.3**
Investment property	**28.7**	**–**	**–**	**–**	**–**	**–**	**28.7**	**7.1**	**–**	**–**	**–**	**0.2**	**–**	**–**	**–**	**7.3**	21.4	**21.6**
Financial assets																		
Investments in affiliated companies	16.8	–	−2.9	1.7	4.1	17.0	28.6	0.2	–	−0.5	–	0.4	1.5	–	17.0	15.7	12.8	16.6
Shareholdings	10.0	–	–	–	–	–	10.0	–	–	–	–	–	–	–	–	–	10.0	10.0
Non-current securities	36.2	–	–	4.3	2.1	−0.7	37.8	−7.9	–	–	–	–	−0.1	−1.5	−0.7	−10.0	47.8	44.1
Other loans	90.3	0.2	3.3	1.9	11.3	–	84.3	0.4	–	–	–	–	–	–	–	0.4	83.9	89.9
	153.3	**0.2**	**0.4**	**7.9**	**17.5**	**16.3**	**160.7**	**−7.3**	**–**	**−0.5**	**–**	**0.4**	**1.4**	**−1.5**	**16.3**	**6.1**	154.6	**160.6**
	9,114.8	**10.1**	**5.7**	**419.3**	**172.1**	**16.3**	**9,394.3**	**6,438.9**	**4.3**	**2.5**	**–**	**340.7**	**144.9**	**−1.5**	**16.3**	**6,656.7**	2,737.5	**2,675.8**

Consolidated Financial Statements

Analysis of Fixed Assets 2014

In € m	Acquisition and production costs						
	2014/01/01	Currency translation differences	Changes in the consolidated group	Additions	Disposals	Transfers to other accounts	2014/12/31
Intangible assets							
Concessions, brand names, industrial property rights plus licenses and emission rights	308.5	0.1	–	8.3	6.7	1.7	311.9
Payments on account	3.6	–	–	0.8	–	−4.4	–
	312.1	**0.1**	**–**	**9.1**	**6.7**	**−2.7**	**311.9**
Property, plant and equipment							
Land, similar rights and buildings, including buildings on land owned by others	1,536.6	3.9	67.5	16.7	2.1	12.3	1,634.9
Plant equipment and machinery	6,330.2	6.3	0.4	140.9	149.3	151.8	6,480.3
Other equipment, plant and office equipment	376.5	1.0	2.9	30.4	17.4	3.1	396.5
Payments made on account and equipment under construction	196.5	0.2	4.2	72.9	0.2	−164.5	109.1
	8,439.7	**11.4**	**75.0**	**260.9**	**169.0**	**2.7**	**8,620.8**
Investment property	**28.3**	**–**	**0.5**	**–**	**0.1**	**–**	**28.7**
Financial assets							
Investments in affiliated companies	31.6	–	−16.1	2.9	1.6	–	16.8
Shareholdings	10.0	–	–	0.5	0.7	0.2	10.0
Non-current securities	36.0	–	0.4	4.4	2.0	−2.6	36.2
Other loans	112.2	0.5	–	0.1	22.5	–	90.3
	189.7	**0.5**	**−15.7**	**7.9**	**26.8**	**−2.4**	**153.3**
	8,969.8	**12.0**	**59.8**	**277.9**	**202.6**	**−2.4**	**9,114.8**

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

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

Principles of the Consolidated Financial Statements

The Consolidated Financial Statements are based on the financial statements of the parent company Salzgitter AG (SZAG), which were audited by independent annual auditors, as well as those of the companies to be included in these financial statements. SZAG is entered in the Commercial Register at Braunschweig Local Court, Germany, under HRB 9207 and has its headquarters in Salzgitter. The address of the SZAG Executive Board is Eisenhüttenstraße 99, 38239 Salzgitter.

The guiding principles for the preparation of SZAG's consolidated financial statements are the accounting rules of the International Accounting Standards Board (IASB) that are mandatory in the European Union as of the balance sheet date, as well as the supplementary rules of Section 315a para. 1, German Commercial Code (HGB). These standards, together with the interpretations based on them, constitute the foundation for the accounting and valuation principles that must be applied uniformly throughout the Group. All of the requirements set down in these standards were fulfilled without exception, with the result that the consolidated financial statements were prepared in compliance with the applicable accounting rules (IFRS). The consolidated financial statements of SZAG are prepared in euros. Unless otherwise indicated, the amounts are stated in millions of euros (€ m). As a result, there may be deviations from the unrounded amounts.

On December 8, 2015, the Executive Board and the Supervisory Board issued the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the company's website (www.salzgitter-ag.de). The Declaration of Conformity is also printed in the "Corporate Governance Report" section of the Annual Report.

The consolidated financial statements and the Group management report were approved by the Executive Board on February 25, 2016, for submission to the Supervisory Board. They will then be published in the German Federal Gazette.

Accounting and Valuation Principles

Effects resulting from voluntarily altered accounting and valuation principles

The IFRS contain no detailed specification regarding the presentation of the statement of changes in equity. Although the statement of changes in equity must include offsetting and reconciliation of the carrying amounts for every equity component from the beginning to the end of the reporting period, the term equity components and the structure of the statement of changes in equity have not been precisely defined. Until now, the remeasurement effects from pension commitments and the tax effects from the statement of comprehensive income have been shown in the "Other changes in equity with no effect on income" column in the statement of changes in equity. As from this financial year, the remeasurement effects from pension commitments will be allocated to revenue reserves and the effects from investments in entities accounted for using the equity method will be reported in "Other reserves", with the tax effects being allocated to the equity components in which the underlying transaction is reported.

Both the previous and the current procedures applied are basically compatible with the IFRS. However, the reporting of the remeasurement effects from pension commitments in "Other revenue reserves" and the allocation of the tax effects to the equity components provides additional information which is reliable and, at the same time, of greater relevance for the addressee of the consolidated financial statements. This assessment results in particular from the improved comparability of the information thereby published. This voluntary change in presentation led to the adjustment of the previous year's figures in the statement of changes in equity.

The aforementioned adjustments in the presentation of the statement of changes in equity also have effects on the presentation within the statement of comprehensive income, which was adjusted retrospectively for this reason. In this case, the tax effects will in future be allocated to the positions in which their underlying transactions are reported.

The presentation in the balance sheet was also adjusted as a result of the changed presentation in the statement of changes in equity. Accordingly, disclosures will henceforth be reported separately in "Other reserves".

A reconciliation of the previous year's figures in the statement of comprehensive income and the statement of changes in equity can be found under "(46) Adjustments due to changed accounting and valuation principles". The change made has no impact on the basic and/or diluted earnings per share.

The balance sheet reporting of rights to emit CO_2 gases has likewise been amended. In the past, if the intention was to use emission rights for production these were reported under inventories. In future, they will be reported under intangible assets. Both procedures are basically compatible with IFRS. However, thanks to improved comparability, reporting these emission rights under intangible assets will provide additional information which is reliable and, at the same time, of greater relevance for the addressee of the consolidated financial statements. No fundamentally necessary adjustment of the previous year's figures is being made in this context, as emission rights were reported only to an insignificant extent as at the previous year's closing dates. Accordingly, no other disclosure requirements arise from the voluntary amendment of a reporting method.

Effects of new or amended standards:

Standards/Interpretation		Mandatory date in financial year	Adoption by EU Commission[1]	Effects
	Annual Improvements (2011–2013 cycle)[2]	2015	yes	none
IFRIC 21	Duties	2015	yes	none

[1] on 2015/12/31

[2] Slight amendments to numerous standards (IFRS 1, IFRS 3, IFRS 13, IAS 40)

Foreseeable effect of new and/or amended standards to be applied in the future

Standards/Interpretation		Mandatory date in financial year	Adoption by EU Commission[1]	Likely effects
	Annual Improvements (2010 – 2012 cycle)[2]	2016	yes	notes
	Annual Improvements (2012 – 2014 cycle)[3]	2016	yes	none
IAS 1	Amendment – disclosure initiative	2016	yes	none
IAS 16 IAS 38	Amendment – clarification of acceptable methods of depreciation and amortization	2016	yes	none
IAS 16 IAS 41	Amendment – bearer plants	2016	yes	none
IAS 19	Employee Benefits – defined benefit plans: employee contributions	2016	yes	none
IFRS 10 IFRS 12 IAS 28	Amendment – investment entities – applying the consolidation exception	2016	no	none
IFRS 11	Amendment – accounting for acquisition of interest in joint operations	2016	yes	none
IAS 12	Amendment – recognition of deferred tax assets for unrealized losses	2017	no	not foreseeable
IFRS 9	Financial instruments	2018	no	no material (on the basis of a first deductive analysis)
IFRS 15	Revenue from contracts with customers including effective date	2018	no	no material (on the basis of an analysis)
IFRS 16	Leasing	2019	no	not foreseeable
IFRS 10 IAS 28	Amendment – sale or contribution of assets between an investor and its associate or joint venture	deferred indefinitely	no	not foreseeable

[1] on 2015/12/31
[2] Slight amendments to numerous standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38)
[3] Slight amendments to numerous standards (IFRS 5, IFRS 7, IAS 19, IAS 34)

Consolidation principles and methods

Subsidiaries

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

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

If the potential for control of a subsidiary by the Group ceases, that entity is excluded from the consolidated group. In the process, all assets and liabilities and all non-controlling shares and other equity components are derecognized. Any resultant profit or loss is shown in the consolidated income statement. Any retained shareholding in the former subsidiary is measured at fair value as from the time when control ceased to apply. Insofar as 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.

Business combinations are accounted for in accordance with IFRS 3 using the purchase method if the Group gains control. Consideration in return for an acquisition must be determined from the total fair values of the assets acquired as of the time when they changed hands, the liabilities entered into or acquired, and the equity instruments issued by the Group in exchange for the control of the acquired company. In the case of acquisitions that are less than 100%, there is an option to fully disclose the goodwill from an acquisition in accordance with the full goodwill method, i.e. also in the amount of the participating interest attributable to the minorities. Any costs incurred in connection with the business combination must be recorded in full with effect on income when they arise. 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. Otherwise, subsequent changes in the fair value of the conditional consideration are reported through 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.

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 and any resulting profit or loss must be reported as appropriate under profit or loss or in other comprehensive income.

Capital consolidation is carried out by setting off the acquisition cost of the shareholding against the proportionate amount of the newly valued equity at the time when the subsidiary was purchased. Intercompany sales, expenses and income are eliminated within the scope of consolidation, while receivables and liabilities between the companies included in the financial statements are eliminated within the scope of debt consolidation. Intercompany results deriving from intercompany deliveries and services are eliminated with effect on income, taking deferred taxes into account. Minority interests in the consolidated companies are reported separately within equity. In the case of assets and 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.

Joint arrangements

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

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

Associated companies

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

The times of admission into and departure from the group of consolidated companies accounted for 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.

Participating interests
If SZAG is unable either to exercise significant influence or to participate in the respective financial and business strategy decisions, the shares in the company are accounted for as participating interests in accordance with IAS 39.

Consolidated Group

In addition to the annual financial statements of the parent company, the consolidated financial statements include the annual financial statements of 61 (previous year: 59) domestic and 43 (previous year: 34) foreign affiliated companies, all prepared as of the same reporting date. The financial year of SZAG and its subsidiaries included in the consolidated financial statements generally corresponds to the calendar year.

As in the previous year, one domestic company is being included proportionally in the consolidated financial statements as a joint operation. The company in question is Hüttenwerke Krupp Mannesmann GmbH (HKM), Duisburg, in which Salzgitter Mannesmann GmbH has a 30% participating interest. HKM's commercial activities consist of supplying the partners with input material. For this reason, HKM's operating result is dependent in particular on orders from the partners, with the result that they also assume the rights to the assets and the obligations for the liabilities.

As in the previous year, three domestic and four foreign companies were accounted for using the equity method in the reporting year. As an associated company, Aurubis AG, Hamburg, in which Salzgitter Mannesmann GmbH has a 25% participating interest, is accounted for using the equity method. Salzgitter Mannesmann GmbH has a 50% participating interest in the companies of the EUROPIPE Group, Mülheim. The partners, who exercise the management functions jointly, contractually participate in the net assets of the companies in the EUROPIPE Group, but not in individual assets and liabilities. The companies in the EUROPIPE Group are joint arrangements accounted for using the equity method.

Composition and development of the consolidated group (excluding SZAG) and the group of companies accounted for using the equity method:

	As per 2014/12/31	Additions	Disposals	As per 2015/12/31
Consolidated companies	**93**	**11**	**–**	**104**
of which domestic	59	2	–	61
of which foreign	34	9	–	43
Proportionally consolidated companies	**1**	**–**	**–**	**1**
of which domestic	1	–	–	1
of which foreign	–	–	–	–
Investments accounted for using the equity method	**7**	**–**	**–**	**7**
of which domestic	3	–	–	3
of which foreign	4	–	–	4

The additions concern 11 domestic and foreign – hitherto on the grounds of immateriality – non-consolidated companies from the Trading and Technology business units that were included in SZAG's consolidated financial statements for the first time in the financial year 2015. In addition, three previously non-consolidated subsidiaries were included in the consolidated financial statements in the financial year 2015 through the merger and accretion with subsidiaries that were already consolidated.

A total of 8 (previous year: 14) domestic and 25 (previous year: 35) foreign subsidiaries have not been consolidated due to their minor overall significance for the Group's net assets, financial position and results of operations. Most of these companies are non-operational shell or holding companies and very small marketing or real estate companies.

As a part of SZAG's consolidated financial statements, the full list of shareholdings in accordance with Section 285 No. 11 HGB can be retrieved from the electronic company register www.unternehmensregister.de and under the item "Financial Reports" at http://www.salzgitter-ag.com/en/investor-relations.

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 SZAG, 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. With two companies, the functional currency does not correspond to the currency of the country in which they are incorporated. One company conducts its business in euros, the other in US dollars. Assets and liabilities are translated at the exchange rates prevailing on the reporting date; the positions in the income statement, and therefore the result for the year posted in the income statement, are translated at the annual average exchange rate. The resulting differences are reported without effect on income until such time as the subsidiary is sold.

A similar approach is adopted when translating equity rollover for foreign companies that are included in the consolidated financial statements using the equity method. Differences from the previous year's translation are offset against retained earnings without effect on income. 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	2015/12/31	2014/12/31	2015	2014
Australian dollar	1.4897	1.4829	1.4777	1.4719
Brazilian real	4.3117	3.2207	3.7004	3.1211
Chinese renminbi	7.0608	7.5358	6.9733	8.1857
Danish krone	7.4626	7.4453	7.4587	7.4548
British pounds	0.7340	0.7789	0.7258	0.8061
Indian rupee	72.0215	76.7190	71.1956	81.0406
Japanese yen	131.0700	145.2300	134.3140	140.3061
Canadian dollar	1.5116	1.4063	1.4186	1.4661
Korean won	1,280.7800	1,324.8000	1,256.5444	1,398.1424
Mexican peso	18.9145	17.8679	17.6157	17.6550
Polish zloty	4.2639	4.2732	4.1841	4.1843
Russian ruble	80.6736	72.3370	68.0720	50.9518
Swedish krona	9.1895	9.3930	9.3534	9.0985
South African rand	16.9530	14.0353	14.1723	14.4037
Czech koruna	27.0230	27.7350	27.2792	27.5359
Ukrainian hryvnia	26.0119	19.0752	24.1290	15.7828
Hungarian forint	315.9800	315.5400	309.9956	308.7061
US dollar	1.0887	1.2141	1.1095	1.3285

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 picture 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 accounted for as of the time when better knowledge becomes available.

Impairment of 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 a tangible 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 is based on fundamental assumptions concerning, for example, future selling prices and selling volumes, costs and discount rates. Although management is confident that the estimates of the relevant useful lives, the assumptions regarding the general economic framework, the development of the sectors of industry in which the Group operates and the estimates of the discounted future cash flows are appropriate, a change in the assumptions or in the prevailing circumstances could necessitate a change in the analysis. This could result in additional impairments or reversals of write-downs in the future if the trends identified by management go into reverse or if the assumptions and estimates prove to be incorrect.

Recognition of sales in the case of construction contracts

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

Income tax

As the Group operates and generates income in numerous countries, it is subject to an extremely wide variety of tax laws under a multiplicity of taxation authorities. To ascertain the Group's tax liabilities worldwide, a number of fundamental assessments must therefore be made. The carrying of potential tax risks in the Group as a liability is effected on the basis of the best possible estimate. In this regard, 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, on the basis of a three-year planning period, 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 reduced or if changes to current tax laws restrict the time framework or the scope of realizability of future tax benefits.

Provision for pensions and similar obligations

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

Intangible assets

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.

Intangible assets generated internally are capitalized if it is probable that their usefulness for the Group is reliable and if the acquisition or production costs can be measured with accuracy. The production costs of internally generated intangible assets are determined on the basis of directly attributable costs. Costs that are necessary for the creation, production and development of the asset so that it is in good operational condition for the purposes intended for it by the Group's management are included. These intangible assets are 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.

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 similarly directly attributable parts of the development-related overheads. They are amortized from the start of production onward on a straight-line basis over the likely economic useful life of the developed asset models.

Rights to emit CO_2 gases are reported under intangible assets if the intention is to use emission rights for production purposes. 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.

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.

The production costs of internally generated intangible assets are determined on the basis of directly attributable 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
Property facilities	5 to 40 years
Plant equipment and machinery	5 to 33 years
Other equipment, plant and office equipment	3 to 20 years

Leasing

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

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

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 5 years). Since the financial year 2013, this assessment of value has been based on an alternative potential utilization, the “highest-and-best-use method" in accordance with IFRS 13.

Financial assets – categorization

Financial assets held for trading

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

Loans and receivables originated by the company

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

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

Initial and subsequent evaluation

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

Financial assets are initially recognized at their fair value.

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

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

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.

Value adjustment and derecognition

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.

Offsetting financial instruments

Financial assets 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 in order to redeem the associated liability. The legal right to netting out may not depend on some future event and must be enforceable both in the normal course of business and in the event of a default, an insolvency or a bankruptcy.

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 payment 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 for the currency risk inherent in firm obligations and qualify as cash flow hedges is recognized under equity. The ineffective portion of the changes in value, on the other hand, is recognized immediately in the income statement. Amounts recorded under equity are reposted to the income statement in the period when the hedged item is recorded as earnings or expenses 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.

Trade receivables

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

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, revenues are only recorded in the amount of the contract costs incurred.

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 book value or fair value less selling costs, whichever is lower, if their book value will essentially be generated by a sale rather than through continued operational use.

Provision for pensions and similar obligations

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

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

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

	2015/12/31	2014/12/31
Discount rate	2.25 %	2.00 %
Salary trend	2.75 %	2.75 %
Pension trend	1.75 %	1.75 %

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

The Heubeck actuarial tables (Richttafeln) 2005 G were again used to value the expected mortality of the beneficiaries. As in the previous year, the actuarial tables devised by Prof. Heubeck (RT 2005 G) were 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 2015, the life expectancy of the Essener Verband's beneficiaries was again examined and updated and continuing the modification was essentially confirmed.

Income tax

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

As of December 31, 2015, the deferred taxes of domestic corporate entities were evaluated with an overall tax rate of 30.8 % (previous year: 30.6 %). This tax rate comprises the 15.0 % 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 (21).

Other provisions

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

Financial liabilities held for trading

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 financial liabilities are recognized for the first time, they 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.

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

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

Discontinued operations

If the shutting down of part of a company is to be classified as a discontinuation of operations, the resulting financial effects must be shown separately. In the process, the after-tax result of a discontinued operation is disclosed in the income statement and the statement of comprehensive income in a separate row of its own, as well as being shown in detail within the scope of specific explanations. This also applies to the previous year's figures. The net cash flows from current operating, investment and financing activities are also depicted separately in the supplementary explanations. The earnings per share for the discontinued operation are shown in the Notes.

Income and expense recognition

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

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

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

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

Impairment of assets (impairment test)

On every balance sheet date at the latest, the Group examines the book values of its intangible assets and property, plant and equipment to establish whether there are any signs of impairment. If such signs are discernible, the recoverable amount is ascertained and compared with the carrying amount of the asset concerned. If the recoverable amount for the individual asset cannot be estimated, an impairment test is carried out at the level of the cash generating unit to which the asset belongs. If the carrying amount of an asset or a cash generating unit exceeds the respective recoverable amount, the asset is impaired and will be subjected to unscheduled depreciation at its recoverable amount. If the reason for a previous unscheduled depreciation no longer applies, a reversal is carried out.

Financial risk management

The Group's commercial activities expose it to a variety of financial risks: market risk (currency, interest and market price risk), 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 is examined in the Group at the start of the hedging relationship and continuously thereafter.

Credit risk

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

Liquidity risk

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

Cash flow and fair value interest rate risk

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

Market price risk

The Salzgitter Group counters the risk of fluctuating market prices, especially in the procurement of raw materials and energy, with medium-term price and supply contracts.

Capital risk management

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

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

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

Notes to the Income Statement

(1) Sales

In € m	2015	2014
By product group		
Strip Steel	3,856.7	4,147.8
Section Steel	681.0	720.8
Pipes	1,299.1	1,338.5
Filling and packaging machinery	1,298.8	1,166.5
Other	1,365.9	1,511.7
	8,501.5	**8,885.2**
Breakdown by region		
Domestic	3,822.8	4,196.2
Other EU	1,754.2	1,790.4
Rest of Europe	281.4	313.6
America	1,196.4	1,042.1
Asia	789.3	781.3
Africa	624.4	731.7
Australia/Oceania	32.9	29.9
	8,501.5	**8,885.2**

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

Sales include revenues amounting to € 750.1 million (previous year: € 665.9 million) recorded using the percentage-of-completion method.

(2) Changes in inventories and other own work capitalized

In € m	2015	2014
Changes in the inventory of unfinished and finished goods	– 61.0	39.7
Other own work capitalized	10.1	9.4
Changes in inventories and other own work capitalized	**– 50.9**	**49.1**

(3) Other operating income

In € m	2015	2014
Reversal of provisions and allowances	133.7	161.3
Income from exchange rate fluctuations	62.6	36.5
Income from the valuation of financial derivatives and foreign currency positions	27.2	97.8
Ancillary operating income	17.5	15.1
Charged-on costs	8.3	9.4
Rental, lease and licensing income	6.8	7.2
Refund from previous years	5.7	2.0
Insurance compensation	4.8	5.1
Income from the sale of marketable securities	4.3	9.0
Subsidies	3.6	9.0
Income from the disposal of non-current assets	2.7	3.5
Income from write-downs of receivables	1.3	1.7
Reimbursements from Bundesanstalt für Arbeit	0.6	4.0
Miscellaneous income	29.5	34.2
Other operating income	**308.6**	**395.8**

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

(4) Cost of materials

In € m	2015	2014
Cost of raw materials, consumables, supplies and goods purchased	5,226.7	5,827.1
Cost of services purchased	422.7	400.9
Cost of materials	**5,649.4**	**6,228.0**

(5) Personnel expenses

In € m	2015	2014
Wages and salaries	1,335.7	1,298.6
Social security, pensions and other benefits	285.3	274.6
of which pension plans and retirement benefits	[130.9]	[130.2]
Personnel expenses	**1,621.0**	**1,573.2**

In the financial year 2015, the sum total of all defined-contribution pension expenses in the Salzgitter Group stood at € 98.8 million (previous year: € 103.5 million). The past service cost for defined-benefit pension commitments in the financial year amounted to € 32.1 million (previous year: € 26.7 million).

Average number of employees (excl. employees in non-active age-related part-time employment)	2015	2014
Wage labor	13,904	14,130
Salaried employees	9,773	9.514
Group core workforce	**23,677**	**23,644**

Of the Group employees, 913 (previous year: 904) are involved in joint arrangements.

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

The scheduled depreciation and amortization comprise amortization of intangible assets and depreciation of property, plant and equipment, and are shown in the assets analysis. To complement this, the unscheduled depreciation and amortization are explained in this section. In the financial year under review, no impairment expenditure of this kind was incurred.

In € m	2015	2014
Plant equipment and machinery	–	3.8
Other equipment, plant and office equipment	–	0.2
Impairment losses	**–**	**4.0**

The impairment losses are calculated in accordance with the standards set out under IAS 36. Depreciation and amortization is applied to the value in use or fair value less selling costs, whichever is higher.

An impairment test is carried out for intangible assets, property, plant and equipment and investment properties if there are specific indications of its necessity.

The calculation of the useful life is based on the current plans prepared by management for the three following years (Level 3 of the valuation hierarchy). The premises of the plans are adjusted to the current status of knowledge that, in turn, is based on general business and economic data supplemented by the company's own estimates. In the process, basic assumptions are made especially in the areas of exchange rates, sale and procurement prices, as well as production and sales volumes.

The net realizable value was calculated using the discounted cash flow method based on an interest rate of 5.43 % (previous year: 5.02 %) for the Technology Business Unit and 5.97 % p.a. (previous year: 5.90% p.a.) for the other business units.

(7) Other operating expenses

In € m	2015	2014
External services and provisioning	320.5	284.9
Selling expenses	302.9	300.6
Administrative expenses including insurance costs, fees, charges and consulting costs	87.3	86.5
Advertising/information and travel expenses	65.4	59.3
Losses from exchange rate fluctuations	57.8	35.3
Rent and leases	34.9	33.5
Valuation allowances for doubtful accounts	25.8	12.1
Expenses from the valuation of financial derivatives and foreign currency positions	24.4	80.5
EDP costs	19.8	19.7
Other taxes	18.3	18.2
Welfare-related personnel and non-personnel expenses	17.5	16.3
Loss on the disposal of non-current assets	11.4	11.4
Financial/monetary transfer expenses	8.1	6.7
Impairment losses on non-current financial assets	0.4	3.8
Miscellaneous expenses	43.3	56.7
Other operating expenses	**1,037.8**	**1,025.5**

Expenses incurred for services received in the areas of remedying damage and the maintenance and cleaning of the technical facilities and of operational and office buildings are reported under "External services". "Administrative expenses including insurance costs, fees, charges and consulting costs" item includes insurance costs of € 31.2 million (previous year: € 30.4 million), expenses for fees, charges and appraisals amounting to € 7.6 million (previous year: € 9.5 million) and consulting costs of € 18.4 million (previous year: € 15.4 million). Similar to "Miscellaneous expenses", this item also includes a large number of individual transactions involving minor amounts at consolidated companies.

(8) Income from investments

In € m	2015	2014
Income from shareholdings	13.8	31.8

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

In € m	2015	2014
Result from investments accounted for using the equity method	15.8	– 10.7

(10) Finance income

In € m	2015	2014
Income from loans	1.0	1.2
Other interest and similar income	34.3	31.9
Finance income	**35.3**	**33.1**

(11) Finance expenses

In € m	2015	2014
Net interest expense (pensions)	47.4	66.8
Other interest and similar expenses	65.8	80.5
Finance expenses	**113.2**	**147.3**

(12) Income taxes

In € m	2015	2014
Income taxes		
current tax expenses/tax income (+/–)	51.3	39.1
deferred tax expenses/tax income (+/–)	6.7	– 25.0
	58.0	**14.1**
of which unrelated to the reporting period	[17.7]	[– 7.8]
Total	**58.0**	**14.1**

The income taxes amounting to € 58.0 million relate to the result from ordinary activities. The income taxes unrelated to the reporting period comprise deferred and actual tax income for previous years.

The increase in the current taxes to € 51.3 million results in particular from the rise in anticipated retrospective tax payments for previous years at a domestic Group company. All in all, the current income taxes applicable to domestic companies amount to € 35.5 million (previous year: € 16.7 million). The increase in deferred tax expenses to € 6.7 million results essentially from the recognition of the temporary differences at domestic Group companies.

Thanks to the use of tax loss carryforwards that had not previously been availed of, the actual tax expenses were reduced by € 2.5 million (previous year: € 3.4 million).

Future dividend payments will not incur any consequences as far as income tax is concerned. Claims for credits for reducing corporation tax at German companies in the amount of € 0.5 million (previous year: € 0.8 million) are included in the balance sheet.

The following deferred tax assets/liabilities reported in the balance sheet are recognized in respect of the differences between reported carrying amounts and attributed tax valuations:

In € m	2015/12/31		2014/12/31	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	6.9	10.6	8.1	10.7
Property, plant and equipment	63.1	160.3	69.7	157.7
Financial assets	0.7	2.1	0.5	1.4
Current assets	22.0	54.4	19.8	87.1
Pension provisions	227.3	–	221.8	–
Other provisions	75.8	6.0	85.9	6.6
Special reserve with equity portion	–	3.2	–	3.6
Liabilities	37.6	5.0	37.0	3.3
Other items	6.9	–	47.8	3.2
Total	**440.3**	**241.6**	**490.6**	**273.6**

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

In € m	2015/12/31	2014/12/31
Corporate income tax	39.6	37.8
Trade tax	33.9	31.7
Capitalized tax savings	**73.5**	**69.5**

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

In € m	2015	2014
Capitalized tax savings, 01/01	**69.5**	**62.1**
Changes in the consolidated group	0.2	0.1
Capitalization of tax savings from losses carried forward	10.9	24.1
Valuation allowances from losses carried forward	–0.6	0.0
Use of losses carried forward	–6.5	–16.8
Capitalized tax savings, 12/31	**73.5**	**69.5**

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 activated for trade tax loss carryforwards amounting to € 1,575.6 million (previous year: € 1,528.8 million) and corporation tax loss carryforwards amounting to € 1,926.4 million (previous year: € 2,033.7 million) because, from a current viewpoint, the possibility of their being used can be regarded as unlikely. The tax loss carryforwards can be utilized without time restrictions.

For foreign non-recoverable loss carryforwards amounting to € 77.8 million (previous year: € 91.8 million) deferred tax assets have likewise not been activated. Of these, € 68.8 million (previous year: € 80.0 million) are not time-limited, € 6.5 million (previous year: € 7.6 million) limited to within the next 5 years and € 2.5 million (previous year: € 4.2 million) limited to and usable within the next 20 years. For domestic and foreign companies, moreover, no deferred tax assets for deductible temporary differences in the amount of 99.8 million (previous year: € 183.8 million) were formed.

In the case of Group companies that have generated tax losses in the current or previous financial year, deferred tax assets amounting to € 5.8 million (previous year: € 272.8 million) are reported as of December 31, 2015, because of anticipated future taxable income.

Reconciliation of the anticipated and actual income tax expenses (+) and/or income (–):

In € m	2015	2014
Earnings before taxes (EBT)	**64.7**	**73.2**
Expected income tax (30.8% / 30.6%)	19.9	22.4
Tax share for:		
differences between tax rates	0.5	– 0.5
effects of changes in statutory tax rates	– 0.4	0.0
tax credits	– 4.2	– 0.4
tax-free income	– 8.6	– 10.7
non-deductible tax expenses and other permanent differences	23.6	17.2
effects of temporary differences and losses		
without capitalization of deferred tax	19.1	11.8
adjustments in the value of capitalization benefits	– 7.2	– 14.5
utilization of benefits not previously capitalized	– 2.5	– 3.4
tax expenses and income unrelated to the reporting period	17.7	– 7.8
other deviations	0.1	0.0
Actual income tax	**58.0**	**14.1**

The actual income tax expenses of € 58.0 million deviate from the expected income tax expenses of € 19.9 million by a total of € 38.1 million. This results essentially from effects arising from the fiscal non-deductibility of expenses, the non-activation of deferred taxes on current losses, and tax expenses unrelated to the period in question. On the other side are, in particular, effects from tax-free income and from the remeasurement of activated advantages.

The tax expenses for the discontinued operations amount to € 0.0 million (previous year: € 2.6 million).

(13) Result from discontinued operations

HSP Hoesch Spundwand und Profil Gesellschaft mit beschränkter Haftung (HSP) manufactures and sells heavy sections, especially sheet piling and mining sections. Despite a high level of investment, the company has been operating at a loss for years. This can be attributed in particular to declining demand in the sheet piling market. In its meeting on June 16, 2015, the Executive Board therefore decided to discontinue the company’s operations in their entirety to prevent any further negative consequences for the Salzgitter Group. Then, in December 2015, production, and therefore business operations, were brought to an end. HSP as a company and all sheet-piling activities associated with it are reported, in accordance with the rules of IFRS 5, as a discontinued operation.

In the income statement, the results generated by this discontinued operation are shown separately in a row of their own, set apart from the income and expenditure of the continued operations. The income statement from the previous year was adjusted accordingly.

The following tables contain a reconciliation of the income statement from continuing operations with an income statement that contains both the continuing and discontinued operations.

2015 in € m	Discontinued operations	Continuing operations	Total
Sales	116.9	8,501.5	8,618.4
Increase/decrease in finished goods and work in process/other own work capitalized	– 8.3	– 50.9	– 59.2
	108.6	**8,450.6**	**8,559.1**
Other operating income	4.3	308.6	312.9
Cost of materials	96.7	5,649.4	5,746.1
Personnel expenses	53.7	1,621.0	1,674.7
Amortization and depreciation of intangible assets and property, plant and equipment	2.3	338.0	340.3
Other operating expenses	12.0	1,037.8	1,049.8
Income from shareholdings	0.0	13.8	13.8
Result from investments accounted for using the equity method	0.0	15.8	15.8
Finance income	0.0	35.3	35.4
Finance expenses	0.3	113.2	113.5
Earnings before taxes (EBT)	**– 52.1**	**64.7**	**12.6**
Income tax	0.0	58.0	58.0
Consolidated profit or loss	**– 52.1**	**6.7**	**– 45.5**

2014 in € m	Discontinued operations	Continuing operations	Total
Sales	155.0	8,885.2	9,040.2
Increase/decrease in finished goods and work in process/other own work capitalized	–6.7	49.1	42.4
	148.3	**8,934.3**	**9,082.6**
Other operating income	1.8	395.8	397.6
Cost of materials	132.9	6,228.0	6,360.9
Personnel expenses	28.1	1,573.2	1,601.3
Amortization and depreciation of intangible assets and property, plant and equipment	44.8	337.1	381.9
Other operating expenses	32.0	1,025.5	1,057.5
Income from shareholdings	0.0	31.8	31.8
Result from investments accounted for using the equity method	0.0	–10.7	–10.7
Finance income	0.0	33.1	33.1
Finance expenses	0.7	147.3	148.0
Earnings before taxes (EBT)	**–88.4**	**73.2**	**–15.2**
Income tax	2.6	14.1	16.7
Consolidated profit or loss	**–91.0**	**59.1**	**–31.9**

The cash flows for the entire Group, including the discontinued operations, are shown in the cash flow statement. The following table shows the cash flows for the discontinued operations.

Condensed cash flow statement

In € m	2015	2014
Cash inflow from operating activities	–9.4	–16.9
Cash outflow from investment activities	–2.2	–7.6
Cash inflow/outflow from financing activities	0.0	0.0
Change in cash and cash equivalents of the discontinued operations	**–11.7**	**–24.5**

(14) Minority interests

In € m	2015	2014
Minority interests in consolidated result	2.6	2.8

The minority interests in the consolidated result are accounted for by the following companies in the financial year:

- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg,
- KHS Machinery Pvt. Ltd., Ahmedabad,
- KHS RUS OOO, Moscow,
- DESMA Slovakia s.r.o., Povazska Bystrica, and
- RSE Projektmanagement Holding-Verwaltungs-GmbH, Mülheim an der Ruhr.

The minority interests in the consolidated result for the year are accounted for predominantly by Hansaport Hafenbetriebsgesellschaft mbH, Hamburg, with a non-controlling interest of 49 %.

(15) 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 SZAG are entitled to the weighted average number of no-par bearer shares in circulation during the financial year. Earnings as per IAS 33 therefore amounted to € – 0.89 (previous year: € – 0.64) per share.

A dilution would occur if the earnings per share were reduced by issuing potential shares from option and conversion rights. As of the balance sheet date, such rights existed in two convertible bonds. If these are taken into account, however, there is no reduction in the profit or loss for the period per share from continuing operations, as a result of which those option and conversion rights do not lead to any dilution. Due to the lack of a dilution effect, the diluted earnings of € –0.89 (previous year: € –0.64) per share correspond to the basic earnings per share.

	Shares issued	Treasury shares	Shares in circulation	Potentially diluting shares
Start of financial year	60,097,000	6,009,700	54,087,300	685,659
Acquisition of treasury shares	–	–	–	–
Disposal of treasury shares	–	–	–	–
Change	–	–	–	3,548,407
End of financial year	60,097,000	6,009,700	54,087,300	4,234,066
Weighted number of shares	**60,097,000**	**6,009,700**	**54,087,300**	**2,755,563**

Earnings per share		2015	2014
Consolidated result	In € m	–45.5	–31.9
Minority interests	In € m	2.6	2.8
Amount due to Salzgitter AG shareholders	In € m	–48.1	–34.7
from continuing operations	In € m	4.1	56.3
from discontinued operations	In € m	–52.1	–91.0
Earnings per share – basic	(in €)	–0.89	–0.64
from continuing operations	(in €)	0.08	1.04
from discontinued operations	(in €)	–0.97	–1.68
Diluted result	In € m	–44.4	–25.6
from continuing operations	In € m	7.7	65.4
from discontinued operations	In € m	–52.1	–91.0
Earnings per share – diluted	**(in €)**	**–0.89**	**–0.64**

Notes to the Consolidated Balance Sheet

All of the figures pertaining to the income statement disclosed in the notes to the balance sheet include both continuing and discontinued operations. Reconciliation with the figures in the income statement and the associated notes is therefore not possible. This particularity results from the specific requirements of balance sheet reporting for a discontinued operation. A reconciliation of the published income statement of the continuing operation with an income statement, including the continuing operation, is published under Note "(13) Result from discontinued operations".

Non-current assets

(16) Intangible assets

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

Intangible assets are accounted for by assets from the area of concessions, capitalized brand names, industrial property rights and licenses, plus – for the first time – rights for the emission of CO_2 gases for production purposes, with such gases being reported under other intangible assets since the financial year 2015.

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 € 100.6 million (previous year: € 101.6 million), including € 15.3 million (previous year: € 12.5 million) for external services.

There are no restraints on the right of ownership or disposal.

(17) Property, plant and equipment

The development of the individual items under property, plant and equipment is shown in the analysis of fixed assets.

Additions to plant equipment and machinery result primarily from the Steel and Plate / Section Steel business units.

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

In € m	2015/12/31	2014/12/31
Plant equipment and machinery	41.5	47.1
Assets capitalized as finance leases	**41.5**	**47.1**

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

The restrictions on ownership and disposal have declined to € 5.2 million (previous year: € 6.5 million) as a result of borrowing conditions in foreign countries.

Government grants amounting to € 0.4 million (previous year: € 1.5 million) were deducted from the acquisition costs of property, plant and equipment. The conditions to which the public financial assistance was attached were fulfilled as of the balance sheet date.

Advance payments and assets under construction include prepayments amounting to € 6.0 million (previous year: € 4.7 million).

(18) 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	2015/12/31	2014/12/31
Salzgitter Klöckner-Werke GmbH	19.5	19.5
Klöckner DESMA Schuhmaschinen GmbH	1.0	1.1
RSE Grundbesitz und Beteiligungs-GmbH	0.4	0.5
RSE Falkenhagen GmbH	0.5	0.5
Investment property	**21.4**	**21.6**

Rental income amounted to € 7.5 million (previous year: € 4.8 million) in the reporting period. The direct operating expenses for the investment property totaled € 3.6 million (previous year: € 4.4 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 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 of the fair value hierarchy

As of December 31, 2015, the fair value of the investment properties stood at € 32.1 million (previous year: € 32.1 million); there is no knowledge of any significant impairing factors.

(19) Financial assets

The development of the individual items in financial investments is shown in the analysis of fixed assets.

Breakdown of financial assets:

In € m	2015/12/31	2014/12/31
Investments in affiliated companies	12.8	16.6
Shareholdings	10.0	10.0
Non-current securities	47.8	44.1
Other loans	84.0	89.9
Financial assets	**154.6**	**160.6**

The decrease in the shares held in associated companies results essentially from the first-time consolidations that took place in 2015 and the mergers of four companies that were hitherto not consolidated.

Other loans relate largely to a company that has been consolidated proportionally.

(20) Investments in companies accounted for using the equity method

In € m	2015	2014
Opening balance, 01/01	**602.1**	**632.7**
Result of current financial year	15.8	– 10.7
Dividends	– 11.2	– 12.4
Other changes in equity	5.7	– 7.5
Book value, 12/31	**612.4**	**602.1**

The fair value of Aurubis AG as of December 31, 2015, totaled € 528.1 million (previous year: € 523.2 million).

The investments in companies accounted for using the equity method are as follows:

	Aurubis AG, Hamburg		EUROPIPE Group		Total	
In € m	2015	2014	2015	2014	2015	2014
Non-current assets	1,480.9	1,459.9	178.7	177.8	1,659.6	1,637.7
Current assets	2,419.7	2,518.3	594.2	493.4	3,013.9	3,011.7
Non-current liabilities	964.8	851.4	120.8	125.5	1,085.6	976.9
Current liabilities	989.5	1,260.6	423.5	353.3	1,413.0	1,613.9
Sales	10,758.4	11,165.1	888.0	474.7	11,646.5	11,639.8
Profit/loss	84.1	120.9	1.1	−60.3	85.3	60.6
Other comprehensive income	41.4	−103.0	36.0	−8.3	77.4	−111.2
Total comprehensive income	125.6	18.0	37.1	−68.6	162.7	−50.6
Dividends received	11.2	12.4	–	–	11.2	12.4
Share (%)	25.0	25.0	50.0	50.0	–	–

Of the entire book value amounting to € 612.4 million (previous year: € 602.1 million), € 107.3 million (previous year: € 89.7 million) is accounted for by the companies in the EUROPIPE Group.

Reconciliation with the book value of the companies accounted for using the equity method:

	Aurubis AG, Hamburg		EUROPIPE Group		Total	
In € m	2015	2014	2015	2014	2015	2014
Profit/loss	84.1	120.9	1.1	−60.3	85.3	60.6
Proportionate gain/loss	21.0	30.2	0.6	−30.2	21.6	0.1
Adjustments made by using the equity method	−17.2	−8.1	17.1	−10.1	−0.1	−18.2
Dividends	−11.2	−12.4	–	–	−11.2	−12.4
Total	**−7.3**	**9.7**	**17.7**	**−40.2**	**10.3**	**−30.5**

The changes that have been made essentially comprise adjustments to fair value made at the time of acquisition and proportional components from the companies' equity not affecting net income.

Further summarizing financial information for joint ventures:

	EUROPIPE Group	
In € m	2015	2014
Cash and cash equivalents	104.9	7.8
Current financial liabilities	19.5	32.6
Non-current financial liabilities	11.7	12.0
Depreciation and amortization	18.9	22.1
interest income	0.1	0.4
Interest expenses	4.1	4.4
Income tax expenses or income	24.1	2.0

(21) Deferred income tax assets and deferred income tax liabilities

If it is likely that tax benefits will be realized, they must be capitalized. Netting 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 2015 are as follows:

In € m	2015/12/31	2014/12/31
Deferred income tax assets	**299.7**	**295.8**
Realization within 12 months	11.0	10.2
Realization after more than 12 months	288.7	285.6
Deferred income tax liabilities	**27.6**	**9.4**
Realization within 12 months	27.1	8.1
Realization after more than 12 months	0.5	1.3
Balance of deferred tax assets and deferred tax liabilities	**272.2**	**286.4**

(22) Other receivables and other assets

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

In € m	2015/12/31	2014/12/31
Total gross investment	0.7	1.4
Unrealized finance income	0.0	0.1
Book value	**0.7**	**1.3**

This position includes the transactions from the finance leases for locomotives at a subsidiary in Industrial Participations / Consolidation. All of the transactions have a residual term of less than five years.

Current assets

(23) Inventories

In € m	2015/12/31	2014/12/31
Raw materials, consumables and supplies	592.3	645.7
Unfinished products	536.0	573.7
Unfinished goods or services	9.6	10.3
Finished goods	353.4	382.9
Goods	291.4	337.3
Payments on account	28.1	41.6
Inventories	**1,810.8**	**1,991.5**

In the reporting period there were write-ups amounting to € 3.1 million (previous year: € 4.0 million). Inventory impairments of € 61.3 million (previous year: € 70.4 million) were posted to expenses. The book value of the inventories reported at fair value less selling costs amounted to € 477.6 million (previous year: € 485.1 million). There are restrictions on ownership or disposal amounting to € 9.2 million (previous year: € 9.6 million) for the inventories disclosed.

(24) Trade receivables

Impairments of € 25.8 million (previous year: € 12.2 million) on trade receivables amounting to € 1,495.8 (previous year: € 1,646.6 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 subject to restrictions on ownership or disposal amount to € 131.5 million (previous year: € 148.4 million). These are accounted for largely by the forfaiting and factoring of receivables. For further details, please refer to Note (40) "Current financial liabilities".

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

In € m	2015/12/31	2014/12/31
Production costs, including result from construction contracts	487.3	471.0
Payments received on account	– 257.5	– 290.4
Receivables from construction contracts	**229.8**	**180.6**

Receivables from construction contracts include those customized construction contracts with an asset-side balance whose production costs, taking account of profit shares and loss-free valuation, exceed the payments received on account.

(25) Other receivables and other assets

In € m	2015/12/31	2014/12/31
Certificates	249.1	180.5
Compensation	44.6	43.8
Other tax assets	32.4	23.0
Derivatives	14.1	43.0
Deferred expenses	10.5	13.0
Loan receivables	9.0	14.8
Reimbursement rights	5.2	5.9
Advances on company pensions	3.7	3.5
Other assets	48.2	46.9
Other receivables and other assets	**416.8**	**374.4**

Assets intended for short-term financial investment are shown in the item "Certificates". The other receivables and other assets include the sum of € 0.1 million (previous year: € 1.3 million) that did not become legally effective until after the reporting date.

"Other assets" include a large number of small amounts belonging to the consolidated companies.

Other receivables are subject to restrictions on ownership or disposal amounting to € 2.5 million (previous year: € 2.5 million).

The current receivables from finance leases consist of the following:

In € m	2015/12/31	2014/12/31
Total gross investment	0.5	0.6
Unrealized finance income	0.0	0.0
Book value	**0.5**	**0.6**

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	2015/12/31	2014/12/31
up to 1 year	3.3	3.3
1 to 5 years	2.1	2.5
over 5 years	0.8	1.1
Total	**6.2**	**6.9**

In the income for the reporting year, € 0.6 million (previous year: € 0.7 million) was reported as conditional rental income.

(26) Income tax assets and income tax liabilities

The existing income tax assets as of December 31, 2015, amounting to € 18.3 million (previous year € 17.7 million) largely concern capital gains tax demands from domestic Group companies. On the other side there are long-term income tax liabilities of € 37.2 million (previous year: € 132.9 million) and short-term income tax liabilities of € 190.6 million (previous year: € 55.4 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.

(27) Securities

Shares are reported under securities as current financial investments, short-term time deposits and funds with an aggregate amount of € 55.8 million (previous year: € 113.6 million). The funds invested shown here have terms of more than three and less than twelve months.

(28) Cash and cash equivalents

The cash and cash equivalents consist of the following:

In € m	2015/12/31	2014/12/31
Cash at banks	347.0	382.4
Term deposits	480.0	390.0
Checks, cash in hand	9.1	1.6
Cash and cash equivalents	**836.2**	**774.0**

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

Equity

(29) Subscribed capital

The subscribed capital (share capital) remained unchanged at € 161,615,273.31. The fully paid-in 60,097,000 no par value shares have a notional par value of € 2.69 each.

10% of these total shareholdings are held by SZAG itself. All of the shares were acquired in accordance with Section 71 para. 1 item 8 of the German Stock Corporation Act (AktG), on the basis of an authorization given by the General Meeting of Shareholders (2,487,355 shares authorized on May 26, 2004; 462,970 shares authorized on June 8, 2006; 2,809,312 shares authorized on May 21, 2008, and 35,600 shares authorized on May 27, 2009; 214,463 shares authorized on June 8, 2010), so that they can be used for, in particular, future acquisitions, the fulfillment of option or conversion rights from warrant-linked bonds or convertible bonds, or for issuing to employees of the company or an affiliate company.

The Executive Board is authorized to increase the share capital with the approval of the Supervisory Board by up to a nominal amount of € 80,807,636.65, 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). In connection with this, the shareholders' subscription right can be excluded up to a total nominal amount of bonds that are linked with conversion rights to shares whose proportion of the share capital does not exceed 10%. Bonds with conversion rights excluding shareholder subscription rights may only be issued provided that shares making up a proportion of 20% of the share capital, excluding subscription rights, from the Authorized Capital have not been issued since May 23, 2013. By the reporting date there had been no shares issued from the Authorized Capital since May 23, 2013.

On October 6, 2009, a convertible bond was issued in an overall amount of € 296,450,000 to the exclusion of shareholders' subscription rights with conversion rights up to 3,550,457 no par value bearer shares.

The nominal value of the convertible bonds issued by the company totaled € 57,250,000 as of the reporting date, with the result that there are still conversion rights to up to 685,659 new no par value bearer shares. 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.

On June 5, 2015, a convertible bond was issued in an overall amount of € 167,900,000 to the exclusion of shareholders' subscription rights with conversion rights to up to 3,548,407 no par value bearer shares. The total nominal value of the bonds issued by the company from this convertible bond was unchanged as of the balance sheet date. They certify an interest entitlement and a right of conversion into shares in the company at a conversion price of € 47.3170 per share that can be exercised up until May 26, 2022. Investors have a non-recurring right of termination as of June 5, 2020.

In addition, the Executive Board is authorized by a resolution of the General Meeting of Shareholders from May 28, 2015, to acquire treasury shares up to a maximum of 10% of the share capital in the period up to May 27, 2020. This authorization was not used in the financial year 2015.

(30) Capital reserve

Of the capital reserve amounting to 257.0 million € (previous year: € 238.6 million), € 115.2 million is accounted for by a premium lodged on the occasion of a capital increase on October 1, 1970. A further € 72.7 million is connected with convertible bonds issued in the financial year 2009 and 2015.

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.

The value of the equity component of the convertible bond issued on October 6, 2009, in a total nominal amount of € 296,450,000 stands at € 54.4 million.

The value of the equity component of the convertible bond issued on June 5, 2015, in a total nominal amount of € 167,900,000 stands at € 18.3 million. The transaction costs reported as a deduction from equity amount to € 0.2 million.

(31) 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 also include the remeasurements from pension provisions and associated claims for reimbursement.

(32) Other reserves

Other reserves include differences from currency translation amounting to € 9.9 million (previous year: € –2.2 million). The reserve from cash flow hedges amounts to € –33.3 million (previous year: € –19.2 million). The changes result primarily from changes in the value of derivative financial instruments not measured through profit and loss in the Strip Steel, Trading and Energy business units. The reserve from available-for-sale financial assets amounts to € –9.4 million (previous year: € –9.4 million). A reserve totaling € 13.7 million (previous year: € 8.1 million) has resulted from the shareholdings accounted for using the equity method.

(33) Unappropriated retained earnings

Under the German Commercial Code (HGB), dividend payments to shareholders in Salzgitter AG depend on the year-end result reported by Salzgitter AG. The unappropriated retained earnings are shown at the same level in both the consolidated financial statements of the Salzgitter Group and in 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 2015 of € 0.25 per share (= € 15.1 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 € 22.73 on December 31, 2015, the dividend yield amounts to 1.1 % (previous year: 0.9 %).

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.

(34) Treasury shares

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 in the unchanged amount of € 369.7 million directly from equity.

(35) Minority interests

This item comprises the minority interests in the subscribed capital, the general reserves and the profits and losses of the Group companies reported. The minority interests in equity pertain to:

- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg,
- KHS Machinery Pvt. Ltd., Ahmedabad,
- KHS RUS OOO, Moscow,
- DESMA Slovakia s.r.o., Povazska Bystrica, and
- RSE Projektmanagement Holding-Verwaltungs-GmbH, Mülheim an der Ruhr.

In the income statement, the result is reported proportionately under position (14) "Minority interests".

Non-current liabilities

(36) Provisions for pensions and similar obligations

In Germany there is a contribution-based statutory employee pension scheme under which pension payments are made on the basis of income and the contributions paid. Once the company has paid the relevant contributions to the state-run social insurance authority and to pension funds constituted under private law, it has no obligation to pay any further benefits. The ongoing contribution payments are reported as expenses in the relevant period.

In the Salzgitter Group there are also defined benefit pension commitments, of which a small proportion (predominantly life insurance and reinsurance) is fund-financed

In Germany there are collective and individual commitments in the form of direct commitments made by the employer. The great majority of the employees in the Salzgitter Group's German-based companies receive retirement pensions that 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 Business Unit and a small number of companies in the Trading and Services business units have not yet been included in the scope of the collective Group agreement. Any other pension commitments that may still exist in these companies are largely closed to new entrants.

For executives of the Salzgitter Group companies there are individual pension commitments based essentially on the pension tables drawn up by the Essener Verband. In accordance with these pension arrangements, employees with expectant rights are allocated to a particular benefits category in line with their position in the company. The respective benefits category's maximum entitlement has generally been reached after 25 years and is earned in stages. When payment becomes due, the employee or his/her surviving dependents is/are entitled to a monthly pension with no lump-sum option.

In view of the primacy of the direct commitment as the implementing process, the Salzgitter Group bears all of the risks that arise from the pension commitment. Balance-sheet precautions are taken by forming provisions. The Group takes account of the longevity risk by assuming a longer life expectancy than would have been expected on the basis of Heubeck's 2005 G mortality tables when calculating the pension obligations for the recipients of pensions from Essener Verband commitments.

The pension payments made to the recipients on the basis of the 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 commitment is determined annually by the Essener Verband and accepted by the company in unchanged form. An asset-liability matching procedure has been waived due to the insignificance of the plan assets. The likely cash outflows are measured within the scope of the rolling corporate plans and included in the Group's cash flow planning.

Pension commitments exist only to an immaterial extent in the Salzgitter Group's foreign companies, and where they do exist they are covered to a minor extent by plan assets (mainly insurance policies).

In addition, one company in the Salzgitter Group has a reimbursement claim against the public authorities in connection with its pension obligations. The present value of this claim is recognized under "Other receivables and other assets".

Overview of the treatment of pensions and similar obligations in the annual financial statements:

Balance sheet

In € m	2015/12/31	2014/12/31
Provisions for pensions and similar obligations		
Net pension provision	2,327.3	2,442.2
Other receivables and other assets		
Reimbursement right	5.2	5.9

Consolidated Income Statement (including not continued operations)

In € m	2015	2014
Personnel expenses		
Service cost	31.3	26.9
Finance expenses		
Net interest	47.7	67.1

Other comprehensive income

In € m	2015	2014
Remeasurement of pensions		
Remeasurements from pension provision	–68.1	343.6
Remeasurements from reimbursement right	0.1	–
	–68.0	**343.6**

The net pension commitment as of 2015/12/31 is calculated as follows:

In € m	Defined benefit obligation	Plan assets	Net pension provision
As of 2015/01/01	**2,456.8**	**14.6**	**2,442.2**
Service cost			
Current service cost	31.1	–	31.1
Past service cost	1.8	–	1.8
Gain (–)/loss (+) on settlement	–1.6	–	–1.6
	31.3	**–**	**31.3**
(Net) Interest expense/income	**48.1**	**0.4**	**47.7**
Remeasurements			
Experience gains (–)/losses (+)	25.5	–	25.5
Gain (–)/loss (+) from change in demographic assumptions	1.9	–	1.9
Gain (–)/loss (+) from change in financial assumptions	–96.3	–	–96.3
Return on plan assets excluding amounts included in interest income	–	–0.8	0.8
	–68.9	**–0.8**	**–68.1**
Benefits paid	**–127.0**	**–0.3**	**–126.7**
Contributions			
Employers	–	1.3	–1.3
Plan participants	0.1	0.1	–
	0.1	**1.4**	**–1.3**
Currency translation differences	**–0.9**	**–**	**–0.9**
Transfers/transfers to other accounts/changes in the consolidated group	**3.1**	**–**	**3.1**
As of 2015/12/31	**2,342.6**	**15.3**	**2,327.3**

The net pension commitment as of 2014/12/31 was calculated as follows:

In € m	Defined benefit obligation	Plan assets	Net pension provision
As of 2014/01/01	**2,130.7**	**10.5**	**2,120.2**
Service cost			
Current service cost	22.7	–	22.7
Past service cost	4.2	–	4.2
	26.9	**–**	**26.9**
(Net) Interest expense/income	**67.5**	**0.4**	**67.1**
Remeasurements			
Experience gains (–)/losses (+)	–38.4	–	–38.4
Gain (–)/loss (+) from change in demographic assumptions	1.8	–	1.8
Gain (–)/loss (+) from change in financial assumptions	383.0	–	383.0
Return on plan assets excluding amounts included in interest income	–	2.8	–2.8
	346.4	**2.8**	**343.6**
Benefits paid	**–122.0**	**–0.2**	**–121.8**
Contributions			
Employers	–	1.0	–1.0
Plan participants	0.1	0.1	–
	0.1	**1.1**	**–1.0**
Currency translation differences	**0.1**	**–**	**0.1**
Transfers/transfers to other accounts/changes in the consolidated group	**7.1**	**–**	**7.1**
As of 2014/12/31	**2,456.8**	**14.6**	**2,442.2**

The net present value of the obligation can be allocated as follows:

In € m	2015/12/31	2014/12/31
Actual net present value of the defined benefit obligation (Germany)	**2,312.2**	**2,425.1**
of which aspirant	810.3	873.9
of which recipient	1,501.9	1,551.2
Actual net present value of the defined benefit obligation (abroad)	**30.4**	**31.7**
	2,342.6	**2,456.8**

The sensitivity of the defined benefit obligation is as follows:

In € m	2015/12/31			
	Reference	Degree of sensitivity	+ Unit	– Unit
Discount rate	2.25 %	0.25 %-points	–79.2	+84.3
Salary trend	2.75 %	0.5 %-points	+5.2	–4.9
Pension trend	1.75 %	0.25 %-points	+63.4	–60.9
Mortality	Heubeck 2005G/ Mod. Salzgitter	1 year	+118.5	–115.9

In € m	2014/12/31			
	Reference	Degree of sensitivity	+ Unit	– Unit
Discount rate	2.00 %	0.25 %-points	–85.6	+91.2
Salary trend	2.75 %	0.5 %-points	+5.8	–5.5
Pension trend	1.75 %	0.25 %-points	+65.9	–63.3
Mortality	Heubeck 2005G/ Mod. Salzgitter	1 year	+126.0	–123.1

The sensitivity of this value is ascertained analogously to the calculation of the present value of the obligation shown in the balance sheet. In each of these process steps, one assumption is changed while the other assumptions remain the same. Possible dependencies between the assumptions are not taken into account.

The following pension payments will probably have to be made over the next 20 years:

In € m	
2016	120.5
2017	122.1
2018	119.2
2019	116.5
2020	117.5
2021–2025	552.7
2026–2035	957.3

The duration of the obligation's net present value according to Macaulay as of 2015/12/31 is 14.48 years.

(37) Other provisions

The development of other short-term and other long-term provisions is shown in the following table:

In € m	2015/01/01	Currency translation differences	Addition/disposal from changes in consolidated Group	Transfer	Transfer to other accounts	Used	Reversal	Allocation	Compound interest	2015/12/31
Other taxes	**13.0**	**0.3**	**0.7**	**–**	**–**	**–1.4**	**–2.9**	**2.4**	**2.5**	**14.6**
Personnel	**204.4**	**–0.3**	**0.5**	**–0.3**	**–**	**–58.9**	**–7.8**	**69.4**	**2.2**	**209.2**
of which anniversary provisions	[56.0]	[–]	[–]	[–]	[–]	[–4.7]	[–1.4]	[4.0]	[1.3]	[55.2]
of which for the social compensation/age-related part-time employment/demographics fund	[51.6]	[–]	[0.2]	[0.3]	[7.7]	[–27.7]	[–1.1]	[43.9]	[0.1]	[75.0]
Operating risks	**186.9**	**–**	**–**	**–**	**–**	**–3.6**	**–21.9**	**5.0**	**5.9**	**172.3**
Other risks	**234.5**	**–3.3**	**0.6**	**–**	**–**	**–57.1**	**–67.0**	**103.1**	**–**	**210.8**
of which price reductions/complaints	[107.4]	[–0.7]	[–]	[–]	[1.2]	[–33.5]	[–34.0]	[68.1]	[–]	[108.5]
of which risks from pending transactions	[22.0]	[–]	[–]	[–]	[–]	[–0.7]	[–10.9]	[8.2]	[0.1]	[18.7]
Total	**638.8**	**–3.3**	**1.8**	**–0.3**	**0.0**	**–121.0**	**–99.6**	**179.9**	**10.6**	**606.9**

The comparative figures for the previous year are as follows:

In € m	2014/01/01	Currency translation differences	Addition/disposal from changes in consolidated Group	Transfer	Transfer to other accounts	Used	Reversal	Allocation	Compound interest	2014/12/31
Other taxes	**11.7**	**0.4**	**0.5**	**–**	**–**	**–1.1**	**–0.7**	**0.6**	**1.6**	**13.0**
Personnel	**187.2**	**–0.1**	**1.8**	**0.4**	**3.5**	**–55.1**	**–6.3**	**68.8**	**4.2**	**204.4**
of which anniversary provisions	[54.5]	[–]	[0.3]	[0.2]	[–]	[–6.0]	[–0.5]	[6.0]	[1.5]	[56.0]
of which for the social compensation/age-related part-time employment/demographics fund	[55.6]	[–]	[0.2]	[0.4]	[4.3]	[–31.1]	[–2.3]	[23.1]	[1.4]	[51.6]
Operating risks	**184.1**	**–0.1**	**–**	**–**	**–**	**–2.5**	**–27.7**	**9.1**	**24.0**	**186.9**
Other risks	**260.6**	**0.7**	**0.1**	**–**	**–3.5**	**–53.8**	**–89.9**	**120.7**	**–0.4**	**234.5**
of which price reductions/complaints	[116.9]	[0.6]	[–]	[–]	[–0.9]	[–33.0]	[–37.1]	[60.9]	[–]	[107.4]
of which risks from pending transactions	[31.1]	[–]	[–]	[–]	[–]	[–1.4]	[–15.4]	[7.5]	[0.2]	[22.0]
Total	**643.6**	**0.9**	**2.4**	**0.4**	**0.0**	**–112.5**	**–124.6**	**199.2**	**29.4**	**638.8**

The restructuring expenses incurred during the year amount to € 36.2 million (previous year: € 26.9 million), of which € 28.9 million (previous year: € 25.5 million) are accounted for by allocations to provisions, € 7.3 million (previous year: € 1.4 million) were accounted for as current expenses for restructuring. These expenses essentially resulted from the discontinuation of the sheet piling activities.

The allowances for the employees leaving the company under the terms of semi-retirement employment contracts are capitalized as an asset worth € 0.1 million (previous year: € 1.3 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 2015/12/31	Short-term	Long-term
Other taxes	**14.6**	**14.6**	–
Personnel	**209.2**	**68.7**	**140.5**
of which anniversary provisions	[55.2]	[–]	[55.2]
of which for the social compensation/age related part-time employment/demographics fund	[75.0]	[47.1]	[27.9]
Operating risks	**172.3**	**5.6**	**166.7**
Other risks	**210.8**	**210.8**	–
of which price reductions/complaints	[108.5]	[108.5]	[–]
of which risks from pending transactions	[18.7]	[18.7]	[–]
Total	**606.9**	**299.7**	**307.2**

In € m	Total 2014/12/31	Short-term	Long-term
Other taxes	**13.0**	**13.0**	–
Personnel	**204.4**	**55.8**	**148.6**
of which anniversary provisions	[56.0]	[–]	[56.0]
of which for the social compensation/age related part-time employment/demographics fund	[51.6]	[21.9]	[29.7]
Operating risks	**186.9**	**7.6**	**179.3**
Other risks	**234.5**	**234.5**	–
of which price reductions/complaints	[107.4]	[107.4]	[–]
of which risks from pending transactions	[22.0]	[22.0]	[–]
Total	**638.8**	**310.9**	**327.9**

(38) Non-current financial liabilities

In € m	2015/12/31	2014/12/31
Bonds	431.9	52.9
Liabilities to banks	63.1	72.7
Liabilities from finance lease agreements	41.6	48.0
Liabilities from financing	6.4	6.4
Financial liabilities	**543.0**	**180.0**

The increase in the bonds resulted from a reclassification of non-current and current financial liabilities. This reclassification arose from the non-exercise of a repayment option on the part of the creditors.

For the convertible bonds issued on June 5, 2015, in an aggregate amount of € 167,900,000, the debt component totaled € 148.0 million. The values of the equity and debt components were determined as of the convertible bonds' date of issue.

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

In € m	Residual term 1 to 5 years	Residual term > 5 years	2015/12/31
Minimum lease payments	31.2	18.2	49.4
Finance costs	5.9	1.9	7.8
Present value of minimum lease payments	**25.3**	**16.3**	**41.6**

In € m	Residual term 1 to 5 years	Residual term > 5 years	2014/12/31
Minimum lease payments	34.7	23.4	58.1
Finance costs	7.2	2.9	10.1
Present value of minimum lease payments	**27.5**	**20.5**	**48.0**

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

(39) Non-current other liabilities

In particular, derivative financial instruments not due for payout until after 12 months are reported within this item.

Current liabilities

(40) Current financial liabilities

In € m	2015/12/31	2014/12/31
Liabilities from forfaiting and factoring	129.1	143.4
Liabilities to banks	90.2	125.4
Bonds	55.4	289.5
Liabilities from finance lease agreements	6.0	5.8
Other borrowings	4.2	4.4
Current financial liabilities	**284.9**	**568.5**

The companies Salzgitter Mannesmann International GmbH, Düsseldorf, Salzgitter Mannesmann Stahlhandel, Düsseldorf, and Universal Eisen und Stahl GmbH, Neuss, have made external financing arrangements outside of the Group and sold trade receivables totaling € 129.1 million. The default risk and the late payment risk regarding the sold receivables continue to be borne by the companies. The receivables will continue to be shown only in the companies' balance sheets. The funds received are reported as liabilities. Due to their short terms, the book value of the receivables and liabilities corresponds to their fair value. The receivables will be assigned to the bank. In the case of sold receivables amounting to € 84.3 million, the purchaser of the receivables has the right to transfer the sold receivables to third parties, but without the reciprocal rights and obligations being infringed.

The value of the debt components shown under "Bonds" for the convertible bonds issued on October 6, 2009, in the amount of € 296,450,000 was initially stated at € 237.9 million. The book value of the above bonds still in existence as of 2015/12/31 amounts to € 55.4 million and must be shown under current financial liabilities due to their term.

The liabilities from finance leases reported under current financial liabilities are shown in the following table:

In € m	2015/12/31	2014/12/31
Minimum lease payments	8.2	8.4
Finance costs	2.2	2.6
Present value of minimum lease payments	**6.0**	**5.8**

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

(41) Trade payables

Trade payables amounting to € 975.7 million (previous year: € 1,150.7 million) include the following liabilities resulting from the percentage-of-completion method in relation to contract production:

In € m	2015/12/31	2014/12/31
Payments received on account	311.0	254.9
Less production costs including result from construction contracts	– 182.5	– 165.2
Payables from construction contracts	**128.5**	**89.7**

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.

(42) Other liabilities

In € m	2015/12/31	2014/12/31
Liabilities to employees	85.6	87.8
Liabilities from derivatives	78.3	134.3
Payments received on account	76.9	68.7
Tax liabilities	40.7	44.8
Liabilities from social security contributions	13.7	12.8
Customer credit balances	7.8	6.7
Accrued interest liabilities	1.3	1.0
Other liabilities	70.4	60.4
Other liabilities (current)	**374.7**	**416.5**

Of the sum total of liabilities, some € 179.6 million (previous year: € 199.5 million) is secured by liens and similar rights.

“Other liabilities” comprise a large number of small amounts pertaining to individual transactions at the consolidated companies.

(43) Contingencies

Contingencies are potential liabilities not shown on the balance sheet that are disclosed in the amount of their fixed value on the balance sheet date. Their aggregate amount is € 140.3 million (previous year: € 191.0 million).

The contingencies include sureties and guarantees totaling € 130.7 million (previous year: € 176.7 million). Based on past experience, the probability of their being utilized can be regarded as low.

As of January 1, 2014, Salzgitter AG and its domestic subsidiaries carried out the audit stipulated by Section 16 of the German Company Pensions Act (BetrAVG) for the purpose of adjusting the company pension payments. The commercial situation of the respective individual company is authoritative in any decision on whether to adjust. Against the backdrop of an inadequate commercial position, the company pensions at several Group companies were not adjusted as of 2014/01/01. In order to reduce procedural costs, an agreement on model procedures was concluded with the IG Metall labor union. It stipulates that the decision-making principles of the legally valid model procedure should be transferred to the other company pension recipients in the companies concerned. Appropriate lawsuits are currently being prepared by IG Metall and some others are already pending. For those companies in which the risk of an obligation to implement the company pension adjustment subsequently is regarded as improbable, full subsequent payment of the company pension adjustment as of the cut-off date December 31, 2015, would lead to an increase of some € 30.4 million in the net pension commitment. Of this sum, € 4.9 million would be posted through profit and loss as past service cost and € 25.5 million would be recorded within the scope of the remeasurements with no impact on income.

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

In other respects, 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.

(44) Other financial obligations

In € m	2015/12/31		
	up to 1 year	1 to 5 years	over 5 years
Purchase commitments for investments	77.7	58.2	–
Obligations from rental and leasing agreements	34.5	71.7	112.8
Other financial obligations	423.0	373.0	159.0
of which Strip Steel Business Unit	349.0	227.9	102.9
of which Plate / Section Steel Business Unit	32.7	17.3	0.0
of which Energy Business Unit	31.3	121.3	50.7
of which Technology Business Unit	5.8	6.5	5.4
Total	**535.2**	**502.9**	**271.8**

In € m	2014/12/31		
	up to 1 year	1 to 5 years	over 5 years
Purchase commitments for investments	132.3	41.3	–
Obligations from rental and leasing agreements	31.5	69.4	107.3
Other financial obligations	406.4	296.5	150.4
of which Strip Steel Business Unit	345.1	258.2	145.0
of which Plate / Section Steel Business Unit	36.6	20.3	0.0
of which Energy Business Unit	16.9	6.5	0.0
of which Technology Business Unit	5.6	11.6	5.4
Total	**570.2**	**407.2**	**257.7**

The other financial obligations primarily concern long-term purchasing commitments of the companies in the Strip Steel Business Unit whose purpose is to safeguard the procurement of input material for raw materials and sea freight.

(45) Financial instruments

As of the balance sheet date of December 31, 2015, the transition of the balance sheet items to the various categories of financial instruments was as follows:

2015 in € m	Book value	Valuation according to IAS 39					Valuation according to IAS 17	Fair value
	2015/12/31	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	154.6	84.0	70.7	–	–	–	–	161.8
Other non-current receivables and assets (€ 0.7 m acc. to balance sheet); of which financial instruments	0.7	–	–	–	–	–	0.7	0.7
Trade receivables	1,495.8	1,495.8	–	–	–	–	–	1,495.8
Other current receivables and assets (€ 416.8 m acc. to balance sheet); of which financial instruments	369.3	105.6	–	261.7	1.5	–	0.5	369.3
Securities	55.8	–	55.8	–	–	–	–	55.8
Cash and cash equivalents	836.2	–	836.2	–	–	–	–	836.2
Assets financial instruments		**1,685.4**	**962.6**	**261.7**	**1.5**	**–**	**1.2**	
Equity and liabilities								
Non-current financial liabilities	543.0	–	–	–	–	501.4	41.7	523.2
Current financial liabilities	284.9	–	–	–	–	278.9	6.0	287.7
Trade payables	975.7	–	–	–	–	975.7	–	975.7
Other liabilities (€ 398.2 m acc. to balance sheet); of which financial instruments	160.2	–	–	38.4	58.4	63.4	–	160.2
Equity and liabilities financial instruments		**–**	**–**	**38.4**	**58.4**	**1,819.4**	**47.6**	

The calculation of the fair value disclosures for financial assets not measured at fair value is carried out essentially by discounting future cash flows. This is performed by using a term-dependent interest rate that reflects the risk-free rate and the Salzgitter Group's counterparty default risk deduced on the basis of a peer group. The fair value disclosed for current financial liabilities in an amount of € 523.2 million (previous year: € 186.0 million) includes the fair value of a bond issued in an amount of € 286.8 million (previous year: € 305.0 million as part of the current financial liabilities), which is calculated in a manner different from the above. In this case, the fair value is derived from the bond's market value, with the elimination of an embedded derivative measured using an acknowledged method (Black-Scholes) whose value, in turn, depends primarily on a listed company's share price. The calculation parameters are based on data from directly and indirectly observable input factors. The fair value disclosures must therefore be assigned to Level 2 in overall terms.

As of the balance sheet date of December 31, 2014, the transition of the balance sheet items to the various categories of financial instruments was as follows:

2014 in € m	Book value	Valuation according to IAS 39					Valuation according to IAS 17	Fair value
	2014/12/31	Loans and receivables originated by the company	Financial assets available for sale	Financial instruments held for trading	Derivates with documented hedging arrangements	Financial liabilities measured at amortized cost		
Assets								
Financial assets	160.6	89.9	70.7	–	–	–	–	171.1
Other non-current receivables and assets (€ 6.4 m acc. to balance sheet); of which financial instruments	1.3	–	–	–	–	–	1.3	1.3
Trade receivables	1,646.6	1,646.6	–	–	–	–	–	1,646.6
Other receivables and other assets (€ 374.4 m acc. to balance sheet); of which financial assets	333.8	109.7	–	214.4	9.1	–	0.6	333.8
Securities	113.6	50.0	37.1	26.5	–	–	–	113.6
Cash and cash equivalents	774.0	–	774.0	–	–	–	–	774.0
Assets financial instruments		**1,896.2**	**881.8**	**240.9**	**9.1**	**–**	**1.9**	
Equity and liabilities								
Non-current financial liabilities	180.0	–	–	–	–	132.0	48.0	186.0
Current financial liabilities	568.5	–	–	–	–	562.6	5.8	587.4
Trade payables	1,150.7	–	–	–	–	1,150.7	–	1,150.7
Other liabilities (€ 439.5 m acc. to balance sheet); of which financial instruments	209.8	–	–	107.1	43.0	59.7	–	209.8
Equity and liabilities financial instruments		**–**	**–**	**107.1**	**43.0**	**1,905.0**	**53.9**	

Money market funds in the “available-for-sale financial assets” category and commercial papers with a term of more than three months in the “loans and receivables originated by the company” category are reported under the “Securities” item.

Trade receivables and cash and cash equivalents usually have short residual terms, and as a result their book values correspond to their fair values as of the reporting date. With regard to the fair values of derivatives, please consult “Financial assets – recognition and measurement” in the section on “Accounting and Valuation Principles”. The book value of the derivative financial instruments corresponds to their market value. The securities are listed and are measured on the basis of the stock market price prevailing on the reporting date. Listed company shares within financial asset are treated in the same way.

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

When calculating the fair value of an asset or a liability, the Group uses observable market data as far as possible. Based on the input factors used in the calculation techniques, the fair values are assigned to different levels in the fair value hierarchy.

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

Level 2: Valuation parameters that are not concerned with the listed prices taken into account in Level 1, but can be observed either directly or indirectly (from the derivation of prices) for the asset or liability in question

Level 3: Valuation parameters for assets or liabilities not based on observable market data

If the input factors used for calculating the fair value cannot be assigned to one single level, they are assigned collectively to the level that corresponds to the lowest input factor which has overall significance for the measurement process.

In the “Available-for-sale financial assets” category, the total financial assets amount to € 70.7 million (previous year: € 70.7 million). This sum includes financial assets amounting to € 22.8 million (previous year: € 26.6 million) for which no reliable fair values can be ascertained because they are not listed on the market. These are shares in partnerships and corporations for which there are no intentions to sell in the near future. These assets are recognized at amortized cost. The “Available-for-sale financial assets” category also includes securities totaling € 55.8 million (previous year: € 37.1 million) as well as financial resources amounting to € 836.2 million (previous year: € 774.0 million).

Fair value calculation – assets:

In € m	2015/12/31			
	Financial assets available for sale	**Financial instruments held for trading**	**Derivates with documented hedging arrangements**	**Total**
Level 1	103.6	249.1	–	352.7
Level 2	–	12.6	1.5	14.1
Level 3	–	–	–	–
Total	**103.6**	**261.7**	**1.5**	**366.8**

In € m	2014/12/31			
	Financial assets available for sale	**Financial instruments held for trading**	**Derivates with documented hedging arrangements**	**Total**
Level 1	81.2	207.0	–	288.2
Level 2	–	33.9	9.1	43.0
Level 3	–	–	–	–
Total	**81.2**	**240.9**	**9.1**	**331.2**

Fair value calculation – equity and liabilities:

In € m	2015/12/31		
	Financial instruments held for trading	Derivates with documented hedging arrangements	Total
Level 1	–	–	–
Level 2	38.4	58.4	96.8
Level 3	–	–	–
Total	**38.4**	**58.4**	**96.8**

In € m	2014/12/31		
	Financial instruments held for trading	Derivates with documented hedging arrangements	Total
Level 1	–	–	–
Level 2	107.1	43.0	150.1
Level 3	–	–	–
Total	**107.1**	**43.0**	**150.1**

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.

The default risk pertaining to financial instruments stems from the "Loans and receivables originated by the company" category. As of the reporting date, the default risk compared with the previous year was as follows:

In € m	2015/12/31		2014/12/31	
	Maximum default risk	Hedged default risk	Maximum default risk	Hedged default risk
Trade receivables	1,495.8	784.7	1,646.6	926.3
Other receivables	105.6	1.9	109.7	4.2
Financial assets	84.0	–	89.9	–
Total	**1,685.4**	**786.6**	**1,896.2**	**930.5**

There are also default risks in respect of the "Financial assets held for trading" category in the amount of the positive market values of the derivatives and with lease receivables in the amount of the reported values for which the default risk is not secured.

The analysis of the age of the financial instruments that were overdue but are not impaired, amounting to € 225.8 million as of the cut-off date (previous year: € 212.7 million), produced the following result:

2015/12/31 in € m	overdue for				
	< 30 days	31–60 days	61–90 days	91–180 days	> 180 days
Loans and receivables originated by the company	147.2	33.8	12.8	13.3	18.7

2014/12/31 in € m	overdue for				
	< 30 days	31–60 days	61–90 days	91–180 days	> 180 days
Loans and receivables originated by the company	140.4	32.2	12.3	12.6	15.2

A sum of € 81.4 million (previous year: € 112.5 million) comprising overdue, non-impaired financial assets in the “Loans and receivables originated by the company” category is secured by credit insurance.

Sums that are not value-adjusted and have been overdue for more than 90 days usually relate to regular customers from whom the receipt of payment, as in previous years, is not in question.

In the reporting year, the Salzgitter Group recorded impairments of assets categorized as “Loans and receivables originated by the company” in an amount of € 25.8 million (previous year: € 12.2 million) and reversals of impairment and allowances in an amount of € 16.2 million (previous year: € 15.7 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	2015	2014
Assets/liabilities held for trading	–9.1	14.8
Loans and receivables originated by the company	26.2	30.0
Financial assets available for sale	13.1	32.3
Financial liabilities measured at amortized cost	–20.8	–19.3
Total	**9.5**	**57.9**

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 € 20.2 million (previous year € 23.8 million). Interest expenses amounting to € 24.0 million (previous year: € 31.5 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. Losses upon disposal of assets in the financial year 2015 totaled € 0.1 million (previous year: € 0.4 million). Valuation allowances of € 0.4 million (previous year: € 3.8 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 € 8.1 million (previous year: € 6.7 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	2015	2014
As of 01/01	–6.1	–11.3
Write-up without effect on income	1.5	5.7
Disposal	0.1	0.2
Write-down without effect on income	1.2	0.3
As of 12/31	**–5.9**	**–6.1**

The change in value amounting to € 1.5 million (previous year: € 5.7 million) relates primarily to securities held in connection with the deferred compensation.

In the financial year 2015, the Salzgitter Group applied hedge accounting in accordance with IAS 39 for forward exchange contracts, commodity futures and, to a minor extent, forward rate agreements. In the process, it hedged the currency, price and interest rate risks using cash flow hedges. The respective market values were as follows:

Positive market value in € m	2015/12/31	2014/12/31
Forward exchange contracts – cash flow hedges	1.5	9.1

Negative market values in € m	2015/12/31	2014/12/31
Forward exchange contracts – cash flow hedges	0.5	0.6
Commodity futures – cash flow hedges	57.9	42.4

The underlying transactions that were secured using cash flow hedges will generally affect income within 12 months of the reporting date. The secured underlying transactions for price hedging will affect income in the financial years 2016, 2017 and 2018.

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

In € m	2015	2014
As of 01/01	–27.6	–2.1
Write-up without effect on income	0.6	10.6
Write-down without effect on income	–61.5	–50.5
Basis adjustment	42.8	14.5
Realization	–2.9	–0.1
As of 12/31	**–48.6**	**–27.6**

The effectiveness of all hedging arrangements is examined as of every reporting date. This involves comparing the cumulative changes in the value of the underlying transaction with the cumulative changes in the value of the hedging transaction. In the financial year, ineffectivities totaling € 1.1 million (previous year: € 6.4 million) arose from cash flow hedges. The ineffectivities were recognized in other operating income.

In the financial year under review, an amount of € 42.8 million (previous year: € 14.5 million) from expired forward exchange contracts was added to the acquisition costs of non-financial assets (basis adjustment).

In the case of foreign currency receivables, rate hedging cover is provided by entering into forward exchange contracts with various banks. The relevant claims are reported at the rate agreed in each case. Hedging relationships were established both for firm obligations and for anticipated future transactions.

The nominal volume of the derivative financial instruments comprises the unnetted total of all purchase and sale amounts, valued at the respective settlement rates. Market values were always determined on the basis of conditions that prevailed on the reporting date, using the values at which the relevant derivative financial instruments were traded or listed, without considering contrary movements in the 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 (%)	
	2015/12/31	2014/12/31	2015/12/31	2014/12/31	2015/12/31	2014/12/31
1 month	−0.2050	0.0180	0.5032	0.5038	0.4295	0.1713
3 months	−0.1310	0.0780	0.5904	0.5640	0.6127	0.2556
6 months	−0.0400	0.1710	0.7519	0.6853	0.8462	0.3628
1 year	0.0600	0.3250	1.0703	0.9756	1.1780	0.6288
2 years	−0.0280	0.1860	1.0930	0.9280	1.1870	0.8930
4 years	0.1980	0.2960	1.4570	1.3040	1.6220	1.5820
10 years	1.0130	0.8290	1.9940	1.8360	2.2360	2.3060

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

2015/12/31 in € m	up to 1 year	1 to 5 years	over 5 years
Trade payables	975.7	–	–
Financial liabilities	290.1	539.9	1.2
Lease liabilities	8.2	31.2	18.2
Other liabilities	63.4	–	–

2014/12/31 in € m	up to 1 year	1 to 5 years	over 5 years
Trade payables	1,150.7	–	–
Financial liabilities	570.7	140.9	2.0
Lease liabilities	8.4	34.7	23.4
Other liabilities	59.7	–	–

As of December 31, 2015, derivative financial liabilities with a term of under one year lead to disbursements of € 208.8 million (previous year: € 382.8 million), while those with a term of between one and five years lead to payouts totaling € 18.5 million (previous year: € 15.8 million). The disbursements from derivative financial liabilities for which payments on a gross basis were agreed are counterbalanced by in-payments. If these in-payments are taken into account, the payouts are substantially lower.

Netting

Salzgitter AG concludes financial futures transactions only with core banks and solely on the basis of the standardized German Master Agreement on Financial Derivatives. This agreement contains a conditional netting agreement according to which – in the event of insolvency – the party that owes the higher amount pays the difference.

Derivatives with, respectively, positive or negative market values are not netted with each other in the balance sheet. The “not offset amount” column contains the amounts of the derivatives accounted for which do not satisfy the criteria for netting under IAS 32.42.

2015/12/31 in € m	Gross book value	Offsetting amount	Net book value	Not offset amount	Total net book value
Positive market values derivates	14.1	–	14.1	2.5	11.6
Negative market values derivates	64.9	–	64.9	2.5	62.4

2014/12/31 in € m	Gross book value	Offsetting amount	Net book value	Not offset amount	Total net book value
Positive market values derivates	43.0	–	43.0	20.4	22.5
Negative market values derivates	125.1	–	125.1	20.4	104.7

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.

2015/12/31	Recognized in profit and loss	Affecting equity	Total	Recognized in profit and loss	Affecting equity	Total
Degree of sensitivity	+10%	+10%	+10%	–10%	–10%	–10%
USD	–26.7	1.0	–25.7	28.9	–0.8	28.1
GBP	0.7	1.5	2.2	–0.9	–1.7	–2.6
Other currencies	5.2	–1.5	3.7	–6.2	1.4	–4.8
Currency sensitivities	**–20.8**	**1.0**	**–19.8**	**21.8**	**–1.1**	**20.7**
Degree of sensitivity	+100 bp	+100 bp	+100 bp	–100 bp	–100 bp	–100 bp
Interest rate sensitivities	**–4.1**	**–**	**–4.1**	**4.3**	**–**	**4.3**
Degree of sensitivity	+10%	+10%	+10%	–10%	–10%	–10%
Other price sensitivities	**–14.8**	**10.2**	**–4.6**	**11.8**	**–10.2**	**1.6**

2014/12/31	Recognized in profit and loss	Affecting equity	Total	Recognized in profit and loss	Affecting equity	Total
Degree of sensitivity	+10%	+10%	+10%	–10%	–10%	–10%
USD	–20.8	–11.0	–31.8	29.7	13.5	43.2
GBP	2.4	–	2.4	–2.9	–	–2.9
Other currencies	4.2	–1.2	3.0	–5.1	1.0	–4.1
Currency sensitivities	**–14.2**	**–12.2**	**–26.4**	**21.7**	**14.5**	**36.2**
Degree of sensitivity	+100 bp	+100 bp	+100 bp	–100 bp	–100 bp	–100 bp
Interest rate sensitivities	**–1.6**	**–**	**–1.6**	**0.9**	**–**	**0.9**
Degree of sensitivity	+10%	+10%	+10%	–10%	–10%	–10%
Other price sensitivities	**–14.7**	**9.5**	**–5.2**	**9.6**	**–9.7**	**–0.1**

(46) Adjustments caused by changed accounting and valuation principles

The statement of changes in equity and the statement of total comprehensive income from the previous year shown below illustrate the effects of voluntary changes in presentation (cf. “Effects of voluntary changes in accounting and valuation principles”).

In € m	Subscribed capital	Capital reserve	Sale/re-purchase of treasury shares	Other retained earnings	Retained earnings	Currency translation	Change in the value of the reserve from hedging transactions
As of 2013/12/31 not restated	**161.6**	**238.6**	**–369.7**	**3,694.5**	**–**	**–17.9**	**–2.1**
Adjustment	–	–	–	–3,694.5	3,153.3	–	2.1
As of 2014/01/01 restated	**161.6**	**238.6**	**–369.7**	**–**	**3,153.3**	**–17.9**	**–**
Initial consolidation of Group companies so far not consolidated for materiality reasons	–	–	–	2.0	–	–	–
Total comprehensive income	–	–	–	–0.2	–	15.6	–25.4
Dividend	–	–	–	–	–	–	–
Group transfers from retained earnings	–	–	–	–45.5	–	–	–
Other	–	–	–	–1.0	–	–	–
As of 2014/12/31 not restated	**161.6**	**238.6**	**–369.7**	**–44.7**	**3,153.3**	**–2.3**	**–25.4**
Adjustment	–	–	–	44.7	–305.5	0.1	25.4
As of 2014/12/31 restated	**161.6**	**238.6**	**–369.7**	**–**	**2,847.8**	**–2.2**	**–**

In € m	Changes in the value of the reserve from available-for-sale assets	Other changes without effect on income	Cashflow hedges	Available-for-sale financial assets	Investments accounted for using the equity method	Unappropri-ated retained earnings	Share of the Salzgitter AG shareholders	Minority interests	Equity
As of 2013/12/31 not restated	**–11.3**	**–527.0**	**–**	**–**	**–**	**12.1**	**3,178.8**	**8.1**	**3,186.9**
Adjustment	**11.3**	**527.0**	**–1.7**	**–13.1**	**15.5**	**–**	**–**	**–**	**–**
As of 2014/01/01 restated	**–**	**–**	**–1.7**	**–13.1**	**15.5**	**12.1**	**3,178.8**	**8.1**	**3,186.9**
Initial consolidation of Group companies so far not consolidated for materiality reasons	–	0.2	–	–	–	–	2.2	–	2.2
Total comprehensive income	5.2	–262.6	–	–	–	–34.7	–302.1	3.0	–299.1
Dividend	–	–	–	–	–	–10.8	–10.8	–3.2	–14.0
Group transfers from retained earnings	–	–	–	–	–	45.5	–	–	–
Other	–	0.7	–	–	–	–0.0	–0.4	–0.2	–0.6
As of 2014/12/31 not restated	**5.2**	**–261.7**	**–1.7**	**–13.1**	**15.5**	**12.1**	**2,867.7**	**7.8**	**2,875.4**
Adjustment	**–5.2**	**261.7**	**–17.5**	**3.7**	**–7.5**	**–**	**–**	**–**	**–**
As of 2014/12/31 restated	**–**	**–**	**–19.2**	**–9.4**	**8.1**	**12.1**	**2,867.7**	**7.8**	**2,875.4**

In € m	2014 before restatement	Adjustment	2014 restated
Consolidated result	**–31,9**	**–**	**–31,9**
Recycling			
Reserve from currency translation	15,6	–	15,6
Changes in value from cash flow hedges			–17,5
Fair value change	–39,8	–	–39,8
Basis adjustments	14,5	–	14,5
Recognition with effect on income	–0,1	–	–0,1
Deferred tax		7,9	7,9
Change in value due to available-for-sale financial assets		3,7	3,7
Fair value change	5,2	–	5,2
Recognition with effect on income	–	–	–
Deferred tax		–1,5	–1,5
Changes in value of investments accounted for using the equity method			–3,6
Fair value change	–14,9	–	–14,9
Recognition with effect on income	1,5	–	1,5
Currency translation	8,8	–	8,8
Deferred tax	1,0	–	1,0
Deferred taxes on other changes without effect on the income	–	–0,1	–0,1
Deferred taxes on current changes without effect on the income	6,3	–6,3	–
	–1,9	**0,0**	**–1,9**
Non-recycling			
Remeasurements			–261,4
Remeasurement of pensions	–343,6	–	–343,6
Deferred taxes on remeasurements of pensions		82,2	82,2
Changes in value of investments accounted for using the equity method	–3,9	–	–3,9
Deferred taxes on current changes without effect on the income	82,2	–82,2	–
	–265,3	**–**	**–265,3**
Other comprehensive income	**–267,2**	**–**	**–267,2**
Total comprehensive income	**–299,1**	**–**	**–299,1**
Amount due to Salzgitter AG shareholders	–302,1	–	–302,1
Minority interests	3,0	–	3,0

(47) 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 2015 and 2014, 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, cheques and 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 € 13.1 million (previous year: € 15.1 million). Income received from shareholdings during the financial year 2015 amounted to € 23.9 million (previous year: € 41.3 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 payouts for non-current securities and for capital increases at non-consolidated companies.

The cash inflows and outflows from/for financial investments comprise bond funds, futures contracts and term deposits (term of more than three months). The cash inflows in the financial year 2015 amounted to € 175.8 million (previous year: € 99.9 million), while the cash outflows totaled € 271.8 million (previous year: € 178.4 million).

Interest paid is attributed solely to financing activities. In the financial year ended, non-current financial liabilities amounting to € 42.7 million were redeemed (previous year: redeemed: € 13.3 million, borrowed: € 36.9 million). The cash inflow from financing activity also includes an inflow from the issuance of a bond (€ 166.3 million). In the previous year, part of a bond in an amount of € 239.2 million was repaid.

(48) Notes on Segment Reporting

The segmentation of the Salzgitter Group into five business units accords with the Group's internal controlling and reporting functions. The main decision-maker is the Executive Board.

In the segment report, the business activities of the Salzgitter Group are assigned to the Strip Steel, Plate / Section Steel, Energy, Trading and Technology business units in accordance with the Group structure in line with different products and services. Salzgitter AG as the management holding company, the intermediate holding companies Salzgitter Mannesmann GmbH and Salzgitter Klöckner-Werke GmbH, Salzgitter Finance B.V. and Aurubis AG are not assigned to any business unit.

The Strip Steel Business Unit manufactures high-quality branded steel and special steels. Its main products are hot-rolled strip steel and cold-rolled steel, sections and tailored blanks.

The companies in the Plate / Section Steel Business Unit produce a broad spectrum of high-grade plate products. Further product areas are sections production and scrap trading. Production of sheet piling was discontinued as of the end of the financial year 2015.

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

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

The Technology Business Unit operates mainly in the filling and packing technology segment, as well as in special machinery engineering for shoe manufacturing and elastomer production.

The companies that are part of Industrial Participations / Consolidation are largely service companies and management and interim holding companies that work for the Group. Industrial participations included in this category are Aurubis AG and the service units. Some of the companies among the service units also offer their services to third-party customers. On this basis, the companies conceive and implement a broad spectrum of attractive service offerings. These encompass raw materials supplies, IT services, facility management, logistics, automotive engineering and research and development. Included in the consolidations are Salzgitter AG as the management holding company, the intermediate holding companies Salzgitter Mannesmann GmbH and Salzgitter-Klöckner- Werke GmbH, as well as Salzgitter Finance B.V.

Sales between segments are always conducted on standard market terms of the kind that also constitute the basis of transactions with third parties (arm's length). No single external customer accounts for 10% or more of Group revenues. For an overview of sales by region, please see item (1) "Sales" in the notes to the consolidated income statement.

The transition of total segmental assets and segmental liabilities to the Group's balance sheet total, and the transition of total segment sales and segment results to, respectively, consolidated sales and the consolidated result from ordinary activities are shown in the following overviews. For the transition to the operation discontinued in accordance with the rules of IFRS 5, please see the section "(13) Results from discontinued operations".

In € m	2015	2014
Total sales of the segments	10,371.7	10,901.1
Industrial Participations	821.0	788.1
Consolidation	– 2,574.3	– 2,649.0
Sales from discontinued operations and continuing operations	**8,618.4**	**9,040.2**
Discontinued operations	116.9	155.0
Sales	**8,501.5**	**8,885.2**

In € m	2015	2014
Total results of the segments for the period	– 35.0	– 94.1
Industrial Participations	41.1	42.5
Consolidation	6.5	36.4
Earnings before taxes (EBT) from discontinued operations and from continuing operations	**12.6**	**– 15.2**
Discontinued operations	– 52.1	– 88.4
Earnings before taxes (EBT)	**64.7**	**73.2**

(49) Related party disclosures

In addition to business relationships with companies that are consolidated fully in the consolidated financial statements, relationships also exist with associated companies and shareholdings that must be designated as related companies in accordance with IAS 24. The category of proportionally consolidated companies includes only Hüttenwerke Krupp Mannesmann GmbH, Duisburg.

The following delivery and service relationships exist between companies in the consolidated group and companies related to the Salzgitter Group:

In € m	Sale of goods and services		Purchase of goods and services	
	2015	2014	2015	2014
Non consolidated group companies	46.2	66.9	21.8	18.2
Joint ventures	259.1	220.7	26.9	4.7
Joint operations	11.6	19.3	1.1	7.2

Outstanding balances from deliveries and services arising from the purchase or sale of goods and services between companies in the consolidated group and companies related to the Salzgitter Group:

In € m	Receivables		Liabilities	
	2015/12/31	2014/12/31	2015/12/31	2014/12/31
Non-consolidated group companies	23.8	46.1	7.0	16.8
Joint ventures	71.7	42.1	0.6	0.2
Joint operations	0.8	1.0	19.9	30.1

In addition, the Group has an outstanding long-term loan of € 105.0 million (previous year: € 117.0 million) in respect of the 30% consolidated company Hüttenwerke Krupp Mannesmann GmbH, Duisburg, in a residual amount, after consolidation, of € 73.5 million (previous year: € 81.9 million).

The sale of goods and services essentially comprises deliveries of input material for the production of large-diameter pipes.

There are contingencies in relation to non-consolidated associated companies totaling € 11.5 million (previous year: € 35.9 million).

Related party disclosures (key management personnel) are shown in section "(53) Disclosures on the remuneration of the Executive Board, Supervisory Board and other members of the key management personnel".

(50) 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	2015	2014
Audit services	2.6	2.5
Other certification or assessment services	0.2	0.4
Tax consulting services	0.0	0.1
Other services	0.2	–

In addition, expenses relating to other auditors were incurred in an amount of € 0.1 million (previous year: less than € 0.1 million) for the auditing of the annual financial statements of consolidated German-based companies.

(51) Significant events after the reporting date

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

(52) 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 264 b of the German Commercial Code and are therefore exempted from disclosure of their financial statements and from the obligation to prepare a management report.

- Salzgitter Mannesmann GmbH, Salzgitter[1, 2]
- Salzgitter Klöckner-Werke GmbH, Salzgitter[1, 2]
- Salzgitter Flachstahl GmbH, Salzgitter
- Salzgitter Europlatinen GmbH, Salzgitter[1]
- Salzgitter Bauelemente GmbH, Salzgitter
- Hövelmann & Lueg Vermögensverwaltung GmbH, Schwerte[1]
- Salzgitter Mannesmann Stahlservice GmbH, Karlsruhe[1]
- Peiner Träger GmbH, Peine
- Ilsenburger Grobblech GmbH, Ilsenburg
- DEUMU Deutsche Erz- und Metall-Union GmbH, Peine[1, 2]
- Salzgitter Mannesmann Grobblech GmbH, Mülheim
- Mannesmannröhren-Werke GmbH, Mülheim[1]
- Salzgitter Mannesmann Großrohr GmbH, Salzgitter[1]
- Salzgitter Mannesmann Line Pipe GmbH, Siegen
- Salzgitter Mannesmann Rohr Sachsen GmbH, Zeithain[1]
- Salzgitter Mannesmann Precision GmbH, Mülheim[1, 2]
- Salzgitter Mannesmann Stainless Tubes GmbH, Mülheim[1, 2]
- Salzgitter Mannesmann Stainless Tubes Deutschland GmbH, Remscheid[1]
- Salzgitter Mannesmann Handel GmbH, Düsseldorf[1, 2]
- Universal Eisen und Stahl GmbH, Neuss[1, 2]
- Salzgitter Mannesmann International GmbH, Düsseldorf[1, 2]
- Salzgitter Mannesmann Stahlhandel GmbH, Düsseldorf[1, 2]
- Stahl-Center Baunatal GmbH, Baunatal[1]
- KHS GmbH, Dortmund[2]
- Klöckner PET-Technologie GmbH, Salzgitter[1, 2]
- Klöckner DESMA Elastomertechnik GmbH, Fridingen
- Klöckner DESMA Schuhmaschinen GmbH, Achim
- KHS Corpoplast GmbH, Hamburg[1]
- KHS Plasmax GmbH, Hamburg[1]
- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg
- GESIS Gesellschaft für Informationssysteme mbH, Salzgitter[1]
- TELCAT MULTICOM GmbH, Salzgitter[1, 2]
- TELCAT KOMMUNIKATIONSTECHNIK GmbH, Salzgitter[1]
- Glückauf Immobilien GmbH, Peine
- Salzgitter Mannesmann Forschung GmbH, Salzgitter[1]
- Salzgitter Business Service GmbH, Salzgitter[1]
- Salzgitter Hydroforming GmbH & Co. KG, Crimmitschau[1]
- Salzgitter Automotive Engineering Beteiligungsgesellschaft mbH, Osnabrück[1, 2]
- Salzgitter Automotive Engineering GmbH & Co. KG, Osnabrück[1]
- Salzgitter Automotive Engineering Immobilien GmbH & Co. KG, Osnabrück[1]
- RSE Projektentwicklungs-GmbH, Mülheim[1]

Furthermore, the company Verkehrsbetriebe Peine Salzgitter GmbH, Salzgitter, has, in accordance with Section 291 HGB, made use of its right to waive the preparation of consolidated financial statements and a group management report.

[1] The option pursuant to Section 264 (3) of waiving the preparation of notes to the financial statements was exercised.

[2] The option pursuant to Section 291 of waiving the preparation of notes to the group financial statements and a group management report was exercised.

(53) Disclosures on the Remuneration of the Executive Board, Supervisory Board and other Members of the Key Management Personnel

Key management personnel pursuant to IAS 24 comprises the members of Group's Executive Board and the members of the Supervisory Board. In addition to the active members of the Executive Board, the Group management comprises the heads of the Salzgitter group's five business units. In the tables below, they are referred to as "Other members of the key management personnel".

Remuneration from the Salzgitter Group:

In € m	Short-term employee benefits (salary and other compensation)		Post employment benefits (pension obligation)	
	2015	2014	2015	2014
Current members of the Executive Board	3.4	4.3	0.6	0.7
Members of the Supervisory Board	1.7	1.7	–	–
Other members of the key management personnel	3.7	2.2	0.3	0.2

In addition to the amounts shown, the employee representatives on the Supervisory Board who are employees of the Salzgitter Group received their salaries within the scope of their employment contracts. Their amount constituted remuneration that is appropriate for their functions and tasks in the Group.

Obligations of the Salzgitter Group:

In € m	Short-term employee benefits (salary and other compensation)		Post employment benefits (pension obligation)	
	2015/12/31	2014/12/31	2015/12/31	2014/12/31
Former members of the Executive Board	–	–	54.9	39.2
Current members of the Executive Board	1.2	1.6	20.4	33.1
Members of the Supervisory Board	–	–	–	–
Other members of the key management personnel	1.2	0.7	6.7	5.7

The obligations arising from short-term employee benefits include the variable annual remuneration that is paid out in the respective subsequent year.

Former members of the Executive Board and their surviving dependents received pensions totaling € 2.4 million for the financial year (previous year: € 2.0 million).

Detailed information about the remuneration of the individual members of the Executive Board and the Supervisory Board of Salzgitter AG is disclosed in the "Group Management Report and Management Report on Salzgitter AG" in Section I.2 "Management and Control" .

(54) 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 25, 2016

The Executive Board

Fuhrmann | Becker | Kieckbusch

VII. Auditor's Report

Auditor's Report

"We have audited the consolidated financial statements prepared by Salzgitter Aktiengesellschaft, Salzgitter – 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, 2015. 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 26, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

signed	signed
Martin Schröder	ppa. Stephan Hachmeyer
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.

O

On-Time In-Full (OTIF)
Delivery made on time in full. In Supply Chain-Management a measurement of delivery performance. From the standpoint of a company it indicates how capable the delivery chain is or was of delivering the right merchandise in the right volume to the right place at the right time.

P

Pension provisions
Provisions formed to cover retirement, invalidity and surviving dependents' pension and benefit commitments. Pension obligations are calculated using the present value of the defined benefit obligations (IFRS) or the going-concern value method (German Commercial Code [HGB]) and valued on the basis of actuarial assumptions and calculations.

Personnel expenses
Expenses incurred by wages and salaries as well as social security, pensions and other benefits. These expenses do not include the interest component in transfers to pension provisions, which is reported as part of the financial result.

Profit and loss transfer agreement
A company agreement is defined as a profit and loss transfer agreement if one company undertakes to transfer its entire profit to another company (Section 291 I of the German Stock Corporation Act [AktG]). The other contractual partner is required to compensate any net loss for the year arising during the term of the contract (loss absorption pursuant to Section 302 I of the German Stock Corporation Act).

R

ROCE
Return on Capital Employed. Ratio of EBIT to capital employed.

S

Segment sales
Share of overall sales resulting from transactions between companies within the consolidated group but in different divisions as well as with companies outside of the group of consolidated companies of Salzgitter AG.

Stakeholders
Shareholders, employees and other groups with connections to the company.

U

Unappropriated retained earnings (also: profit/loss shown on the balance sheet after appropriation to or transfer from reserves)
Profit/loss as shown in the annual financial statements of Salzgitter AG, calculated in accordance with the German Commercial Code (HGB). Dividend paid to shareholders is determined by this result.

V

Volatility
Scope of the fluctuations of an underlying asset (e.g. share price).

Technical Terms

B

Belt Casting Technology (BCT)
Process for continuous casting.

Blast furnace
A shaft furnace lined with heat-resistant (refractory) bricks and used by integrated steelworks to smelt pig iron from iron ore.

C

Coating
The application of the coat of zinc, organic material, paint or foil, primarily to improve the resistance of steel sheet to corrosion.

Coke
A reduction agent required in the blast furnace to smelt pig iron out of iron ore. Coke is produced by heating specific types of coal (coking coal) in a coke oven plant under exclusion of air.

Cold rolling
Forming process at room temperature. Cold rolling is used, for example, to turn hot-rolled strip into sheet steel.

Continuous casting

A semi-continuous process for the manufacturing of slabs, blooms and tube rounds from molten steel.

E

Electric arc furnace

Unit in which steel scrap is melted using electricity producing so-called electric steel.

Elements for roofing and cladding

Components produced from profiled surface-coated sheet steel that are used in the construction industry as wall and ceiling elements and for exterior cladding.

F

Flat rolled products

Flat rolled steel products are manufactured by the hot and cold rolling of slabs, including other work stages, as necessary. The term refers specifically to sheet steel with a thickness of less than 30 mm used mainly for the automotive and household appliance industries.

H

HFI-welding

Process for creating welds on the basis of electro-magnetic induction.

Hot rolled (wide) strip

Hot rolled and coiled steel strip used as feedstock for cold rolling or sold as an intermediate product (e.g. as wide strip).

Hot rolling

Forming process carried out at high temperatures. Different types of rolling mills are used to convert semi-finished material into hot-rolled strip, plates, sections or seamless tubes.

HSD® Steel

With high manganese content, alloyed with aluminum and silicon, it offers high strength and very good formability.

P

Plate

- **Steel sheet**
  Uncoated sheet steel less than 3 mm thick, generally produced through cold rolling.
- **Heavy plate**
  Sheet steel of at least 3 mm in thickness. This heavy plate is required mainly for mechanical engineering and equipment manufacturing, in the construction industry, ship building and for large-diameter pipes.

Precision tubes

Seamless or welded steel tubes used predominantly in mechanical engineering and the automotive industry.

R

Reduction agent
Sources of carbon such as coke, coal or fuel oil used in the blast furnace process to convert iron ore (iron oxide) into pig iron.

Rolled steel
The sum total of all end products to emerge from rolling mills.

S

Sandwich elements
Ready-to-fit roof and wall elements consisting of double-skin metal faced panels bonded together with an insulated core.

Sections
Long products, such as beams and sheet piles, used primarily in building construction and civil engineering.

Semi-finished goods/semis
A general term for input material made from crude steel for use in rolling mills (slabs, blooms, tube rounds).

Sheet piling
Steel sections used to secure and seal excavation pits.

SIMOTION with Active Line Module
SIMOTION is the name of a motion control system designed by Siemens. Its task is to control the drive motions of a machine. The Active Line Module features the power feed-in for the intermediate circuit of the drive controllers.

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 /billets
An intermediate product made from crude steel by the continuous casting process and used as an input material for the production of flat rolled steel.

Surface-coated steel products
Products provided with a metallic or organic surface coating by special processes, for example by galvanizing or paint-coating.

T

Tailored blanks

Bonded blanks composed of sheet steel of varying shapes, qualities and properties that are welded together by laser beam. Automobile manufacturers use tailored blanks to produce pressed parts for vehicle construction.

Top (reusable) gas

Combustible process gas which is a by-product in the production of primary materials.

Tubes

- **Welded tubes**
  Tubes made by welding plate or hot-rolled strip. A distinction is made between longitudinally welded tubes (where the weld seam runs along the axis of the tube) and spiral-welded tubes (where the weld seam spirals around the circumference of the tube).
- **Seamless tubes**
  Tubes made from tube rounds. After heating, a hollow body is first created by a variety of processes (including pilgering), which is then rolled and, if necessary, drawn to its final dimensions.

Tube rounds

An intermediate product produced from crude steel by the continuous casting process and used as an input in material for the production of seamless tubes.

Further information can be accessed under the website: http://en.stahl-online.de/

II. Financial Calendar 2016

February 26, 2016	Key data for the Financial Year 2015
March 9, 2016	Citi's Global Resources Conference London
March 18, 2016	Publication on the consolidated financial statement 2015 Annual Results Press Conference
March 21, 2016	Analyst Conference in Frankfurt am Main
March 22, 2016	Analyst Conference in London
April 28, 2016	Scandinavia Investor Forum Stockholm
May 13, 2016	Interim report on the first quarter 2016
May 24–26, 2016	Berenberg European Conference New York
June 1, 2016	General Meeting of Shareholders in 2016
June 9, 2016	dbAccess German, Swiss & Austrian Conference 2016 Berlin
August 10, 2016	Interim report on the first half 2016 Analyst Conference in Frankfurt am Main
August 11, 2016	Analyst Conference in London
September 1, 2016	Commerzbank Sector Conference 2016 Frankfurt am Main
September 2016	Goldman Sachs Conference Munich
September 2016	Baader Investment Conference Munich
November 10, 2016	Interim report on the first nine months 2016

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