9M

Interim Report
9 Months 2015

SALZGITTER AG
Stahl und Technologie

Contents

Salzgitter Group Figures

		9M 2015	9M 2014	+/-
Crude steel production	kt	**5,104.0**	**5,517.5**	**–413.5**
External sales	€ m	**6,691.7**	**6,811.5**	**–119.8**
Strip Steel Business Unit	€ m	1,505.6	1,607.9	– 102.2
Plate / Section Steel Business Unit	€ m	719.0	845.1	– 126.1
Energy Business Unit	€ m	811.7	939.3	– 127.6
Trading Business Unit	€ m	2,530.1	2,404.8	125.3
Technology Business Unit	€ m	978.1	877.2	100.9
Industrial Participations / Consolidation	€ m	147.1	137.2	9.9
EBIT before depreciation and amortization (EBITDA)[1)]	€ m	**313.8**	**328.0**	**–14.2**
Earnings before interest and taxes (EBIT)[1)]	€ m	**63.5**	**74.9**	**–11.3**
Earnings before taxes (EBT)	€ m	**24.0**	**5.5**	**18.5**
Strip Steel Business Unit	€ m	– 9.5	– 3.9	– 5.6
Plate / Section Steel Business Unit	€ m	– 32.8	– 60.1	27.3
Energy Business Unit	€ m	8.8	– 20.5	29.3
Trading Business Unit	€ m	21.0	16.1	4.9
Technology Business Unit	€ m	16.1	13.2	2.9
Industrial Participations / Consolidation	€ m	20.5	60.8	– 40.3
Consolidated net income/loss	€ m	**12.1**	**–12.2**	**24.3**
Earnings per share – basic	€	**0.16**	**–0.28**	**0.44**
Return on capital employed (ROCE)[2)3)]	%	**2.0**	**1.5**	**0.6**
Cash flow from operating activities	€ m	**172.6**	**339.4**	**–166.9**
Investments[4)]	€ m	**245.8**	**185.2**	**60.6**
Depreciation/amortization[4)]	€ m	**–250.3**	**–253.1**	**2.8**
Total assets	€ m	**8,474.1**	**8,577.9**	**–103.7**
Non-current assets	€ m	**3,578.9**	**3,591.8**	**–12.9**
Current assets	€ m	**4,895.2**	**4,986.1**	**–90.9**
of which inventories	€ m	1,900.5	1,958.8	– 58.3
of which cash and cash equivalents	€ m	775.3	869.1	– 93.8
Equity	€ m	**2,961.5**	**3,148.9**	**–187.4**
Liabilities	€ m	**5,512.7**	**5,429.0**	**83.7**
Non-current liabilities	€ m	3,404.2	3,031.3	372.9
Current liabilities	€ m	2,108.5	2,397.7	– 289.2
of which due to banks[5)]	€ m	320.1	278.6	41.5
Net position[6)]	€ m	**267.0**	**269.6**	**–2.6**
Employees				
Personnel expenses	€ m	–1,253.1	–1,181.9	–71.2
Core workforce on the reporting date[7)]	empl.	23,688	23,623	65
Total workforce on the reporting date[8)]	empl.	25,671	25,760	–89

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) Annualized
4) Excluding financial investments
5) Current and non-current bank liabilities
6) Including investments, e.g. securities and structured investments
7) Excl. trainee contracts and excl. non-active age-related part-time work
8) Incl. trainee contracts and incl. non-active age-related part-time work

Summary

Salzgitter Group posts a positive result in the first nine months of 2015

The Salzgitter Group has substantially increased its pre-tax profit year-on-year in the first nine months of the financial year. .Against a European steel market impacted by sharp rises in imports and falling selling prices, this improvement was mainly driven by the earnings effects of the groupwide “Salzgitter AG 2015” restructuring program. The result contains a total 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 and is proceeding to plan, as well as provisions for pending structural measures. The financial basis remains very solid with a 35% equity ratio, as well as an increased net credit balance of € 267 million compared to the first half of 2015.

Group

- **External sales:** Slightly down on the previous year, primarily due to selling prices
- **Pre-tax result** substantially improved**:** € 24.0 million (9 months of 2014: € 5.5 million)
- **After-tax result:** € 12.1 million
- **Earnings per share** (basic): € 0.16
- **Return on capital employed (ROCE):** 2.0%
- **Net credit balance:** € 267 million
- **Equity ratio** of 35% remains at a sound level

Development of the business units

- **Strip Steel**: Shipments almost on a par with previous year, declining selling prices leading to reduced external sales, pre-tax profit only moderately down on previous year despite € 44 million impact on earnings from blast furnace relining
- **Plate / Section Steel**: External sales down due to selling prices, earnings before taxes negative as a result of the marked loss posted at HSP Hoesch Spundwand und Profil GmbH
- **Energy**: Lower shipment tonnage and external sales, nevertheless pleasing profit level despite the formation of provisions for restructuring measures at EUROPIPE France S.A.
- **Trading:** Increased shipments and external sales, improvement over the previous year’s result thanks to international trading and from the disbursement of earnings retained over a multi-year period
- **Technology:** Growth in external sales and pre-tax result, KHS and KDE Group lift profit
- **Industrial Participations / Consolidation**: Pre-tax profit includes € 12.8 million in expenses from the Aurubis investment, as well as valuation effects from foreign exchange transactions that bolstered earnings

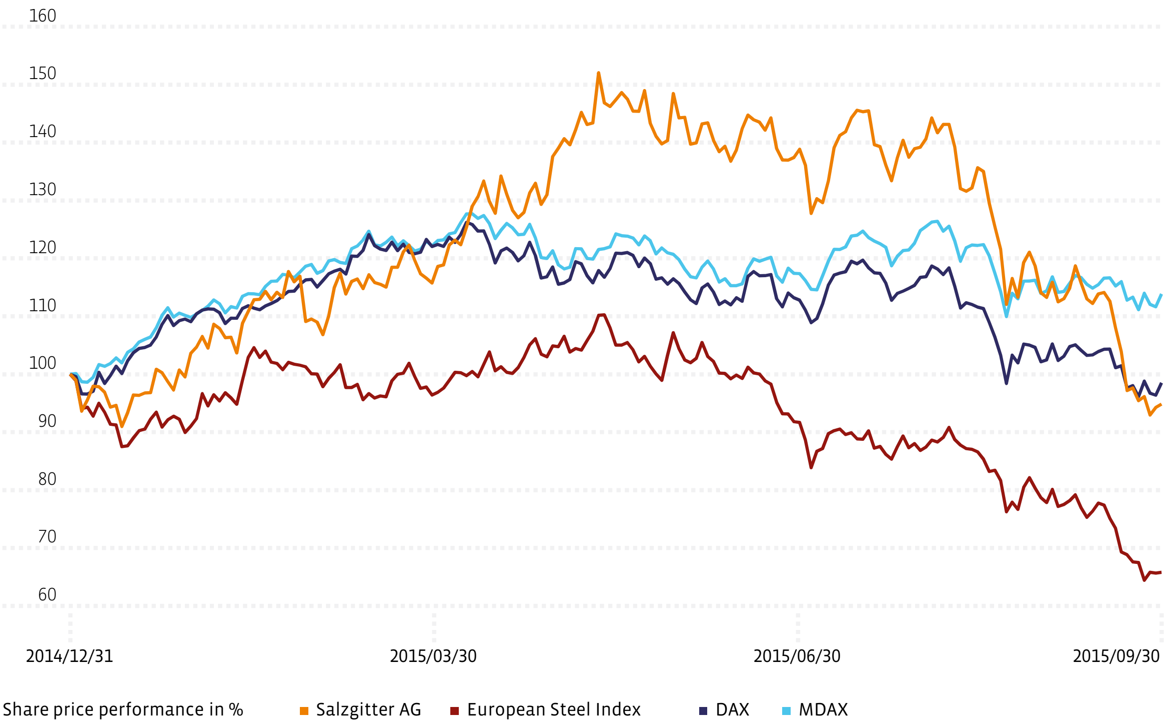
Forecast

The Salzgitter Group is returning to its original earnings forecast issued at the start of the year, primarily as a result of the decline in metal prices and the resultant influence on the anticipated earnings contribution of the Aurubis investment. We now anticipate stable sales, a pre-tax profit in the lower double-digit million euro range, as well as an improved return on capital employed (ROCE) compared to the previous year's figure.

Investor Relations

Capital Market and Price Performance of the Salzgitter Share

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



Sources: XETRA closing price Deutsche Börse AG, Datastream STEELEU

The **stock markets** recorded inconsistent development during the reporting period. In the first few months of the year, a distinct upwards trend established itself following the decision of the European Central Bank to buy government bonds. This rise resulted in the DAX posting a new all-time high of 12,391 points on April 10. Impacted by the Greek financial crisis, the indices consolidated slightly overall in the months that followed, partially recording some sharp fluctuations at times. From the start of September, a considerable correction was recorded due to concerns over economic dynamics in China as well as drops in the price of automotive industry shares and those of connected sectors in Germany. As part of these developments, the DAX conceded all of its previously achieved gains. The overall performance of the leading German index amounted to –1% in the period under review, while the MDAX improved by 14%.

The **Salzgitter share** recorded substantially better development than the European Steel Index over the first nine months of 2015. After closing 2014 at € 23.41, the share price rose sharply in spring and posted its high for the year to date on May 14 at a price of € 36.42, representing a gain of 56%. This reflected the capital market's recognition of the tangible successes of the "Salzgitter AG 2015" program of measures. In line with overall market developments, a highly volatile period followed up to mid-August in which the share price fell slightly overall. The change in China's exchange rate policy as well as the discussion surrounding the future growth of the country naturally impacted economically sensitive stocks such as steel shares in particular. As a result, almost all shares in our sector recorded a significant correction. Overall, the Salzgitter share posted a –5% performance in the period under review.

In the current **analyst coverage** conducted by 26 banks, the Salzgitter share has been assessed with the following recommendations (as of September 30, 2015): 12 buy/outperform, 5 hold/market perform, 9 sell/underperform.

The average **daily turnover** amounted to around 456,000 shares per day during the reporting period and was therefore substantially up on the comparable previous year's figure (274,000 shares/day). As of September 30, 2015, Salzgitter AG (SZAG) therefore took 17th place measured by turnover and held 53rd place in terms of free float market capitalization in the MDAX ranking of Deutsche Börse AG.

Capital market communications: In the first nine months of 2015, we presented the Salzgitter Group at investor conferences in Germany, France, Great Britain and the USA as well as at roadshows organized in Frankfurt, London, Dublin, Geneva and Zurich. In addition, investors and analysts took advantage of the offer of visiting our plants in Salzgitter, Peine, Dortmund and Mülheim, and informing themselves about our company in discussions with Group representatives. The results of the financial year 2014, as well as the first half of 2015, were presented to the capital market and discussed in-depth at well-attended analyst conferences in Frankfurt and London. Once again, information events and site visits arranged by the "Freundeskreis der Aktionäre der SZAG" (Circle of Friends of Salzgitter AG Shareholders) met with great interest on the part of our private investors.

Treasury shares

Salzgitter AG's portfolio of treasury shares amounted to 6,009,700 units as of September 30, 2015, unchanged from December 31, 2014. This corresponds to 10 % of the shares issued.

Dividend

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

Information for investors

		9M 2015	9M 2014
Nominal capital as of 09/30/	€ m	161.6	161.6
Number of shares as of 09/30/	units m	60.1	60.1
Number of shares outstanding as of 09/30/	units m	54.1	54.1
Market capitalization as of 09/30/[1]	€ m	1,200	1,477
Closing price as of 09/30[2]	**€**	**22.19**	**27.31**
Stock market high 01/01 – 09/30[2]	€	36.42	33.81
Stock market low 01/01 – 09/30[2]	€	21.01	26.62

Securities identification number: 620200, ISIN: DE0006202005

[1] Calculated on the basis of the respective year-end closing price multiplied by the number of shares outstanding per his date
[2] All data relate on prices in XETRA trading

Profitability of the Group and Business Units

Economic Environment

The **world economy** showed increasingly weakening growth momentum in the first nine months of 2015, with industrialized countries and emerging nations recording divergent development. After a restrained start to the year on the back of poor weather conditions, a tangible revival in the US economy extended into the summer. This trend, however, slowed somewhat towards the end of the reporting period. Great Britain was also able to sustain its recent upwards trend. In contrast, the recovery in Japan was mainly slowed by the decline in exports. This was chiefly attributable to the lower demand emanating from China. Here, foreign trade, industry and the construction sector suffered due to slower growth. The lower raw materials prices impacted many Latin American economies as well as Russia, which also suffered due to the economic sanctions imposed. In its most recent forecast, the International Monetary Fund (IMF) reduced its anticipated growth for the global economy in 2015 to 3.1% overall.

The **Eurozone** continued its moderate recovery during the reporting period. This development was facilitated by reduced energy costs, the decline in value of the Euro against other currencies such as the US Dollar, as well as the continued low interest rates. Private consumer demand remained the main driver behind this trend. Government spending also contributed to the expansion, while the level of gross capital investments decreased in the last few months after an increase at the start of the year. Almost all eurozone nations recorded positive growth rates, though the upwards trend remains fragile. The IMF still puts the eurozone growth rate at 1.5% for 2015.

The **German** economy recorded a slight upwards trend during the reporting period. While private consumption was once again the main driving force, investment activity remained rather restrained. Foreign trade benefited from the upturn in the Eurozone, as well as the depreciation of the euro and grew strongly irrespective of the moderate development of the world economy. In its most recent outlook, the IMF predicted full-year 2015 growth of 1.5% for the German economy, while the leading German economic research institutes forecast a somewhat more optimistic 1.8% growth in their autumn reports.

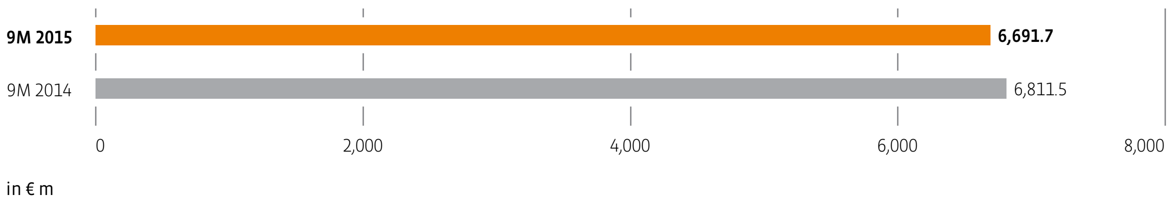
		Q3 2015	Q3 2014	9M 2015	9M 2014
Crude steel production	kt	1,582.1	1,820.8	5,104.0	5,517.5
External sales	**€ m**	**2,162.0**	**2,262.2**	**6,691.7**	**6,811.5**
EBIT before depreciation and amortization (EBITDA)[1]	€ m	33.0	118.8	313.8	328.0
Earnings before interest and taxes (EBIT)[1]	€ m	–50.4	34.5	63.5	74.9
Earnings before taxes (EBT)	**€ m**	**–56.1**	**9.7**	**24.0**	**5.5**
Consolidated net income/loss	**€ m**	**–29.2**	**3.8**	**12.1**	**–12.2**
Return on capital employed (ROCE)[2][3]	**%**	**–4.8**	**2.3**	**2.0**	**1.5**
Investments[4]	€ m	102.8	73.7	245.8	185.2
Depreciation/amortization[4]	€ m	–83.4	–84.3	–250.3	–253.1
Cash flow from operating activities	€ m	184.6	220.4	172.6	339.4
Net position[5]	**€ m**			**267.0**	**269.6**
Equity ratio	%			34.9	36.7

[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] Annualized
[4] Excluding financial investments
[5] Including investments, e.g. securities and structured investments

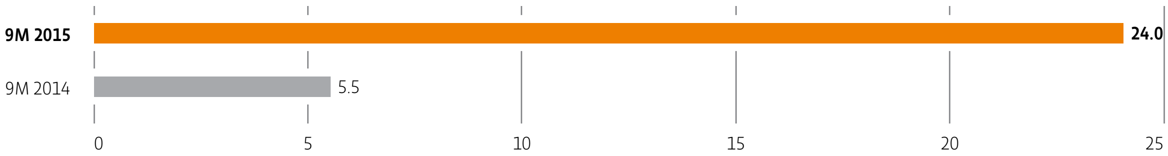
Earnings Situation within the Group

The Salzgitter Group has markedly increased its pre-tax profit year-on-year in the first nine months of the financial year. Against a European steel market impacted by sharp rises in im-ports and falling selling prices, this improvement was mainly driven by the earnings effects of the groupwide "Salzgitter AG 2015" restructuring program. The result contains a total 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 and is proceeding to plan, as well as provisions for pending structural measures. The financial basis of the Group remains very solid, with a 35% equity ratio as well as an increased net financial position of € 267 million compared to the first half of 2015.

External sales



EBT



in € m

Mainly owing to weaker average selling prices, the Salzgitter Group's **external sales** came in at € 6,691.7 million, which is just short of the previous year's figure (first 9 months of 2014: € 6,811.5 million). **Pre-tax profit** rose considerably to € 24.0 million (first 9 months of 2014: € 5.5 million). This figure includes a € 12.8 million negative impact from the Aurubis investment (first 9 months of 2014: € +42.4 million), balance sheet provisions for structural improvement measures worth € 33.1 million, as well as € 44.0 million expenses for the blast furnace relining. The **after-tax result** stood at € 12.1 million (first 9 months of 2014: € –12.2 million), which brings basic earnings per share to € 0.16 (first 9 months of 2014: € –0.28). The return on capital employed (ROCE) was recorded at 2.0% (first 9 months of 2014: 1.5%).

Procurement

Ore prices stabilize at a low level in the third quarter

The global **iron ore market** was characterized by a further decline in prices in 2015. While the Platts IODEX 62% Fe CFR China, the spot market's benchmark, averaged 97 USD/dmt in 2014, the first three quarters of 2015 saw it trading at 62, 58 and most recently 54 USD/dmt. In April, the index dropped to the 45 USD/dmt mark – a historical low since the index was launched in July 2008. Clear recovery trends were visible for a time during the following two months, however a new low was again recorded in July (44.50 USD/dmt). This high volatility did not continue in August and September, and prices remained within the narrow corridor between 52 and 59 USD/dmt. It remains to be seen to what extent a stable price level can be maintained despite the clear slowing of momentum in the Chinese steel industry, as well as the growth in supply on the back of capacity expansions at the major iron ore producers in Australia and Brazil. In general, smaller ore producers have also been able to substantially reduce their production costs. In addition to the significantly lower energy costs and advantageous conditions on the capital market, the favorable exchange rate developments with the US Dollar also had a positive effect. Based on the price level of the third quarter, a rapid market shakedown is not to be expected. Consequently many analysts hardly see any potential for rising ore prices in the medium term.

Stable downwards trend 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 the year to date has been characterized by massive excess supply of coking coal, which has led to sharply falling prices, particularly from the second quarter 2015 onwards. As a result, the respective benchmark prices for the first and second quarters of 117 and 110 USD/t FOB Australia were still above the 100-USD mark. Since then, the benchmark price has fallen significantly further from 93 USD/t for the third quarter to 89 USD/t for the fourth quarter, reaching its lowest price level since 2005. Even cutbacks in production and temporary mine closures did not halt this downwards trend. According to most market commentaries, the outlook for the near future provides signs of a further decline in demand, which should cement the substantial excess supply and continue to exert considerable pressure on prices.

Price fluctuations in metals and ferro-alloys

The situation on the international **metal and alloy** markets varied greatly. The prices for manganese-based bulk alloys remained stable in the first nine months of 2015. In contrast, listed materials such as zinc, nickel, copper and aluminum were highly volatile until mid-May and subsequently lost a great deal of value.

Recent dramatic drop in steel scrap prices

The **steel scrap market** recorded inconsistent development during the reporting period. At the start of the year, demand for steel scrap from German steel works exceeded supply at times, which was reflected in the price increase up to 8 €/t depending on the grade and region. February saw steel scrap prices tumble on the US domestic market, strongly influencing prices for steel scrap deliveries to Turkey from the eurozone in the process. Given the still relatively good capacity utilization of Germany's steel industry and satisfactory demand for steel scrap by electric steel works, the situation on the German market was as follows: After price drops of 10 to 22 €/t were initially recorded here in the rest of the quarter, scrap prices increased by an average of 15 to 20 €/t in April on the back of poor availability of old steel scrap as well as a revival on the deep-sea market. In the two months that followed, supply and demand were balanced, resulting in steel scrap prices remaining largely unchanged. In the third quarter 2015, scrap prices fell by up to 50 €/t. On the one hand, this was caused by the significantly lower demand from plants due to vacation-related closures. On the other, the weak export activity from the eurozone led to significant excess supply and further price declines in Germany. Moreover, based on competitive considerations, the Turkish electric steel works in particular recently bought the increasingly cheap billets from China as input material for their rolling mills, which also contributed to the clear decline in prices and negatively impacted the volume of scrap used.

Developments in the Steel Market

The **global steel market** recorded negative developments overall during the reporting period. Thus, the year 2015 will likely see crude steel production and steel demand fall for the first time since 2009. With a few exceptions, including the EU, production slowed in important production regions, with Turkey and the USA being impacted particularly strongly. The situation on the Chinese steel market continued to worsen: A lack of progress in consolidating the industry and a sharper than expected decline in demand are leading to a continued rise in excess capacity.

A gradual recovery was recorded on the **EU steel market**. The growth in market supply was on a par with real steel demand, with the automotive and construction industries proving the main drivers of the momentum. The recession on the Spanish construction market has been overcome, while France and Italy appear to have bottomed out. However, the massive import pressure, particularly from China, negatively impacted the capacity utilization of EU-producers, crude steel production, as well as deliveries stagnated. The year 2015 is the first time since 2008 that a clear deficit in the EU's foreign steel trade balance is expected.

The key indicators on the **German steel market** were mixed: Capacity utilization improved and returned to its long-term normal level at almost 90%. This level places Germany at a top position in an international comparison. Crude steel production also remained on track and was at a similar level to the previous year. In contrast, order intake weakened. Rolled steel orders have been falling since the start of the year, with this trend intensifying in the summer months. This development did not match the generally solid economic situation for the steel processing industries with moderate growth in steel demand. The principle reason for this is likely that trading and processing companies have been highly cautious with their inventories.

Strip Steel Business Unit

		Q3 2015	Q3 2014	9M 2015	9M 2014
Order intake	kt	1,022.1	1,077.1	3,392.6	3,474.1
Order backlog on reporting date	kt			686.1	689.9
Crude steel production	kt	971.7	1,202.1	3,228.8	3,555.3
Rolled steel production	kt	850.5	891.6	2,636.1	2,701.3
Shipments	kt	1,110.4	1,159.5	3,515.1	3,565.0
Segment sales[1)]	**€ m**	**617.7**	**688.5**	**1,985.1**	**2,148.4**
External sales	**€ m**	**475.5**	**512.2**	**1,505.6**	**1,607.9**
Earnings before taxes (EBT)	**€ m**	**–30.2**	**3.0**	**–9.5**	**–3.9**

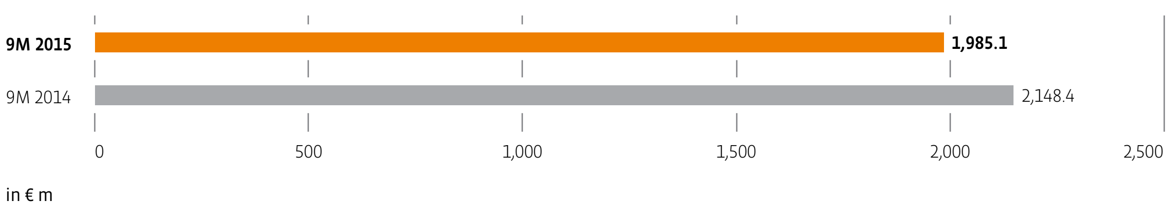
[1)] Including sales with other business units in the Group

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

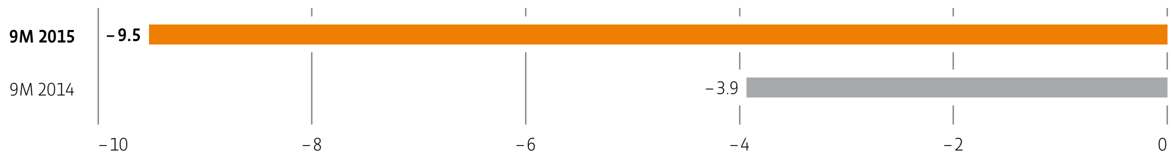
The market supply of **strip steel products** almost approached pre-crisis levels during the reporting period in Germany. In contrast, the average across the EU was around 15% down on this level, despite an increase compared to the previous year period. Momentum was provided by the automotive industry in particular, while the construction sector and mechanical engineering recorded more reticent development. Although shipments to the distribution sector came in higher than the previous year, traders and processors remained extremely restrained in terms of their inventories. The import pressure increased dramatically, particularly from China.

The **order intake** and **backlog,** as well as **shipments** at the Strip Steel Business Unit were almost on a par with 2014 figures in the first nine months of 2015. Over the course of the year, a dramatic increase in imports, particularly from China, and correspondingly intense competition put pressure on the selling prices of most products. Thus, **segment** and **external sales** fell short of the previous year figures. Despite the € 44.0 million expenses contained within the result from the relining of the blast furnace, the **pre-tax result** (€ –9.5 million) was only moderately lower than the figure posted in the previous year period (€ –3.9 million). Lower raw materials costs and the first cost reduction effects from the pulverized coal injection plant at the blast furnaces in Salzgitter launched in April provided a counterbalance

Sales



EBT



in € m

Order intake and backlog, as well as shipments at **Salzgitter Flachstahl GmbH** (SZFG), were only slightly lower than the previous year figures. Crude steel production was substantially down on the first nine months of 2014, primarily due to the relining of blast furnace B, which began in August 2015, while rolled steel production almost reached the same level as the previous year. The decline in sales was largely due to lower sale proceeds, which were at their lowest level since spring 2010. Despite the still positive economic development from a volume point of view, the persistently fierce competition on the EU steel market and the low ore prices did not leave any leeway for price increases. SZFG recorded a negative pre-tax result influenced by the one-off impact from the blast furnace relining in the third quarter. The decline in procurement prices for raw materials, as well as the positive effects of the commissioning of the coal injection plant, were unable to offset this.

Shipments at **Salzgitter Mannesmann Stahlservice GmbH** (SMS) tangibly exceeded those of the previous year period thanks to the consistent implementation of the joint sales strategy with SZFG. Consequently, sales were up despite the sustained fall in prices. Compared to the previous year, a pre-tax result almost at break-even represents a significant improvement.

Although shipments at **Salzgitter Bauelemente GmbH** (SZBE) recently picked up slightly, this figure fell short of the previous year level overall. In connection with sustained price pressure, sales and earnings before taxes also came in below the figures recorded in the previous year.

The sales and pre-tax profit of **Salzgitter Europlatinen GmbH** (SZEP) were down on the previous year figures due to the decline in shipment volumes and a lower price level.

Plate / Section Steel Business Unit

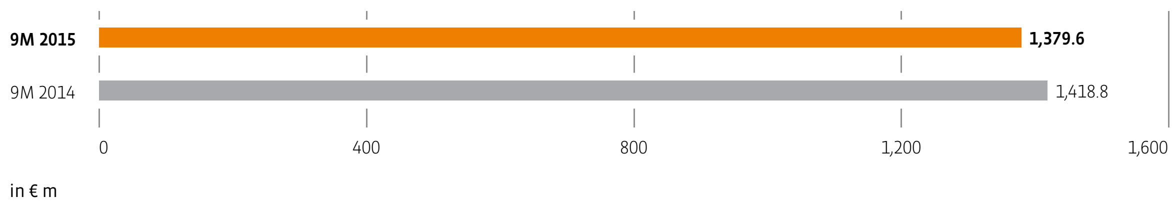
		Q3 2015	Q3 2014	9M 2015	9M 2014
Order intake	kt	381.8	645.8	1,728.7	1,904.2
Order backlog on reporting date	kt			382.5	494.1
Crude steel production	kt	234.2	229.4	800.4	788.4
Rolled steel production	kt	591.3	574.1	1,903.6	1,791.3
Shipments[1]	kt	594.6	591.0	1,887.6	1,786.6
Segment sales[2]	**€ m**	**431.0**	**474.6**	**1,379.6**	**1,418.8**
External sales	**€ m**	**218.8**	**288.5**	**719.0**	**845.1**
Earnings before taxes (EBT)	**€ m**	**–13.4**	**–17.5**	**–32.8**	**–60.1**

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

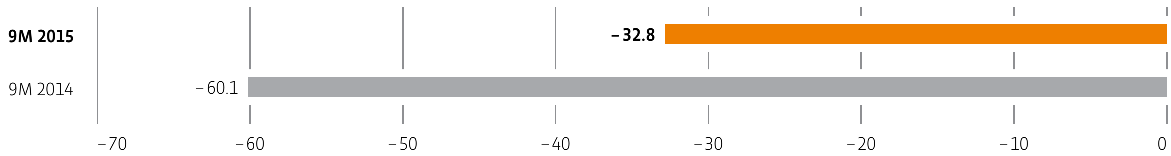
The **Plate / Section Steel Business Unit** comprises the Group companies that primarily serve customers in the project-oriented construction and infrastructure sectors. The business unit consists of Ilsenburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB), on the one hand, and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

Order intake and **order backlog** at the Plate/Section Steel Business Unit fell noticeably compared to the previous year’s period, while **rolled steel production** increased. Despite expanded shipment volumes, **segment** and **external sales** were unable to reach the levels of the first nine months of the previous year due to selling prices. Thanks to the successes of the rapidly implemented restructuring and operating optimization measures, PTG achieved a pleasing pre-tax profit, while the plate producers also significantly reduced their pre-tax loss compared to the previous year. All in all, the business unit still recorded a clearly negative **result before taxes** (€ –32.8 million; first nine months of 2014: € –60.1 million). This reflects the substantial loss at HSP of € 41.4 million, which contains € 23.1 million provision in connection with the resolved discontinuation of the sheet piling product segment.

Sales



EBT



in € m

The continued fragile economic situation worldwide and numerous political crises have been reflected in the development of the European **plate market**. The current period of weakness of the world economic dynamo China was accompanied by a decrease in raw materials prices. In the months that followed, a further increase in volume was recorded due to the slump in value of the Renminbi and attempts to ensure capacity utilization at their own production sites. Due to the weak euro, currency-supported export deliveries from EUROFER plants to non-EU countries fell over the course of the year. Consumer groups with a great dependency on exports to emerging markets, such as construction and agricultural machinery manufacturers, experienced only low demand. The high import pressure, as well as the continued tense economic situation in Spain and Italy led to clear price corrections here during the course of the year in simple goods. In the rest of the EU, prices have also been in decline since the start of the year. Cost advantages from the strong decline in raw materials prices are directly passed on to the market. The low oil and gas prices recently still lead to delays in investments in the exploration and transport of fossil fuels. The lifting of the suspension of the order for the first leg of the pipeline project in the Black Sea (formerly known as the South Stream project), as well as the announcement of the extension to the North Stream Pipeline did not yet lead to positive momentum in the standard product range. The offshore wind segment is still characterized by stable demand. Expected shipments for the coming quarters therefore assume continuous demand

The order intake and backlog of **Ilsenburger Grobblech GmbH** (ILG) and **Salzgitter Mannesmann Grobblech GmbH** (MGB), both now under uniform management, were down on the previous year's figures. Rolled steel production and shipments grew due to increased volumes at the Mülheim-based company, while development was stable at ILG. Despite a decline in selling prices, sales rose marginally thanks to the growth at MGB. Although MGB generated a slightly positive result and ILG also achieved a clear improvement in its result thanks to cost savings and a reduction in input material prices, a significant pre-tax loss was recorded overall.

The situation on the **European section market** differed for trading and production sites: Thanks to the EUR-USD exchange rate conditions, export volumes were recorded at the start of the year, while imports remained at a low level. Against this backdrop, plants recorded good capacity utilization and raised prices by 10 €/t. Selling prices stabilized from February despite the decline in scrap steel procurement prices. In the case of the stockholding steel trade, sales fell due hesitant real demand, which resulted in price discounts and a further squeeze on margins. In the second quarter, export options were reduced, particularly to North America. Reasons for this included price reductions by North American-based producers, as well as a lack of investments in the energy sector due to low oil and gas prices. The start of the third quarter was influenced by summer vacation standstills. Due to the scarce supply, producers did not have any occupancy problems and prices remained stable. The stockholding steel trade, however, was unable to raise prices despite upbeat shipment volumes. This trend continued while delivery volumes became weaker from August onwards. Recently, the unsatisfactory market situation also had a tangible effect on producers. In addition to the still weak real consumption overall, this also resulted from traders speculating on falling prices, especially on the back of the current scrap price development in the second half of the year. Factory prices were able to remain on a relatively stable level up to now, despite the high pressure. However, price development in the export markets led to Central European producers being unable to compensate the lack of volume from core Europe with exports.

Order intake at **Peiner Träger GmbH** (PTG) was only slightly down on the previous year figures during the reporting period, while order backlog was considerably lower. Both crude steel and rolled steel production slightly exceeded the level of the previous year. Sales remained stable, while shipments grew slightly. PTG stabilized its turnaround with a pleasing pre-tax profit. The significantly increased result based on sizeable cost reductions and successful process optimizations represents a clear improvement over the negative figure from the previous year. The **DMU Group** recorded a fall in shipment volumes, while sales dropped as a result of prices. Consequently, the pre-tax profit fell short of the previous year.

Declining demand on the **sheet piling market** over the course of years has repeatedly led to substantial losses at **HSP Hoesch Spundwand und Profil GmbH** (HSP), irrespective of 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. With an adjusted workforce, the remaining input material inventory will be processed until the end of the financial year. Shipments and sales at the company fell in comparison to the previous year period. The considerable pre-tax loss contains € 23.1 million in precautionary measures for a social compensation plan still to be negotiated, which were already deferred in the second quarter 2015. 343 employees are impacted by the discontinuation of the sheet piling product segment. The Group is committed to finding a socially-compatible solution for all concerned.

Energy Business Unit

		Q3 2015	Q3 2014	9M 2015	9M 2014
Order intake	€ m	324.7	370.6	967.1	1,184.1
Order backlog on reporting date[1]	€ m			395.5	500.0
Crude steel production	kt	376.2	389.3	1,074.8	1,173.8
Segment sales[2]	**€ m**	**358.1**	**404.8**	**1,157.5**	**1,277.4**
External sales	**€ m**	**236.8**	**288.3**	**811.7**	**939.3**
Earnings before taxes (EBT)	**€ m**	**5.5**	**–0.7**	**8.8**	**–20.5**

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

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

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

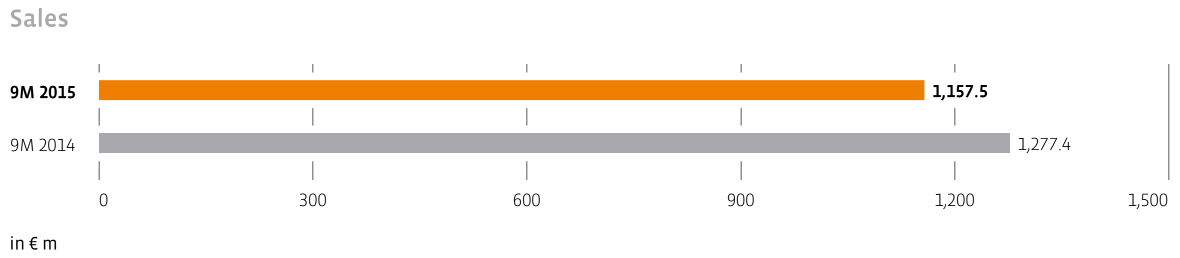
The EUROPIPE Group (EP Group) is reported at equity at 50%, with the proportionate after-tax result. It is not included in the other figures of the business unit but, given its importance, is nonetheless disclosed in the following and annotated for information purposes. HKM is reported at 30% on a proportionate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

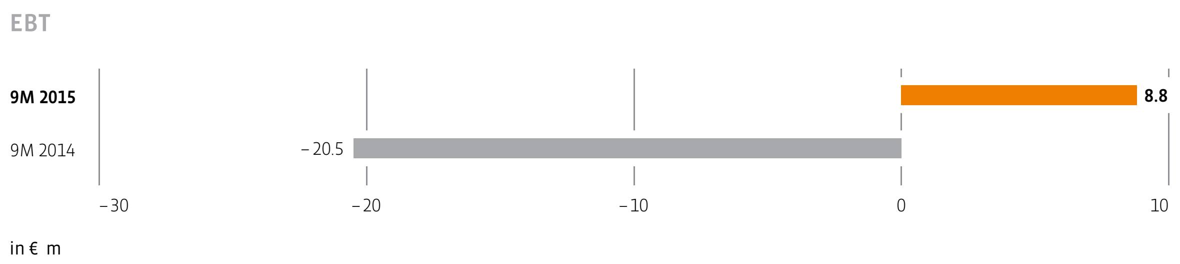
Global steel tube market: After weak development over the first half of the year, the third quarter 2015 also remained reticent overall. Although crude oil prices recovered for a time, they eventually fell again. As a result, exploration activity remained weak. Producers of seamless steel tubes had to endure production slumps of up to 40%, particularly in North America. The declines were also pronounced in the European Union (EU) and Germany. In contrast, the production of welded steel tubes up to 16" outside diameter increased slightly. The producers of large-diameter pipes also recorded growth, particularly in North America, Russia and China. In the EU, production figures were only slightly up on the already very low previous year level. On the German market, the lifting of the suspension of the first leg of the pipeline project in the Black Sea (formerly known as South Stream) had a positive effect overall. Supported by the automotive industry, demand for precision steel tubes was satisfactory both in the EU and in Germany.

The **order intake** and **backlog** at the Energy Business Unit were down year-on-year in the first nine months of 2015, with all product areas recording declines. Outside of the consolidated group, new orders fell substantially compared to the previous year at the 50% participation EUROPIPE, following the accounting of the pipeline project in the Black Sea in 2014.

Shipments were down on the figure recorded in the previous year's period. As a result, **segment** and **external sales** were also unable to match the level of the previous year.

The Energy Business Unit generated a pleasing **profit** contribution of € 8.8 million (nine months 2014: € –20.5 million). As part of this, the EP Group was able to substantially reduce its pre-tax loss thanks to the upbeat business at US companies and despite the formation of € 10.0 million in provisions for restructuring measures at EUROPIPE France S.A. (EPF).





Business development of the product segments:

The order intake of the **EUROPIPE Group** (EP Group) fell considerably year-on-year in the first nine months of 2015, as the previous year also included the accounting of the large South Stream order. In contrast, order backlog was only slightly down on the previous year thanks to the high number of new orders gained by the American companies in the fourth quarter 2014. The suspension of the pipeline project in the Black Sea (formerly South Stream) has now been lifted for the first leg, allowing the production of the pending roughly 110,000 Tt to be completed by October. Shipments and sales rose tangibly year-on-year due to the delivery of already produced volumes for the aforementioned large project as well as the American orders. EUROPIPE GmbH (EP) generated a pre-tax loss due to the unsatisfactory occupancy and selling price situation overall, as well as the formation of provisions for restructuring measures at EUROPIPE France S.A. (EPF). Overall, the EP Group's result was almost at breakeven due to the improved situation at the US companies.

Given the continued low oil price, projects for gas and oil exploration are being postponed or abandoned around the globe, which means that, particularly in Asia, newly established production capacities are only serving low demand, which is leading to a massive drop in revenues. Salzgitter Mannesmann Line Pipe GmbH (MLP) has also been impacted by this development in the area of **HFI and spiral welded pipes**, with the company recording tangibly lower order intake and backlog in the first nine months of 2015 than in the previous year. This resulted in lower shipments and sales; although upbeat shipments in Central European standard business had a stabilizing effect. In contrast, Salzgitter Mannesmann Großrohr GmbH (MGR) succeeded in taking larger project order volumes than in the previous year, which led to a significant rise in order intake and backlog. On the back of the delivery of various smaller projects, the shipments and sales of MGR improved greatly over the highly unsatisfactory level of the previous year period. Due to the cost cutting measures introduced, both companies posted pre-tax losses considerably lower than in the comparable period of the previous year.

The **precision tube market** was influenced by the sound order volumes of the high-export German premium automotive manufacturers during the first nine months of 2015. In contrast, the situation in the industrial field was tense, while there was also no turning point in sight in the energy sector. Consequently, the order intake and backlog, shipments as well as sales of the Salzgitter Mannesmann Precision Group (SMP Group) were substantially down on the previous year level. The SMP Group also recorded a negative pre-tax result. However, the measures from the program "Salzgitter AG 2015" as well as additional programs for boosting efficiency in the precision tube group continued to provide pleasingly positive earnings contributions.

The continued and now intensified reticence of the European stockholding steel trade was still accompanied by a halt in investments in the oil and gas industry. As a result, the order intake and backlog of the **Salzgitter Mannesmann Stainless Tubes Group** (MST Group) fell considerably short of the figures recorded in the previous year. In the formerly flourishing project business for the Chinese power plant sector, existing excess capacities on the market were most recently reflected in the form of price wars. Nevertheless, sales only declined slightly due to consistent margins, while the decline in shipments led to a lower pre-tax result than in the year previous.

Trading Business Unit

		Q3 2015	Q3 2014	9M 2015	9M 2014
Shipments	kt	1,466.5	1,265.7	4,236.5	3,712.4
Segment sales[1)]	**€ m**	**857.4**	**871.8**	**2,622.7**	**2,477.6**
External sales	**€ m**	**839.8**	**844.8**	**2,530.1**	**2,404.8**
Earnings before taxes (EBT)	**€ m**	**3.8**	**9.2**	**21.0**	**16.1**

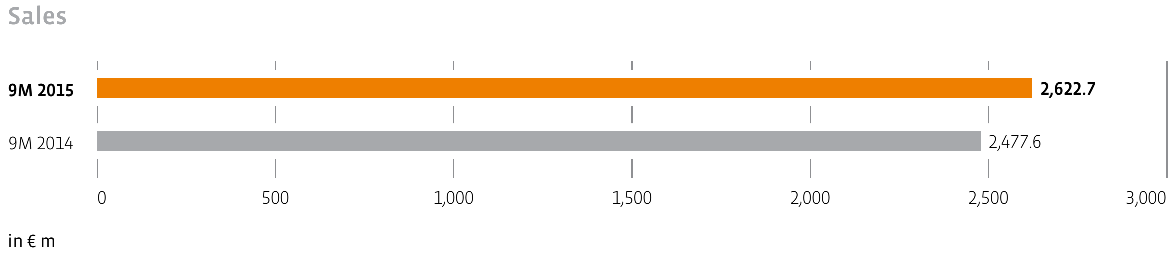
[1)] Including sales with other business units in the Group

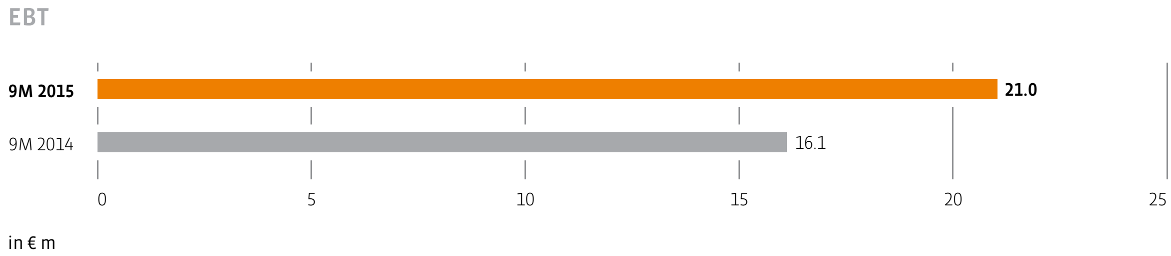
Alongside a well-developed organization of stockholding steel trading subsidiaries with a wide range of processing capabilities in Europe, the **Trading Business Unit** comprises companies specialized in plate, as well as an international trading network spanning the globe. Apart from the rolled steel, pipes and tubes products of the Salzgitter Group, it also sells the products from other manufacturers 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) A.B., Lulea (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 operate as agencies for the Salzgitter sites and therefore represent the extended distribution arm for Group products.

Demand on the **international steel markets** remained reticent in the first nine months of 2015 in almost all regions and product segments. The markets were characterized by the lack of project business, as well as price pressure due to excess supply. Declining raw materials prices also worsened the situation. The European market presented a similar picture. Although demand in Germany was comparably stable overall, prices decreased nevertheless. The positive demand development in the first quarter was followed up by declining demand again in the months of April and May. There were only marginal signs of recovery towards the end of the summer, while competition remained fierce.

Irrespective of this, **shipments** increased during the reporting period at the Trading Business Unit. **Segment** and **external sales** rose accordingly due to the higher volumes. Owing largely to the pleasing result from international trading, the business line posted a **pre-tax profit** of € 21.0 million, exceeding the figure from the first nine months of 2014 (€ 16.1 million). Moreover, this result contains almost € 10 million overall in pre-tax profit stemming from the retention of earnings from companies not formerly consolidated, as well as the companies newly included in the consolidated group.





The higher shipment volume of the **Salzgitter Mannesmann Handel Group** (SMHD Group) compared to the previous year's period resulted in increased sales. This was mainly due to the upbeat trading business in international trading. Improved volumes helped pre-tax profit exceed the previous year's figure.

The shipments of the European **stockholding companies** roughly matched the 2014 level during the course of the year. Sales remained constant in the reporting period. The stockholding steel trade also generated a stable, slightly positive pre-tax result thanks to optimization measures on the cost front.

International trading recorded a substantial increase in shipments in connection with a robust order situation on individual submarkets. This resulted in notable sales growth despite weaker prices. Supported by an advantageous product mix, pre-tax profit exceeded the figure achieved in the previous year's period. The retention of earnings from companies not formerly consolidated also boosted the result.

The **Universal Eisen und Stahl Group** (UES Group) continued to operate in a difficult market in Germany with uneven demand, supply running at a high level, short delivery times and stagnating prices. The Group's sales declined in conjunction with the downturn in shipment tonnage. Business volumes in North America were influenced by comparably favorable demand conditions in the first nine months of the year. This trend, however, weakened over the course of the reporting period in connection with the development of the oil and gas sector in the USA and led to noticeable pricing competition and therefore falling income. All in all, the UES Group's pre-tax profit exceeded the figure recorded in the previous year. This year's figure included the earnings contribution of the newly consolidated company and the retention of earnings from companies not formerly consolidated.

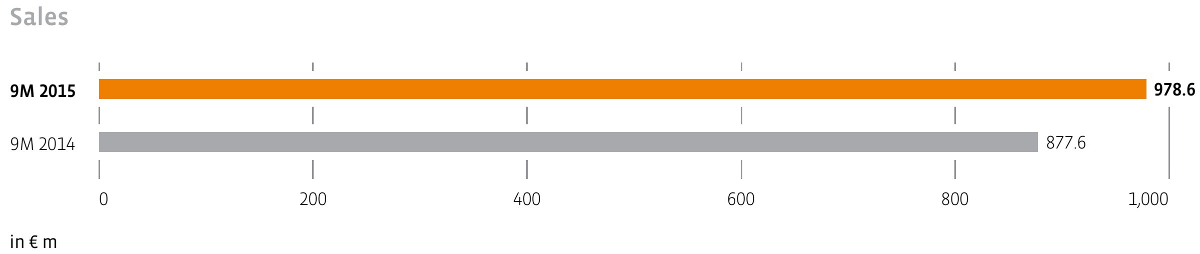
Technology Business Unit

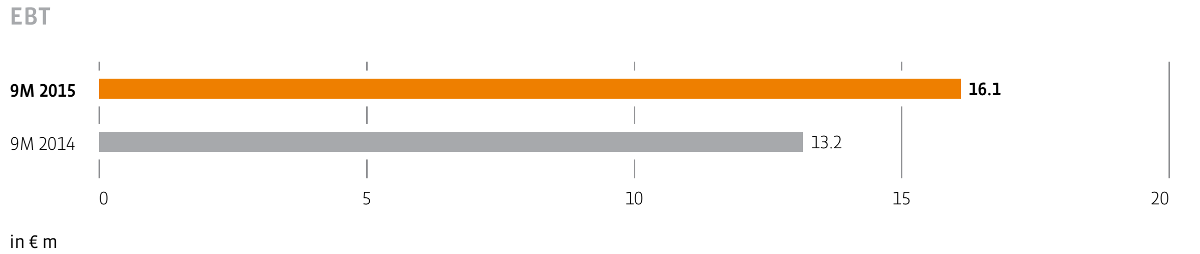
		Q3 2015	Q3 2014	9M 2015	9M 2014
Order intake	€ m	351.0	346.5	905.5	898.3
Order backlog on reporting date	€ m			621.3	663.0
Segment sales[1]	**€ m**	**341.9**	**284.5**	**978.6**	**877.6**
External sales	**€ m**	**341.8**	**284.4**	**978.1**	**877.2**
Earnings before taxes (EBT)	**€ m**	**1.5**	**1.7**	**16.1**	**13.2**

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

The **Technology Business Unit** comprises internationally operating mechanical engineering companies. KHS GmbH (KHSDE), a company which holds 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 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.

According to statistics from the German Engineering Federation (VDMA), order intake was on a par with the previous year's levels. Domestic demand grew slightly, while demand from abroad weakened somewhat. Sales within the sector rose considerably, whereby the market for food and packaging machinery benefited to a disproportionately strong extent. In contrast, there was a decline in both domestic and foreign order activity here.





Effective retroactively as of January 1, 2015, the consolidated group of the Salzgitter Group was expanded in the third quarter to include the companies SEITZ ENZINGER Noll GmbH, Bad Kreuznach (SEN), Holstein und Kappert GmbH, Dortmund (KD), KHS Benelux B.V., Breda (KHSNL), KHS Czech s.r.o., Ceské Budejovice (KHSTS), KHS Austria GmbH, Wiener Neudorf (KHSÖS), KHS Korea Co. Ltd, Seoul (KHSSK) and KHS Filling and Packaging Equipment (Shanghai) Co., Ltd., Shanghai (BEVCN). In a comparison of the numbers posted to date, the Group's key figures are positively influenced by the newly consolidated companies.

The **order intake** recorded by the Technology Business Unit was slightly up on the level of the previous year. Incoming orders at the KHS Group remained stable, while the KDE Group as well as Klöckner DESMA Schuhmaschinen GmbH (KDS) slightly exceeded the figures posted in the previous year. The business line's **order backlog** was down on the figure posted in the first nine months of 2014.

Segment and **external sales** increased tangibly compared to the same period in the previous year. The KDE Group reported strong sales growth based on the recovery in capital expenditure in the automotive sector. Sales also rose at the KHS Group, while KDS recorded a slight decline.

In the first nine months of 2015, the Technology Business Unit generated a presentable **pre-tax profit** of € 16.1 million, which represents an increase compared with the previous year's period (€ 13.2 million). The KHS Group was able to raise its profit level thanks to the changed salesmix. The KDE Group also more than doubled its earnings, while KDS' pre-tax profit came in lower year-on-year.

The KHS Group continues to consistently pursue measures to develop its business. The "Fit4Future 2.0" program was launched in 2015 with this aim in mind and comprises 14 different components.

Industrial Participations / Consolidation

		Q3 2015	Q3 2014	9M 2015	9M 2014
Sales[1)]	€ m	216.4	204.7	628.2	612.8
External sales	€ m	49.4	44.0	147.1	137.2
Earnings before taxes (EBT)	€ m	–23.2	14.1	20.5	60.8

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

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

The **sales** of industrial Participations/Consolidation that are mainly generated by business in semi-finished products and services provided for subsidiaries stood at € 628.2 million in the reporting period (9 months 2014: € 612.8 million), representing a slight increase year-on-year. **External sales** climbed to € 147.1 million, compared with € 137.2 million in the previous year's period.

Earnings before taxes came in at € 20.5 million, which was noticeable lower than in the same period of the previous year (9 months 2014: € 60.8 million). This amount includes expense of € –12.8 million from the Aurubis investment (previous year: € 42.4 million). This figure is made up of the proportionate Aurubis after-tax result, as well as the valuation result of the convertible bond that primarily depends on the price performance of the Aurubis share. The Group companies not directly allocated to a business unit made a positive contribution to the result overall, exceeding the previous year's figure. Positive effects from foreign exchange transactions further bolstered the result.

Financial Position and Net Assets

Notes to the balance sheet

The **total assets** of the Salzgitter Group were down by € 19 million in the current reporting period compared with December 31, 2014.

Non-current assets increased (€ +4 million), largely due to the rise in deferred tax claims. The scheduled depreciation of Non-current assets (€ –250 million) was somewhat higher than investments during the reporting period (€ +246 million). The decline in current assets (€ –23 million) mainly resulted from the lower inventories (€ –91 million) and securities (€ –60 million). This was partially offset by an increase in trade receivables (€ +107 million).

On the **liabilities side**, pension provisions were valued € 85 million lower due to an increase in the actuarial rate derived from the current level of capital market rates to 2.25 % (2014: 2.0 %; 1st quarter 2015: 1.5 %; 2nd quarter 2015: 2.25 %). Equity rose on the back of this change (€ +86 million), while the equity ratio improved to 34.9 %. Non-current liabilities increased by € 289 million. Liabilities from the exchangeable bond were reclassified from current to non-current as of the balance sheet date. This was also the main reason for the € 394 million decrease in current liabilities. The rise in current personnel provisions (€ +23 million) is particularly attributable to precautionary measures for the intended shutdown of the sheet piling company HSP Hoesch Spundwand und Profil GmbH (HSP). In addition, other liabilities increased (€ +77 million), particularly due to the rise in prepayments received on orders. In contrast to this, trade payables fell substantially (€ –232 million) on the back of the slump in raw materials prices.

The **net credit balance** decreased to € 267 million by the end of the reporting period (December 31, 2014: € 403 million), particularly as a result of raising working capital. Cash investment, including securities, (€ 1.11 billion) was offset by liabilities of € 841 million (December 31, 2014: € 694 million), of which € 320 million (December 31, 2014: € 342 million) was owed to banks. As part of the successful issuing of a new convertible bond worth € 168 million, obligations from convertible and exchangeable bonds increased to € 521 million.

Notes to the income statement

While sales were slightly lower year-on-year (first 9 months of 2015: € 6,692 million; first 9 months of 2014: € 6,812 million), the cost of materials was considerably reduced. This can be attributed to price reductions in raw materials. Other operating expenses rose compared to the previous year (€ +131 million), particularly due to higher external services for the relining of the blast furnace at Salzgitter Flachstahl GmbH (SZFG), as well as increased expenses from the valuation of financial derivatives and foreign currency items. The result from companies valued in accordance with the equity method increased substantially over the previous year's period (€ +21 million). Aurubis AG (NAAG) provided a positive contribution to earnings, while the EUROPIPE Group (EP Group) recorded a loss.

Notes on the tax rate

As of September 30, 2015, income tax expenses totaled € 11.9 million (first 9 months of 2014: € 17.7 million). Due to the limited options for offsetting the losses (e.g. HSP) and profits generated during the reporting period across the Group, the Group tax rate stood at 49.7 %, which was significantly up on the generally anticipated average tax rate of 31 %.

Notes to the cash flow statement

The pleasing positive result of ordinary activities totaling € 24 million stemmed from a positive **cash flow from operating activities** of € 173 million. Compared to the figure from the previous year's period (€ +339 million), this development was primarily driven by a reduction in liabilities.

Cash outflow from investing activities (€ –294 million) principally reflected the disbursements for investments in intangible assets and property, plant and equipment (€ –255 million). In addition, compared to the previous year, cash outflow for cash investment rose (€ –45 million).

A **cash inflow from financing activities** was recorded (€ +115 million) following the issuing of a new convertible bond worth € 168 million.

Cash and cash equivalents (€ 775 million) remained constant compared with December 31, 2014.

Investments

In the first nine months of the financial year 2015, **investments in property, plant and equipment and intangible assets** stood at € 245.8 million (9 months 2014: € 185.2 million), on a similar level to depreciation and amortization (€ –250.3 million; 9 months 2014: €–253.1 million).

In 2015, the **Strip Steel Business Unit** has focused its capital expenditure on procuring new aggregates, as well as on optimizing and extending existing facilities. To this end, the following projects in particular were advanced in the first nine months of the year:

In order to reduce metallurgy costs, **Salzgitter Flachstahl GmbH** (SZFG) started the construction of a pulverized coal injection plant in 2013 that enables the substitution of oil and coke sourced externally for pulverized coal. Following the successful commissioning in spring of this year, the plant is currently in the optimization phase.

SZFG is investing € 80 million in the construction of a Ruhrstahl-Heraeus plant for producing decarburized and desulphurized steels and grades of the highest purity. This measure remedies the capacity bottleneck in secondary metallurgy at SZFG. The engineering for the project is already underway, and the facility is due to enter service in 2017.

A further project entails the "Relining of Blast Furnace B". The refractory linings of a blast furnace are exposed to wear and tear during operation and need to be replaced after several years. This measure is exclusively a replacement investment. This project was launched in August and is proceeding as planned. The blast furnace is due to return to service in mid-November.

The "Converter C Renewal" investment measure involves enlarging the vessel by around 50 m³ and improving the drive concept. This is also a replacement investment. An additional aim is to optimize output volumes, while reducing operating costs. The new Converter C was installed as planned in the reporting period.

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. A technical conversion of the cooling system enables a reduction of around 12% in the boiler system's energy consumption that, in turn, lowers the required procurement of natural gas as well as the CO_2 emissions. All three converter boilers are to be switched to this new technology by the start of 2017.

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

The **Energy Business Unit** is primarily focusing on replacement and supplementary investments in 2015. In line with this, the **Salzgitter Mannesmann Stainless Tubes Group** (MST Group) began extending the extrusion press at the Montbard mill in France during summer. After its completion in the coming quarter, the foundations will be laid for supplementing the product portfolio in the medium term to include seamless stainless steel tubes in larger dimensions. The installation of the new heat treatment system at the Saint Florentin site of the **Salzgitter Mannesmann Precision Group** (SMP Group) also got underway. Trial operations are to commence at the start of 2016. This system will mainly temper tubes for the next generation of hybrid airbags.

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

In 2015, the **Technology Business Unit** continued to focus on replacement and streamlining measures geared to sustainably promoting competitive strengths. As a result, several items of production machinery were replaced in Brazil and Mexico in an effort to further boost the productivity of the sites and enhance the quality. IT projects are being carried out at the **KHS Group** in Germany and in its international companies in an effort to optimize workflows. The extensive "Product Configurator" project launched in 2012 enables an even more efficient tendering of quotations and processing of orders based on products and processes that are highly standardized. The implementation is advancing well and it is anticipated that the system will be established by the end of the year. Implementation is being carried out in close coordination with the Customer Relationship Management (CRM) system, the pilot phase of which was launched in the third quarter. Emulating the successful approach to lean manufacturing adopted in the Kleve and Worms plants as well as in parts of the Bad Kreuznach and Dortmund plants, the comprehensive upgrading of the Bad Kreuznach site over a number of years has begun. Due to the sustained growth of PET business, a further assembly hall will be added to the Hamburg and Kleve sites respectively. Both measures are currently being implemented.

Research and Development

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

R&D expenses at SZMF in 2015 will likely be at the same level as the previous year.

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. The realization of this system broke new ground in more ways than one. A solution had to be found for controlling and evaluating the roughly 900 testing channels that are distributed across several probes. The formerly deployed software architecture of the testing system was entirely redesigned. A robust testing mechanism was also constructed for maneuvering the almost 120 t test subjects. The testing period per cask has now been dramatically reduced from two weeks to around six hours. Realizing this challenging project has also provided valuable technological insights which Salzgitter AG (SZAG) can also use for testing slabs and billets, for instance.

Efficient StronSal® coating for the automotive industry

The StronSal® coating containing zinc and magnesium, which was successfully introduced to the market by Salzgitter Flachstahl GmbH (SZFG) in 2010, has made a particularly meaningful contribution to saving resources as a coil-coated material in the construction sector. Thanks to the substantially improved anti-corrosive abilities, the thickness of the zinc layer has been reduced by half with corrosion protection remaining the same. Since 2014, StronSal® has been part of series production in the automotive industry – initially employed for parts of the vehicle structure. Thanks to its reduced layer thickness, StronSal® is aiding in the construction of lightweight automobiles and improving resource efficiency. Moreover, customers benefit from substantially reduced zinc abrasion after multiple reshaping processes compared to conventional zinc coatings, in turn improving the quality of surfaces or reducing the cleaning work required on reshaping tools. StronSal® is now also available in outer surface quality and the approval process for this application in the automotive industry is currently underway.

Unique market launch with revolutionary direct printing

The Belgian brewery MARTENS Brouwerij marked the introduction of its new Dagschotel beer with some fun marketing. The company opted to use high-quality, digitally-printed PET bottles which come to life with the help of a specially developed app for smartphones. When two bottles come together, the innovative and creative app starts a dialogue between both characters, with the bottles even appearing to speak to one another. KHS GmbH (KHS) and NMP Systems GmbH (NMP) were key innovation partners for MARTENS on the project. The Plasmax FreshSafe PET® protective layer ensures improved storage, and the premium beer segment is the clear focus in this respect. 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 entirely dispenses with the conventional use of plastic or paper labels. The sales company NMP is a wholly-owned KHS subsidiary.

Employees

	2015/09/30	2014/12/31	Change
Core workforce[1]	**23,688**	**23,555**	**133**
Strip Steel Business Unit	6,209	6,192	17
Plate / Section Steel Business Unit	2,984	3,108	– 124
Energy Business Unit	4,898	4,959	– 61
Trading Business Unit	1,901	1,888	13
Technology Business Unit	5,146	4,899	247
Industrial Participations / Consolidation	2,550	2,509	41
Apprentices, students, trainees	1,510	1,548	–38
Non-active age-related part-time employment	473	426	47
Total workforce	**25,671**	**25,529**	**142**

In light of prorata shareholdings, rounding differences can occur

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

The **core workforce** of the Salzgitter Group totaled 23,688 employees on September 30, 2015, which represents an increase of 133 staff members since December 31, 2014. This rise is mainly due to the first-time consolidation of various group companies as of September 30, which resulted in a total of 159 employees being included in the workforce statistics for the first time. All in all, the implementation of the personnel-related effects identified under our **"Salzgitter AG 2015"** streamlining program is generally progressing according to plan. As of September 30, 2015, around 86% of all the personnel adjustments had been carried out, mainly focusing on Peiner Träger GmbH (PTG) and the Salzgitter Mannesmann Precision Group (SMP Group). In addition to the adjustments realized as part of "Salzgitter AG 2015", other developments also had an impact on workforce numbers. Alongside the aforementioned effects of changes in the group of consolidated companies, the number of employees in KHS's international companies grew in line with the expansion of the business and in accordance with the strategy.

317 **trainees** were taken on in the period since January 1 of this year, 233 of which were awarded temporary employment contracts. Entries into the passive phase of age-related part-time work and the reaching of the retirement age incurred the main countering effects.

The **total workforce** comprised 25,671 employees.

The number of **temporary employees** stood at 1,197 on September 30, which represents an increase of 28 persons year-on-year.

On June 16, 2015, the Executive Board of Salzgitter AG (SZAG) decided to discontinue the operations of **HSP Hoesch Spundwand und Profil GmbH** (HSP). Based on this decision, negotiations started with the HSP works council in August 2015 with the aim of agreeing a settlement of interests and a social compensation plan. The company hopes to conclude negotiations by the end of 2015. The discontinuation of operations affects a total of 343 HSP employees. In order to create legal certainty for HSP employees who are seeking a termination of the employment relationship or alternative employment options before the completion of the settlement of interests/social compensation plan, a partial reconciliation of interests was agreed on October 8, 2015.

Guidance, Opportunities and Risk Report

Guidance on the development of the macroeconomic situation is already fundamentally subject to a great deal of uncertainty, particularly in the current political and financial environment. The forward-looking statements below on the individual business units assume the absence of renewed recessionary developments.

The **Strip Steel Business Unit** expects a clearly negative result for the fourth quarter and therefore for the financial year 2015 overall. This is primarily due to the blast furnace relining which commenced in the last week of August at Salzgitter Flachstahl GmbH, and which will lead to roughly € 80 million in one-off costs in the second half of the year. Savings on the cost front, thanks to the commencement of regular operations at the new pulverized coal injection plant among other things, are not expected to offset this completely. Overall, it is assumed that sales will be recorded lower than in the financial year 2014. Without the negative direct and indirect costs of the blast furnace relining, a return to the black would likely have been achieved.

The **Plate / Section Steel Business Unit** operates in an extremely challenging market environment. The plate mills are forecasting improved earnings, despite the tough pricing competition. Following the turnaround, the primary aim of Peiner Träger GmbH will be to stabilize its business, also under difficult market conditions. The pre-tax result of the business unit is set to tangibly improve over the previous year, even despite the one-off expenses for HSP. However, sales will decline somewhat.

The **Energy Business Unit** suffered over long periods of 2015 from the consistent weakness of the European large-diameter pipes market. The capacity utilization situation at EUROPIPE in Mülheim has picked up since the summer due to the recommencement of production for the pipeline project in the Black Sea and the recently received order for the Trans Adriatic Pipeline (TAP). The situation in North America remained positive. The existing order backlog ensures capacity utilization far into 2016. The precision tubes companies are expecting stable demand from automotive manufacturers. In the field of seamless stainless steel tubes, results are expected to fall short of the level recorded in the decidedly successful financial year 2014 as a result of the low oil prices. The Energy Business Unit is anticipating sales to fall short of the previous year's level in 2015. Irrespective of the partial shortfall in the capacity utilization of European line pipe production sites, the pre-tax result is expected to improve on 2014 due to the rigorous implementation of the measures introduced under the "Salzgitter AG 2015" program and the non-recurrence of one-off charges.

In the **Trading Business Unit**, the stockholding companies continue to be impacted by the currently difficult market conditions. However, overall, positive contributions are anticipated from this area. International trading expects a satisfactory, if reduced operating result compared to the previous quarters for the rest of the year. All in all, we anticipate a lower level of sales for the Trading Business Unit, as well as notably lower year-on-year pre-tax profit due to positive one-off effects in 2014 that were not repeated this year.

In the **Technology Business Unit**, KHS assumes the continuation of the pleasing development of its service business. The outlook for KDS and the KDE Group is also promising. However, KDS will be unable to sustain the record levels of the previous year. In combination with slowed momentum in project business at KHS, the Technology business unit will find it challenging to maintain the sales and earnings level of the previous year.

The **Salzgitter Group** is returning to its original earnings forecast issued at the start of the year, primarily as a result of the fall in metal prices and the subsequent influence on the anticipated earnings contribution of the Aurubis investment. We now anticipate:

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

Guidance on the development of the macroeconomic situation is already fundamentally subject to a great deal of uncertainty, particularly in the current European environment. 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 and metal prices, may still affect performance in the course of the financial year 2015. Additional positive or negative effects can be brought about by structural and methodological changes; this particularly includes valuation approaches in line with IFRS standards. The resulting fluctuation in the consolidated pre-tax result may be within a considerable range, either to the positive or to the negative.

Risk Management

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

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

The risk situation associated with climate and energy policies has remained unchanged in principle from the status described in the Annual Report 2014. Due to the evaluation proviso under the amended EEG (German Renewable Energy Act) concerning electricity generated for own consumption, we continue to see a risk of additional burdens of up to € 135 million a year from 2017 onward. Furthermore, 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 still assess the risk to be in the order of approximately € 150 million a year. We view the probability of occurrence as being likely due to the nature of EEG and CO_2 emissions trading. The amount of loss will hinge on the development of the political environment. The recent proposal from the EU Commission for adjusting the emissions trading guideline from 2021 has likely increased the probability of these burdens occurring.

Events of Significance

Salzgitter Group delivers around 170,000 t of large-diameter pipes and pipe bends for the Trans Adriatic Pipeline

The Salzgitter Group will deliver 270 km of large-diameter pipes and 1,559 pipe bends for the construction of the Trans Adriatic Pipeline (TAP), which is to transport natural gas from the Caspian Sea region to Europe. The total tonnage is around 170,000 t. The order was taken by Salzgitter Mannesmann International GmbH (SMID), and the large-diameter pipes – mainly with a diameter of 48" – are to be produced by EUROPIPE GmbH (EP). This safeguards employment at the company for several months. The input material is being provided by EP shareholders.

Professor Dr.-Ing. Fuhrmann once again appointed as Chairman of the Executive Board

At its General Meeting in September, the Supervisory Board of Salzgitter AG (SZAG) resolved to re-appoint Professor Dr.-Ing. Heinz Jörg Fuhrmann for a second five-year term as Chairman of the Executive Board. This term begins on July 1, 2016.

"Salzgitter AG 2015" – Measures systematically implemented

In a market environment continuously influenced by the structural crisis in Europe's steel industry, the "Salzgitter AG 2015" program is geared towards securing the competitiveness of the Salzgitter Group. The implementation of the package of measures yielding an overall potential of more than € 200 million a year is proceeding as originally planned. Around 75 % of the planned potential earnings improvements will be achieved by the end of 2015. The final implementation of the program is still due to be completed by 2016 in line with planning.

As part of "Salzgitter AG 2015", we are also investing in our systems and facilities in an effort to further enhance efficiency. To this end, the new pulverized coal injection plant at SZFG will substantially reduce the costs of pig iron production, and its break-in stage commenced under production conditions in April.

Salzgitter AG issues convertible bonds

With a view to further diversifying its financing sources, SZAG successfully placed around € 168 million of unsubordinated, unsecured zero-coupon convertible bonds at par value in June 2015. The bonds have a maturity of seven years. SZAG intends to use the proceeds for general company purposes.

Long-term market developments necessitate additional structural measures

Discontinuation of the sheet piling product segment

At its meeting on June 16, 2015, the Executive Board of SZAG resolved to discontinue the operations of HSP Hoesch Spundwand and Profil GmbH (HSP), a wholly-owned subsidiary of SZAG. The company produces steel sections used primarily in water engineering, road and railway construction, civil engineering and environmental protection. Declining demand for these products over a period of years has repeatedly led to substantial losses, despite high levels of investment and restructuring endeavors. Since efforts to sell the company to a purchaser with a more cost-effective supply of input material were also unsuccessful, the closure became unavoidable in order to avoid further negative consequences for the Group. A total of 343 employees are affected by the measure. The Group is committed to finding a socially-compatible solution for all concerned. In the financial year 2015, we anticipate the costs of winding down operations to be in the mid-double-digit million euro range.

Restructuring process at EUROPIPE France S.A.

Against the backdrop of 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 a year ago. The social compensation plan produced as part of the EPF restructuring efforts was approved by the French labor administration in June 2015.

Trade policy

Trade defense instruments, such as anti-dumping and anti-subsidy measures, play a key role in a range of EU sectors. They represent the only option for creating fair competitive conditions in response to non-EU nations with dumping prices or subsidized industries. This is particularly important in the steel sector, as the EU has not been applying customs duty for steel at its outer borders for over a decade.

With the aim of being less susceptible to trade measures in future, China has been urging the EU for years to recognize its market economy status. China bases its claim on an unclear section of the WTO accession protocol, which suggests a kind of automatism from China's point of view. This is highly controversial in the EU and other regions of the world, as China does not currently fulfil the relevant EU criteria for achieving market economy status. In the steel sector alone, there are numerous examples of state influence and controlled economy.

If China does receive the market economy status, however, trade policy defense instruments would be rendered useless against China. The EU steel industry would then be almost powerless in the face of Chinese imports.

In 2015, the trend towards rising steel imports into the EU has gained further pace. The pressure exerted by China in particular is growing. Chinese manufacturers have increased their market share in hot-rolled strip products in the EU from under 2 % at the end of 2014 to around 7 % in the second quarter of 2015.

In May 2015, the EU Commission launched an anti-dumping procedure against China and Russia for cold-rolled steel following a complaint from the European Steel Association EUROFER. A decision on temporary customs duties is expected from the EU Commission by February 14, 2016. EUROFER is constantly monitoring the market for other anti-dumping cases involving steel products strongly impacted by unfair imports, such as hot-rolled strip and plate.

Interim Income Report

I. Consolidated Income Statement

In € million	Q3 2015	Q3 2014	9M 2015	9M 2014
Sales	2,162.0	2,262.2	6,691.7	6,811.5
Increase/decrease in finished goods and work in process/other own work capitalized	– 44.6	0.6	– 54.0	4.8
	2,117.4	**2,262.9**	**6,637.7**	**6,816.3**
Other operating income	50.9	60.1	190.6	191.8
Cost of materials	1,422.6	1,565.6	4,440.7	4,786.2
Personnel expenses	410.7	404.8	1,253.1	1,181.9
Amortization and depreciation of intangible assets and property, plant and equipment	83.4	84.3	250.3	253.1
Other operating expenses	295.3	233.3	847.7	717.2
Income from shareholdings	5.6	4.1	12.7	9.5
Result from investments accounted for using the equity method	– 12.3	– 4.6	14.8	– 6.5
Finance income	17.4	5.3	28.8	22.4
Finance expenses	23.2	30.1	68.8	89.7
Earnings before taxes (EBT)	**– 56.2**	**9.7**	**24.0**	**5.5**
Income tax	– 26.9	6.0	11.9	17.7
Consolidated net income/loss	**– 29.3**	**3.8**	**12.1**	**– 12.2**
Appropriation of profit				
Consolidated net income/loss	– 29.3	3.8	12.1	– 12.2
Profit carried forward from the previous year	–	–	12.1	12.1
Minority interests in consolidated net loss/income for the year	0.9	1.0	3.4	2.9
Dividend payment	– 0.0	–	– 10.8	– 10.8
Transfer from (+)/to (–) other retained earnings	30.1	– 2.8	– 8.7	15.1
Unappropriated retained earnings	**–**	**–**	**1.3**	**1.3**
Earnings per share (in €) – basic	**– 0.56**	**0.05**	**0.16**	**– 0.28**
Earnings per share (in €) – diluted	**– 0.56**	**0.05**	**0.16**	**– 0.28**

II. Statement of Comprehensive Income

In € million	Q3 2015	Q3 2014	9M 2015	9M 2014
Consolidated net income/loss	**– 29.2**	**3.7**	**12.1**	**– 12.2**
Recycling				
Changes in currency translation	– 5.6	11.5	8.3	13.0
Change in value from hedging transactions				
of which changes in fair value recorded directly in equity	– 13.9	– 14.6	– 53.0	– 27.2
of which settled hedging transactions accounted as basis adjustment	11.0	–	28.4	–
of which recognition of sale of securities with effect on income	– 0.8	0.1	– 2.9	–
Changes in the value of financial assets in the "held-for-sale assets" category recorded directly in equity				
Changes in current value recorded directly in equity	– 0.7	0.9	– 1.3	1.9
Recognition from the sale of securities with effect on income	–	–	–	–
Adjustments from investments accounted for using the equity method				
of which changes in fair value recorded directly in equity	14.8	–	1.6	1.0
of which with effect on the income	–	–	–	–
of which from currency translation	– 0.7	–	6.3	– 0.5
thereof from deferred taxes	– 1.6	–	1.0	– 0.1
Deferred taxes on changes without effect on income	– 2.0	– 0.7	0.5	– 1.3
Subtotal	**0.5**	**– 1.5**	**– 11.2**	**– 12.2**
Non-recycling				
Remeasurement of pensions	6.5	– 3.1	91.5	– 3.1
Adjustments from investments accounted for using the equity method	14.4	–	– 13.6	–
Deferred taxes on changes without effect on income	–	–	–	–
Subtotal	**20.9**	**– 3.1**	**77.9**	**– 3.1**
Other comprehensive income	**21.4**	**– 4.6**	**66.7**	**– 15.4**
				–
Total comprehensive income	**– 7.8**	**– 0.9**	**78.8**	**– 27.5**
Total comprehensive income due to Salzgitter AG shareholders	– 8.8	– 1.9	75.3	– 30.4
Total comprehensive income due to minority interests	0.9	1.0	3.5	2.8
	– 7.8	**– 0.9**	**78.8**	**– 27.5**

III. Consolidated Balance Sheet

Assets in € million	2015/09/30	2014/12/31
Non-current assets		
Intangible assets	119.0	106.3
Property, plant and equipment	2,370.5	2,387.3
Investment property	21.4	21.6
Financial assets	155.4	160.6
Investments accounted for using the equity method	601.0	602.1
Deferred income tax assets	310.6	295.8
Other receivables and other assets	0.9	1.4
	3,578.9	**3,575.1**
Current assets		
Inventories	1,900.4	1,991.5
Trade receivables	1,753.7	1,646.6
Other receivables and other assets	393.8	374.4
Income tax assets	18.5	17.7
Securities	53.5	113.6
Cash and cash equivalents	775.3	774.0
	4,895.2	**4,917.8**
	8,474.1	**8,492.9**

Equity and liabilities in € million	2015/09/30	2014/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.1	238.6
Retained earnings	2,902.6	2,825.1
Unappropriated retained earnings	1.3	12.1
	3,322.6	**3,237.4**
Treasury shares	−369.7	−369.7
	2,952.9	**2,867.7**
Minority interests	8.6	7.8
	2,961.5	**2,875.5**
Non-current liabilities		
Provisions for pensions and similar obligations	2,314.4	2,442.2
Deferred tax liabilities	10.9	9.4
Income tax liabilities	142.8	132.9
Other provisions	318.0	327.9
Financial liabilities	590.1	180.0
Other liabilities	28.0	23.0
	3,404.2	**3,115.4**
Current liabilities		
Other provisions	366.4	310.9
Financial liabilities	270.8	568.5
Trade payables	919.0	1,150.7
Income tax liabilities	48.1	55.4
Other liabilities	504.2	416.5
	2,108.5	**2,502.0**
	8,474.1	**8,492.9**

IV. Cash Flow Statement

In € million	9M 2015	9M 2014
Earnings before taxes (EBT)	24.0	5.5
Depreciation, write-downs (+)/write-ups (–) of non-current assets	250.3	253.1
Income tax paid (–)/refunded (+)	– 23.7	– 43.0
Other non-cash expenses (+)/income (–)	215.2	76.5
Interest expenses	68.3	89.4
Gain (–)/loss (+) from the disposal of non-current assets	4.0	1.6
Increase (–)/decrease (+) in inventories	99.8	32.9
Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	– 137.7	– 222.1
Use of provisions affecting payments, excluding income tax provisions	– 175.0	– 171.8
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	– 152.7	317.2
Cash outflow/inflow from operating activities	**172.6**	**339.4**
Cash inflow from the disposal of fixed assets	1.9	7.0
Cash outflow for investments in intangible assets and property, plant and equipment	– 255.4	– 220.8
Cash inflow (+)/outflow (–) for/from investments of funds	– 44.9	– 25.5
Cash inflow from the disposal of financial assets	9.4	9.7
Cash outflow for investments in financial assets	– 5.3	– 9.2
Cash flow from investment activities	**– 294.2**	**– 238.8**
Cash outflow in payments to company owners	– 10.8	– 10.8
Cash inflow (+)/outflow (–) as a result of the issuing of bonds, borrowings and other financial liabilities	135.5	27.5
Interest paid	– 9.8	– 7.9
Cash outflow/inflow from financing activities	**114.9**	**8.7**
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	0.1	2.3
Payment-related changes in cash and cash equivalents	– 6.8	109.4
Cash and cash equivalents at the end of the period	**775.3**	**869.1**

V. Statement of Changes in Equity

In € million	Subscribed capital	Capital reserve	Sale/repurchase of treasury shares	Other retained earnings	Reserve from currency translation
As of 2013/12/31	**161.6**	**238.6**	**–369.7**	**3,694.5**	**–17.9**
Initial consolidation of affiliated companies so far not consolidated due to materiality reasons	–	–	–	2.0	–
Total comprehensive income	–	–	–	0.1	13.0
Dividend	–	–	–	–	–
Group transfers to(+)/from(–) retained earnings	–	–	–	–15.1	–
Other	–	–	–	–0.1	–
As of 2014/09/30	**161.6**	**238.6**	**–369.7**	**3,681.4**	**–4.9**
As of 2014/12/31	**161.6**	**238.6**	**–369.7**	**3,649.7**	**–2.3**
Initial consolidation of affiliated companies so far not consolidated due to materiality reasons	–	–	–	6.0	–
Total comprehensive income	–	–	–	–0.0	8.3
Dividend	–	–	–	–	–
Appropriation to capital reserve from convertible bond	–	18.5	–	–	–
Group transfers to(+)/from(–) retained earnings	–	–	–	8.7	–
Other	–	–	–	–0.1	–
As of 2015/09/30	**161.6**	**257.1**	**–369.7**	**3,664.2**	**6.0**

Changes in the value of the reserve from hedging transactions	Changes in the value reserve from „available for sale“ assets	Other changes in equity with no effect on income	Unappropriated retained earnings	Equity (excluding minority interests)	Minority interests	Equity
– 2.1	– 11.3	– 527.0	12.1	3,178.8	8.1	3,186.9
–	–	0.2	–	2.2	0.0	2.2
– 27.2	1.9	– 3.1	– 15.0	– 30.4	2.8	– 27.5
–	–	–	– 10.8	– 10.8	–	– 10.8
–	–	–	15.1	–	–	–
–	–	0.9	–	0.8	– 2.7	– 1.9
– 29.3	**– 9.4**	**– 529.0**	**1.3**	**3,140.7**	**8.2**	**3,148.9**
– 27.6	**– 6.1**	**– 788.7**	**12.1**	**2,867.7**	**7.8**	**2,875.4**
–	–	–	–	6.0	–	6.0
– 27.6	– 1.3	87.3	8.7	75.3	3.5	78.8
–	–	–	– 10.8	– 10.8	–	– 10.8
–	–	–	–	18.5	–	18.5
–	–	–	– 8.7	–	–	–
–	–	– 3.6	–	– 3.8	– 2.7	– 6.4
– 55.1	**– 7.4**	**– 705.0**	**1.3**	**2,952.9**	**8.6**	**2,961.5**

Notes

Segment Reporting

In € million	Strip Steel		Plate / Section Steel		Energy	
	9M 2015	9M 2014	9M 2015	9M 2014	9M 2015	9M 2014
External sales	1,505.6	1,607.9	719.0	845.1	811.7	939.3
Sales to other segments	478.1	539.5	659.8	573.1	84.4	103.5
Sales to Group companies that cannot be allocated to an operating segment	1.4	1.0	0.8	0.7	261.4	234.5
Segment sales	1,985.1	2,148.4	1,379.6	1,418.8	1,157.5	1,277.4
Interest income (consolidated)	1.7	2.3	0.3	0.1	0.3	0.6
Interest income from other segments	–	–	–	0.0	–	–
Interest income from Group companies that cannot be allocated to an operating segment	0.1	0.1	0.1	–	0.7	0.6
Segment interest income	1.9	2.4	0.4	0.1	1.0	1.2
Interest expenses (consolidated)	12.1	14.2	2.4	3.0	7.2	7.7
Interest expenses to other segments	–	–	–	–	–	–
Interest expenses to Group companies that cannot be allocated to an operating segment	25.7	27.6	10.4	12.9	5.4	5.8
Segment interest expenses	37.8	41.7	12.8	15.8	12.6	13.5
of which interest portion of allocations to pension provisions	9.6	11.3	2.2	2.8	3.8	4.9
Depreciation/amortization of tangible and intangible fixed assets	127.3	126.4	34.2	40.7	43.8	41.6
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	127.3	126.4	34.2	40.7	43.8	41.6
EBIT before depreciation and amortization (EBITDA)	153.7	161.8	13.7	−3.7	64.2	33.4
Earnings before interest and taxes (EBIT)	26.4	35.4	−20.5	−44.3	20.4	−8.2
Segment earnings before taxes (EBT)	−9.5	−3.9	−32.8	−60.1	8.8	−20.5
of which result from investments accounted for using the equity method	–	–	–	–	−9.6	−20.4
Investments in property, plant and equipment and intangible assets	126.7	80.7	29.1	28.0	44.5	33.2

Trading		Technology		Total segments		Industrial Participations / Consolidation		Group	
9M 2015	9M 2014	9M 2015	9M 2014	9M 2015	9M 2014	9M 2015	9M 2014	9M 2015	9M 2014
2,530.1	2,404.8	978.1	877.2	6,544.5	6,674.2	147.1	137.2	6,691.7	6,811.5
92.5	72.7	0.4	0.4	1,315.3	1,289.3	481.1	475.6	1,796.4	1,764.8
0.0	0.0	–	–	263.6	236.2	–	–	263.6	236.2
2,622.7	2,477.6	978.6	877.6	8,123.4	8,199.7	628.2	612.8	8,751.7	8,812.5
3.1	3.5	2.4	2.2	7.9	8.7	20.9	11.4	28.8	20.0
0.0	–	–	–	0.0	0.0	43.3	70.3	43.4	70.3
0.3	0.0	0.0	0.0	1.2	0.7	–	–	1.2	0.7
3.4	3.5	2.4	2.2	9.1	9.4	64.3	81.6	73.4	91.0
7.4	5.6	2.0	2.8	31.1	33.2	37.1	56.2	68.3	89.4
–	0.0	–	–	–	0.0	1.2	– 8.7	1.2	– 8.7
1.4	6.0	0.5	0.6	43.3	52.8	–	–	43.3	52.8
8.8	11.6	2.5	3.4	74.5	86.0	38.4	47.5	112.8	133.5
1.7	2.2	1.7	2.4	19.1	23.7	16.5	26.1	35.6	49.8
7.4	6.8	17.0	18.5	229.7	234.0	20.6	19.1	250.3	253.1
7.4	6.8	17.0	18.5	229.7	234.0	20.6	19.1	250.3	253.1
33.8	31.0	33.1	32.8	298.6	255.3	15.1	72.6	313.8	328.0
26.4	24.2	16.2	14.3	68.9	21.3	– 5.4	53.6	63.5	74.9
21.0	16.1	16.1	13.2	3.6	– 55.3	20.5	60.8	24.0	5.5
–	–	–	–	– 9.6	– 20.4	24.4	13.9	14.8	– 6.5
9.5	5.5	11.3	14.5	221.1	161.9	24.7	23.3	245.8	185.2

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

1. The consolidated financial statements of Salzgitter AG, Salzgitter (SZAG), for the reporting period from January 1 to September 30, 2015, have been prepared as a condensed report with selected notes. The report has been drawn up, as previously, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), taking into account the requirements set out under IAS 34 for condensed interim reports.
2. In comparison with the annual financial statements as of December 31, 2014, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ending September 30, 2015.
3. In calculating the present value of defined pension obligations as of September 30, 2015, an actuarial rate of 2.25 % was applied (December 31, 2014: 2.00 %). The resulting reduction in provisions for pensions and similar obligations is reported in other comprehensive income (pension revaluation) and results in a corresponding increase in equity.
4. The following companies are fully consolidated for the first time effective retroactively to January 1, 2015:
   - Salzgitter Mannesmann (Scandinavia) AB, Lulea (SMSC)
   - Salzgitter Mannesmann (Italia) S.r.l., Milano (SMIT)
   - Salzgitter Mannesmann International (Asia) Pte. Ltd., Singapore (SMSG)
   - UNIVERSAL STEEL HOLLAND B.V., SK Papendrecht (USN)
   - SEITZ ENZINGER Noll GmbH, Bad Kreuznach (SEN)
   - Holstein und Kappert GmbH, Dortmund (KD)
   - KHS Benelux B.V., Breda (KHSNL)
   - KHS Czech s.r.o., Ceské Budejovice (KHSTS)
   - KHS Austria GmbH, Wiener Neudorf (KHSÖS)
   - KHS Korea Co. Ltd, Seoul (KHSSK)
   - KHS Filling and Packaging Equipment (Shanghai) Co., Ltd., Shanghai (BEVCN)

The effects of these first-time consolidations are considered to be insignificant overall.

Selected explanatory notes to the income statement

1. Sales by business segment are shown in the segment report.
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of SZAG, amounted to € 0.16 in the period under review. Dilution would occur if earnings per share were reduced through the issuing of potential shares from option and conversion rights. Such rights, attached to two convertible bonds, existed as of the balance sheet date. When taken into account, there is no decrease in earnings per share from continued operations, as a result of which these option and conversion rights do not have a dilutive effect. Diluted earnings per share also amount to € 0.16.

Disclosures on fair value

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

The calculation of fair value disclosures for financial assets and liabilities not accounted for at fair value is always carried out by discounting future cash flows. In this instance, a term-dependent interest rate is applied that reflects the risk-free interest rate and the default risk derived from a peer group of the Salzgitter Group. Deviating from this, the fair value (€ 291.6 million) of a issued bond was calculated. This fair value was derived from the market value of the bond while eliminating the embedded derivative. The embedded derivative was measured using a generally recognized method (Black-Scholes). This value primarily depends on the share price of a listed company. The calculation parameters are based on data sourced from directly and indirectly observed input factors. The fair value disclosures are therefore allocable overall to Level 2.

Book value and fair value of the bonds:

In € million	Convertible bonds and exchangeable bond	
	2014/12/31	2015/09/30
Book value	342.4	484.1
Fair value	361.7	498.6

Related party disclosures

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

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

In € million	Sale of goods and services	Purchase of goods and services	Trade receivables	Trade payables
	01/01/ - 30/09/2015	01/01/ - 30/09/2015	2015/09/30	2015/09/30
Non consolidated group companies	35.7	19.4	33.2	8.9
Investments accounted for using the equity method	179.9	25.7	42.9	0.3
Proportionally consolidated companies	9.3	0.8	1.4	33.3

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

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

Financial Calendar 2015

November 19, 2015	Roadshow in Zurich
November 23 – 24, 2015	Capital Markets Day 2015 in Salzgitter
January 12 – 13, 2016	Commerzbank German Investment Seminar 2016 New York
January 18, 2016	Kepler Cheuvreux German Corporte Conference Frankfurt am Main
February 26, 2016	Key data for the Financial Year 2015
March 9/10, 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
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
August 10, 2016	Interim report on the first half 2016 Analyst Conference in Frankfurt am Main
August 11, 2016	Analyst Conference in London
September 2016	Goldman Sachs Conference Munich
September 2016	Baader Investment Conference Munich
November 10, 2016	Interim report on the first nine months 2016

Legal disclaimer

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

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

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

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