Q1

Interim Report
1st Quarter 2016

SALZGITTER AG
Stahl und Technologie

Contents

Salzgitter Group Figures

		Q1 2016	Q1 2015	+/-
Crude steel production	**kt**	**1,775.6**	**1,780.7**	**-5.1**
External sales	**€ m**	**1,868.8**	**2,287.9**	**-419.1**
Strip Steel Business Unit	€ m	470.2	524.8	-54.5
Plate / Section Steel Business Unit	€ m	184.8	253.2	-68.4
Energy Business Unit	€ m	243.6	293.9	-50.3
Trading Business Unit	€ m	606.3	851.9	-245.5
Technology Business Unit	€ m	316.1	315.1	1.0
Industrial Participations / Consolidation	€ m	47.7	49.0	-1.3
EBIT before depreciation and amortization (EBITDA)[1]	**€ m**	**105.6**	**149.5**	**-43.9**
Earnings before interest and taxes (EBIT)[1]	**€ m**	**19.4**	**66.9**	**-47.5**
Earnings before taxes (EBT)	**€ m**	**3.1**	**51.8**	**-48.7**
Strip Steel Business Unit	€ m	-20.0	16.6	-36.6
Plate / Section Steel Business Unit	€ m	0.5	-0.7	1.2
Energy Business Unit	€ m	5.6	-4.7	10.4
Trading Business Unit	€ m	-2.2	11.8	-14.0
Technology Business Unit	€ m	6.9	10.1	-3.2
Industrial Participations / Consolidation	€ m	12.3	18.7	-6.4
Consolidated net income/loss	**€ m**	**1.0**	**32.7**	**-31.7**
Earnings per share – basic	**€**	**-0.00**	**0.58**	**-0.58**
Return on capital employed (ROCE)[2][3]	**%**	**1.3**	**7.5**	**-6.1**
Cash flow from operating activities	**€ m**	**-98.7**	**42.5**	**-141.2**
Investments[4]	**€ m**	**86.0**	**69.5**	**16.5**
Depreciation/amortization[4]	**€ m**	**-86.2**	**-82.6**	**-3.5**
Total assets	**€ m**	**8,333.5**	**8,698.8**	**-365.3**
Non-current assets	**€ m**	**3,693.6**	**3,543.8**	**149.8**
Current assets	**€ m**	**4,639.9**	**5,155.0**	**-515.1**
of which inventories	€ m	1,767.3	2,044.5	-277.2
of which cash and cash equivalents	€ m	600.9	666.6	-65.6
Equity	**€ m**	**2,776.3**	**2,688.8**	**87.5**
Liabilities	**€ m**	**5,557.2**	**6,010.0**	**-452.8**
Non-current liabilities	€ m	3,584.7	3,271.3	313.4
Current liabilities	€ m	1,972.5	2,738.7	-766.2
of which due to banks[5]	€ m	282.3	336.3	-54.0
Net position[6]	**€ m**	**215.8**	**344.9**	**-129.1**
Employees				
Personnel expenses	€ m	-407.0	-404.4	-2.7
Core workforce on the reporting date[7]	empl.	23,454	23,651	-197
Total workforce on the reporting date[8]	empl.	25,209	25,454	-245

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 delivers a pre-tax result at breakeven thanks to sound business model

The Salzgitter Group again delivered proof of its sound business model and the sustainable success of its restructuring projects in an extremely challenging European steel market environment. The company closed the first quarter of the financial year 2016 with a pre-tax result at breakeven that exceeded capital market expectations. Presentable performance by the Energy and Technology business units, Peiner Träger GmbH's gratifying profit trend, and the earnings contribution of the Aurubis investment offset the mid-range double-digit million euro loss of the strip steel and plate companies that were themselves unable to counteract the negative impact of dumping prices – above all for Chinese steel imports – and their competition-distorting effect.

Group

- **External sales:** € 1,868.8 million
- **Pre-tax result:** € 3.1 million
- **After-tax profit:** € 1.0 million
- **Earnings per share (basic):** € –0.00
- **Return on Capital Employed (ROCE):** 1.3 %
- **Net financial position:** € 216 million
- **Equity ratio:** still sound at 33 %

Development of the business units

- **Strip Steel:** extremely unfavorable market environment due to historically and unprecedentedly high imports at dumping prices; shipments somewhat below the prior-year figure and selling prices in steep decline result in notably lower external sales and a pre-tax loss
- **Plate / Section Steel:** declining shipment volumes in conjunction with substantially lower selling price levels, in particular for plate, causes external sales to contract; pre-tax profit based on the sustainable turnaround of PTG and the non-recurrence of losses from the sheet piling production
- **Energy:** volume of pipes and tubes delivered as well as external sales significantly lower year on year; return to the profit zone with a marked increase in the pre-tax result
- **Trading:** lack of international project business results in lower shipments; in combination with lower selling prices, decline in external sales; pre-tax result lower year on year due to price-induced weak earnings situation of the stockholding steel trade
- **Technology:** stable external sales; earnings before taxes below previous year's level
- **Industrial Participations / Consolidation:** pre-tax result lower than in the first quarter of 2015; result includes € 11.6 million in income from the Aurubis investment

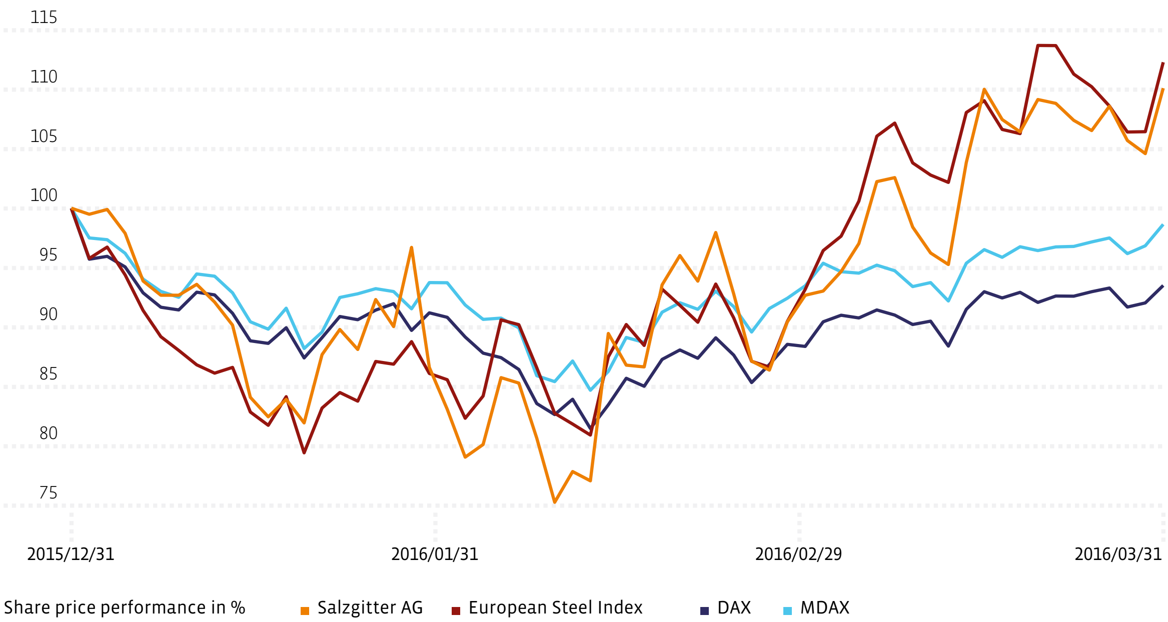
Guidance

Against the backdrop of the current conditions, particularly in the rolled steel and pipe market, and taking account of further positive effects from the "Salzgitter AG 2015" program, flanked by additional measures for the individual companies, we affirm our guidance and continue to assume the following for the Salzgitter Group in the year 2016: sales virtually stable at around € 8.6 billion, an operating pre-tax result around breakeven – depending on when anti dumping measures take effect and net of non-recurrent expenses for specific measures aimed at structural improvements within the Group – as well as a marginally positive return on capital employed (ROCE).

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

In the first three months of 2016, the **equity markets** developed in two directions: concerns about China's economic development and falling oil prices dominated the news at the start of the year, triggering a consolidation phase that lasted through to February. Subsequently, many raw material prices, including oil, began to rise again. In conjunction with several central bank decisions, this prompted the formation of an uptrend that was still holding steady at the end of the reporting period and beyond. By March 31, these developments had compensated for a large part of the losses sustained. All in all, the DAX shed –7 % in the first quarter of 2016, while the MDAX closed virtually unchanged at –2 %.

Similar to other cyclically sensitive equities, the price performance of the **Salzgitter share** came under the considerable influence of the overall market sentiment. In the first weeks of the year, our share price declined due to the primarily import-induced downtrend in steel prices and, on February 9, posted € 16.81, down from € 22.73 at year-end 2015. Following the EU Commission's decision to meet the flood of steel imports by imposing the first protective duties and the announcement of potentially further measures, the share price rallied again. The news of the booking of larger-scale orders for pipes and the key data for the financial year 2015 announced at the end of February, which delivered impressive proof of the effectiveness of the "Salzgitter AG 2015" program, supported the uptrend and enabled the price of the Salzgitter share to peak at more than 50 % higher than its lowest level. With an overall performance of 10 % in the first quarter of 2016, it had outperformed both the DAX and MDAX performance as of March 31.

In the current **analyst coverage** conducted by 26 banks, the Salzgitter share has been assessed with the following recommendations (as of March 31, 2016): 9 buy/outperform, 12 hold/market perform, 5 sell/underperform.

The **average daily turnover** during the reporting period stood at almost 520,000, thereby clearly exceeding the year-earlier figure (467,000 shares/day). As of March 31, 2016, Salzgitter AG therefore took 20th place measured by turnover and held 54th place in terms of free float market capitalization in the MDAX ranking of Deutsche Börse AG.

Capital market communication: In the first quarter of 2016, we presented the Salzgitter Group at investor conferences in Germany, the UK and the US. In addition, analysts and investors visited our Salzgitter site and informed themselves in discussions with representatives of the Group about the company. The results of the financial year 2015 were presented to the capital market at analysts' conferences in Frankfurt and London and intensively discussed. We again offered our private investors a series of information events arranged by the Freundeskreis der Aktionäre der Salzgitter AG" (circle of friends of Salzgitter AG shareholders") that met with fresh and lively interest.

Treasury shares

Salzgitter AG's portfolio of treasury shares amounted to 6,009,700 units as of March 31, 2016, unchanged from December 31, 2015, which corresponds to 10% of the shares issued.

Dividend

As before, the **dividend amount** will be geared to the profit trend. The cyclical fluctuations typical of the sector are by nature reflected in the results of the Group, on the one hand, and in its share price, on the other. The separate financial statements of SZAG are decisive for the ability to pay dividend. The Salzgitter Group pursues a fundamental policy of paying out steady and attractive dividend – removed from volatile reporting-date related influences – based on the pre-requisite of achieving actual operating profit. Such payments do not necessarily have to fully reflect the cyclicality of the earnings performance. Against this backdrop, as well as in view of the demonstrated impact of the measures implemented as part of the "Salzgitter AG 2015" program, the Executive Board and the Supervisory Board put forward a proposal to the Annual General Meeting of Shareholders on June 1 2016, to distribute dividend of € 0.25 per share for the financial year 2015.

Information for investors

		Q1 2016	Q1 2015
Nominal capital as of 03/31/	€ m	161.6	161.6
Number of shares as of 03/31/	units m	60.1	60.1
Number of shares outstanding as of 03/31/	units m	54.1	54.1
Market capitalization as of 03/31/[1]	€ m	1,347	1,466
Closing price as of 03/31[2]	**€**	**24.89**	**27.09**
Stock market high 01/01 – 03/31[2]	€	25.52	29.57
Stock market low 01/01 – 03/31[2]	€	16.81	21.01

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

Global economic development was subdued at the beginning of the first quarter of 2016. The slowdown in economic momentum in the second half of 2015 was still being felt in most regions. Despite its robust labor market, the US economy initially cooled further and subsequently only picked up momentum again over the course of the reporting period. Japan suffered from a contraction in private consumer spending, as well as ailing exports, and China's economic growth was still in the process of returning to a normal level in the wake of structural change. The oil and gas exporting countries, with Brazil and Russia at the forefront, continued to experience considerable financial burdens from the persistently low energy prices. All in all, the International Monetary Fund (IMF) currently puts global economic growth at 3.2% in the year 2016 in its most recent economic outlook.

Economic recovery in the **Eurozone** was driven by the domestic economy. Private consumption increased not least owing to low energy costs, while public-sector consumption continued to rise, along with capital expenditure. Support emanated from the first-time lowering of the key rate by the European Central bank to zero percent. While export momentum slowed somewhat after impetus from devaluing the euro had waned, the unemployment rate improved. The IMF currently predicts 1.5 % Eurozone growth for the full-year.

Germany's moderate upswing in the first three months of 2016 was also supported by private consumption. By contrast, investment activities remained restrained. Due to the renewed appreciation of the euro and the moderate economic development in many sales markets outside Europe, the export industry did not receive any new stimulus. The IMF therefore anticipates a growth rate for the German economy of 1.5%, unchanged from the previous year. The leading German economic research institutes have forecast comparable 1.6 % in their spring report.

		Q1 2016	Q1 2015
Crude steel production	kt	1,775.6	1,780.7
External sales	**€ m**	**1,868.8**	**2,287.9**
EBIT before depreciation and amortization (EBITDA)[1]	€ m	105.6	149.5
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Cash flow from operating activities	€ m	– 98.7	42.5
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Equity ratio	%	33.3	30.9

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[3] Annualized
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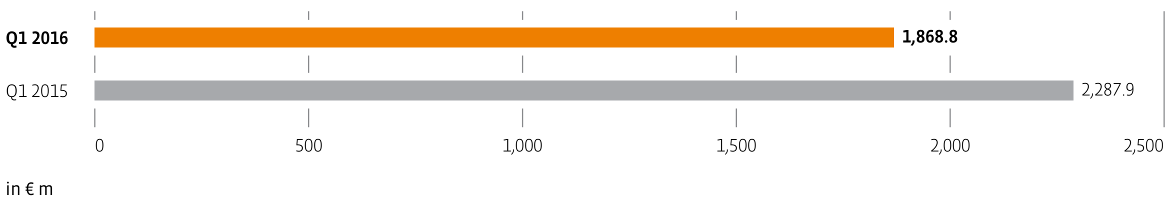
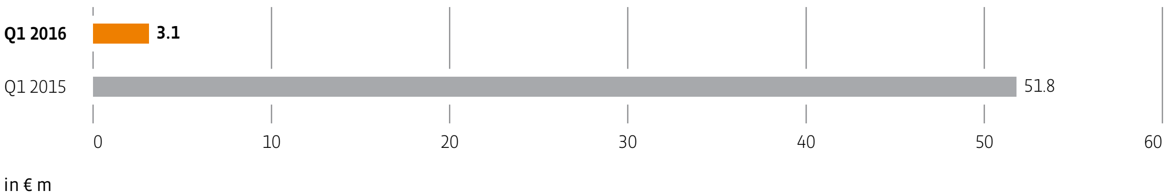
Earnings Situation within the Group

The Salzgitter Group again delivered proof of its sound business model and the sustainable success of its restructuring projects in an extremely challenging European steel market environment. The company closed the first quarter of the financial year 2016 with a pre-tax result at breakeven that exceeded capital market expectations. Presentable performance by the Energy and Technology business units, Peiner Träger GmbH's gratifying profit trend, and the earnings contribution of the Aurubis investment offset the mid-range double-digit million euro loss of the strip steel and plate companies that were themselves unable to counteract the negative impact of dumping prices – above all for Chinese steel imports – and their competition-distorting effect. With an equity ratio of 33.3 %, Salzgitter AG (SZAG) enjoys a sound balance sheet, also after a reduction to only 1.75 % in the actuarial rate applicable to pension provisions. The net financial position declined to € 216 million on the back of brisk business activities, as well as a precautionary tax payment, but nevertheless still remains comfortably sufficient.

External sales



EBT



Mainly owing to lower average selling prices for most steel products, the Salzgitter Group's **external sales** declined to € 1,868.8 million (first quarter of 2015: € 2,287.9 million). As a consequence of conditions in the European steel market due to massive imports, **pre-tax profit** dropped to € 3.1 million (first quarter of 2015: € 51.8 million). This amount includes a contribution of € 11.6 million from the Aurubis investment (first quarter of 2015: € 3.1 million). **Earnings after taxes** stood at € 1.0 million, bringing earnings per share to € –0.00 (first quarter of 2015: € 0.58) and return on capital employed to 1.3 % (ROCE: first quarter of 2015: 7.5 %).

Explanations on the tax rate

Income tax expenses disclosed as of March 31, 2016, amounted to € 2.1 million (first quarter of 2015: € 19.1 million). Owing to the restricted possibility of offsetting losses and gains for tax purposes in the reporting period, the group tax rate of 67.3 % was substantially higher than the average anticipated tax rate of 31 %.

Procurement

Uptrend in ore prices following absolute low

In 2015, the global **iron ore market** was determined by a pronounced downtrend in ore prices. Whereas Platts IODEX 62% Fe CFR China, the benchmark price for the spot market, stood at 96.70 USD/dmt in 2014 (2013: 135.19 USD/dmt), the price in 2015 averaged only 55.50 USD/dmt (–42.6%). By the end of the year, the price had dropped to 38.50 USD/dmt, marking its lowest level since the index was launched in 2008. The first quarter of 2016 brought signs of a certain trend reversal, as far as discernible. The spot market price averaged 48.30 USD/dmt in the first three months and, at the start of March, even exceeded the text 60 USD mark on two trading days. The degree to which prices will firm up to a stable level remains to be seen. Important factors of influence in this context include, on the one hand, the slowdown in the growth of the Chinese steel industry that sources around 70% of seaward traded ore and, on the other, supply-side growth that is driven by large iron ore producers in Australia and Brazil expanding their capacities. Smaller ore producers have also significantly improved their cost structures due to lower energy costs and more favorable conditions in the capital market. As before, both the fundamental data and the forecasts indicate surplus supply in the next few years. The most recent price increase in the wake of higher steel prices was mainly attributable to demand recovering in the Chinese market.

Having bottomed out, price of coking coal on the rise

In contrast to the index-based pricing of iron ore, quarterly prices of a benchmark nature continue to be negotiated between large producers and customers in the **coking coal market**. At the start of 2015, production in Australia was not hampered by the weather conditions, and the operations of many mines ran at a high level. Compounded by rather subdued demand, above all from China, the market was determined by a huge surplus of coking coal. This situation had already triggered a steep price downtrend in 2015, culminating in a price of 81 USD/t in the first quarter of 2016 that marks the lowest level since 2005. From the end of February onward, stronger rainfall braked production in Australian mining areas. Accordingly, a more restricted supply was met by unexpectedly strong and steady demand from China that drove prices on the spot market to notably higher levels. The benchmark price stood at 84 USD/t FOB, representing the first increase for ten quarters. High demand from China, as well as the economic difficulties experienced by many US producers, currently suggest that there will be no repeat to coking coal prices slipping again.

Metal and ferro alloys enter a phase of stabilization

The prices of manganese-based **bulk allows** moved sideways in the first three months of 2016, thus stabilizing following the drastic price declines seen in the fourth quarter of 2015. Exchange-traded materials such as zinc, nickel, copper and aluminum were weaker overall in the first quarter of 2016 compared with the average prices in 2015. Following the low levels posted in December and January, February onward brought a discernible uptrend on the **metal markets**.

After tumbling prices, steel scrap expensive again

At the beginning of the new financial year, the demand of German steelworks for **scrap steel** settled at supply levels, enabling consumers to stock up at unchanged or marginally lower prices. In February, the market weakened and prices tumbled within a range of between 10 and 15 €/t. This development was mainly caused by reticent demand for steel and ongoing unsatisfactory selling prices for the steel industry's finished products. Procuring sufficient steel scrap volumes at these prices was nevertheless difficult right from the start as the supply companies and scrap traders were fairly unwilling to part with their scrap at this level. Growing expectations of prices rising reinforced this position. The improved capacity utilization situation with a number of customers improved domestic demand for scrap in March, which coincided with the brisk activities of Turkish scrap buyers and ultimately led to prices increasing by an average 15 to 20 €/t.

Steel market developments

In the first quarter of 2016, the **international steel market** saw a year-on-year decline in crude steel output. With the exception of India and Ukraine, all the relevant steel producing countries reported lower production volumes. This indicates that specifically the capacity underutilization situation in China has likely deteriorated further. Following on from the most recent recovery in steel prices, the production rate, however, picked up momentum at the end of the period. Since the economic fundamentals have not changed, the sustainability of this development must at least be called into question.

In the **EU steel market**, two different directions were observed: On the one hand, market supply continued its slight recovery, while, on the other, greater demand in the first months of the year were largely covered by imports. Above all the exorbitant increase in Chinese imports that exerted massive pressure on the market in 2015 played a role in this situation. The strip steel segment in particular was exposed to competition, with import products that were often offered below European manufacturing costs, which is why the production of crude steel also dropped below the prior-year figure. Up until the EU Commission's announcement of its first anti-dumping measures, the price level was extremely low. Since then, the prices for many products have begun to increase again.

The **German steel market** appears to have stabilized since the end of the first quarter. In the period under review, new orders for rolled steel products were priced around 1% above the year-earlier level following their plunge at the end of 2015. The customary inventory cycle effects at the start of the year contributed to this development, although they were weaker than is customary for the season. In the case of the majority of steel processors, the prospects for the current year have not, however, changed fundamentally, and will therefore not generate additional impetus. A price trend reversal has been observed since the end of February and firmed up on a broad basis over the course of March. Import prices were recently on the rise again in response to the uptrend in the price of iron ore, coking coal and scrap.

Strip Steel Business Unit

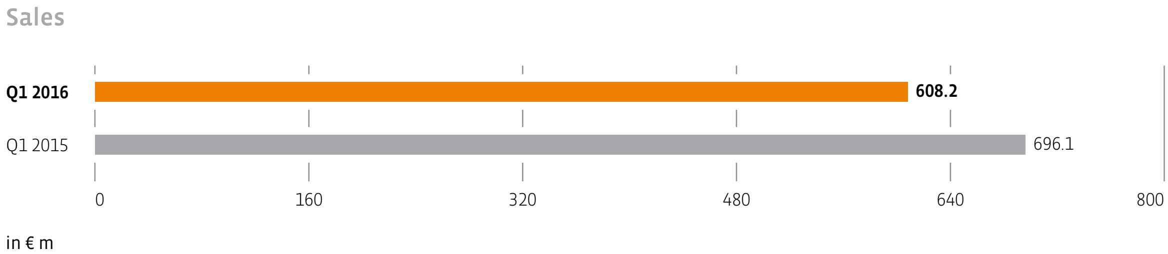
		Q1 2016	Q1 2015
Order intake	kt	1,191.0	1,201.0
Order backlog on reporting date	kt	901.8	766.1
Crude steel production	kt	1,168.8	1,123.5
Rolled steel production	kt	908.8	905.5
Shipments	kt	1,178.6	1,214.5
Segment sales[1)]	**€ m**	**608.2**	**696.1**
External sales	**€ m**	**470.2**	**524.8**
Earnings before taxes (EBT)	**€ m**	**–20.0**	**16.6**

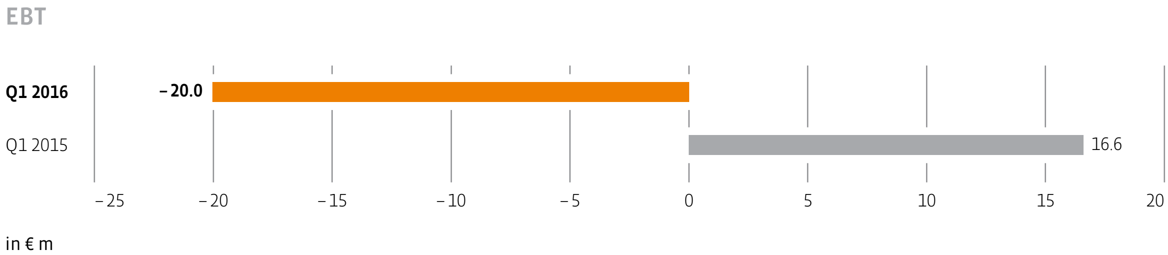
[1)] Including sales with other business units in the Group

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.

Following the initial slump in new orders in Germany for **rolled steel products** in the final quarter of 2015, orders stabilized at the year-earlier level in the period under review. Inventory cycle effects at the start of the year also contributed to this scenario, although they were weaker than is customary for the season. Moreover, starting from an exceptionally low level, an uptrend in spot market prices has recently been observed. Due to the increase in the prices of iron ore, scrap and coking coal, as well as the foreseeably reduced availability of Chinese import material in the second half of 2016, this trend firmed up on a broad basis over the course of March. The development in countries outside Europe mirrored this constellation, and the local prices of most **strip steel products** reached the EU level at the end of March. Since, however, the issues of surplus capacities, price pressure, the flood of imports at dumping prices, and more stringent climate protection targets fundamentally remain unresolved, the situation in the European steel is still tense. These issues constitute a massive mortgage for the short-and medium-term economic development of the steel industry in Europe.

The business unit's **order intake** settled at the prior-year level, while the **order backlog** increased by almost one fifth, as ground was made up in the first months of the year for weak demand in the preceding quarter. Slightly lower shipments year on year, combined with a steep downward trend in selling prices due to the historically high level of imports at dumping prices, resulted in a notable decline in **segment** and **external sales**. Lower procurement prices for raw materials had a countermanding effect on the cost front, but were nevertheless unable to compensate for the dramatic selling price erosion, culminating in a **pre-tax loss** of € 20.0 million (first quarter of 2015: € +16.6 million).





The order intake of **Salzgitter Flachstahl GmbH** (SZFG) remained stable compared with the first quarter of 2015. By contrast, orders on hand for strip steel products exceeded the one million ton threshold for the first time in the history of the company. Crude steel production stood somewhat higher than the prior-year figure, while rolled steel production settled at the 2015 level. Shipments did not quite repeat the year-earlier volume and sales fell notably short of this level, due mainly to weak selling prices – pressured by imports – of the orders booked during the second half of 2015. In this market environment, it was not possible for SZFG to repeat the positive result achieved in the prior-year period, with the company having to absorb a marked pre-tax loss instead.

While the shipments of **Salzgitter Mannesmann Stahlservice GmbH** (SMS) matched the tonnage of the first quarter of 2015, sales fell short of the figure posted in this quarter due to the ongoing price decline. Accordingly, the pre-tax result close to breakeven achieved in the prior-year period was not matched.

The shipments of **Salzgitter Bauelemente GmbH** (SZBE) were higher year on year. Against the backdrop of stable sales, SZBE reported a slight pre-tax loss and therefore lifted its result marginally above the year-earlier figure.

In the period under review, the shipments of **Salzgitter Europlatinen GmbH** (SZEP) settled at the level reported in the first three months of 2015, as opposed to sales that declined due to the downturn in steel prices. Earnings before taxes fell only marginally short of the prior-year figure.

Plate / Section Steel Business Unit

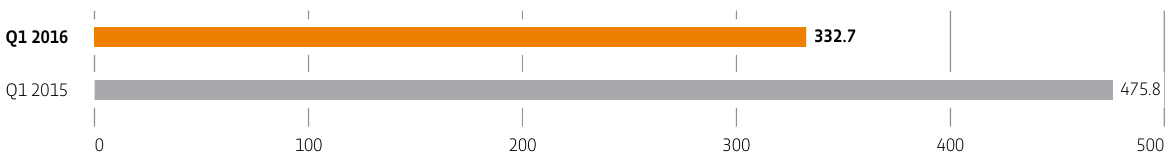
		Q1 2016	Q1 2015
Order intake	kt	637.0	613.8
Order backlog on reporting date	kt	439.8	482.2
Crude steel production	kt	296.7	280.4
Rolled steel production	kt	549.7	659.6
Shipments[1]	kt	535.2	658.0
Segment sales[2]	**€ m**	**332.7**	**475.8**
External sales	**€ m**	**184.8**	**253.2**
Earnings before taxes (EBT)	**€ m**	**0.5**	**–0.7**

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

The **Plate / Section Steel Business Unit** incorporates the companies of the Group that primarily serve customers in the project-oriented construction and infrastructure sectors. The business unit comprises Ilsenburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB), on the one hand, and Peiner Träger GmbH (PTG) on the other. ILG and MGB produce a wide range of high-grade plate products for key customers that include wind turbine manufacturers, heavy machinery and pipe producers, while PTG manufactures steel girders for construction and civil engineering projects. The integration of DEUMU Deutsche Erz- und Metall-Union GmbH (DMU), together with its subsidiary BSH Braunschweiger Schrotthandel (BSH) as a scrap supplier of PTG, permits a closer and more flexible coordination of logistics processes. HSP Hoesch Spundwand und Profil GmbH (HSP) discontinued its business activities in December 2015.

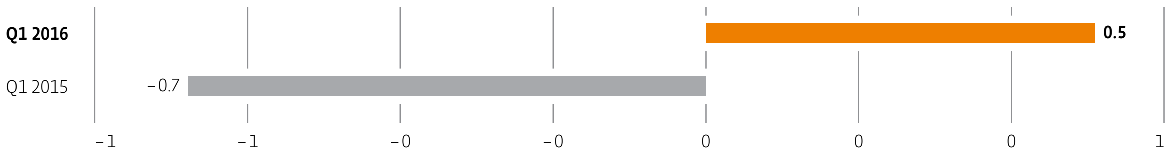
The Plate / Section Steel Business Unit's **order intake** increased somewhat compared with the year-earlier period, driven largely by orders placed with MGB for pipe plate. By contrast, **orders on hand** declined since the year-earlier figure still included project volumes ordered in 2014. **Rolled steel output** decreased as did the **shipment volume**. This development mainly reflects the difficult market situation in the plate business, as well as the discontinuation of sheet pile production at year-end 2015. In conjunction with the significantly lower selling price level, particularly for plate, **segment** and **external sales** also contracted. **Earnings before taxes** of € 0.5 million (first quarter of 2015: € –0.7 million) were based on PTG's sustainable turnaround and also on the non-recurrence of losses from the sheet piling production. This performance offset the plate companies' pre-tax loss of € 23.6 million.

Sales



in € m

EBT



in € m

In the first three months of 2016, **Europe's plate market** proved to be in a very fragile condition, as before. The market and demand situation in the second half of 2015 that can be described as completely unsatisfactory persisted at the start of the new year as well, which was mainly attributable to tumbling oil prices that reached their lowest level since 2004 in January at around 30 USD/barrel, and to the high volume of imports into the European market. Owing to the low energy prices, direct investment in exploration and the transport of oil and gas was, for instance, kept to a minimum, while downstream sectors such as mining, power plant engineering, heavy mechanical and plant engineering also suffered from this reticence. Compounded by imports running at a high level, especially from China, this situation led to persistently fierce competition that incurred most unsatisfactory selling prices.

In the first three months of 2016, the order intake of **Ilsenburger Grobblech GmbH** (ILG) and **Salzgitter Mannesmann Grobblech GmbH** (MGB), both under uniform management, exceeded the previous year's figures due to the notable growth achieved by MGB in a persistently difficult market environment. As of March 2016, orders on hand had dropped below the prior-year level that still included large volumes from the ETC contract booked in 2014, as well as the South Stream project that was suspended at the time. Due to weaker shipments and lower selling prices, sales dropped significantly in a year-on-year comparison. In the period under review, the negative effect from selling prices and volumes caused both companies to report pre-tax losses that settled notably below the breakeven mark almost achieved in the first quarter of 2015. Against this backdrop, extensive cost reduction and efficiency improvement measures for both mills are currently being agreed with the employee representatives.

At the start of the year, trade partners adopted a cautious stance in the **European heavy section market.** As real consumption stagnated at the weak level of the second half of 2015, orders placed in January and parts of February were merely for the purpose of topping up stocks. Only after scrap prices had bottomed out, and with the onset of a gradual steel price recovery, did order behavior pick up momentum again, allowing the capacity underutilization formerly reported in some product segments to be corrected. All central European manufacturers announced price increases and successfully implemented them in March.

In the reporting period, the order intake and orders on hand of **Peiner Träger GmbH** (PTG) exceeded the figures posted in the first quarter of 2015. Crude steel output climbed in a year-on-year comparison in contrast to rolled steel production that declined. Shipments also dropped slightly. In conjunction with selling prices at considerably lower level due to market conditions, sales contracted by almost one fifth. Earnings before taxes rose primarily on the back of higher margins boosted by scrap prices. The **DMU Group** reported a downturn in sales due to the falling prices of scrap and metal. The pre-tax result at breakeven almost matched the figure achieved in the prior-year period.

Energy Business Unit

		Q1 2016	Q1 2015
Order intake	€ m	325.3	347.9
Order backlog on reporting date[1]	€ m	458.3	443.9
Crude steel production	kt	310.0	376.7
Segment sales[2]	**€ m**	**327.6**	**418.8**
External sales	**€ m**	**243.6**	**293.9**
Earnings before taxes (EBT)	**€ m**	**5.6**	**–4.7**

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

The **Energy Business Unit** is primarily geared to serving the international project business in the sectors of energy supply and infrastructure and covers a wide range of line pipe diameters. A major European supplier of precision steel tubes for automotive construction as well as one of the world's leading manufacturers of seamless stainless steel and nickel-based alloy tubes and pipes supplement the portfolio. Customer demand is driven by the megatrends of "water", "energy" and "mobility".

The business unit has its own supply of crude steel in the form of a 30% stake in 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 business unit also makes intensive use of our trading organization to procure semi-finished material and to ship its products.

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

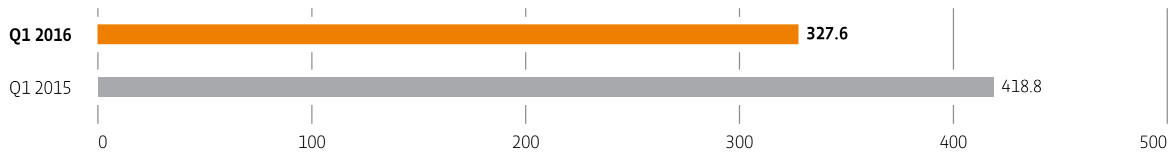
Global steel tubes market: Despite the recent recovery in prices, the first quarter of 2016 continued to be determined by comparatively low prices in the raw materials markets. Against the backdrop of persistently high crude oil stocks and political uncertainty, exploration activities also remained weak. The manufacturers of seamless steel tubes in the European Union and on a global scale reported a considerable impact from the slump in demand. North America in particular had to absorb further drastic declines in production. All in all, the output of seamless steel tubes entered a steep decline in the period under review. The manufacturers of welded steel pipes of up to 16" and large-diameter pipe producers operated in a comparatively stable market, with industrial business proving to be more satisfactory in Western Europe than the project business. The manufacturers of precision steel tubes in the EU and Germany reported robust demand, above all from the automotive industry.

In the first three months of 2016, **order intake** by the Energy Business Unit fell short of the prior-year level as, with the exception of Salzgitter Mannesmann Großrohr GmbH (MGR), all product segments suffered declines. As a result of MGR's strong growth, **orders on hand** increased slightly. Outside the group of consolidated companies, the new orders and orders on hand of EUROPIPE, in which a 50% take is held, fell notably short of the year-earlier figure.

Owing above all to the lower shipment volumes of Salzgitter Mannesmann Line Pipe GmbH (MLP), shipments dropped substantially in a year-on-year comparison. Although MGR generated a slight increase in sales, the other product groups reported losses. The business unit's **segment** and **external sales** did not therefore match the prior-year level.

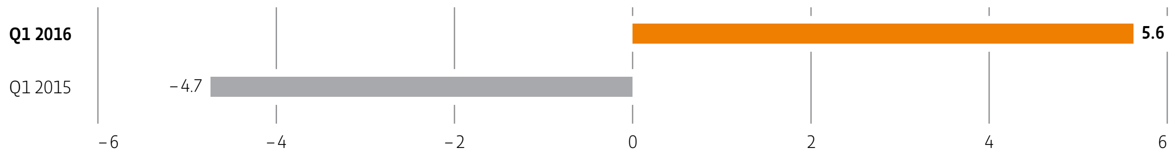
The Energy Business Unit returned to the profit zone in the first quarter of 2016, generating **earnings before taxes** of € 5.6 million, thus significantly raising its result in a year-on-year comparison (€–4.7 million), which was due in particular to a higher earnings contribution by the EUROPIPE Group (EP Group).

Sales



in € m

EBT



in € m

Business development of the product segments:

In the first three months of 2016, new orders and orders on hand of the **EUROPIPE Group** (EP Group) remained below the level posted in the year-earlier period, despite the booking of TAP Offshore and Egypt's Zohr project, but nonetheless proved to be very sound in comparison with the quarterly average of 2015. The order for the major contract for the North Stream 2 pipeline was only officially received in April 2016. Thanks to the US companies' high delivery volumes, shipments and sales again reached a satisfactory level, with shipments that fell slightly below the prior-year figure while sales slightly exceeded it. EUROPIPE GmbH (EP) reported a negative pre-tax result. All in all, the EP Group nevertheless reported a notable pre-tax profit boosted by the continued very good earnings situation of the US companies.

Due to the persistently weak oil price and the resulting fierce competition in the international project business, order intake and orders on hand for the HFI-welded pipes of **Salzgitter Mannesmann Line Pipe GmbH** (MLP) settled below the level of the first quarter of 2015. Shipments and sales significantly underperformed the prior-year figures, with the result that MLP reported a higher pre-tax loss than in the previous year. Given the energy price level, the company anticipates that demand for medium-diameter line pipes will remain unsatisfactory in the long term. Against this backdrop, preparations are being made for capacity adjustments and further cost reduction measures at the Siegen and Hamm locations to be implemented over the course of 2016.

In the period under review, **Salzgitter Mannesmann Großrohr GmbH** (MGR) acquired larger project volumes for spirally welded large-diameter pipes in Germany, Poland and Italy, securing double-shift capacity utilization through to the second quarter of 2017. Order intake and orders on hand therefore increased notably year-on-year. Shipments and sales also grew substantially compared with the unsatisfactory year-earlier period. Stable capacity utilization and the effect of measures to reduce costs enabled the company to return to the profit zone.

In the first quarter of 2016, the precision tubes market presented a disparate picture: While the automotive business was determined by the healthy order volume from export-oriented premium German manufacturers, the situation concerning the industrial sector remained tense. Due to the decline in oil and gas prices, no trend reversal was discernible in the energy business either. In the first quarter of 2016, new orders and orders on hand of **Salzgitter Mannesmann Precision Group** (SMP Group) fell short of the prior-year level. Shipments were somewhat higher than the year-earlier figure, but the sharp decline in input material prices caused sales to drop. Although the "Salzgitter AG 2015" program and additional efficiency enhancing measures resulted in positive earnings contributions again, the SMP Group nevertheless delivered a negative pre-tax result overall and did not repeat the breakeven achieved in 2015.

The **Salzgitter Mannesmann Stainless Tubes Group** (MST Group) continued to operate in an extremely difficult market environment characterized by demand running at a low level in almost all target market segments. The dominating factor was the investment freeze in the oil and gas business resulting from the low energy prices. The non-European power plant sector continued to develop well in terms of volume, as opposed to prices that remained under a great deal of pressure. The MST Group reported order intake and orders on hand below the levels achieved in the first quarter of 2015. Shipments, sales, and the pre-tax result also fell short of the 2015 figures.

Trading Business Unit

		Q1 2016	Q1 2015
Shipments	kt	1,218.0	1,343.2
Segment sales[1)]	**€ m**	**615.8**	**900.0**
External sales	**€ m**	**606.3**	**851.9**
Earnings before taxes (EBT)	**€ m**	**–2.2**	**11.8**

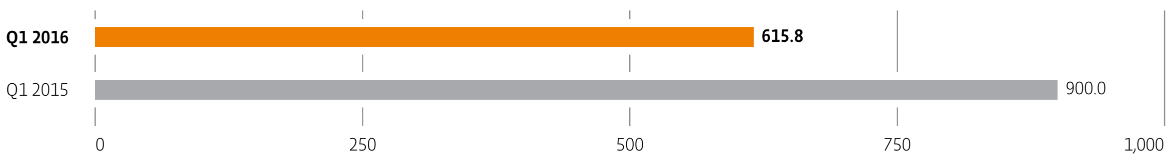
[1)] Including sales with other business units in the Group

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

In the first quarter of 2016, demand on the **international steel markets** remained subdued in almost all regions and product segments. A generally still weak project business and prices that are slowly stabilizing were the factors determining the sentiment on the main markets. The European market presented a similar picture, although, at the end of the quarter, the first isolated positive effects of the anti-dumping measures introduced by the European Union were emerging on the price front. Demand in Germany also settled overall at a low level, albeit with a slight upward tendency.

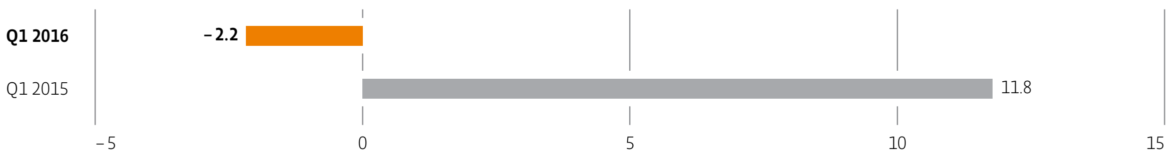
In the first quarter of 2016, the Trading Business Unit reported **shipments** below the previous year's figure due to the lack of project business. The appreciably lower price level caused **sales** to decline in a year-on-year comparison as well. Impacted by the price-induced weak earnings situation of the stockholding steel trade, **earnings before taxes**, accompanied by the positive performance of the international business, fell short of the first three months of 2015 (€ –2.2 million; first quarter of 2015: € 11.8 million).

Sales



in € m

EBT



in € m

In combination with the lower selling prices, the downturn in the shipments of the **Salzgitter Mannesmann Handel Group** (SMHD Group) in a year-on-year comparison resulted in a notable decline in sales. This development was mainly attributable to international trading's project business that had not yet been invoiced, as well as to insufficient margins for comparatively stable volumes in Europe's stockholding steel trade. Against this backdrop, the SMHD Group delivered a pre-tax loss and was therefore unable to match the pre-tax result of the first quarter of 2015.

In the first quarter of 2016, the shipments of the European **stockholding steel trading companies** remained virtually unchanged from the 2015 level. The sustained pressure on market prices nevertheless caused a slight decline in sales. The pre-tax result was negative.

International trading reported a drop in shipments due to project business not yet invoiced. Sales fell substantially below the prior-year figure, a development that was reinforced by the lower price level compared with the first quarter of 2015. The pre-tax profit also declined.

In the first quarter of 2016 as well, the **Universal Eisen und Stahl Group** (UES Group) continued to operate in a market in Germany characterized by uneven demand, high supply levels and short delivery times, with prices largely stagnating. Universal Eisen und Stahl GmbH (UES) met the challenge of the prevailing market conditions by continuing to focus on high margin areas, with the associated reduction in costs. The Group's sales declined in conjunction with the downturn in shipment tonnage. During the initial months of the year, business activities in North America were determined by lackluster demand on the US market, particularly in the oil and gas sector. This scenario engendered notably price-led competition and consequently eroded earnings. The negative pre-tax result fell short of the year-earlier figure.

Technology Business Unit

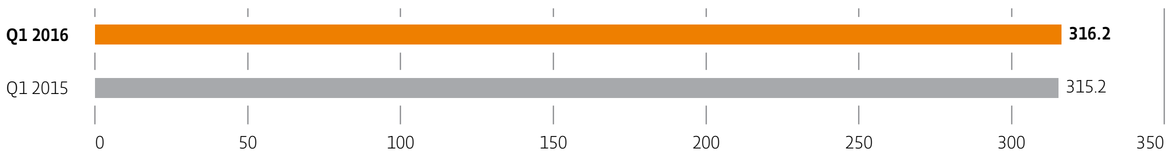
		Q1 2016	Q1 2015
Order intake	€ m	313.7	318.4
Order backlog on reporting date	€ m	704.0	701.1
Segment sales[1)]	**€ m**	**316.2**	**315.2**
External sales	**€ m**	**316.1**	**315.1**
Earnings before taxes (EBT)	**€ m**	**6.9**	**10.1**

[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 holding a leading international position in filling and packaging technology, represents the mainstay of sales. The KHS Group is a full-line supplier, from intralogistics through processing to the filling and packaging of beverages. Other companies 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 the statistics of the German Engineering Federation (VDMA), the sector's order intake appreciably exceeded the previous year's levels. Domestic demand edged up, and international demand accelerated notably. Sales in the industry staged a slight recovery, while the market for food and packaging machinery performed somewhat better. Here, domestic order activities showed a strong uptrend, while orders placed from abroad increased slightly.

Sales



in € m

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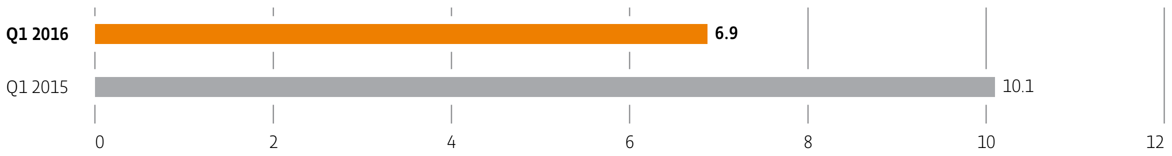

in € m

In the period under review, the **order intake** of the Technology Business Unit almost matched the prior year figure. The KHS Group reported a slight downturn in new orders, while the Klöckner DESMA Elastomer Group (KDE) and Klöckner DESMA Schuhmaschinen GmbH (KDS) significantly outperformed the prior-year figures. The segment's **orders on hand** settled at the level seen in the first three months of 2015.

Segment and **external sales** repeated the year earlier level. The KHS Group and KDS reported slight growth, as opposed to the KDE Group where sales declined notably.

The business unit achieved a presentable **profit before taxes** of € 6.9 million that did not repeat the year-earlier level (€ 10.1 million), mainly due to lower result of the KHS Group. The KDE Group reported a substantial decrease, while the result of KDSremained virtually unchanged year on year.

The KHS Group continues to rigorously pursue business development measures. The "Fit4Future 2.0" program launched for this purpose in 2015 comprises 14 components, including the topics of clarifying offers, 100% On-Time-In-Full (OTIF), and the preference portfolio that remains the focus of the program.

Industrial Participations / Consolidation

		Q1 2016	Q1 2015
Sales[1]	**€ m**	**176.4**	**203.8**
External sales	**€ m**	**47.7**	**49.0**
Earnings before taxes (EBT)	**€ m**	**12.3**	**18.7**

[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. In addition, results of companies operating primarily within the Group as well as those of Group companies that support the core activities of the business units with their products and services are recorded here.

The **sales** of Industrial Participations/Consolidation that are generated mainly by business in semi-finished products and services provided for subsidiaries declined to € 176.4 million in the reporting period (first quarter of 2015: € 203.8 million). **External sales** (€ 47.7 million) remained virtually unchanged in a year-on-year comparison (€ 49.0 million).

Earnings before taxes, that came in at € 12.3 million, fell short of the year-earlier figure (first quarter of 2015: € 18.7 million) and includes € 11.6 million in income from the Aurubis investment (first quarter of 2015: € 3.1 million). This figure consists of the proportionate Aurubis after-tax result as well as the valuation result of the convertible bond that largely depends on the price performance of the Aurubis share. The Group companies not directly allocated to a business unit made an overall positive contribution to profit that nevertheless fell below the year-earlier figures. Unlike the first quarter of 2015, valuation effects from foreign exchange transactions delivered a negative contribution and had a countermanding effect.

Financial Position and Net Assets

Explanations on the balance sheet

The **total assets** of the Salzgitter Group rose by € 49 million in the current reporting period compared with December 31, 2015.

Non-current assets (€ +43 million) increased due to the growth in intangible assets in particular. The amount of scheduled depreciation and amortization of fixed assets (€ –86 million) corresponded to that of the investments (€ +86 million) in the reporting period. Moreover, long-term income tax assets climbed by € 38 million. The growth in **current assets** (€ +6 million) resulted mainly from the higher level of trade receivables (€ +96 million) as well as of other receivables and assets (€ +181 million). A counter trend emanated from lower cash and cash equivalents (€ –235 million) and inventories (€ –44 million).

On the **liabilities side**, pension provisions were valued € 170 million higher as the actuarial rate derived from the current level of capital market interest rates had dropped to 1.75 % (December 31, 2015: 2.25 %). Equity declined accordingly (€ –117 million), with the equity ratio nonetheless amounting to a sound 33.3 %. Non-current liabilities were € 319 million higher compared with the prior-year reporting date. Along with pension provisions, financial liabilities, resulting in particular from the newly issued bonded loan, increased (€ +168 million). By contrast, current liabilities dropped by € 153 million, mainly due to lower income tax liabilities (€ –138 million). Trade payables (€ –63 million) decreased, also owing to the downturn in raw material prices, as opposed to payments received on account that advanced (€ +35 million).

The net financial position declined to € 216 million (December 31, 2015: € 415 million) largely due a precautionary tax payment, but nevertheless still remains on a comfortable level. Cash investment, including securities, (€ 1.12 billion) were offset by liabilities of € 969 million (December 31, 2015: € 803 million), of which € 282 million were owed to banks (December 31, 2015: € 282 million).

Notes to the cash flow statement

With a positive result of € 3 million from ordinary activities, the **cash flow from operating activities** stood at a negative amount of € 99 million. Compared with the figure posted in the first quarter of 2015 (€ +43 million), the lower level of receivables in particular resulted in this development. The precautionary tax payment also had a negative impact.

The **cash outflow from investing activities** (€ –87 million) mainly reflects disbursements for capital expenditure in intangible assets and property, plant and equipment (€ –90 million).

The **cash outflow from financing activities** (€ –47 million) is to be seen in connection with the redemption of part of the bonds amounting to € 34 million.

Owing to the negative cash flow, **cash and cash equivalents** declined (€ 601 million) compared with December 31, 2015.

Investments

In the first three months of the financial year 2016, **investments in property, plant and equipment and intangible assets** stood at € 86.0 million (first quarter of 2015: € 69.5 million), which reflects the level of depreciation and amortization (€ –86.2 million; first quarter of 2015: € –82.6 million).

The **Strip Steel Business Unit** invested in new aggregates as well as in optimizing and extending its existing facilities in the first quarter of 2016. To this end, the following projects in particular were advanced:

The pulverized coal injection plant of the **Salzgitter Flachstahl GmbH** (SZFG), successfully commissioned in 2015, enables the substitution of oil and coke sourced externally by pulverized coal, as well as generating a positive cash flow, also against the backdrop of steep decline in oil prices. Further work on optimizing the facilities was carried out during the reporting period.

In order to strengthen its competitiveness, SZFG has invested a total of € 80 million in the construction of a Ruhrstahl-Heraeus plant for the vacuum treatment of crude steel. The production of decarburized and desulphurized steels and grades of the highest purity is intended to satisfy customer requirements for specified metallurgic composition and ease the capacity bottleneck in secondary metallurgy. Solid construction commenced in the first quarter of 2016. The facilities are due for commissioning in 2017.

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. By the start of 2017, the technological conversion of the cooling systems of all three converter boilers is to have been carried out. This measure will reduce the boiler systems' energy requirements by more than 10%, and thus lower the volume of natural gas purchased externally, as well as the CO_2 emissions.

The investments of **Ilsenburger Grobblech GmbH** (ILG) in the **Plate / Section Steel Business Unit** in 2016 are geared mainly to maintaining operational workflows. Individual measures are designed to improve the quality and optimize processes.

The **Energy Business Unit** is focusing first and foremost on replacement and supplementary investments in 2016. The **Salzgitter Mannesmann Stainless Tubes** Group is making good progress in supplementing its product portfolio by adding stainless steel tubes in larger dimensions: Following basic maintenance carried out during the summer of 2015 and the extension of the extrusion press at the Montbard mill, the first orders have already been booked and successfully produced. Moreover, a new leveling machine is to be installed in the summer of 2016. A new inductive heat treatment facility has been taken into operation at the St. Florentin site of the **Salzgitter Mannesmann Precision Group** (SMP Group). Alongside organizational and logistic-related optimizations, investment measures to enhance the output of the mill at the Hamm site have been implemented.

Maintaining and upgrading existing facilities continue to form the focus of investments by the **Trading Business Unit** in 2016. The projects initiated by Salzgitter Mannesmann Stahlhandel GmbH (SMSD) to expand the finishing capacities of the German stockholding steel trade, as exemplified by extending the flame cutting operations at the Plochingen site, have been largely completed. The projects initiated by

Salzgitter Mannesmann Stahlhandel GmbH (SMSD) to digitalize sales processes are making headway: The “e-WORLD” is geared to raising the efficiency of sales and tapping the as yet unrealized potential of small customers more effectively. “e-CONNECT” links customer systems to SMSD systems based on defined standards, thereby ensuring the faster, more cost-effective and efficient exchange of information and data. The new web shop (“e-SHOP”) is aimed at developing additional customer groups.

In 2016, the **Technology Business Unit** continued to focus on replacement and streamlining measures geared to promoting its sustainable competitiveness. IT projects in Germany and in the international companies were carried out at the **KHS Group** to further optimize workflows. Based on highly standardized products and processes, the extensive “Product Configurator” project launched in 2012 enables an even more effective tendering of quotations and processing of orders. The modeling of the KHS product portfolio’s key components for the configurator is scheduled for completion in the third quarter of 2016. 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, work continued in the reporting period on the comprehensive upgrading, initiated in 2015 and spanning a number of years, of the Bad Kreuznach location. Due to the sustained growth of the PET business, a further assembly hall will be added to the Hamburg and Kleve sites respectively. The two measures are currently being implemented.

Research and Development

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

Optimized production of micro-alloyed steel

In cooperation with the Institute of Materials Science and Technology Institute of the Technical University Vienna of, SZMF has developed a model for the numerical simulation of thermo-mechanical rolling both for plate and hot-rolled strip production as part of a four-year project. With this model, the change in the microstructure of the steels is simulated in the rolling process, which serves to significantly optimize the production of cutting-edge hot-rolled steels and forms the basis for efficiently and effectively developing new products.

Super Duplex pipes for deep sea applications

Deep sea supply pipes, also known as umbilicals, are used on offshore platforms for the purpose of transporting control signals, energy or chemicals from the surface of the water right down to the seabed. Extremely demanding requirements are placed on the strength and fatigue properties, as well as on the corrosion resistance of pipes used in locations at depths of up to 2,500 m. Salzgitter Mannesmann Stainless Tubes GmbH (MST) and SZMF have joined forces in developing trial procedures, enabling Super Duplex pipes to qualify for deep sea applications. In close cooperation with first customers, the pipe properties were analyzed quickly and efficiently and successfully qualified. These results create a valuable database for the ongoing development of this business line.

Multi-functional unit for highly efficient PET processing

In the KHS InnoPET TriBlock, the KHS Group has developed a filling and packaging solution for PET bottles that integrates a stretch-blow molder, as well as labeling and filling machines. Separating wet and dry area is ensured by an airlock. The facilities enable a throughput of up to 81,000 bottles an hour. With continuous neck-handling, extremely light PET bottles can also be processed. Special pre-glued labels are securely applied to the bottles by a vacuum drum. A separate gluing station is not necessary, so the PET bottles are not exposed to any hot glue vapors during the entire process. In addition, the blocking provides the beverages industry with further benefits: handling bottles is simpler, and efficiency and hygiene are significantly enhanced. Thanks to the compact installation, there are no costs for the air conveyor segments formerly required, and personnel and energy costs are lower.

Employees

	2016/03/31	2015/12/31	Change
Core workforce[1)]	**23,454**	**23,555**	**– 70**
Strip Steel Business Unit	6,165	6,192	35
Plate / Section Steel Business Unit	2,745	3,108	– 207
Energy Business Unit	4,890	4,959	– 5
Trading Business Unit	1,873	1,888	15
Technology Business Unit	5,216	4,899	70
Industrial Participations / Consolidation	2,565	2,509	22
Apprentices, students, trainees	1,295	1,548	– 199
Non-active age-related part-time employment	460	426	19
Total workforce	**25,209**	**25,529**	**– 250**

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 came to 23,454 employees on March 31, 2016, representing a reduction of 70 staff members compared with December 31, 2015. This decline is principally attributable to the winding down of HSP Hoesch Spundwand und Profil GmbH (HSP) whose workforce declined by 218 employees in the first three months of 2016. This reduction was mainly offset by the hiring of 165 **trainees**, 121 of whom were given temporary employment contracts.

The **total workforce** comprised 25,209 employees.

The number of **temporary staff** outsourced stood at 963 as of March 31, 2016, which marks a decline of 301 persons in year-on-year comparison. At the end of the first quarter, no employees were affected by short-time work.

The implementation of the personnel-related effects identified under our **“Salzgitter AG 2015”** program continues according to plan.

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. Instead, we anticipate a relatively moderate economic recovery for our persistently contested main markets in the current financial year.

The activities of the companies of the **Strip Steel Business Unit** are subject to extremely challenging framework conditions in the current financial year. The sharp increase in the volumes of cheap imports from China since the second half of 2015 has exerted considerable pressure on prices. Spot market prices for rolled steel products in the European market were recently observed to be picking up, albeit starting from a very low level. At the same time, the procurement prices for iron ore, other raw materials and energy sources have increased notably. Salzgitter Flachstahl GmbH (SZFG), the business unit's largest company, expects selling prices to stabilize over the course of the second half of 2016, depending on when further anti-dumping measures by the European Union (EU) enter into force. EU anti-dumping measures for cold-rolled strip have meanwhile already been decided, while a ruling on the respective measures against hot-rolled strip and plate imports at dumping prices is expected in the second half of the year. Assuming that demand remains satisfactory, we anticipate a slight price-induced overall decline in revenues. Despite further cost savings, we expect a marginally lower pre-tax result in comparison with 2015.

The **Plate / Section Steel Business Unit** is also exposed to a difficult market environment in the current financial year. Due to the flood of imports, the plate mills in particular are confronted with partly ruinous price declines that are currently stabilizing at a low level. At the same time, the awarding of the North Stream 2 project has ensured better capacity utilization. Nonetheless, given the significant deficit of the Group's two plate producers, intensive measures to reduce costs and enhance efficiency are unavoidable. With the scrap price trend returning to a normal level, Peiner Träger GmbH (PTG) nevertheless anticipates another positive pre-tax result. Along with non-recurrent losses from HSP Hoesch Spundwand GmbH (HSP), whose operations were discontinued at year-end 2015, this is, however, unlikely to be sufficient to fully compensate for the plate mills' negative results. We nonetheless anticipate a significant reduction in the business unit's pre-tax loss. Owing above all to selling prices, coupled with the discontinuation of the sheet piling business, a notable downturn in sales is expected.

The markets for the companies of the **Energy Business Unit** remain fiercely contested. The booking of several contracts in the first few months of the year, especially the major project 'Nord Stream 2', has secured good capacity utilization for EUROPIPE's German large-diameter pipe mill through to mid-2018. The US American large-diameter pipe companies where capacity has been booked through to the fourth quarter of 2016 and partial volumes have been acquired in subsequent years also present a pleasing picture. Capacities in the spiral-welded pipe mill in Salzgitter have also already been taken until the start of 2017. By contrast, bookings in the segment of medium-diameter line pipes remain unsatisfactory due to low energy prices, which is why endeavors on implementing capacity adjustment and cost reduction measures have been stepped up. The precision tubes companies expect stable demand from automotive manufacturers, as opposed to the markets of the energy and industry product segments that are likely to display a weaker trend. The stainless steel tubes business anticipates a market recovery in the second half of the year at the earliest following the initially weak order intake during the first months of 2016. The Energy Business Unit's sales are likely to settle around the level posted in 2015; earnings before taxes are expected to exceed the prior-year level on the back of an improved order and capacity utilization situation in the large-diameter pipes segment.

Over the course of the full-year 2016, the **Trading Business Unit** anticipates a stabilization of the price level and demand conditions. With an upturn in the project business, particularly in the tubes segment, an increase in shipments in international trading can be assumed in the coming months. Moreover, the stock holding steel trade anticipates a moderate increase in volumes, mainly due to the expansion of further processing capacities and from the innovative digitalization of business processes. Special items that boosted the result in 2015 will not repeat in 2016, which is likely to be reflected in a considerably lower pre-tax result. Adjusted for these effects, the segment anticipates a gratifying upturn in sales overall and an appreciable increase in the operating result. Profit improvements here are focused above all on optimization measures in the stockholding business of Salzgitter Mannesmann Stahlhandel GmbH (SMSD) and a strategic realignment of Universal Eisen und Stahl GmbH (UES).

The **Technology Business Unit** expects a stable sales and profit trend supported by a high order backlog. Given ongoing competition in the global project business, growth in profitable product segments is to be generated, supported by a further expansion of the service business. Accordingly, the KHS Group expects a result around the year-earlier level at minimum. Further efficiency enhancements from the "Fit4 Future 2.0" program will release their positive effects. The outlook for Klöckner Desma Schuhmaschinen GmbH (KDS) and the KDE Group is similarly promising.

Against the backdrop of the current conditions, particularly in the rolled steel and pipe market, and taking account of further positive effects from the "Salzgitter AG 2015" program, flanked by additional measures for the individual companies, we affirm our guidance and continue to assume the following for the **Salzgitter Group** in the year 2016:

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

As in recent years, please note that **opportunities and risks** from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as changes in the currency parity, may considerably affect performance in the course of the financial year 2016. The resulting fluctuation in the consolidated pre-tax result may, as current events show, be within a considerable range, either to the positive or to the negative. The dimensions of this range become clear if one considers that, with around 12 million tons of steel products sold by the Strip Steel, Plate / Section Steel, Energy and Trading business units, an average € 10 change in the margin per ton is sufficient to cause a variation in the annual result of more than € 120 million. Moreover, the accuracy of the company's planning is restricted by the volatile cost of raw materials and shorter contractual durations, on the procurement as well as on the sales side.

Risk management

With regard to the individual **opportunities and risks**, we make reference to the Annual Report 2015.

At the time of reporting there were no risks which could endanger the Salzgitter Group as a going concern. Nevertheless, the following events continue to burden us: the ongoing structural crisis in the steel market, massive distortions of competition from direct and indirect nationalization, the development of the Russia-Ukraine conflict, and the political imponderables in the Near and Middle East. We regard the persistently high import pressure, emanating above all from China, and/or Germany's respective European energy and environmental policy as particularly serious factors of influence for our future development. Risks to the survival of the company may arise under certain circumstances from these scenarios.

In terms of risks arising from strained market conditions, including the volatility of raw materials prices, the effects on the results of the companies in the current year have been factored in to the extent they can be estimated.

The risk situation associated with climate and energy policy has remained unchanged in principle from the status described in the Annual Report 2015. Due to the evaluation proviso under Germany's Renewable Energies Act (EEG) concerning electricity generated for own consumption, we continue to see a risk of additional burdens of up to around € 139 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 in this context is the risk of a price increase in the electricity sourced externally. In terms of these two aspects, we still assess risk to be in the order of a maximum € 155 million a year. We generally view the probability of the EEG and CO_2/emissions trading scenarios occurring as likely. The amount of loss will depend on the development of the political environment. The proposal to adjust the Emissions Trading Directive from 2021 onward put forward by the EU Commission in mid-2015 has likely increased the probability of burdens of this kind occurring.

Events of Significance

Change in the Chairman of Salzgitter AG's Supervisory Board

Having reached his 78th year, Mr. Rainer Thieme laid down his mandate as Chairman and as a member of the Supervisory Board, effective March 31, 2016. Mr. Thieme had been a member of the Board since 2004 and assumed the position of Chairman on April 1, 2007. In its regular meeting on March 17, 2016, the Supervisory Board of Salzgitter AG (SZAG) appointed Dipl.-Kfm. Heinz-Gerhard Wente as its new Chairman. His term of office began on April 1, 2016. Mr. Wente has been a member of SZAG's Supervisory Board since September 16, 2015. The Supervisory Board and the Executive Board offer their warm thanks to Mr. Thieme for his strong and successful commitment to our company and are delighted that Mr. Wente is available as his successor to take on this demanding task.

Program of measures with an overall profit potential of € 560 million

In a market environment determined on an ongoing basis by the structural crisis in Europe's steel industry, the “Salzgitter AG 2015” program is geared to securing competitiveness. The implementation of the package of measures yielding an overall potential of more than € 200 million is going according to plan. By March 31, 2016, almost 80% of the measures had been realized. The program should have been largely completed by the end of 2016.

Beyond this, new challenging framework conditions necessitate additional individual measures. The massive increase in Chinese imports has, for instance, exacerbated the continuing fierce competition for Ilsenburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB). Extensive cost reduction and efficiency improvement measures are currently being agreed for both mills with the employee representatives. Salzgitter Mannesmann Line Pipe GmbH (MLP) anticipates ongoing weak demand, particularly in the oil industry, due to energy prices that are still low. Against this backdrop, preparations are being made for capacity adjustments and further cost reduction measures at the Siegen and Hamm locations to be implemented over the course of 2016.

These measures, as well as other projects in numerous fields of activity, supplement the “Salzgitter AG 2015” program, launched in 2012. The combined profit potential amounts to € 560 million, of which € 260 million are scheduled for implementation in the years 2016 and 2017. Along with the restructuring measures introduced in specific locations, ongoing profit improvement programs run by the individual companies will be carried out in the context of ongoing processes. A further focus has been placed on strengthening and expanding our lines of business. Investments, such as the construction of Ruhrstahl-Heraeus (RH) plant of Salzgitter Flachstahl GmbH (SZFG), will enable the manufacturing of steel grades of the highest purity.

EU Commission brings anti-dumping complaints against steel importers

Trade defense instruments, such as anti-dumping and anti-subsidy actions play a key role for a number of EU industrial sectors. They are often the only way of reinstating fair competitive conditions in the face of dumping or of other countries outside Europe subsidizing their industries. The trend of rising steel imports into the EU accelerated further in 2015. Pressure from China in particular kept growing.

On February 12, 2016, the EU Commission issued provisional anti-dumping duties on cold-rolled strip products against Russia (19.8 to 26.2%) and China (13.8 to 16.0%). Anti-dumping proceedings concerning hot-rolled strip and plate products against China were opened on February 13, 2016, upon application by the EU's steel industry. The period for imposing provisional measures ends on November 13, 2016.

Nationwide "A Future with Steel." campaign day

Under the slogan of "A Future with Steel", the German steel industry initiated a nationwide campaign in order to draw attention to the current threats to the industry. Some 45,000 people in total who work in the steel industry demonstrated in Lower Saxony and North Rhine-Westphalia, in the Saarland and in front of the Berlin Chancellery against cheap imports from countries such as China, India and Russia, as well as against overly stringent environmental regulations that threaten the very existence of German and European steel producers.

The steel campaign day was opened with a protest march in which 4,000 people took part, followed by a rally at SZFG's steelworks on April 7, 2016. In the presence of Minister President Stephan Weil (SPD), both employers and employees demonstrated for fair conditions for German steel manufacturers.

EUROPIPE joint venture delivers pipes for North Stream 2

EUROPIPE, a 50/50 joint venture of the Salzgitter Group and AG der Dillinger Hüttenwerke, has been awarded the contract for the delivery of large-diameter pipes for the third and fourth lines of the Baltic Sea pipeline, as announced by the North Stream pipeline operator consortium on March 11, 2016. The total volume amounts to 2.2 million tons (2,500 km). EUROPIPE has been awarded around 890,000 tons of this volume (approximately 1,100 km). The large-diameter pipes will be produced by EUROPIPE GmbH (EP) from August 2016 in several production lots up to mid-2018 in the Mülheim an der Ruhr plant. EUROPIPE's shareholders are to supply the input material for the pipe production. EUROPIPE subsidiary MÜLHEIM PIPECOATINGS GmbH (MPC) will undertake for the external coating and internal lining of the pipes.

Salzgitter Group awarded three contracts by Open Grid Europe for around 70,000 t of spirally welded large-diameter pipes

The Salzgitter Group has been awarded contracts for 70,000 tons of spirally welded large-diameter pipes by Essen-based Open Grid Europe GmbH. They were booked by the Group's subsidiary Salzgitter Mannesmann Großrohr GmbH (MGR) and will be produced in Salzgitter. Together with other pipeline projects in France, Poland and Italy totaling more than 50,000 tons, double-shift capacity utilization has been secured for the large-diameter pipe mill through to the beginning of 2017. SZFG will be delivering the input material.

Salzgitter Klöckner-Werke GmbH places debut bonded loan

Salzgitter Klöckner-Werke GmbH (SKWG), a wholly-owned subsidiary of SZAG, has successfully issued its first bonded loan in an overall volume of € 200 million. The volume is divided into fixed and variable tranches in three, five and seven years. The huge interest of international investors who contributed a share of more than 50% to the overall volume was particularly pleasing. The initial average interest across all tranches amounts to around 1.8% p.a. Disbursement was carried out on the value date of April 5, 2016. SZAG will use the bonded loan to further optimize its financing structure. Investors showed lively interest despite difficult industry environment. The funds gained from this transaction are to be used to finance international growth, among other measures.

Interim Income Report

I. Consolidated Income Statement[1]

In € million	Q1 2016	Q1 2015
Sales	1,855.5	2,254.0
Increase/decrease in finished goods and work in process/other own work capitalized	4.3	– 13.8
	1,859.8	**2,240.2**
Other operating income	43.2	95.8
Cost of materials	1,177.6	1,479.6
Personnel expenses	406.3	397.4
Amortization and depreciation of intangible assets and property, plant and equipment	86.2	82.6
Other operating expenses	238.8	320.2
Income from shareholdings	0.3	6.9
Result from investments accounted for using the equity method	21.2	15.9
Finance income	5.2	7.4
Finance expenses	21.5	22.4
Earnings before taxes (EBT)	**– 0.6**	**64.0**
Income tax	2.1	19.1
Consolidated result from continued operations	– 2.7	44.9
Consolidated result from discontinued operations	3.8	– 12.2
Consolidated result	**1.0**	**32.7**
Amount due to Salzgitter AG shareholders	– 0.1	31.5
Minority interest	1.1	1.2
Appropriation of profit		
Consolidated result	1.0	32.7
Profit carried forward from the previous year	15.1	12.1
Minority interests in consolidated net loss for the year	1.1	1.2
Transfer from (+)/to (–) other retained earnings	0.1	– 31.5
Unappropriated retained earnings of Salzgitter AG	**15.1**	**12.1**
Earnings per share (in €) – basic	**– 0.00**	**0.58**
Earnings per share (in €) – diluted	**– 0.00**	**0.58**

[1] All items of the income statement, including income taxes, only pertain to continuing operations in accordance with IFRS 5. A reconciliation, including discontinued operations, can be found in the notes.

II. Statement of Comprehensive Income

In € million	Q1 2016 Total	Q1 2016 Amount due to Salzgitter AG shareholders	Q1 2016 Minority interest	Q1 2015 Total	Q1 2015 Amount due to Salzgitter AG shareholders	Q1 2015 Minority interest
Consolidated result	**1.0**	**–0.1**	**1.1**	**32.7**	**31.5**	**1.2**
Recycling						
Reserve from curreny translation	–7.0	–7.0	0.0	23.0	23.1	–0.1
Changes in value from cash flow hedges	19.8	19.8	–	–33.6	–33.6	–
Fair value change	12.4	12.4	–	–41.5	–41.5	–
Basis adjustments	7.1	7.1	–	–	–	–
Recognition with effect on income	–0.5	–0.5	–	7.9	7.9	–
Deferred tax	0.8	0.8	–	0.0	–	–
Change in value due to available-for-sale financial assets	0.6	0.6	–	0.9	0.9	–0.0
Fair value change	0.6	0.6	–	1.0	1.0	–0.0
Recognition with effect on income	–	–	–	–	–	–
Deferred tax	–	–	–	–0.1	–0.1	–
Changes in value of investments accounted for using the equity method	2.4	2.4	–	–3.1	–3.1	–
Fair value change	6.6	6.6	–	–11.8	–11.8	–
Recognition with effect on income	–	–	–	–	–	–
Currency translation	–4.1	–4.1	–	8.4	8.4	–
Deferred tax	–0.1	–0.1	–	0.3	0.3	–
Deferred taxes on other changes without effect on the income	–0.1	–0.1	–	0.0	0.0	–0.0
Subtotal	15.7	15.7	0.0	–12.8	–12.6	–0.1
Non-recycling						
Remeasurements	–133.5	–133.5	–	–185.0	–185.0	0.0
Remeasurement of pensions	–170.1	–170.1	–	–185.0	–185.0	0.0
Deferred tax	36.6	36.6	–	–	–	–
Changes in value of investments accounted for using the equity method	–	–	–	–20.4	–20.4	–
Subtotal	–133.5	–133.5	–	–205.4	–205.4	0.0
Other comprehensive income	**–117.8**	**–117.8**	**0.0**	**–218.1**	**–218.0**	**–0.1**
Total comprehensive income	**–116.8**	**–118.0**	**1.2**	**–185.5**	**–186.5**	**1.1**
Continuing operations		–121.8			–174.4	
Discontinued operation		3.8			–12.1	

III. Consolidated Balance Sheet

Assets in € million	2016/03/31	2015/12/31
Non-current assets		
Intangible assets	191.5	156.6
Property, plant and equipment	2,368.6	2,405.0
Investment property	21.4	21.4
Financial assets	153.4	154.6
Investments accounted for using the equity method	620.8	612.4
Deferred income tax assets	337.2	299.7
Other receivables and other assets	0.7	0.7
	3,693.6	**3,650.4**
Current assets		
Inventories	1,767.3	1,810.8
Trade receivables	1,592.0	1,495.8
Other receivables and other assets	597.6	416.8
Income tax assets	22.1	18.3
Securities	59.9	55.8
Cash and cash equivalents	600.9	836.2
	4,639.9	**4,633.7**
	8,333.5	**8,284.1**

Equity and liabilities in € million	2016/03/31	2015/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings	2,706.8	2,839.8
Other reserves	−3.4	−19.1
Unappropriated retained earnings	15.1	15.1
	3,137.1	**3,254.4**
Treasury shares	−369.7	−369.7
	2,767.4	**2,884.7**
Minority interests	8.9	8.1
	2,776.3	**2,892.8**
Non-current liabilities		
Provisions for pensions and similar obligations	2,486.7	2,327.3
Deferred tax liabilities	27.2	27.6
Income tax liabilities	36.7	37.2
Other provisions	304.7	307.2
Financial liabilities	711.2	543.0
Other liabilities	18.2	23.5
	3,584.7	**3,265.8**
Current liabilities		
Other provisions	287.3	299.6
Financial liabilities	284.5	284.9
Trade payables	912.3	975.7
Income tax liabilities	52.9	190.6
Other liabilities	435.6	374.7
	1,972.5	**2,125.5**
	8,333.5	**8,284.1**

IV. Cash Flow Statement

In € million	Q1 2016	Q1 2015
Earnings before taxes (EBT)[1)]	3.1	51.8
Depreciation, write-downs (+)/write-ups (–) of non-current assets	86.2	82.6
Income tax paid (–)/refunded (+)	– 133.9	– 10.2
Other non-cash expenses (+)/income (–)	34.6	123.3
Interest expenses	21.5	22.5
Gain (–)/loss (+) from the disposal of non-current assets	1.4	1.9
Increase (–)/decrease (+) in inventories	44.5	– 36.4
Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	– 107.4	– 283.6
Use of provisions affecting payments, excluding income tax provisions	– 72.2	– 65.5
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	23.5	156.1
Cash outflow/inflow from operating activities	**– 98.7**	**42.5**
Cash inflow from the disposal of fixed assets	3.1	0.4
Cash outflow for investments in intangible assets and property, plant and equipment	– 89.5	– 76.6
Cash inflow (+)/outflow (–) for/from investments of funds	– 3.4	– 73.7
Cash inflow from the disposal of financial assets	4.0	4.0
Cash outflow for investments in financial assets	– 1.6	– 2.6
Cash flow from investment activities	**– 87.4**	**– 148.5**
Cash inflow (+)/outflow (–) as a result of the issuing of bonds, borrowings and other financial liabilities	– 38.5	– 3.2
Interest paid	– 8.9	– 3.4
Cash outflow/inflow from financing activities	**– 47.4**	**– 6.6**
Cash and cash equivalents at the start of the period	836.2	774.0
Cash and cash equivalents relating to changes in the consolidated group	0.2	–
Gains and losses from changes in foreign exchange rates	– 2.0	5.2
Payment-related changes in cash and cash equivalents	– 233.4	– 112.6
Cash and cash equivalents at the end of the period	**600.9**	**666.6**

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

V. Statement of Changes in Equity

In € million	Subscribed capital	Capital reserve	Treasury shares	Retained earnings	Other reserves from
					Currency translation
As of 2014/12/31 restated	**161.6**	**238.6**	**– 369.7**	**2,847.8**	**– 2.2**
Total comprehensive income	–	–	–	– 185.0	23.1
Group transfers to(+)/from(–) retained earnings	–	–	–	31.5	–
Other	–	–	–	– 1.4	–
As of 2015/03/31	**161.6**	**238.6**	**– 369.7**	**2,693.0**	**20.9**
As of 2015/12/31	**161.6**	**257.0**	**– 369.7**	**2,839.8**	**9.9**
Total comprehensive income	–	–	–	– 133.6	– 7.0
Group transfers to(+)/from(–) retained earnings	–	–	–	– 0.1	–
Other	–	–	–	0.7	–
As of 2016/03/31	**161.6**	**257.0**	**– 369.7**	**2,706.8**	**2.9**

			Unappropriated retained earnings	Amount due to Salzgitter AG shareholders	Minority interest	Equity
Cashflow hedges	Available-for-sale financial assets	Investments accounted for using the equity method				
–19.2	**–9.4**	**8.1**	**12.1**	**2,867.7**	**7.8**	**2,875.5**
–33.6	0.9	–23.4	31.5	–186.5	1.0	–185.4
–	–	–	–31.5	–	–	–
–	–	–	–	–1.4	0.2	–1.2
–52.8	**–8.5**	**–15.3**	**12.1**	**2,679.9**	**9.0**	**2,688.9**
–33.3	**–9.4**	**13.7**	**15.1**	**2,884.7**	**8.1**	**2,892.8**
19.7	0.7	2.4	–0.1	–118.0	1.1	–116.8
–	–	–	0.1	–	–	–
–	–	–	–	0.7	–0.3	0.4
–13.6	**–8.8**	**16.1**	**15.1**	**2,767.4**	**8.9**	**2,776.3**

Notes

Segment Reporting

In € million	Strip Steel		Plate / Section Steel		Energy	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
External sales	470.2	524.8	184.8	253.2	243.6	293.9
Sales to other segments	137.4	170.8	147.6	222.3	13.0	38.4
Sales to group companies that are not allocated to an operating segment	0.5	0.5	0.3	0.3	71.0	86.5
Segment sales	608.2	696.1	332.7	475.8	327.6	418.8
Interest income (consolidated)	0.1	1.6	0.3	0.0	0.2	0.4
Interest income from other segments	–	–	–	0.2	–	–
Interest income from group companies that are not allocated to an operating segment	0.0	0.0	–	0.1	0.3	0.2
Segment interest income	0.1	1.6	0.3	0.3	0.4	0.6
Interest expenses (consolidated)	4.2	4.1	0.8	0.8	2.1	2.4
Interest expenses to other segments	–	–	–	–	–	–
Interest expenses from group companies that are not allocated to an operating segment	7.9	8.4	3.8	3.4	1.5	1.9
Segment interest expenses	12.1	12.4	4.7	4.2	3.6	4.2
of which interest portion of allocations to pension provisions	3.5	3.2	0.8	0.7	1.3	1.2
Scheduled depreciation of property, plant and equipment and amortization of intangible assets (excluding impairment costs in accordance with IAS 36)	45.3	42.1	11.7	11.2	14.3	14.2
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	45.3	42.1	11.7	11.2	14.3	14.2
EBIT before depreciation and amortization (EBITDA)	37.2	69.5	16.6	14.5	23.1	13.0
Earnings before interest and taxes (EBIT)	−8.1	27.4	4.9	3.3	8.8	−1.1
Segment earnings before taxes	−20.0	16.6	0.5	−0.7	5.6	−4.7
of which result from investments accounted for using the equity method	–	–	–	–	6.0	−9.9
Investments in property, plant and equipment and intangible assets	55.1	27.9	5.8	8.1	12.2	16.7

Trading		Technology		Total segments		Industrial Participations / Consolidation		Group	
Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
606.3	851.9	316.1	315.1	1,821.1	2,238.8	47.8	49.0	1,868.8	2,287.9
9.4	48.1	0.1	0.1	307.5	479.7	128.6	154.7	436.2	634.4
0.0	0.0	–	–	71.8	87.3	–	–	71.8	87.3
615.8	900.0	316.2	315.2	2,200.4	2,805.9	176.4	203.8	2,376.8	3,009.6
0.9	1.5	1.1	0.8	2.5	4.3	2.7	3.0	5.2	7.4
–	0.0	–	–	–	0.2	13.5	11.8	13.5	12.0
0.8	0.1	0.0	0.0	1.1	0.5	–	–	1.1	0.5
1.7	1.6	1.1	0.9	3.6	5.0	16.1	14.9	19.7	19.9
2.3	2.6	0.7	0.7	10.2	10.5	11.3	12.0	21.5	22.5
–	–	–	–	–	–	1.1	6.7	1.1	6.7
0.1	0.3	0.1	0.1	13.5	14.1	–	–	13.5	14.1
2.4	2.9	0.8	0.8	23.6	24.6	12.4	18.8	36.0	43.4
0.6	0.6	0.6	0.6	6.8	6.3	5.9	5.5	12.6	11.8
2.5	2.5	5.5	5.8	79.3	75.7	6.8	6.9	86.2	82.6
2.5	2.5	5.5	5.8	79.3	75.7	6.8	6.9	86.2	82.6
1.1	15.5	12.1	15.9	90.1	128.4	15.5	21.1	105.6	149.5
−1.5	13.1	6.6	10.0	10.8	52.7	8.7	14.2	19.4	66.9
−2.2	11.8	6.9	10.1	−9.2	33.1	12.3	18.7	3.1	51.8
–	–	–	–	6.0	−9.9	15.2	25.8	21.2	15.9
2.1	2.6	6.0	3.4	81.2	58.7	4.8	10.8	86.0	69.5

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

1. The consolidated financial report of Salzgitter AG, Salzgitter (SZAG), for the reporting period from January 1 to March 31, 2016, has been prepared as a condensed report with selected notes. The report has been drawn up, as before, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) in consideration of the requirements set out under IAS 34 for condensed interim reports.
2. In comparison with the annual financial statements as at December 31, 2015, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended March 31, 2016, barring the following exception.
3. In calculating the fair value of defined benefit obligations as of March 31, 2016, an actuarial rate of 1.75% was applied (December 31, 2015: 2.25%). The resulting increase in provisions for pensions and similar obligations is reported in other comprehensive income (pension revaluation) and incurs a corresponding reduction in equity.
4. HSP Hoesch Spundwand und Profil Gesellschaft mit beschränkter Haftung (HSP; limited liability company under German law) manufactures and sells heavy section steel products, in particular sheet piling and mining sections. Despite the high level of investments, the company has been loss-making for years, due in particular to demand declining in the sheet piling market. In its meeting on June 16, 2015, the Executive Board therefore decided to discontinue business operations in order to avoid further negative consequences for the Salzgitter Group. In December 2015, production and therefore operations were subsequently wound down. HSP and all the associated sheet piling activities are disclosed as a discontinued operation in accordance with the standards laid down under IFRS 5. The results from this discontinued operation are disclosed in a separate line in the income statement, set apart from the earnings and expenses of continuing operations. The income statement of the previous year was adjusted accordingly. The tables below include a transition of the income statement from continuing operations to an income statement that comprises both continuing as well as discontinued operations.

	Q1 2016			Q1 2015		
	Discontinued operation	Continuing operations	Total	Discontinued operation	Continuing operations	Total
In € m						
Sales	13.3	1,855.5	1,868.8	33.9	2,254.0	2,287.9
Increase/decrease in finished goods and work in process/other own work capitalized	– 6.8	4.3	– 2.6	1.8	– 13.8	– 12.1
	6.4	**1,859.8**	**1,866.3**	**35.6**	**2,240.2**	**2,275.8**
Other operating income	0.8	43.2	44.1	0.3	95.8	96.0
Cost of materials	1.2	1,177.6	1,178.8	38.0	1,479.6	1,517.6
Personnel expenses	0.8	406.3	407.0	7.0	397.4	404.4
Amortization and depreciation of intangible assets and property, plant and equipment	0.0	86.2	86.2	0.0	82.6	82.6
Other operating expenses	1.5	238.8	240.2	3.0	320.2	323.2
Income from shareholdings	0.0	0.3	0.3	0.0	6.9	6.9
Result from investments accounted for using the equity method	0.0	21.2	21.2	0.0	15.9	15.9
Finance income	0.0	5.2	5.2	0.0	7.4	7.4
Finance expenses	0.1	21.5	21.6	0.1	22.4	22.5
Earnings before taxes (EBT)	**3.8**	**– 0.6**	**3.1**	**– 12.2**	**64.0**	**51.8**
Income tax	0.0	– 2.1	– 2.1	0.0	– 19.1	– 19.1
Consolidated result	**3.8**	**– 2.7**	**1.0**	**– 12.2**	**44.9**	**32.7**

The cash flow statement comprises the cash flows of the entire Group, including the discontinued operation. The table below shows the cash flows for the discontinued operation:

Condensed cash flow statement for the discontinued operation

In € m	Q1 2016	Q1 2015
Cash flow from operating activities	– 2.4	– 23.8
Cash outflow from investment activities	0.1	– 0.5
Cash inflow/outflow from financing activities	0.0	0.0
Change in cash and cash equivalents of the discontinued operation	**– 2.3**	**– 24.4**

Selected explanatory notes to the income statement

1. Sales by business segment are shown in the segment report.
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of SZAG, came to € –0.00 in the period under review. Dilution would occur if earnings per share were reduced through the issuance of potential shares from option and conversion rights. Such rights, attached to two convertible bonds, existed as of the balance sheet date. When taken into account there is no decrease in earnings per share from continuing operations, as a result of which these option and conversion rights do not have a dilutive effect. Diluted earnings per share also amount to € –0.00.

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 assets and liabilities not accounted for applying fair value is always carried out by discounting future cash flows. In this instance, a term-dependent interest rate was applied that reflected the risk-free rate and the default risk derived from a peer group of the Salzgitter Group. In deviation herefrom, the fair value (€ 253.6 million) of a bond issued was calculated. Fair value was derived from the market value of the bond, while eliminating the embedded derivative. The embedded derivative was measured using a generally recognized method (Black-Scholes). This value depends specifically on the share price of a listed company. The calculation parameters are based on data sourced from directly and indirectly observed input factors. The fair value disclosures are therefore allocable overall to Level 2.

Book value and fair value of the bonds:

In € m	Convertible bonds and exchangeable bond	
	2015/12/31	2016/03/31
Book value	487.3	458.6
Fair value	473.3	441.9

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 € m	Sale of goods and services	Purchase of goods and services	Trade receivables	Trade payables
	01/01/ - 31/03/2016	01/01/ - 31/03/2016	2016/03/31	2016/03/31
Non consolidated group companies	18.0	3.3	35.8	8.6
Investments accounted for using the equity method	34.9	0.0	63.7	0.2
Proportionally consolidated companies	1.3	0.3	0.6	22.5

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 2016

January 12-13, 2016	German Investment Seminar New York
January 18, 2016	German Corporate Conference Frankfurt am Main
February 26, 2016	Key data for the Financial Year 2015
March 9, 2016	Citi's Global Resources Conference London
March 18, 2016	Publication on the consolidated financial statement 2015 Annual Results Press Conference
March 21, 2016	Analyst Conference in Frankfurt am Main
March 22, 2016	Analyst Conference in London
April 4, 2016	Metzler Dialogues Frankfurt am Main
April 21, 2016	Roadshow Munich
May 13, 2016	Interim report on the first quarter 2016
Mai 19, 2016	Roadshow Paris
June 1, 2016	General Meeting of Shareholders in 2016
June 2-3, 2016	Roadshow Vienna
July 9, 2016	dbAccess German, Swiss & Austrian Conference 2016 Berlin
August 10, 2016	Interim report on the first half 2016 Analyst Conference in Frankfurt am Main
August 11, 2016	Analyst Conference in London
September 1, 2016	Commerzbank Sector Conference 2016 Frankfurt am Main
September 12, 2016	Credit Suisse Global Steel and Mining Conference London
September 14, 2016	dbAccess Metals & Mining Conference London
September 21-22, 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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