

Executive Summary of the Financial Statement

2016



Key figures at a glance

		2015	2016	Change
Hot metal purchase ROGESA	kt	2,369	2,059	-13.09 %
Hot metal purchase SSF	kt	0	21	
Hot metal purchase total	kt	2,369	2,080	-12.20 %
Crude steel production	kt	2,779	2,451	-11.80 %
Sales revenues per region				
Germany	million €	1,269	1,204	
Rest of the EU	million €	547	513	
Third party countries	million €	343	311	
Total turnover	million €	2,159	2,028	
Workforce (not incl. trainees)				
	31.12.	6,591	6,554	
Personnel costs	million €	426	443	
Balance sheet total				
	million €	3,400	3,325	
Fixed assets	million €	1,982	1,887	
Investments	million €	90	101	
Equity				
	million €	2,573	2,336	
EBITDA	million €	138	-26	
EBIT	million €	2	-155	
Net income for the year	million €	-9	-215	
Operating cash flow				
	million €	193	93	

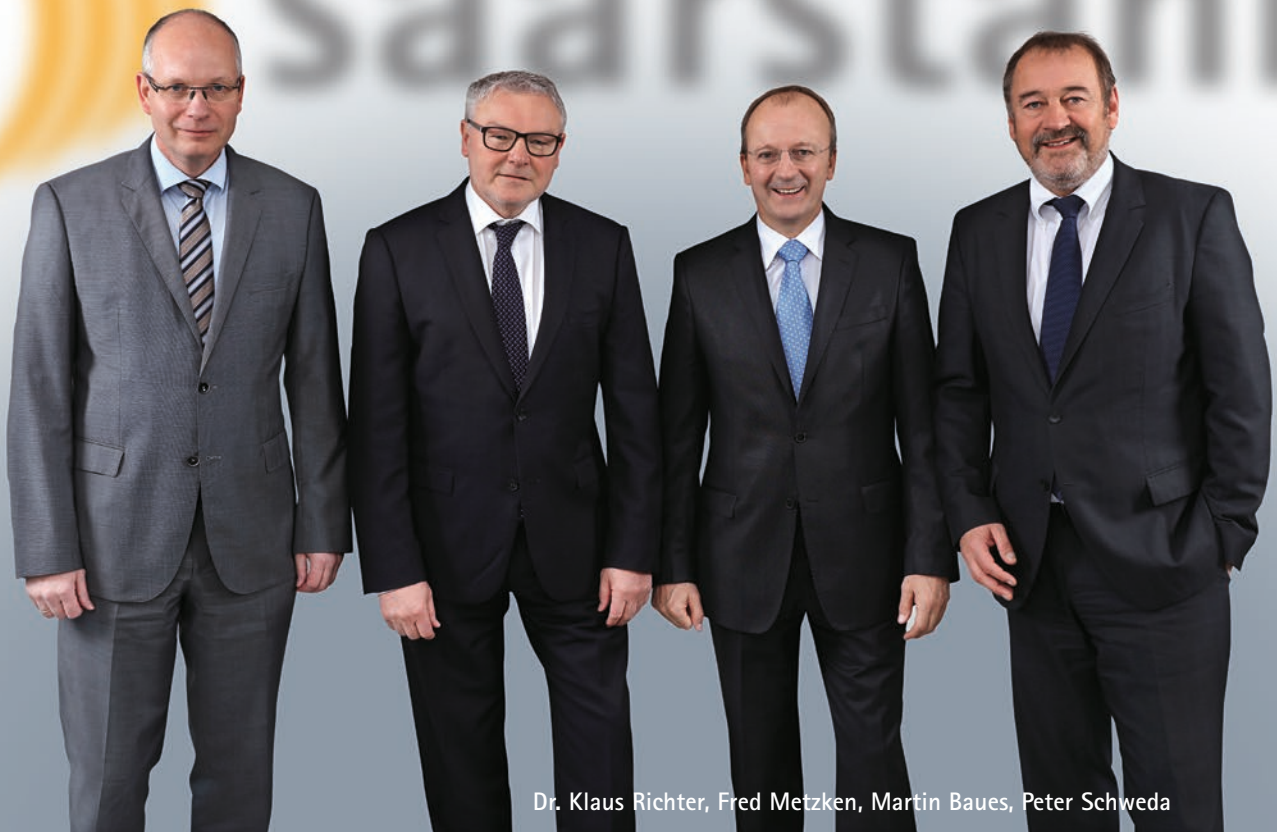
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Members of the Supervisory Board

Dr. Michael H. Müller, Saarbrücken Chairman	Chairman of the Management Board of the Curatorship for the Montan-Stiftung-Saar trust
Jörg Köhlinger, Frankfurt First Deputy Chairman (as of 15.03.2016)	Trade Union Secretary / District Manager of IG Metall, central regional management
Reinhard Störmer, Völklingen 2nd Deputy Chairman (as of 07.07.2016)	Deputy Chairman of the Management Board of the Curatorship of the Montan Stiftung-Saar trust
Henner Wittling, Ottweiler 2nd Deputy Chairman (until 07.07.2016)	Member of the Management Board of the Curatorship for the Montan-Stiftung-Saar trust
Stephan Ahr, Wadgassen	Chairman of the Central Works Council of Saarstahl AG and Chairman of the Works Council of the Völklingen Plant of Saarstahl AG
Aribert Becker, Rehlingen	Member of the Management Board of the Curatorship for the Montan-Stiftung-Saar trust
Prof. Dr. Heinz Bierbaum, Saarbrücken	Director of the INFO-Institute Saarbrücken
Elke Hannack, Berlin	Trade Union Secretary / Deputy Chairwoman of the German Confederation of Trade Unions
Robert Hiry, Rehlingen-Siersburg	Primary Authorized Representative of IG Metall Administrative Unit Völklingen
Michel Maulvault, Paris (until 07.07.2016)	Chairman of the Board of Management of Dillinger Hüttenwerke, Dillingen / Saar, retired
Markus Menges, Waldbrunn	Managing Director Baustahlgewebe GmbH
Eleonore Neumann, Ottweiler	Member of the Central Works Council of Saarstahl AG and Chairwoman of the Neunkirchen Works Council of Saarstahl AG
Antje Otto, St. Ingbert (as of 07.07.2016)	Managing Director of the Association of Steelworks in the Saarland, Saarbrücken
Angelo Stagno, Saarbrücken	Member of the Central Works Council of Saarstahl AG and Chairman of the Works Council of the Burbach Plant of Saarstahl AG
Katja Weber, Eberbach (as of 07.07.2016)	Entrepreneur, Südweststahl AG
Erich Wilke, Königstein (Taunus)	Bank Manager, retired

Members of the Board of Directors

Fred Metzken	Spokesperson for the Board of Management (as of 18 March 2016) and Chief Financial Officer
Martin Baues	Chief Technology Officer
Dr. Klaus Richter	Chief Sales & Marketing Officer
Peter Schweda	Chief Human Resources Officer / Labour Director



Dr. Klaus Richter, Fred Metzken, Martin Baues, Peter Schweda

Report of the Board of Directors (Abridged Report)

Overall economic and sector related conditions

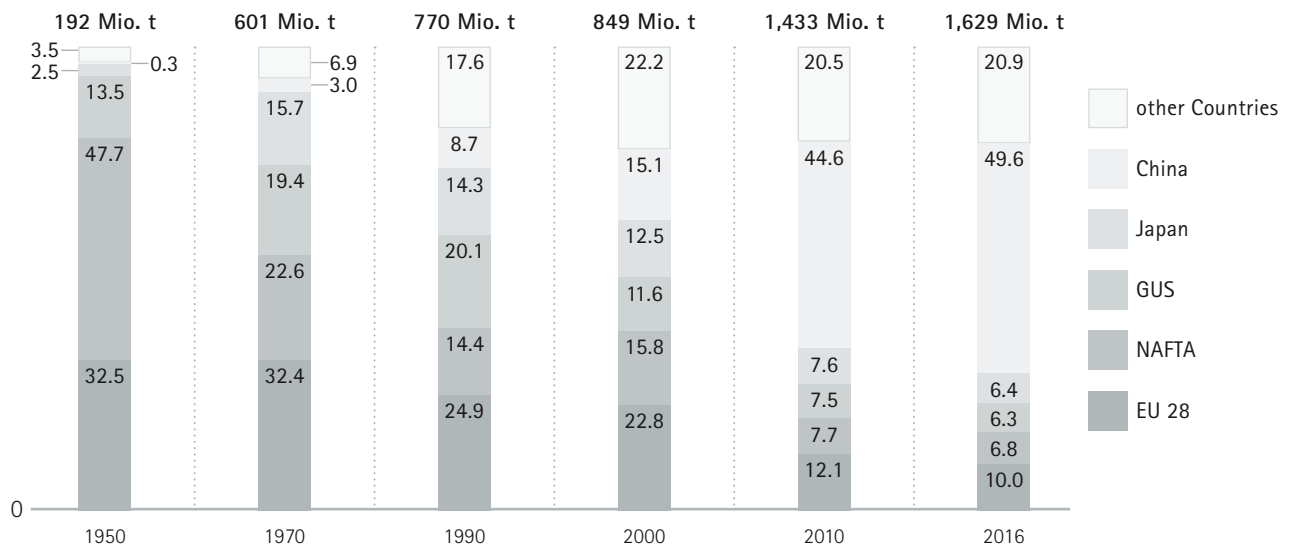
World economy: growth continues to lack impetus

The world economy continued to perform below expectations in 2016. As in 2015, growth of gross domestic product (GDP) was only slightly above the "recession threshold" of 3%.¹ Reasons for the development included the ongoing recession in the emerging markets Russia and Brazil as well as the only weak upward movement of economic activity in the developed economies. Worldwide economic activity in industrial goods proved to be even weaker in 2015, which expressed itself in slow growth of global industrial production and led to widespread restraint of private investment.

¹ Source: All data taken from publications by IWF, Eurofer and German Steel federation.

Europe solid overall

In the euro area and in the EU, economic performance experienced solid growth in 2016 at a rate of 1.8% compared to the previous year. This was also noticeable in the labor market: Unemployment in the EU fell in November 2016 to 8.3% (euro area: 9.8%). German economic growth in 2016 exceeded that of the relatively strong previous years with an increase of 1.9%. In particular, consumer expenditures for private households and the government as well as housing construction contributed to the upturn. Due to the stagnant demand in world markets, on the other hand, exports made no noticeable contribution to growth.



Growth of worldwide crude steel production (share in %)

Source: World Steel Association

Steel market characterized by high level of imports

After crude steel production declined worldwide by 2.8% in 2015, a slight increase of almost 1%, to 1.63 billion metric tons, was posted for 2016. A global structural crisis persisted as the utilization of capacities on the crude steel side, at 72%, continued to be at an historic low. The demand side was better than expected, due in particular to growth in China (growth amounting to 3%). However, important steel markets outside China disappointed with respect to growth in volume. Particularly in the United States, Russia and, most distinctly, in Brazil (-9.2%), downward movements continued without slowing in comparison to the weak 2015. Global steel demand was supported, however, by the economic recovery in the EU as well as a robust upswing in important ASEAN countries. Global steel exports remained at a high level in 2016. The focus here remained on Chinese steel exports, which, despite numerous trade cases and a stable domestic demand situation, have been maintained at a high level.

The current status of the steel market in the EU is characterized by slight growth in the market supply of rolled steel of almost 2%. Steel manufacturers in the EU were not able to benefit from market growth: Crude steel production by EU steel manufacturers fell by 3%, whereas imports into the EU increased once again by 7% in 2016 after 3 years with double-digit growth despite the anti-dumping duties introduced for some steel products. The share of imports, at 23%, exceeded even the high level from the boom year 2007. The growth had an impact on the utilization of plant capacities, which most recently averaged just 76% across all countries.

Course of business

The course of business of the Saarstahl group is essentially shaped by the companies Saarstahl AG and Saarschmiede GmbH Freiformschmiede.

Saarstahl AG


The market for long products was again characterised by over-capacities and the unchanged continuation of imports into the EU market, in particular from China. The ongoing structural crisis added to the existing pressure on volume and prices. By positioning itself in the higher quality range Saarstahl AG was able in 2016 to benefit from the robust development among the strongly export-orientated manufacturers in the premium sector of the German automotive industry. Utilisation of capacity therefore remained on a consistently high level in spite of the relining of blast furnace 4 of Roheisengesellschaft Saar (ROGESA). Nonetheless, with shipping volumes remaining more or less steady, the company closed the business year with a considerable decline in turnover and results. This is due, in particular, to falling sales revenues, the increase in the price of raw materials towards the end of the year and to other exceptional effects.

Saarschmiede GmbH Freiformschmiede

The situation at Saarschmiede remained very tense. At 185 million euros, the turnover in the business year 2016 is just above the level for the previous year. Above all, in the first six months of the year 2016, there were far fewer incoming orders than planned so that a partial lack of workload in the second half of the year could not be avoided. Saarschmiede closed the business year 2016 with a loss of -63 million euros.



The new wire rod outlet at the Neunkirchen site will increase the range of dimensions.



Against this background, an extensive programme for realignment and cost reduction was started in 2016. This programme under the name "Phoenix" is currently being implemented and should largely be completed in the course of the year 2017.

The focus of Phoenix lies on the realignment of production and sales by developing new business fields as well as enhancement of customer service through concise deadline and project tracking. The measures also include carrying out a cost-reduction programme and staffing adjustments due to the low volume of orders expected. As a result of the workload situation, short-time work was announced for Saarschmiede in the autumn of 2016. The number of employees

remained constant at 933 (previous year: 930).

As part of the realignment measures, Sairstahl AG acquired the shares in the limited partnership FORGE Saar Besitzgesellschaft mbH & Co. KG, Dillingen from Saarschmiede during the business year.

Earnings position

Sales remain at record level with continued massive pressure on revenues

In the business year 2016, the high level of sales of the previous years within the Sairstahl group consolidated; the shipping volume only dropped by 1.0% to 2,312 kt, and so it fell only slightly short of the record level of the two previous years. More decisive factors in the reduction in turnover from 2,159 million euros to 2,028 million euros and of overall performance from 2,194 million euros to 1,963 million euros were, as expected, declining sales revenues. The decline in turnover in 2016 is essentially due to the persistent massive price pressure specific to the industry, the continued difficult general market conditions for high quality forge products but also multiple reductions in the prices of raw materials.

The geographic distribution of the sales revenues for the year 2016 shows that the Sairstahl group held its position within the European Union while there was a slight shift in sales towards the domestic market at the expense of third-party countries. The proportion of turnover generated in Germany continues to lie at just under 60%.

The decrease in overall performance in 2016 amounting to 231 million euros is to be seen alongside lower

expenses for input materials – above all the lower cost of hot metal – from 207 million euros in the same period of time. Personnel costs in the Saarstahl group, at 18 million euros, are higher than those of the previous year, in particular due to tariff adjustments, part-time retirement measures and a greater than average workforce.

The debt waiver of a strategic partner resulted in extraordinary income amounting to 30 million euros in 2015 which, in compliance with new legislation in the German Commercial Code HGB (BilRUG – the German Accounting Directive Implementation Act) is reported under other operating income. Furthermore, it was particularly the lower exchange rate gains and income from end-of-period foreign currency valuation that resulted in an overall decrease in other operating income from 76 million euros by 43 million euros to 33 million euros.

Scheduled amortisation and depreciation are below the level of the previous year as a consequence of the investment trend; however, additional extraordinary amortisation and depreciation amounting to 44 million euros in 2016 mean that the total sum of amortisation and depreciation on intangible assets and property, of the plant and equipment was far higher than in the previous year. In the other operating expenses, shipping expenses/selling expenses fell in spite of sales volumes being insignificantly lower. Administrative expenses remained essentially steady; due to the creation of reserves for legal affairs the other operating expenses increased substantially to a total of 288 million euros (previous year: 187 million euros).

The Saarstahl group therefore closed the business year in 2016 with an EBIT (Earnings before Interest and Tax) of -155 million euros (previous year: 2 million euros) and an EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of -26 million euros (previous year: 138 million euros). The financial result consisting of the income from investments and interest was -27 million euros in 2016 (previous year: -36 million euros). Besides an improved interest result of -11 million euros (previous year: -18 million euros), there was only a slight change in income from investments from -18 million euros in 2015 to -16 million euros in 2016. In 2016, too, it was not possible to record a positive effect on the result due to adjustment of the equity valuation of the share in DHS – Dillinger Hütte Saarstahl AG; in 2016, this resulted in expenses amounting to 17 million euros. Taking taxes on income and earnings (5 million euros) and other taxes (4 million euros) into account, the Saarstahl group closes with earnings after tax amounting to -212 million euros (previous year: -6 million euros) or, respectively, with an annual result for the year of -215 million euros (previous year: -9 million euros).

Financial Situation

Positive cash flow from ongoing business activities

The inflow of funds from ongoing business activities amounted to 92 million euros in 2016; it was therefore 100 million euros less than the value for the previous year of 193 million euros. Based on the significantly weaker result, largely compensated by the scheduled and unscheduled amortisation and depreciation, which did not influence cash flow, as well as the change in working capital, the inflow of funds was half the amount of the previous year. Cash flow from ongoing business activities is to be seen alongside funds required for investments amounting to -79 million euros (previous year: -65 million euros). The free cash flow amounts to 13 million euros (previous year: 127 million euros). Taking the cash flows from financing activities amounting to 29 million euros into consideration (previous year: -101 million euros), mainly as a result of greater borrowing for repayments of short and long-term loans including interest payments for these loans as well as dividend payments to the shareholders of Saarstahl AG, cash and cash equivalents increased by 41 million euros to 310 million euros. Thus, the larger reduction in current liabilities to banks meant that liquid funds at 324 million euros at the end of 2016 were therefore at a somewhat lower level than the previous year (343 million euros).

Investments in intangible assets and in property, plant and equipment amount to 101 million euros in the financial year for the group (previous year: 90 million euros). A considerable part of this was for the rolling mills in Neunkirchen, Nauweiler and Burbach, the LD steelmaking plant and production facilities of ROGESA. There were investments amounting to 5 million euros in the wire mills DWK Drahtwerk Köln GmbH and Drahtwerk St. Ingbert GmbH.

In addition, on the balance sheet date, there are liabilities from purchase commitments from investment and repair projects amounting to 38 million euros (previous year: 113 million euros).

Investments

In 2016, Saarstahl AG primarily implemented the investments which had been approved in the years 2014 and 2015. The focus here lay on the rolling mills and on the LD steelmaking plant. For Saarstahl AG itself, the investment volume was 58 million euros (previous year: 63 million euros). At the two indirect subsidiaries ROGESA and ZKS, the investment expenditure amounted to a total of 61 million euros of which Saarstahl AG bears half in accordance with its share in the two companies.

Rolling mill Burbach

A large part of the construction work to extend the roughing mill in the Burbach rolling mill could already be concluded in 2015. After the old facilities had successfully been dismantled, the remaining construction work was carried out during the three-week plant shut-down in summer 2016. After that, assembly and commissioning of the two additional stands was carried out with new shear, deflector and driver. Cold and hot functional testing of the new facility went according to plan so that the extended roughing mill could start production operations as scheduled. The two additional stands take some of the strain off the first four stands in the roughing mill. Furthermore, it is now possible to roll billet formats of 180 mm x 180 mm in the mill.

Rolling mill Völklingen

After conclusion of the assembly work for the new 7-stand continuous blooming mill, the first billets were rolled in mid-January. The measures required to optimise the system could largely be carried out without any interference to production: a bypass installed specifically for this purpose meant that the existing blooming stand could continue to be used.

Rolling mill Neunkirchen

At the beginning of January 2016, on mill train 32 in the Neunkirchen rolling mill, the first stage of construction for a new loop cooling stretch – a 30 million euros investment – could be put into operation according to schedule. This meant that the requirements for the second stage of construction – the installation of cooling lines, shears, precision rolling block, loop cooling conveyor and coil binding chamber – had been fulfilled. All of the assembly work could be conducted parallel to the rolling mill production so that it was possible to roll the first bar from the new wire rod outlet at the beginning of November.

Financial key figures

		2012	2013	2014	2015	2016
Equity intensity						
Equity	million €	2,768	2,577	2,608	2,573	2,337
Balance sheet total	million €	3,834	3,614	3,485	3,400	3,325
	in %	72.2	71.3	74.8	75.7	70.3
Fixed Assets						
Coverage Ratio						
Equity	million €	2,768	2,577	2,608	2,573	2,337
Fixed assets	million €	2,336	2,170	2,055	1,982	1,887
	in %	118.5	118.8	126.9	129.8	123.8
Debt						
long-term						
liabilities to banks	million €	469	447	404	362	373
Equity	million €	2,768	2,577	2,608	2,573	2,337
	in %	16.9	17.3	15.5	14.1	16.0
EBIT Margin						
EBIT	million €	9	-131	80	2	-155
Product sales	million €	2,492	2,280	2,361	2,159	2,028
	in %	0.4	-5.7	3.4	0.1	-7.6
EBITDA Margin						
EBITDA	million €	147	19	233	138	-26
Product sales	million €	2,492	2,280	2,361	2,159	2,028
	in %	5.9	0.8	9.9	6.4	-1.3
Return On Capital Employed (ROCE)						
EBIT	million €	9	-131	80	2	-155
Equity, provisions for taxation, Liabilities subject to interest (average)	million €	3,424	3,244	3,130	3,086	2,924
	in %	0.3	-4.0	2.6	0.1	-5.3
Internal financing capability						
Operating cash flow	million €	277	46	162	193	93
Net investments in tangible assets	million €	131	78	34	89	99
	in %	211.5	58.7	476.5	216.9	93.9
Expense structure in % of the overall performance						
Material intensity	in %	74.6	72.2	67.7	67.3	64.7
Personnel intensity	in %	17.2	17.2	17.7	19.4	22.6

Asset Position

Equity ratio above 70 %

The balance sheet total decreased by 75 million euros compared with the previous year to 3,325 million euros. In the application of funds the asset position is hereby mainly characterised by the reduction in fixed assets to the value of 95 million euros, by a 19 million euros decline in the availability of liquid funds with simultaneously high receivables from ongoing business activities amounting to 42 million euros.

Essentially due to the payment of dividends to the shareholders of Saarstahl AG (25 million euros) and the net loss (215 million euros), the equity ratio decreased by a total of 236 million euros to 2,337 million euros. With regard to borrowed funds, there was a more or less consistent increase compared with the previous year so that there was an increase, in particular, in other reserves (+114 million euros), in liabilities towards banks (+11 million euros) and in trade payables (+35 million euros).

Key Figures for the Saarstahl Group

The business performance of the Saarstahl group in 2016 is also reflected in the most important key figures in the asset and capital structure as well as in the development of returns. Overall unsatisfactory development of the Saarstahl group with, among others, different effects on the asset, financial and earnings position, meant that the equity intensity fell from 75.7% in 2015 to 70.3% in 2016. The decrease in fixed assets, largely due to scheduled and unscheduled amortisation and depreciation and a change in financial assets with simultaneous low equity meant that the scope of fixed assets financed by equity decreased compared with the previous year.

The earnings performance of the Saarstahl group in the financial year 2016 is reflected in all key figures for earnings; based on a net loss for the year amounting to 215 million euros, the earnings before interest and tax (EBIT) along with the earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 157 million euros and 164 million euros, respectively, compared with the figures for the previous year. The ROCE (Return on Capital Employed) in the reporting year amounted to -5.3%, the operating margins (EBIT margin: -7.6% and EBITDA margin: -1.3%, respectively).

Non-financial performance indicators

Sustainability

The efficiency and success of the Saarstahl group are determined by its sustainable and responsible behavior toward employees, the environment, the public and the region. Responsible and sustainable practices are a key element of corporate policy.

Key areas include:

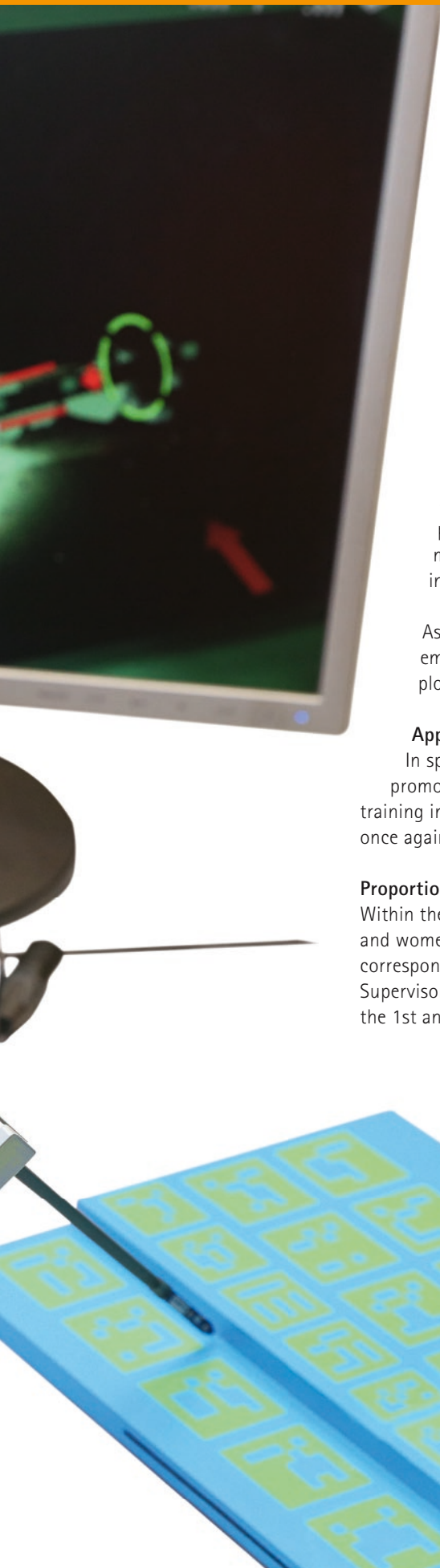
- Human resources that are geared to continuity and high social standards,
- Company internal improvement processes that bring the principles of sustainable and reliable conduct to each workplace and each employee,
- Pooling expertise and service for the sustained success of the customers in the economic implementation of unusual and innovative projects,
- Safeguarding and expanding our technological capabilities by investing in new facilities and modernizing of existing facilities and by developing innovative products and processes,
- A procurement system that is based on procurement reliability and environment friendly means of transport,
- Economical and resource saving conduct using numerous environmental protection measures for the efficient use of energy, such as the introduction of a certified energy management system and
- Long-term partnerships with universities, research institutions and customers in the development and improvement of materials

Steel, the material itself, and the product of the Saarstahl group, correspond more clearly than any other material with the principle of sustainability:

Through numerous applications and uses, steel provides a valuable contribution to environmental and climate protection. No other material is produced in such an environment friendly manner than steel. When it has fulfilled its purpose after a few decades or generations of use it has become scrap and is therefore a valuable raw material which can be fully recycled over and over again without any loss of quality and returned completely to the economic cycle.



Industry 4.0 applications are part of the vocational training.



Innovative products made of steel, such as wind turbines and power plant turbines save six times more CO₂ than is used in their production, according to a study by Boston Consulting Group. In automotive engineering, high-strength steels reduce vehicle weight to ensure significant fuel and emissions savings. The use of advanced steels in structures that are subject to high stress loads can in many cases reduce the amount of materials used by up to 50%, thus helping to conserve valuable resources and boost environmental protection.

Employees

With their skills, performance and commitment, our employees make a decisive contribution to the success and development of Saarstahl AG. For this reason, we continue to make targeted investments in the areas of occupational health and safety, sustainable promotion of health and promotion of young talents. Based on an independent data survey, the magazine "FOCUS" declared Saarstahl to be one of Germany's best employers in 2016.

As at 31.12.2016, the workforce of the Saarstahl group is made up of 4,009 employees of Saarstahl AG, 933 employees of Saarschmiede and 1,612 employees of further companies within the group.

Apprenticeship and Training

In spite of the difficult economic situation, the group continues to invest in the promotion of young talents. There were even two trainees who completed their training in 2016 as the best in the region, one trainee even as the best in the country, once again proving the top quality of training provided by Saarstahl.

Proportion of Women

Within the context of the law passed on 24.04.2015 for equal participation of men and women in positions of management in the private sector and in public service, corresponding quotas of women were laid down by the Supervisory Board – for the Supervisory Board and the Management Board – and by the Management Board for the 1st and 2nd management levels.

In total, the average proportion of women in the overall workforce at Saarstahl in 2016 was 5.4%. This quota is to be seen with due consideration to industry-specific, historical and socio-cultural circumstances. Training and continued careers in the steel industry are largely characterised by training paths along scientific and technical routes. Due to the fact that, even today, there is only a small proportion of women in these courses of training and study overall, the proportion of female applicants

who are interested in technical careers in steel companies remains relatively low. Furthermore, additional factors such as shift work across broad sections of production play a socio-cultural role with the result that women are less willing to choose such careers.

Saarstahl is carrying out measures on different levels in order to continuously increase the proportion of women. Among these, the wide range of part time jobs, childcare possibilities with our own company-based childcare centre, participation in the country-wide Girls' Day, the ongoing increase in the proportion of female trainees and the development of sanitary and social rooms for women are worth mentioning in this respect. Management positions are held by women above all in administration. Within the context of operative tasks being taken over by the majority-holding SHS – Stahl-Holding-Saar, e.g. in the central services areas such as purchasing or finance and accounting, a significant proportion of female employees and managers moved to the holding. As a result, the proportion of female employees, at 41.6%, within the overall workforce is significantly larger here than at Saarlöhle. Saarlöhle will also intensify its concept for the advancement of women in future.

Within the context of § 111 paragraph 5 of the German Stock Corporation Act (AktG), a quota of 30% of women on supervisory boards was targeted throughout the steel industry in the Saarland region (SHS – Stahl-Holding-Saar, Dillinger and Saarlöhle). When carrying out new appointments at board level, the Supervisory Board of Saarlöhle will occupy itself with this topic in accordance with the law on equality when filling management posts.

Within the context of § 76 paragraph 4 of the German Stock Corporation Act, the Management Board of Saarlöhle laid down a quota of 12% as a target value for women in management functions. The consideration applies to the upper management level and comprises the first and second level of hierarchy as well as functions which are to be seen as equivalent to the first two upper levels of management due to their importance to the company. As mentioned before, the target values named are to be seen under the industry-specific circumstances and their overall socio-cultural context.

Strategy and Cost Management

For many years now, Saarlöhle has been using a multitude of instruments in order to drive the internal improvement processes and to remain competitive in the long term. In principle, the company is following the strategy of compensating fluctuation in demand due to economic cycles by having a high degree of flexibility so that an adequate result is consistently attained.

Also in 2016, as part of the cost reduction programme, possible energy-saving potentials were consistently identified and corresponding measures implemented. As a result, cost-savings could be increased once again in 2016 compared with the previous year. The Cost Management department thereby ensures the necessary cost-sensitivity in all technical areas as well as precise control of expenses depending on the current revenue situation in each case.

Using the SixSigma method, main areas of focus on process optimisation and quality improvements are worked out. The approach of "Production System" optimisation aims at implementing a continuous improvement process in all areas. The method was introduced in 2016 in further units in the rolling mills and in further processing.

Innovation and Quality

Saarstahl is the first manufacturer worldwide to use Mechanical Soft Reduction technology (MSR) when casting continuous-cast billets in square casting formats of 150 mm. In 2016, the quantities of MSR in this format could be increased by 18 % to around 70,000 t. Of the total tonnage, 54 % are tyre wire grades with 0.7 % to 0.9 % C. For grades with 1 % C for highest-strength applications in the field of tyre wire manufacture and offshore technology, Saarlstahl achieves Japanese levels with regard to segregation.

The through-hardening anti-friction bearing steel made from square formats of 240 mm was completely changed over to MSR after successful homologation at the customer.

In a bloom format of 265 mm x 340 mm, primary material was produced using the MSR method which was comparable to primary material created by ingot casting with regard to the formation of segregation. The components forged from this material successfully passed the fatigue strength test and were therefore subsequently granted customer approval.

Within the context of two Bachelor theses by scholarship holders from the University of Duisburg-Essen, the advantages of thermomechanical rolling compared to conventional rolling were elaborated. In particular, deformation dilatometry was used to demonstrate that, with 2-step thermomechanical treatment such as will be possible after the final stage of extension of rolling mill train 32, a further improvement in the technological characteristics of our wire rod is to be anticipated.

In order to better characterise and differentiate between the conditions "conventionally rolled" and "thermomechanically rolled", EBSD ("Electron Backscatter Diffraction") has been available in our Metallography department since the middle of March 2016. As a result, precise quantification of the grain sizes as an important aspect of the thermomechanical rolling and resulting product characteristics is possible.

For the conversion of the coil quench and temper facility from oil to polymer hardening, several trial hardening processes were carried out in pilot plant scale in the hardening shop and a trial and homologation campaign were carried out in the production facility. The trials were successful, and it is planned to finally change over the facility to hardening in a watery polymer solution once approval has been granted by the customer in 2017. The measure will bring significant advantages regarding occupational health and safety, costs and the environment.

Saarstahl has developed a corrosion protection system especially for phosphated wire rod coils called "SAG-Protect", which protects coils against humidity and therefore increases the corrosion protection during longer and unfavourable storage and delivery conditions. The product has been in use in the new surface treatment facility in the wire mill in St. Ingbert since October 2016.

Chemical (CL) and Technical Laboratories (TL)

In April 2016, the accreditation of the CL, which had existed since 1993, was renewed in a four-day re-accreditation audit by the German accreditation body Deutsche Akkreditierungsstelle GmbH (DAkkS/Berlin). The basic idea behind the accreditation in compliance with DIN EN ISO/IEC 17025 is to provide documented proof of competence. The successful participation in national and international interlaboratory tests regarding steel and environmental analytics strengthen the professional expertise, reliability and the reputation of the CL.

In February 2016, the re-accreditation audit of the TL took place. The accreditation of the TL, which had existed since 1995, was reconfirmed by the DAkkS and extended within the context of the multi-location accreditation to include the testing base in Neunkirchen. Besides accreditation audits, successful participation in certified suitability tests and interlaboratory trials ensure the high level of quality of the material tests conducted both in the central laboratory and at external locations of the TL.



The new casting crane at the steelmaking plant allows a higher level of flexibility.



Certification and Approvals

The existing certification in the fields of quality, the environment and energy was successfully continued in the year 2016 (Quality: DIN EN ISO 9001, TS 16949 (Automotive: Sairstahl), EN 9100 (Aerospace: Saarschmiede), Environment: DIN EN ISO 14001, Energy: DIN EN ISO 50001).

In 2016, approval was obtained from the "American Bureau of Shipping" (ABS). This approval allows Sairstahl to manufacture various steels according to the safety standard set down by the ABS. For the Indian and Malaysian market, the processes for obtaining such approvals have commenced.

Procurement and transport of raw materials

The trend of falling prices in the raw materials markets was interrupted in the second half of 2016. Further growth in demand for raw materials in China, combined with the worldwide closures of ore and coal mines, had an impact.

While a growing number of Europe's coal power plants are being shut down, economies in Asia continue to rely on energy production from coal at an intensity that has hardly diminished. While the overarching objectives in the "decarbonization" adopted in Elmau 2015 and that of the Paris climate conference are primarily aimed at energy production, they are not without impact on the medium- to long-term availability of coals for steel production, especially in Europe.

Ore prices markedly higher – pellet market strained

The ore market has been significantly influenced by the development in China: Seagoing ore imports reached a new record level of around 1 billion metric tons. Despite increased worldwide production of iron ore, prices increased again as a result. In addition, there were special effects such as a roughly 25% loss of production for the seagoing pellet trade caused by a dam break at Brazil's pellet producer Samarco in late 2015, which became increasingly noticeable starting in the middle of the year. The supply situation for iron ore pellets therefore remains quite strained.

The strategy pursued by ROGESA and ZKS of diversification and continuous optimization of the blast furnace charge and coking coal mixture allowed for optimal supply of the blast furnaces at all times in terms of quality and costs, even under the highly volatile conditions in 2016.

Fuels: explosion in demand and prices in 2nd half of year

Due to mine closures and reduction of the work days in Chinese coal mines, demand from China rose on the world market by about 50 million metric tons. In addition, the production capacity on the world market after various mine closures fell by about 40 million metric tons. In a market environment characterized by several years of consolidation, mine closures and producer bankruptcies, the decision by the Chinese government at mid-year to drastically limit domestic extraction led to an absolute explosion in demand and prices in the 2nd half of 2016.

Shipping: rising cargo rates starting in the 2nd quarter

The cargo rate market reached a historic low in the 1st quarter of 2016. The volatility of the cargo market increased sharply at the start of the 2nd quarter and especially in the 2nd half of the year. The combination of favorably priced cargo rates that are secured long-term and the simultaneous use of opportunities on the spot market continued to prove fruitful for ROGESA and ZKS. New opportunities and ways were also generated and conditions improved in the area of bulk material-handling companies.

Successful supply strategy

The basic coal types no longer available due to mine closures were replaced with suitable alternatives, or compensated for through changes in operation, without negative impacts on processes or costs. The significantly higher volatility in availability and price in the coal market was accounted for through a further intensification of market research and diversification activities. By concluding contracts with varying durations and conditions while at the same time diversifying and developing new sources of supply, supply bottlenecks and negative effects with respect to quality and production costs were avoided for ores and fuels as well.

The supply of ROGESA and ZKS with ore, fuels and aggregate materials was ensured at all times and at good conditions despite the volatile fluctuations in price as well as the relining of blast furnace 4 of ROGESA and the associated reduction in production.

Saar Rail GmbH

The volumes in the transport of hot metal decreased in 2016 compared with the previous year due to relining of the blast furnace. This had an effect on the transport volumes of Saar Rail altogether. Saar Rail was able to counteract this development in external freight transport by taking on new destinations and utilising flexible rental contracts. Through increased process reliability and inexpensive freight rates in rail goods transport, in 2016, too, Saar Rail was able to make a significant contribution towards overcoming the growing challenges which face the steel industry in Saarland. The company commenced an investment programme in 2016 to renew its rolling stock.

Environment and energy

Matters of energy generation and of energy utilisation as well as those of climate protection are meanwhile closely interwoven with the globalised economy and with the principle of sustainability in its ecological, economic and social dimension. The Saarstahl group gives high priority to environmental protection in its company guidelines. Through specially targeted training measures, Saarstahl creates a high level of awareness of the environmental effects of the activities of each individual. This approach ensures factual and open communication with the authorities and the general public. The objective is to guarantee sustainable and resource-efficient production through preventive measures and future-orientated strategies.

Emission Control

In spite of the difficult market situation, Saarstahl continues to invest in measures aimed at improving the environmental situation. In order to reduce diffusive dust emissions, a hall for the deposition of slag from the LD steelmaking plant was erected and put into operation at the Völklingen location. The investment volume amounted to around 1.5 million euros.

In the steelmaking plant itself, the secondary dust removal system was optimised. This optimisation essentially consists of improving automation of the extraction procedures, installation of a control unit to prevent temperature peaks, the exchanging of flaps and the modification of the pipework. The measures carried out cost 1.5 million euros and ensure maximum capture of diffusive dust emissions. The extraction facility can be operated fully automatically and in an emission-optimised control mode. The extraction at the various extraction points is orientated towards the current production with the appropriate temporal and logical interconnections.

In the Burbach plant, a hall area with the finishing line was completely closed off, thus resulting in a significant reduction in noise levels.

Environmental Management

In 2016, Saarstahl AG, with its locations Völklingen, Burbach, Neunkirchen as well as Kalksteingrube Auersmacher and Saarschmiede GmbH Freiformschmiede was successfully certified according to the international environmental standard ISO 14001:2004. This documentation is a record of the ongoing efforts to sustainably minimize consumption of resources, dust and noise emissions and the amount of waste generated.

Industrial Emission Directive 2010/75/EU

In 2016, the facilities of the LD steelmaking plant, of Saarschmiede GmbH Freiformschmiede and of the Neunkirchen plant were audited by the monitoring authorities in compliance with the IE directive on environmental aspects of air pollution control, noise, closed loop economy and soil and water protection. The monitoring of all affected facilities, which is required by law, has therefore been concluded. The relevant reports were published on the internet by the regional government authority for the environment and occupational health and safety. From 2017, the official monitoring interval starts once again.

CO₂ Emission Trading

In the year 2016, too, in the field "CO₂ Emission Trading", the monitoring plans, in particular, of the facilities subject to mandatory emission trade were supplemented and updated according to the rotational cycle in the cross-location workgroup for energy, media and environmental protection (SHS SERVICES GmbH – Energie und Medien und Umweltschutz of Saarstahl AG). The requirements here are characterised by ever more complicated legal provisions and regulations. Reporting to the German emissions trading office (activity rate reports, improvement and emission reports, reports on carbon leakage status etc.) is becoming more and more extensive. The political discussions on the reform plans for the European emission trading system as of the year 2020 (4th period of trading from 2021 to 2030) continue to be viewed with concern for the steel manufacturing location within the international competitive market.

Parent Company Saarstahl AG

Human Resources

Occupational health and safety on an improved level

Creating a secure and healthy working environment for its workforce is an elementary component of human resources policy at Saarstahl AG. The safety level attained over the last few years could be further improved in 2016. The number of accidents with resulting days of absence from work decreased by 17 accidents to 20. The internal accident frequency therefore also fell to 3.1 accidents per 1 million working hours (previous year: 5.6).

Number of employees remains constant

At Saarstahl AG, at the end of the reporting year, there were 4,009 employees in the workforce (previous year: 4,031).

State-of-the-art and practice-orientated initial training

In the reporting year, 83 trainees were newly hired, with the overall number amounting to 261 trainees. In addition, there were 12 school pupils receiving work experience, 7 pupils from technical high school and 11 trainees receiving basic vocational training. Two trainees were even able to complete their training as Best in the Region in 2016 and, of those two, one was even Best in the Country. Once again, this proves the top quality level of training provided by Saarstahl.

Production

As its core facilities, the production department at Saarstahl AG comprises the steelmaking plant in Völklingen and three rolling mills located in Völklingen, Burbach and Neunkirchen. The preliminary stages of production, i.e. the production of coke and hot metal, take place at the Dillingen location with the two companies (share of Saarstahl AG 50% each) Zentralkokerei Saar GmbH (ZKS) and ROGESA Roheisengesellschaft Saar mbH (ROGESA).

LD steelmaking plant

In the year 2016, the focus in the LD steelmaking plant was on the relining of blast furnace 4, which lasted 90 days, during the months of July, August and September. For this reason, the amount of hot metal blown decreased to 2.05 million t (previous year: 2.37 million t). At the end of the year the fixed production amounted to approx. 2.39 million t. Around a third of the volume produced was vacuum-treated on the RH degassing plant.

On the continuous casting plants the shift towards S0 continued, and the proportion of billets cast in the square format of 180 mm increased to 11% in 2016 (previous year: 8%). Here, the demand from customers for higher coil weights and the efforts to increase output on the rolling mill are having an effect.

Rolling mill Völklingen

In 2016, total production at 520,000 t including primary rolled ingots was slightly lower than the level of the previous year of 555,942 t. This is due both to blast furnace down-time as well as the commissioning of the new roughing mill at the beginning of the year. At 771 t/shift, the shift output was slightly higher than the level of the previous year of 761 t/shift but can be further increased as a result of the better performance of the new continuous blooming line. In 2016, the OTIF figure for measuring delivery reliability was on a similarly high, very good level to the previous years.

Rolling mill Burbach

It was not possible to maintain the high production output of the previous year (1.02 million t) but rather, at 963,053 t, there was a slight decrease due to the blast furnace down-time and modifications on rolling mill train 11. In the middle of 2016, the single-strand roughing mill was extended by two rolling stands including a new shear and a four-strand deflector. As a result of this measure, it is now possible to roll billets in formats of 180 x 180 mm.

Rolling mill Neunkirchen

At the beginning of the year, three new hood-type annealing furnaces were put into operation in the annealing and pickling shop. Since the type of construction was the same as the existing three annealing hoods, the furnaces could immediately be integrated into series production. Due to this new investment, the Neunkirchen site now has a heat treatment capacity of approx. 6,300 t of wire rod per month. Parallel to this, measures required to improve quality and increase productivity in the pickling tunnel were carried out in order to be able to have the appropriate number of pre-pickled and ready-coated wire rods available for the increased heat treatment capacity. The Neunkirchen site has thus increased its flexibility and competitiveness, in particular on the cold massive forming market.

In autumn 2016, the second stage of the new high-speed section of the one-strand wire rod mill could be put into operation. Even in the first operating trials, the potential of the new precision rolling block and the new loop cooling conveyor was proven. On the combined wire rod and bar mill, the range of dimensions that can be manufactured was successively increased in 2016. Shipping volumes of flat and square dimensions increased by a further 10% to more than 42,000 t.

The Japanese company DENSO, one of the largest automotive suppliers worldwide, presented the "Regional Cooperation Award" to Saarstahl in May 2016 for excellent product quality and cooperation. On the combined wire rod and bar mill, round wire rod with dimensions of approx. 46 mm is manufactured for the Denso plant in Knoxville in the state of Tennessee in the US. All in all, a total of approx. 852,000 t of long products was produced on both rolling mill trains in the year 2016 (previous year: 859,000 t). Of these, approx. 435,000 t were produced on the combined wire rod and bar mill and approx. 417,000 t on the wire rod mill.



The new continuous blooming line at the rolling mill Völklingen stands for higher quality and faster processing times.



Most significant shareholdings

Zentralkokerei Saar GmbH, Dillingen

Saarstahl AG and AG der Dillinger Hüttenwerke each hold an indirect 50% interest in Zentralkokerei Saar GmbH. ZKS produces coke intended exclusively for use in ROGESA's blast furnaces. Total coke production in 2016, at 1,312 kt, was slightly below the previous year's production (1,314 kt). ZKS is a company without employees. Operational management is handled by Dillinger.

Investments at ZKS in 2016 amounted to € 4 million (2015: € 5 million). Key investments during the year under review included, on the gas treatment plant, new filling stations with liquid-tight areas for auxiliary materials as well as a new gas extraction system for the coke oven battery roof. These investments contribute significantly to improving environmental protection at the site.

ROGESA Roheisengesellschaft Saar mbH, Dillingen

ROGESA Roheisengesellschaft Saar mbH, in which Saarstahl holds a 50% interest (indirect and direct), produces hot metal exclusively for its shareholders, Saarstahl and Dillinger. Operational management of ROGESA, as a company without employees, lies in the hands of Dillinger.

Hot metal production in 2016 was carried out according to plan with blast furnaces 4 and 5, and – due to the relining of blast furnace 4 in the third quarter – annual production, at 3,980 kt, was 10.1% lower than the previous year (4,429 kt). During the year under review, 2,059 kt (previous year: 2,369 kt) went to Saarstahl and 1,921 kt (previous year: 2,060 kt) was supplied to Dillinger.

Investments at ZKS in 2016 amounted to € 57 million (2015: € 29 million). The focus of the investments was on the relining of blast furnace 4. The planned 90-day schedule was adhered to precisely. The primary work performed on blast furnace 4 in the course of the relining during the year under review included replacement of the dust bag with an axial cyclone, refurbishing of the gas wash water

cycle and the open cooling water cycle, renovation of the complete electrical system and automation, and modernization of the control system and blast furnace blowers D1. In addition, the railway tracks in the area of ROGESA were comprehensively refurbished: In all, around 2,650 m of tracks and 5,000 railroad ties as well as 6,500 tons of gravel and soil were moved by year's end.

Along with STEAG New Energies GmbH (49.9%) and VSE AG (25.2%), ROGESA holds a 24.9% stake in Gichtgaskraftwerk Dillingen GmbH & Co. KG, which leases a 90 MW power plant at the Dillingen site to the operators of the blast furnace gas power plant, Dillinger, ROGESA and ZKS, for the production of electricity.

Subsidiaries in the field of Further Processing

In 2016, around 387 kt of wire rod and bar products were supplied. Sales levels were therefore above those of the previous year and above the long-term average.

The usual product-specific differences among the subsidiaries could not be observed. Both the field of wire rod with the companies Drahtwerk St. Ingbert, Drahtwerk Köln, Conflandey Industries and Schweißdraht Luisenthal, and the field of bright wire with the companies Saar-Blankstahl and Secosar Etirage and cold rolled strip steels from Saar-Bandstahl were able to exceed the sales level for the previous year overall. However, it was not possible to completely avoid a slight decrease in the margins due to the reduction in the steel input prices over the course of the year.

The focus of investment, besides the final implementation of measures initiated in the previous year in the fields of onshore wind energy, medical, automotive and agricultural machinery, was the further extension of the wire service centre in St. Ingbert. Together with the large projects already completed in the previous few years, the foundations have now been laid for the sustainable manufacture of high quality wire rod products.

With its independent subsidiaries, further processing at Saarstahl AG attained sales revenues of 360 million euros (previous year: 371 million

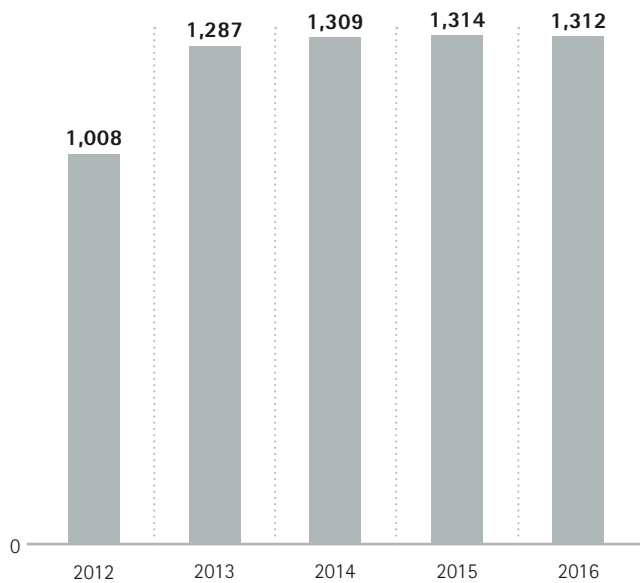
euros) with shipping volumes of 387 kt (previous year: 380 kt) in 2016. The EBT of all further processing subsidiaries amounts to 5.2 million euros (previous year: 7.4 million euros).

For 2017, the further processing companies are planning a further increase in sales volumes and of the result for the year.

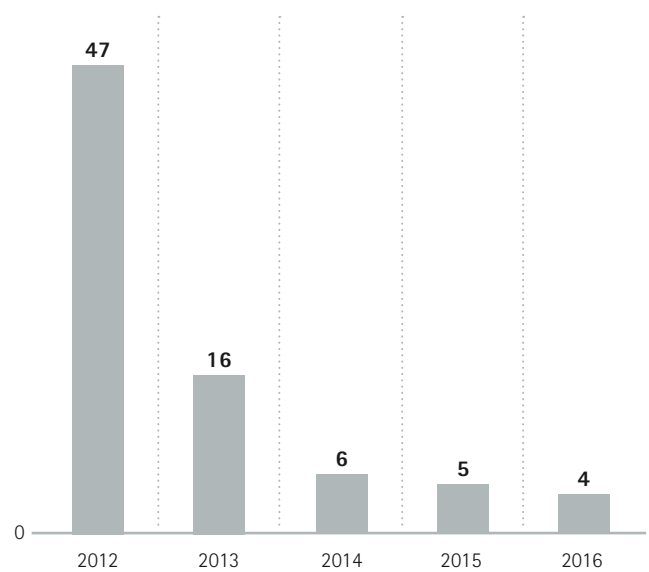
Sales Companies

The sale of Saarstahl products takes place in direct sales with our own sales organisation in Germany and in other European countries with our own sales companies with locations in France, Italy, Belgium, Switzerland, the Czech Republic and Turkey. Worldwide, Saarstahl is represented with its own companies in Detroit, Shanghai, Hong Kong, Mumbai and Malaysia. Within the context of the internationalisation strategy, on 01.07.2016, Saarstahl founded a new sales company in Barcelona with the name "Saarstahl Ibérica". Furthermore, a new sales company is planned in Great Britain for 2017.

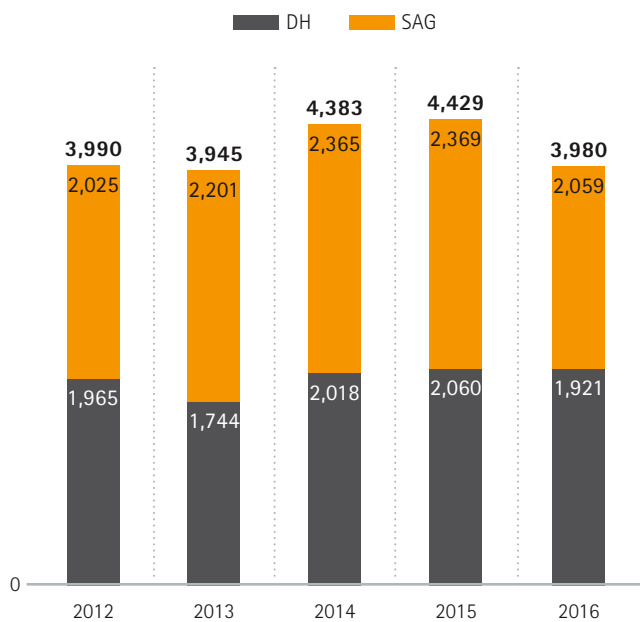
Above all, products of Saarstahl AG and its further processing companies are marketed by the international sales organization. To a limited extent, trading activities are carried out. The sales organisations achieved a result of around 3 million euros in 2016 (previous year: 1 million euros).



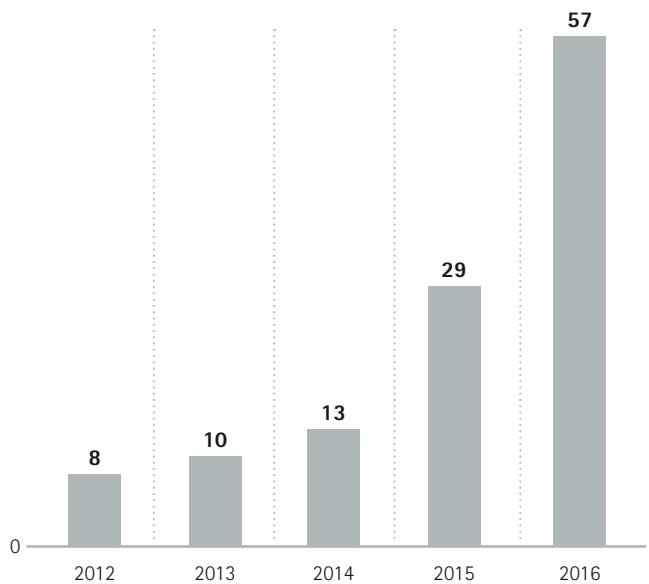
ZKS coke production (in kt)



Investments in plant, property and equipment at ZKS (in million €)



Hot metal production by ROGESA for SAG and DH (in kt)



Investments in plant, property and equipment at ROGESA (in million €)

Saarschmiede GmbH Freiformschmiede

The situation continues to be very strained in most of the market segments in which Saarschmiede is active. Besides the worldwide problem of large over-capacities and resulting high pressure on prices, the company is consistently confronted with aggressive competition. The orientation of climate policies towards renewable energy as well as the huge decrease in the price of oil made it very difficult to calculate worldwide investment behaviour in energy generation. The political crises in Eastern Europe, the Middle East and North Africa have also led to further uncertainties. In addition, the economy in Iran has taken longer to open up than was expected just one year ago.

Since there are now also increased efforts to reduce CO₂ levels in the fast-growing developing and threshold countries, there will be few investments in the long term worldwide in new fossil-fuel fired power plants. Here, the only remaining measures are the conversion of outdated fossil power plants to modern highly efficient systems with correspondingly lower emission of pollutants.

On the American and Chinese market, Saarschmiede was able to benefit from the continued low value of the euro – this applies, in particular, to the fields of special alloys, high-performance gas turbines, supercritical coal power plants and so-called retrofit projects to increase the efficiency of power plants already in operation. Furthermore, the market for hydro-power turbines remains an important field within the context of low CO₂ energy generation. The steam turbine business for Chinese-built nuclear power stations is also increasingly establishing itself as an important product area. In Europe, on the other hand, this market continues to be weak with low prices in almost all areas.

Course of business at Saarschmiede

Due to the market position described, the situation at Saarschmiede remains very tense. At 185 million euros, the turnover in the business year 2016 increased slightly (previous year: 178 million euros). Above all in the first six months of the year, incoming orders were far lower than planned so that a partial lack of work-

load in the second half of the year could not be avoided. The result for Saarschmiede in 2016 amounted to -63 million euros (previous year: -12 million euros).

Against this background, in summer 2016, an extensive programme for realignment and cost reduction was initiated. This programme, with the name "Phoenix", is currently being implemented and should largely be completed during the year 2017. The focus of Phoenix is on the realignment of production and sales by developing new business fields and in the strengthening of customer service by concise tracking of deadlines and projects. Parallel to this, a cost-reduction programme and personnel adjustments are also being carried out due to the lower number of incoming orders expected. As a result of the workload situation, Saarschmiede registered for short-time work in autumn 2016. The number of employees remained constant at 933 (previous year: 930). As part of this realignment, Saarstahl AG acquired the limited partnership shares in the FORGE Saar Besitzgesellschaft mbH & Co. KG, Dillingen from Saarschmiede during the business year.

Outlook

The market environment for Saarschmiede in 2017 will continue to be characterised by intense competition from already established players and upcoming competitors from low-cost threshold countries. The global over-capacities, the sustained trend towards renewable energy sources and the continued fall in oil prices as well as the immense pressure on prices will, in all likelihood, persist in 2017. To aggravate the situation, there has been a rapid rise in the price of raw materials since summer 2016, and this has resulted in significant cost increases. In the medium term, Saarschmiede anticipates a rise in the price of oil and, as a consequence, a recovery in the oil and gas business. This will lead to a significant increase in the willingness to invest in the energy infrastructure and therefore also to an increase in the market prices.

Aktien-Gesellschaft der Dillinger Hüttenwerke
Aktien-Gesellschaft der Dillinger Hüttenwerke (Dillinger) is the most important subsidiary of DHS – Dillinger Hütte Saarstahl AG, in which Saarstahl holds a 33.75% share. Dillinger specialises in the manufacture of high quality heavy plate and, together with its subsidiary, Dillinger France S.A. in Dunkerque, France, it is a world leader in this market segment.

Market for heavy plate remains extremely competitive

The market for heavy plate continued to be characterized by massive over-capacities and a high import level in 2016. Correspondingly, the average capacity utilisation of the plants of European heavy plate manufacturers fell again from the already low 61% in the previous year to 58%. Revenues remain under pressure and even also weakened significantly.

Business year closed with a loss

Against this background, the year 2016 was, as anticipated, an especially difficult business year for Dillinger. In spite of fluctuating demand for line pipe plate, the company was able to record a considerable increase in incoming orders, which were notably higher than in the previous year, and also the incoming orders for the field of normal plate were above the figure for the previous year. Nonetheless, due to the massive decline in revenues and changes in the expense and earnings structure, the company could close the business year only with a loss.

Good capacity utilisation of the production systems

Due to the relining of blast furnace 4 of ROGESA, the purchase of hot metal at 1,921 kt (2015: 2,060 kt) fell by 6.8% and the production of hot metal fell to 2,267 kt (2015: 2,401 kt) by 5.6% compared with the previous year. As in the previous years, the steel production fulfilled the need for slabs for the rolling mill in Dillingen as well as largely fulfilling the demand for slabs of Dillinger France. The manufacturing output of the two rolling mills (1,883 kt) increased by a total of 1.4% compared with the previous year (2015: 1,856 kt) whereby 1,284 kt of heavy plates (2015: 1,296 kt) were produced in Dillingen and 599 kt (2015: 560 kt) were produced in Dunkerque.

Tangibly lower sales revenues in spite of greater sales volumes

As expected, the sales revenues of the previous year were not achieved in 2016; the massive decline in revenues could also not be counteracted by an increase in sales of heavy plate and semi-finished products. Against this background, the sales revenues fell from 1,732 million euros in the previous year to 1,636 million euros (-5.5%). All in all, the shipping volumes of heavy plate increased by 55 kt (+3.0%) in 2016 to 1,898 kt whereby the increase in sales was exclusively for line pipe plate whereas the sales of normal plate declined correspondingly.

The EBIT amounted to -98 million euros (2015: 57 million euros) and the EBITDA to -37 million euros (2015: 110 million euros). The ROCE (Return on Capital Employed) amounted to -5.0% in the reporting year (2015: 2.9%).

Number of employees essentially unchanged

At the Dillingen location, a workforce of 5,109 was employed at the end of the reporting year (31.12.2015: 5,081). These worked at Dillinger itself, at ZKS and at ROGESA. In 2016, 94 employees were hired. In addition, 51 trainees were taken on into employment. At the wholly owned subsidiary Dillinger France, at the end of the business year, 541 employees were employed compared to 557 at the end of the year 2015.

Investments continued

Investment expenditure in 2016 amounted to 69 million euros (2015: 114 million euros). The focus was again on the continuous casting plant CC 6 – a major project which underlines Dillinger's role in the technology for the manufacture of highest-grade continuous cast slabs to fulfill demanding specifications for heavy plate. The plant was accepted in 2016 and it was once again able to attain a world record with slab formats of 500 mm in thickness.

Outlook

The expectations for Dillinger for the business year 2017 continue to be characterised by the overall difficult market environment and numerous geopolitical uncertainties and are therefore rather cautious.

As in the previous year, the company expects capacity utilisation which is considerably higher than the market average. Thanks to good demand for its products from its principle customers and the booking and production of plates for the Nord Stream 2 project, Dillinger recorded good utilisation of capacity in the first few months of the business year. For 2017, in spite of the temporary loss of the USA market due to anti-dumping issues, from today's point of view, basic utilisation of capacity is guaranteed due to major projects which have already been booked.

Due to higher production and sales volumes and corresponding price adjustments, an overall increase in sales revenues is expected for the business year 2017. Presuming that the additional measures to increase earning power and competitiveness take effect and that there is also a certain recovery of market conditions – also in connection with political market mechanisms that have been introduced – a balanced operative result (EBIT) is expected for 2017 which will be considerably higher than the level for 2016.

Risks and Opportunities Report

As a globally active manufacturer of wire rod, bar steel and semi-finished products in various grades it is of key importance for the Sairstahl group to deal with entrepreneurial opportunities and risks in a structured and constructive manner. This applies, to a particular degree, within the context of the anticipated economic framework conditions presented in the forecast report. Against this background, Sairstahl has already introduced a group-wide risk management system which is embedded in the risk management system of SHS group. The methods and tools for risk management are constantly being further developed.

Organisation of Risk Management

The risk management of the Sairstahl group consists of the risk coordinators and responsible staff in the departments and subsidiaries. They are responsible for the tasks of operative risk control within the individual divisions and subsidiaries of the company as well as for risk reporting, both at regular intervals and ad hoc, to the central risk management of SHS. In addition, the central risk management takes on the tasks of coordinating, supporting and consolidating tasks for Sairstahl. Risk-coordinators and SHS Risk Management work together in partnership.

Mode of Functioning and Setup of the Risk Management System

The group's risk management system comprises all measures, in total, which ensure systematic handling of risks and focuses on risk transparency, risk manageability and risk communication.

- Risk transparency: Risk management pursues the aim of identifying and pointing out the main risks connected to the business activities of the company at the earliest possible stage. For this purpose, a systematic and uniform analysis and assessment methodology is applied.
- Risk manageability: A further objective of risk management is to avoid, reduce or transfer the identified risks through risk control instruments which have already been implemented or which are to be newly implemented. Transfer of risk is carried out by the central service SHS Versicherungskontor GmbH, which is responsible for creating the appropriate degree of insurance cover.

· Risk communication: The Board is informed about the current risk situation in relation to events and at regular intervals. Essential issues regarding risk management are also discussed with the Supervisory Board.

A regular risk management process forms the basis of the risk management system. Besides identifying and evaluating risks, this also comprises risk control. As a supplement to this, in 2016, ad hoc risk reporting was introduced. It is part of the risk management system and ensures an up-to-date overview of the risk situation at any time. Besides the risk management process, a further element in the company's risk management system is risk analyses. Risk analyses are carried out by SHS Risk Management for the Sairstahl group by order and related to specific topics. Content, structure and results of the risk management system are documented in an auditable manner in accordance with the German Corporate Sector Supervision and Transparency Act (KonTraG).

The group-internal auditing department is an element of the risk management system in accordance with the German Corporate Sector Supervision and Transparency Act within the context of the company management's overall approach to setting up an internal management and monitoring system. In this function, it is also responsible for systematic and targeted internal auditing of the risk management system.

Industry, Environmental and Market Risks

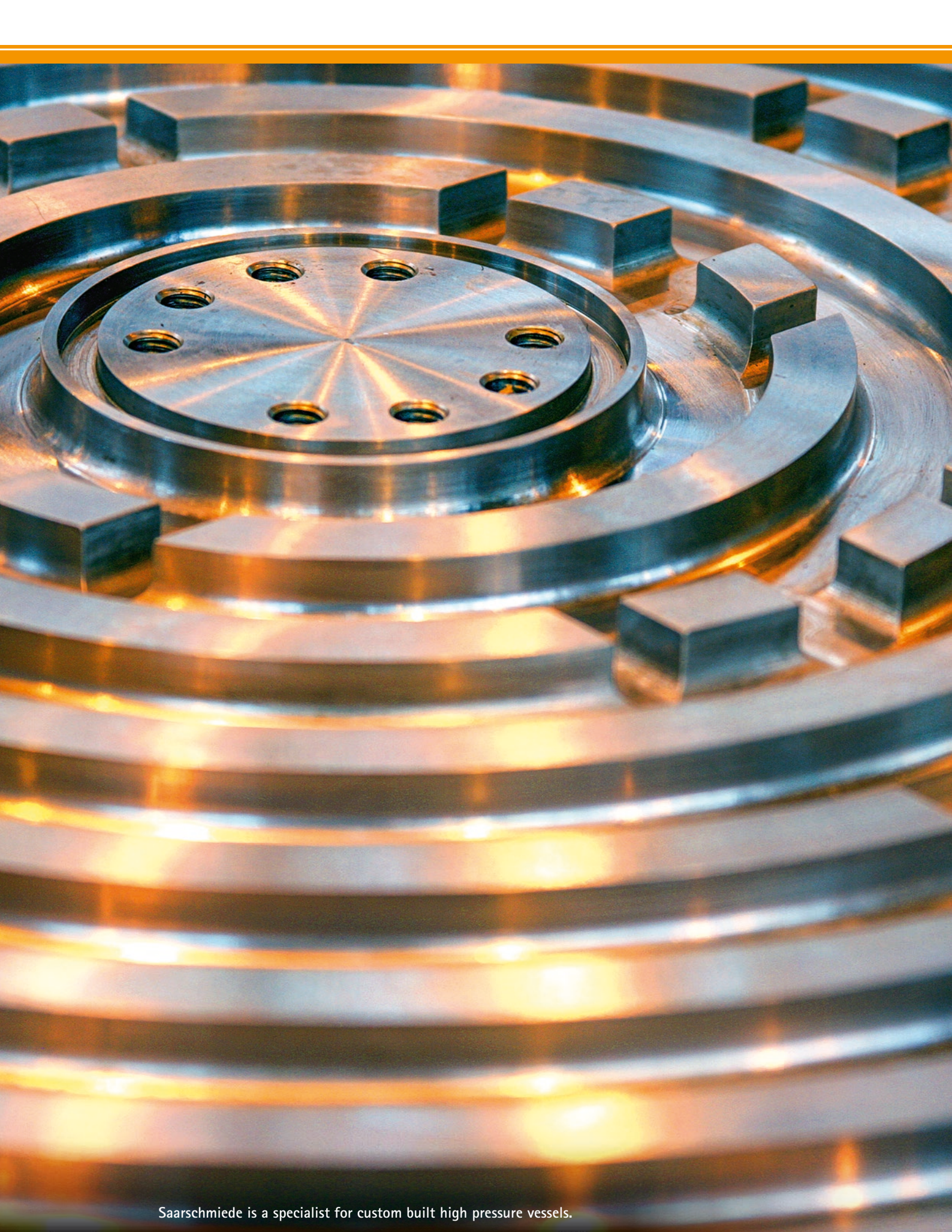
The Sairstahl group is a company with international business activities. In addition, the client structure of Sairstahl is characterised by global players, in particular from the automotive and mechanical engineering industry. This implies dependency both on the overall future economic development and on the development of individual customer industries. Added to this are complex framework conditions and an extreme situation regarding competition. Due to global steel over-capacities, increased pressure due to imports, lower growth rates in the threshold countries and the as-yet unsolved debt situation in the Eurozone, there are economic risks resulting in intensification of the competition and which

the company is unable to circumvent completely. In all of these cases, it is evident that geopolitical considerations have increased in total, also in nations with major economies. The resulting conflicts and the interests of individual states are ever more frequently being asserted by protectionist measures. In addition, there is insecurity about the effect the presidential election in the USA will have on the economy of the country and on global trade. The external risks mentioned can lead to restrictions in market perspectives for the Sairstahl group. In order to counteract these risks, the company constantly monitors the overall economy and country-specific sales markets. In addition, Sairstahl has reduced its dependency on the mass market by manufacturing wire rod, bar steel and semi-finished products made of high quality steels. Moreover, Sairstahl has continuously extended its product portfolio through its own further processing companies. In this respect, strategic decisions have a risk-reducing effect through risk diversification.

The effects of the VW emissions scandal on the company's sales are estimated to be only slight. The cost reduction programmes represent a risk, however, since these can result in increased price pressure.

Procurement Risks

In order to manufacture qualitatively high-value products, Sairstahl requires raw materials, energy and logistic capacities in the appropriate quality and quantities. For this reason, besides the established procurement area of ROGESA and ZKS for purchasing the raw materials ores, coal and coke, specific procurement and logistics areas are bundled under the responsibility of SHS Services GmbH and SHS Logistics GmbH, respectively. However, the current geopolitical crises could have a negative effect on the procurement situation because individual raw materials are procured from affected regions. The further development in the crisis regions is therefore under intense observation and is actively accompanied through the work of associations and corresponding political forums. Risks are discussed with suppliers and actively minimized in agreement with the suppliers.



Saarschmiede is a specialist for custom built high pressure vessels.



In addition, there is a process of continuous diversification integrated into the procurement of raw materials which ensures that, if supplies are disrupted due to a crisis, a suitable technical replacement can be provided. Furthermore, there may be loss of suppliers, which could have a negative influence on production and therefore on the relevant delivery obligations. The procurement of the bulk goods required to produce hot metal is therefore largely based on long-term supply contracts. Regardless of this, purchasing prices can fluctuate considerably and put strain on the company's cost structures. The development in the case of raw materials is currently strongly characterized by price increases. The resulting cost pressure is further reinforced for all raw materials quoted in US dollars by the latest increase in the US dollar exchange rate. Furthermore, options are also being implemented to ensure basic flexibility in the procurement of raw materials, especially regarding the associated companies ROGESA and ZKS. Thus, through corresponding policies regarding stock, constant supply buffers are kept. In addition, new sources of supply are being sought systematically and continuously. This includes extending the logistic connection. Furthermore, alternative possibilities for the input materials are being tested and evaluated. Besides ensuring the supply, the measures implemented also make a contribution to reducing price risks. With regard to the energy supply and energy cost security, the 90 MW blast-furnace-gas-fired power plant in Dillingen makes an important contribution to minimising risk. All in all, it can be assumed that security of supply of raw materials, energy and logistic capacities in the required quantities and qualities is guaranteed in the medium term.

Risks of the Operating Activities

There could be disruptions to operations, damage to property and/or quality risks in the production facilities of the Saarstahl group. These may be caused by the complexity of the products manufactured, the complexity of the manufacturing processes and technical equipment or by force majeure. Besides the implementation of innovative diagnostic systems for preventive and condition-orientated maintenance, and consistent further development according to a quality assurance system certified in compliance with international standards the company confronts the above risks, above all, through continuous investment in state-of-the-art systems.

Saarstahl counteracts risks due to force majeure such as explosions or major fires, where the potential to cause damage is great but where the risk of them occurring is to be seen as only slight, by having fire protection facilities, emergency plans and its own works fire brigade. Furthermore, insurance contracts with the appropriate insurance covers have been concluded.

Financial Risks

For Saarlühl, it is of key importance to ensure the company's financial independence by coordinating the financial requirements. For this purpose, financial risks are actively controlled and limited. This is supported by concentrating the financial departments under the single umbrella of SHS. Saarlühl only concludes financial instrument deals with counterparties with very sound creditworthiness. Receivables in the supply and services business are constantly monitored. Transactions are secured by credit insurance. The resulting risk of default is therefore to be seen as low. Continuous financial and liquidity planning and an extensive cash management approach ensure the liquidity of the company at any time. In the long term, the company has used the liquidity situation on the market to finance planned investments. In addition, all main subsidiaries are integrated into the short and medium term financial planning according to uniform standards.

Both the status quo and planning measures are regularly analysed within the risk management system. The required financial flexibility of the company is therefore ensured. Independent of this, market risks can cause fluctuation in present values of future cash flows from financial instruments. The company actively confronts these risks by having currency deals and interest hedges. These instruments significantly limit market price risks or eliminate these completely. It generally applies that hedging instruments are not used separately from the basic business processes. They are regularly monitored and analyses are drawn up for control purposes whereby the results flow into the risk management system. Any residual risks are to be seen as low. The representation on the balance sheet of the hedging instruments mentioned is described in detail in the balance sheet notes.

Legal Risks and Compliance Risks

Legal risks are currently to be viewed as medium. The company is currently involved in various proceedings of which the outcome is still open. Decisions are to be expected in 2017 at the earliest. For Saarlühl, there is the basic risk of legal uncertainties due to increased internationalisation and expansion of business activities as it is confronted by a multitude of legal fields and legal systems. In the case of very specific questions and questions which extend outside German jurisdiction, Saarlühl draws on the advice of renowned external legal experts.

Irrespective of this, individual misconduct whether, intentional or unintentional, by an individual person or groups of people cannot be entirely excluded. Through preventive compliance commitment, however, any potential misconduct is counteracted. Saarlühl is committed to the ethics guidelines of the SHS group. This manifests itself both in the values and in the dealings with each other as well as behaviour towards customers and external third parties. The compliance commitment of the SHS group and therefore of the Saarlühl group was further extended by the Compliance Committee in the business year that has come to an end. Compliant and integral behaviour is promoted through information events and compliance publications on specific topics. Other measures over and beyond this, such as audits and individual training courses are carried out as required.

Regulatory Risks

New laws or changed legal framework conditions on national and international level can imply risks for Sairstahl. This is especially true in cases where the innovations or amendments entail higher costs than for competitors. The company therefore accompanies regulatory efforts directly through working contacts with the trade associations. Sairstahl is committed to climate protection measures that are expedient. However, regulatory developments with regard to climate protection also entail risks. For example, the EU Commission has presented a proposal to change the Guideline on the European Emission Trading System (ETS) in the 4th trading period from 2021–2030. Even if the final form of the ruling has not yet been presented by the EU, current discussions and proposals in this regard indicate that there will be a considerable burden as a result of the necessity to acquire emission rights while it is anticipated that, simultaneously, the price of the certificates will rise. Also the revision planned for 2017 of the exemption of own energy generation using existing installations from the renewable energy surcharge entails a potential risk for the company.

The world climate conference in Morocco came to an end in November 2016 with the decision on a rough timeline for implementing the climate protection aims set out in Paris. With its results, this conference laid down initial steps on the route to a joint climate protection plan but no binding or comparable objectives were set. On the other hand, on 14 November 2016, the German cabinet decided on its climate protection plan 2050. The federal government will set up a research and development plan together with industry, which aims to reduce industrial process emissions affecting the climate and which is orientated towards transformation to greenhouse gas neutrality. In doing so, the option of industrial recirculation of carbon (CCU) is being taken into account. There is a risk that the objectives formulated put an additional burden on the Sairstahl group or that they lead to distortion of international competition.

IT Risks

The complex technical production processes as well as the administrative processes at Sairstahl are supported by modern IT systems. The availability of flows of data and information is therefore of key importance to the company. For this reason, specific information technology areas are concentrated under the umbrella of SHS Services GmbH.

Due to human error, organisational or technical processes and/or gaps in security, risks can occur which endanger the confidentiality, availability and integrity of IT-supported information and systems. Besides failure of important systems relevant to production and administration within the value chain, access by unauthorised third parties such as industrial espionage or industrial sabotage should be mentioned. For this reason, the software applied is constantly monitored by Sairstahl and SHS Services GmbH and the systems updated when required. In addition, hardware components such as the server or networks are continuously extended or adapted to technological innovations. Furthermore, as a preventive measure all employees are informed in publications about the risks and motivated to be sensitive in their treatment of IT security. Close cooperation between the departments and the data protection representative ensures that the processing of all personal data is only carried out in accordance with the provisions of the German Federal Data Protection Act.

Personnel Risks

For Sairstahl as a manufacturer of technological and qualitatively high-value products, qualified specialists and managers and their high level of dedication for the company's success are of elementary importance. In this context, the Sairstahl group places great importance on being an attractive employer. Fundamentally, there is a risk of losing competent employees and, with them, know-how. There can be various reasons for this such as leaving the company on reaching retirement age or for personal reorientation. The company counteracts this by carrying out training in various occupations. In order to contact suitable people, Sairstahl engages in a wide range of recruiting efforts. This commitment also actively prevents the expected

lack of specialized employees. In addition, Saarstahl offers specialists and managers very varied possibilities for further training and provides advice orientated towards the target group. The company also promotes cross-generation cooperation in order to ensure that knowledge is systematically transferred to the successors of experts and managers who are leaving the company on reaching retirement age. This process is supported by specially trained coaches who help to record knowledge critical to success and, by means of a transfer plan, to pass this on to the successor of employees who are leaving the company.

Environmental Risks

The production processes for hot metal and steel production and further processing entail intrinsic environmental risks such as pollution of water or air. The company therefore makes every effort with intensive quality and environmental management to avert any damage which could result from the product or its manufacture. For example, Saarstahl has an integrated management system that unites quality management, occupational health and safety and environmental protection as well as incident management. In addition, the company is monitored by the authorities (at regular intervals and in close cooperation). Saarstahl continuously invests in measures which increase the effectiveness of environmental protection and meet environmental protection requirements. Nonetheless, there are risks entailed in the tightening of environmental regulations and it may not be possible to meet the relevant requirements with the current status of technology. Furthermore, risks caused by residual waste from past business activities may be incurred on land belonging to Saarstahl which is no longer or only partially in use today. Saarstahl counteracts these risks through continuous monitoring and by carrying out redevelopment work according to plan.

Organisation of Opportunity Management

Opportunity management comprises the systematic handling of opportunities and potential. It is directly embedded in the tasks of the Board of Management of the Saarstahl group. The Board of Management identifies and discusses opportunities and potentials and engages, where necessary, in a strategic dialogue with the affected departments and subsidiaries with regard to market and technological trends. In this strategic work, the Management Board is orientated towards current global and industry-specific growth drivers and continuously further develops the company whilst taking global trends into consideration.

Strategic Opportunities

Worldwide, the demand for individual mobility is increasing, and this demand is largely satisfied by the automotive industry. For Saarstahl, as a direct and indirect supplier in the automotive industry, this offers opportunities for growth. Besides on the domestic market (EU), this also applies to the markets in Asia and America. Against this background, Saarstahl AG understands the internationalisation of its entrepreneurial activities as a challenge and an opportunity at the same time. Many of its customers from the main sales industries – automotive and mechanical engineering – have become international in the past or are driving their internationalisation further forward. Through additional international presence, Saarstahl sees an opportunity to consolidate its connections with existing customers and to acquire new customers. Within this context, it could also be expedient for the company to enter into strategic partnerships and alliances. Corresponding possibilities are regularly worked out and evaluated for the individual business fields within the framework of strategy considerations.

In addition, the acquisition of new customers who have not yet been reached can be seen as an opportunity. The company is therefore strengthening its worldwide presence by the expansion of its sales network and is increasing potential, especially in new and emerging markets, without neglecting its market position in the traditional markets.

There is a further opportunity for future entrepreneurial commitment in the technical competence of the employees. The new and further development of products allows the company to penetrate niches in the market. Furthermore, optimised processes and systems can lead to quality and cost advantages compared with the competition. Saarstahl strives to consistently extend this technical competence. An important element in the business model is further processing of the products bar and wire rod. This not only enables the company to offer its customers a wide range of high-quality steel products but the individual further processing operations also provide the possibility to penetrate economically attractive niches. By intensifying customer relationships, the group sees the opportunity to further develop itself and its product portfolio. By working closely with the customer and striving to find optimum solutions, it is possible for Saarstahl to identify potential in the product area as well as investment potential. The extension of various services (customer service and logistic services should be mentioned here, in particular) is seen as an opportunity, along with stable product quality, for distinguishing the company from its competitors.

Operative Opportunities

In the permanent optimisation of internal processes, the group sees the opportunity to have an accelerated and more efficient working process and therefore also to achieve cost savings. Through targeted investments in production facilities, there is the opportunity to distinguish Saarstahl even further from the competition and to secure and improve profitability through reducing costs. Regular exchange, mutually helping each other and, finally, also learning from each other are important elements in the further development of further processing areas and subsidiaries. In the continuous and binding application of cost management and cost controlling methods, Saarstahl sees the opportunity to increase all employees' sensitivity to costs and ultimately to improve cost structures. In addition, there are opportunities in the continued merging and concentration of the functions and activities of Saarstahl AG and Aktien-Gesellschaft der Dillinger Hüttenwerke in the SHS – Stahl-Holding-Saar GmbH & Co. KGaA as well as their service companies. These can lead to a further increase in synergies through harmonization and improvement of processes and workflows.

Overall Estimation of the Risk Situation

All in all, no risks can be recognized which could endanger the continued existence of the company, nor are there any signs of developments which could have a sustainable, major influence on the asset position, financial position or earnings position.



The extended batch annealing unit in Neunkirchen.

Development of the Saargestahl Group

Thanks to strong demand, Saargestahl AG started 2017 with good utilisation of capacity. In customer segments that are important for the company, an overall positive picture is emerging for 2017: The automotive industry, above all in Western Europe, started the year well, mechanical engineering expects development to be at least robust, and the construction industry anticipates significant growth in sales and workload. Against this backdrop, a slight upswing in the demand for steel is to be expected in the relevant product segments for Saargestahl of wire rod and bar. The company therefore anticipates that there will be sound development in volumes, good utilisation of plant capacity and, thanks to further stabilisation of prices, also an increase in sales revenues.

The market environment of Saarschmiede GmbH Freiformschmiede will continue to be characterised by intense competition and so the outlook for 2017 remains cautious. Worldwide over-capacities, the sustained trend towards renewable energy sources, the still ongoing fall in oil prices and the immense pressure on

prices will therefore in all likelihood persist. To further aggravate the situation, there has been a rapid increase in the prices of raw materials since summer 2016 and this has led to significant cost increases. In the medium term, Saarschmiede expects the oil price to increase and, as a consequence, the oil and gas business to recover. This will mean that there is considerable willingness to invest in the energy infrastructure and, as a result, there will be an increase in market prices. The "Phoenix" programme commenced in 2016 for realignment and to lower costs will be concluded in the current business year. For 2017, Saarschmiede expects that there will be overall stabilisation of the situation and an improvement in the figures for turnover and financial result.

The Saargestahl group will continue its strict cost management in 2017 and engage in further efforts to increase the earning power. The investments which have been made are aimed at optimizing processes and further improving product quality and customer service. In this connection, the group is striving to increase production and sales. In view of the market situation, the Saargestahl group expects improved sales revenues in 2017 and, as a consequence, higher sales revenues and overall greater performance. Compared with the reporting year, a greatly improved, positive result is therefore expected. The key figures EBITDA, operating margin and ROCE will develop correspondingly in 2017.



Consolidated financial statements for the year ending 31 December 2016

Consolidated Balance Sheet

	31. December 2016		31. December 2015	
	million €	million €	million €	million €
Assets				
A. Fixed Assets				
I. Intangible assets	2.0		3.3	
II. Tangible assets	969.4		1,041.2	
III. Financial assets	915.5		937.3	
		1,886.9		1,981.8
B. Current Assets				
I. Inventories				
1. Raw, auxiliary and operating materials	234.3		161.0	
2. Unfinished products, unfinished services and finished products	418.3		486.7	
3. Advance payments for inventories	0.1		0.1	
4. Downpayments received on orders	-4.6		-1.8	
		648.1		646.0
II. Accounts receivable and other assets				
1. Trade accounts receivable	270.7		268.3	
2. Accounts receivable from affiliated companies	20.4		18.3	
3. Accounts receivable from companies where a participatory interest exists	46.8		9.3	
4. Other assets	124.9		125.4	
		462.8		421.3
III. Cash balance and credit with financial institutions		324.0		342.9
		1,434.9		1,410.2
C. Accruals and deferrals		0.1		0.2
D. Deferred taxes on the assets side		0.0		1.7
E. Debit difference in assets in the calculation of assets		3.2		5.6
		3,325.1		3,399.5

Liabilities	31. December 2016		31. December 2015	
	million €	million €	million €	million €
A. Equity				
I. Subscribed capital	200.0		200.0	
II. Capital reserve	44.0		44.0	
III. Other retained profit	1,200.1		1,196.3	
IV. Balance sheet profit	892.4		1,132.8	
		2,336.5		2,573.1
B. Reserves				
1. Reserves for pensions	14.1		15.9	
2. Reserves for taxes	19.2		18.5	
3. Other reserves	266.6		152.6	
		299.9		187.0
C. Liabilities				
1. Liabilities towards financial institutions	373.0		362.0	
2. Trade liabilities	159.9		124.6	
3. Liabilities towards affiliated companies	7.9		13.5	
4. Liabilities towards companies where a participatory interest exists	35.6		33.1	
5. Other liabilities	111.7		105.7	
		688.1		638.9
D. Accruals and deferrals		0.6		0.5
		3,325.1		3,399.5

Consolidated Profit and Loss Account 2016

	2016 million €	2015 million €
1. Sales revenues	2,027.8	2,159.0
2. Changes in inventory and internally produced and activated assets	-64.6	35.0
3. Other operating income	32.7	75.7
	1,995.9	2,269.7
4. Material costs	1,270.5	1,477.0
5. Personnel costs	443.1	425.6
6. Depreciation and amortisation on intangible assets of fixed assets and tangible assets	173.2	136.2
7. Other operating expenses	288.4	186.5
	-179.3	44.4
8. Income from participations	-16.0	-18.3
9. Interest income	-11.0	-17.8
10. Taxes on income and earnings	5.4	13.9
11. Result after tax	-211.7	-5.6
12. Other taxes	3.7	3.4
13. Net result for the year	-215.4	-9.0

Consolidated Cash Flow Statement

	2016 million €	2015 million €
Period result	-215.4	-9.0
Write-downs on fixed assets	173.2	136.9
Increase / decrease of provisions	108.7	-2.2
Other non-cash expenses / (income)	0.9	-30.1
Decrease / (Increase) in inventories, trade accounts receivable as well as other assets not allocated to investment or financing activities	-35.4	38.4
Decrease in trade accounts payable as well as other liabilities not allocated to investment or financing activities	38.5	14.3
Profit from the disposal of fixed assets	-0.1	-0.4
Interest expenses incl. interest expenses and (interest income) not allocated to investment or finance activities	10.9	18.0
Other income from shareholdings	15.3	17.6
Income tax	5.5	14.0
Income tax payments	-10.6	-5.0
Operating cash flow	91.5	192.5
Payments for investments in intangible assets	-0.2	-0.6
Proceeds from disposals of tangible fixed assets	1.4	1.4
Payments for investments in tangible fixed assets	-100.4	-89.3
Proceeds from disposals of financial assets	9.5	9.5
Payments for investments in financial assets	-0.3	-0.4
Interest received	10.1	8.8
Dividends received	1.1	5.3
Cash flow from investment activities	-78.8	-65.3
Free cash flow	12.7	127.2

	2016 million €	2015 million €
Proceeds from loans	126.7	17.5
Payments from the amortization of bonds and loans	-55.5	-63.1
Interest paid	-17.6	-22.8
Dividends paid to shareholders	-25.0	-33.0
Cash flow from financing activities	28.6	-101.4
Net change in cash and cash equivalents	41.3	25.8
Cash and cash equivalents at the start of the period	268.7	242.9
Cash and cash equivalents at the end of the period	310.0	268.7

Offsetting and reconciliation of cash and cash equivalents

	31.12.16 million €	31.12.15 million €	01.01.15 million €
Cash and bank balances	324.0	342.9	313.0
Liabilities to financial institutions, due at any time	-14.0	-74.2	-70.1
Cash and cash equivalents	310.0	268.7	242.9
Change in cash and cash equivalents	41.3	25.8	

Statement of the Group's Shareholdings

	Capital share		Equity 31.12.2016 million €	Result for the BY 2016 million €	Ref.
	direct %	indirect %			
1. Affiliated Companies					
a) Inland					
Saar-Blankstahl GmbH, Homburg	100.00		42.0		1)
Saar-Bandstahl GmbH, Völklingen	100.00		8.7		1)
Saarstahl-Export GmbH, Völklingen	100.00		1.6		1)
Metallurgische Gesellschaft Saar GmbH, Völklingen	100.00		5.1		1)
Saarschmiede GmbH Freiformschmiede, Völklingen	99.95	0.05	98.4	-63.2	
Saarstahl Finanzanlagen GmbH, Völklingen	100.00		23.5	0.0	
Drahtwerk St. Ingbert GmbH, St. Ingbert	2.49	97.51	27.3	-1.2	
DWK Drahtwerk Köln GmbH, Köln	3.62	96.38	11.0	0.4	
Schweißdraht Luisenthal GmbH, Völklingen		100.00	2.6	-0.1	
Stahlguss Saar GmbH, St. Ingbert	100.00		-6.1	-7.9	
Saar Stahlbau GmbH, Völklingen	100.00		6.1	-2.0	
Saar Rail GmbH, Völklingen	100.00		10.0		1)
Saarstahl Beteiligungsgesellschaft mbH, Völklingen	100.00		4.3	0.0	
FORGE Saar GmbH, Dillingen	100.00		0.1	0.0	
FORGE Saar Besitzgesellschaft mbH & Co KG, Dillingen		100.00	214.6	8.2	
Saarstahl-Vermögensverwaltung GmbH, Völklingen	100.00		8.3	0.4	
SAG Medienversorgungs-GmbH, Völklingen	100.00		16.2		1)
SIB-Immobilien-gesellschaft mbH, Völklingen		100.00	0.1	0.0	
Neunkircher Eisenwerk Wohnungs-gesellschaft mbH, Völklingen	100.00		9.7	0.1	
Gewerbe- und Wohnpark Heubügel GmbH, Völklingen		89.00	0.0	0.0	
44. Vermögensverwaltungs- und Beteiligungs-GmbH, Völklingen i.L.		100.00	0.0	0.0	4)
45. Saarstahl-Beteiligungsgesellschaft mbH, Völklingen	100.00		0.1	0.0	
b) Abroad					
Secosar S.A.S., Bussy-Saint-Georges/Frankreich	99.99	0.01	14.7	0.7	
Conflandey Industries S.A.S., Port-sur-Saône/Frankreich	80.00	20.00	3.0	1.9	
S.P.M. Participation S.A.S., Bussy-Saint-Georges/Frankreich	100.00		-11.2	-0.1	
Saarsteel Inc., New York/USA	100.00		0.6	0.0	2) 3)
Sodetal S.A.S., Tronville-en-Barois/Frankreich		100.00	0.0	0.0	4)
Saarstahl Shanghai Limited, Shanghai		100.00	0.2	0.1	2) 3)
Saarstahl (S.E.A.), Petaling Jaya/Malaysia		100.00	0.1	0.0	2) 3)
EUROFIL Polska sp. z.o.o., Warsaw/Polen		100.00	-0.1	0.0	
Saarstahl Export India Pvt Ltd, Mumbai/Indien	1.00	99.00	0.2	0.0	2) 4)
Saarstahl Demir Celik, Istanbul/Türkei		100.00	0.1	0.0	2)
Saarstahl s.r.o. Ostrava/Tschechien		100.00	0.5	0.1	2) 3)
Secosar Etirage S.A.S., Bussy-Saint-Georges/Frankreich		100.00	-1.3	-1.2	
Quinofer S.A.S., Bussy-Saint-Georges/Frankreich		100.00	1.2	0.0	
Saarstahl AG, Zürich/Schweiz	98.13		2.6	-0.8	2)
Les Aciers Fins de la Sarre S.A., Liège/Belgien	95.83	4.17	4.0	0.2	
Acciai della Saar S.r.l., Milano/Italien	100.00		2.0	0.2	3)

	Capital share		Equity 31.12.2016 million €	Result for the BY 2016 million €	Ref.
	direct %	indirect %			
Saarstahl Iberica S.A., Sant Just Desvern Barcelona/ Spanien		100.00	0.4	0.0	³⁾
FILMETAL S.A., Bussy-Saint-Georges/ Frankreich		99.17	1.8	0.0	
2. Proportionately Consolidated Companies					
Dillinger Hütte und Saarstahl Vermögens- verwaltungs- und Beteiligungs-OHG, Dillingen	50.00		260.7	-4.6	
ROGESA Roheisengesellschaft Saar mbH, Dillingen	24.50	25.50	301.6	48.0	¹⁾
Zentralkokerei Saar GmbH, Dillingen		50.00	137.2		¹⁾
DHS – Dillinger Hütte Saarstahl AG, Dillingen	33.75		2,649.3	-96.2	⁵⁾
ROGESA Beteiligungsgesellschaft mbH, Dillingen		50.00	3.0	0.0	
GAL Zentralkokerei Saar Besitzgesellschaft mbH & Co. KG, Dillingen		24.50	19.8	1.0	
Kraftwerk Wehrden GmbH, Völklingen	33.33		0.1	0.1	

References

- ¹⁾ A profit and loss transfer agreement exists.
²⁾ Currency of the country converted into €.
³⁾ Data refers to the previous year as no final result was available when the financial result was drawn up. The figures are preliminary.
⁴⁾ The company has been in liquidation.
⁵⁾ Consolidated financial statements.



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