



Results of the first nine months 2019

Salzgitter, November 13, 2019

Key data per 2019/09/30

		9M 2019	9M 2018	Δ	Q3 2019	Q2 2019	Q1 2019
Crude steel production	kt	5,060.1	5,203.6	-143.5	1,648.0	1,672.3	1,739.8
External sales ¹	€ million	6,637.3	6,931.2	-293.9	2,111.1	2,232.4	2,293.8
Earnings before tax	€ million	40.7	284.6	-243.9	-104.6	19.4	125.9
Earnings after tax	€ million	-29.8	194.0	-223.8	-126.2	-0.3	96.7
Earnings per share (undiluted)	€	-0.63	3.51	-4.14	-2.36	-0.03	1.76
ROCE	%	2.5	11.6	-9.1	-10.0	2.8	14.1
Core workforce ²		23,562	23,338	224	23,562	23,639	23,683

¹ only from entities within the Group of Consolidated Companies of Salzgitter Group ² per reporting date

The Salzgitter Group records pre-tax profit in a persistently challenging market environment despite a net amount of € 92.2 million in burdens on earnings

Income statement

Income Statement (€ million)	9M 2019	9M 2018	Δ
Sales	6,637.3	6,931.2	-293.9
Increase/decrease in finished goods and work in process/other own work capitalized	2.3	24.7	-22.4
	6,639.7	6,955.9	-316.3
Other operating income	196.4	196.7	-0.3
Cost of materials	4,329.6	4,503.6	-174.1
Personnel expenses	1,335.7	1,292.0	43.8
Amortization and depreciation of intangible assets and property, plant and equipment	262.2	252.9	9.3
Other operating expenses	897.8	811.1	86.6
Income from shareholdings	1.8	4.8	-3.0
Result from investments accounted for using the equity method	73.9	35.7	38.2
Finance income	13.9	9.4	4.4
Finance expenses	59.5	58.3	1.2
Earnings before taxes (EBT)	40.7	284.6	-243.9
Income tax	70.5	90.6	-20.1
Consolidated result	-29.8	194.0	-223.8

Consolidated balance sheet

Assets (€ million)	30.09.2019	31.12.2018	Δ
Non-current assets	4,159.7	3,835.9	323,8
Intangible assets, property, plant and equipment	2,499.5	2,339.9	159.6
Investment property	82.4	83.5	-1.1
Financial assets	69.6	75.6	-6.0
Investments accounted for using the equity method	1,030.4	888.3	142.1
Trade receivables	19.9	25.5	-5.5
Other receivables and other assets	16.7	24.0	-7.3
Income tax assets	5.4	0.1	5.2
Deferred income tax assets	435.8	399.1	36.8
Current assets	4,929.6	4,921.0	8.6
Inventories	2,347.8	2,327.5	20.4
Trade receivables	1,402.3	1,367.2	35.1
Contract assets	207.6	175.2	32.5
Other receivables and other assets	442.1	403.7	38.4
Income tax assets	22.2	24.5	-2.2
Securities	50.3	67.4	-17.1
Cash and cash equivalents	455.3	555.6	-100.3
Assets available for sale	1.9	0.0	1.9
Balance sheet total	9,089.3	8,756.9	332.4

Consolidated balance sheet

Equity and liabilities (€ million)	30.09.2019	31.12.2018	Δ
Equity	2,981.5	3,332.1	-350.6
Subscribed capital	161.6	161.6	0.0
Capital reserve	257.0	257.0	0.0
Retained earnings	2,885.3	3,181.0	-295.7
Other reserves	33.8	60.0	-26.2
Unappropriated retained earnings	3.3	33.1	-29.8
Treasury shares	-369.7	-369.7	0.0
Minority Interest	10.2	9.1	1.1
Non-current liabilities	3,823.4	3,035.7	787.8
Provisions for pensions and similar obligations	2,598.1	2,275.5	322.6
Deferred tax liabilities	67.6	67.6	0.0
Income tax liabilities	36.1	36.9	-0.9
Other provisions	308.5	358.4	-50.0
Financial liabilities	801.0	291.1	509.9
Other liabilities	12.2	6.1	6.1
Current liabilities	2,284.5	2,389.2	-104.7
Other provisions	413.9	281.4	132.5
Financial liabilities	320.1	426.9	-106.8
Trade payables	1,022.6	1,130.2	-107.7
Liability contracts	200.8	250.2	-49.4
Income tax liabilities	6.9	37.0	-30.1
Other liabilities	320.3	263.4	56.9
Balance sheet total	9,089.3	8,756.9	332.5

Cash flow statement

(€ million)	9M 2019	9M 2018	Δ
Cash and cash equivalents at the start of the period	555.6	679.4	-123.9
Cash flow from operating activities	77.7	280.4	-202.7
Cash flow from investment activities	-378.1	-409.0	31.0
Cash flow from financial activities	193.3	-43.0	236.3
Changes in cash	-100.3	-167.9	67.6
Cash and cash equivalents at the end of the period	455.3	511.6	-56.3

Positive operating cash flow despite the increase of working capital

Strip Steel Business Unit

		9M 2019	9M 2018	Δ	Q3 2019	Q2 2019	Q1 2019
External sales	€ million	1,730.1	1,812.1	-82.0	554.6	576.7	598.8
Order bookings	kt	3,347.2	3,487.0	-139.8	1,064.8	1,143.6	1,138.8
Order backlog ¹	kt	910.2	928.6	-18.5	910.2	932.4	911.5
EBITDA	€ million	243.2	334.6	-91.4	75.0	68.1	100.1
EBT	€ million	84.6	171.2	-86.5	24.3	14.0	46.3
Core workforce ¹		6,138	6,174	-36	6,138	6,192	6,207

Pre-tax result includes the release of a provision for typical operating risks amounting to € 41.3 million, counteracting factors were higher prices for iron ore and lower selling prices

Plate / Section Steel Business Unit

		9M 2019	9M 2018	Δ	Q3 2019	Q2 2019	Q1 2019
External sales	€ million	630.6	773.9	-143.3	188.3	212.6	229.6
Order bookings	kt	1,429.2	1,688.9	-259.7	394.0	510.8	524.5
Order backlog ¹	kt	243.8	395.6	-151.7	243.8	314.6	337.8
EBITDA	€ million	22.7	49.4	-26.8	-2.1	10.7	14.0
EBT	€ million	-13.0	14.5	-27.4	-13.5	-1.2	1.7
Core workforce ¹		2,414	2,460	-46	2,414	2,425	2,444

Declining earnings due to decreasing volumes and margins, especially for heavy plate, sections record pre-tax profit, result includes release of a provision amounting to € 7.5 million at ILG

		9M 2019	9M 2018	Δ	Q3 2019	Q2 2019	Q1 2019
External sales	€ million	842.1	841.6	0.5	259.8	292.0	290.3
Order bookings	kt	1,065.9	1,118.2	-52.3	379.9	343.9	342.1
Order backlog ¹	kt	481.4	553.6	-72.2	481.4	461.1	477.3
EBITDA	€ million	50.7	74.0	-23.2	6.6	18.5	25.6
EBT	€ million	-2.9	20.7	-23.5	-11.9	0.7	8.4
Core workforce ¹		4,670	4,602	68	4,670	4,696	4,700

Breakeven achieved even though all product areas except the stainless steel tubes business record weaker results

		9M 2019	9M 2018	Δ	Q3 2019	Q2 2019	Q1 2019
External sales	€ million	2,294.5	2,405.7	-111.1	716.3	780.4	797.9
Shipments	kt	3,027.7	3,381.5	-353.9	936.9	1,047.4	1,043.4
EBITDA	€ million	25.1	48.9	-23.8	6.7	8.7	9.8
EBT	€ million	3.3	35.2	-31.9	-0.9	1.2	3.0
Core workforce ¹		2,106	2,003	103	2,106	2,121	2,126

Decrease of shipments due to lower volumes in international trading, declining margins in the stockholding business, nonetheless slightly positive pre-tax result

Technology Business Unit

		9M 2019	9M 2018	Δ	Q3 2019	Q2 2019	Q1 2019
External sales	€ million	1,000.9	956.9	44.1	344.0	323.1	333.8
Order bookings	kt	1,010.0	946.2	63.8	328.1	352.0	330.0
Order backlog ¹	kt	716.4	697.2	19.3	716.4	724.0	704.5
EBITDA	€ million	41.1	46.3	-5.3	12.6	10.6	17.8
EBT	€ million	22.5	30.5	-8.0	6.4	4.3	11.8
Core workforce ¹		5,576	5,493	83	5,576	5,556	5,559

**Significant increase in the results of KHS-Group
compensates in part the diminishing development of the DESMA companies**

Industrial Participations / Consolidation

		9M 2019	9M 2018	Δ	Q3 2019	Q2 2019	Q1 2019
External sales	€ million	139.1	141.2	-2.0	48.2	47.7	43.3
EBITDA	€ million	-30.9	31.3	-62.1	-100.6	8.7	61.0
EBT	€ million	-53.9	12.6	-66.5	-109.0	0.4	54.7
Core workforce ¹		2,658	2,616	42	2,658	2,649	2,647

Pre-tax result impacted by an increase of risk provisioning, counteracting effects from contributions of Aurubis AG, included at equity, as well as services companies

Business Units – Forecast 2019

Strip Steel

- Oversupply of the European steel market
- Higher raw material costs, especially for iron ore

Plate / Section Steel

- Plate: continuing weakness of the market
- Impact from the low utilization of the large-diameter pipes segment
- Section Steel: satisfactory margins

Mannesmann

- Large-diameter pipe mills: unsatisfactory capacity utilization in Germany – but better in the US
- Medium line pipes: normalization of demand
- Precision tubes: weaker development
- Stainless tubes: moderate improvement in the market

Trading

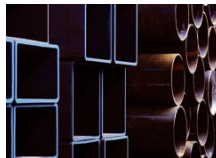
- Prospects in international trading will remain under pressure due to restrictive trading policies everywhere and dampened market conditions
- Expected margin decrease in stockholding steel trade due to decreasing selling prices

Technology

- KHS Group: selective order intake, expanding service business and additional positive effects from the measures introduced to enhance efficiency
- Specialist mechanical engineering companies of the DESMA Group: decreasing earnings

Business Unit

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|---|---|--|--|--|
| <ul style="list-style-type: none"> • Decreasing sales • Tangible reduction in the pre-tax profit due to margins | <ul style="list-style-type: none"> • Sales below previous year • Notable pre-tax loss | <ul style="list-style-type: none"> • Sales slightly decreasing • Positive pre-tax result | <ul style="list-style-type: none"> • Lower sales • Marginally positive earnings before taxes that will be significantly lower than the year-earlier figure | <ul style="list-style-type: none"> • Moderate increase in sales • Decline pre-tax profit |
|---|---|--|--|--|



Salzgitter Group – Guidance

The Salzgitter AG affirm earnings forecast for the financial year 2019, adjusted on September 26 and anticipates therefore against the backdrop of restructuring expenses still to be determined for the implementation of the “FitStructure 2.0” profit improvement program:

- a pre-tax loss in the mid-double-digit million euro range,
- lower external sales of under € 9.0 billion compared with the previous year,
- a return on capital employed (ROCE) that is tangibly below the year-earlier figure.

Legal Note and other remarks

We make explicit reference to the fact that imponderables, including changes in the cost of raw materials, precious metal prices and exchange rates, along with global trade policy measures and their possible impact may still exert a considerable influence over the course of the financial year.

To the extent that this presentation contains statements oriented towards or related to the future, such statements are based on our current state of knowledge and the estimates based on such knowledge made by the management of Salzgitter AG. However, as is the case with any forecasts or prognosis, such statements are also subject to uncertainties and risks. Notwithstanding prevailing statutory provisions and capital market law in particular, we are not obligated to update this data. In particular, we shall not assume liability of any kind for knowledge and statements, as well as any acts resulting on the basis of such knowledge or statements that emanate directly or indirectly from the analysis of the data, content and correlations of this document. The information and data made available do not represent an encouragement or invitation to buy, sell or conduct any other type of trade in securities. Salzgitter AG shall neither assume liability for direct nor indirect damages, including lost profits, arising as a result of the utilization of the information or data contained in this document.

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