

Results of the first nine months 2020

Salzgitter, November 13, 2020

Key data per 2020/09/30

		9M 2020	9M 2019	Δ	Q3 2020	Q2 2020	Q1 2020
Crude steel production	kt	4,334.2	5,060.1	-725.9	1,381.5	1,271.2	1,681.5
External sales ¹	€ million	5,264.3	6,637.3	-1,373.0	1,633.4	1,522.7	2,108.3
Earnings before tax	€ million	-224.4	40.7	-265.1	-96.6	-96.4	-31.4
Earnings after tax	€ million	-243.0	-29.8	-213.2	-98.3	-101.0	-43.7
Earnings per share (undiluted)	€	-4.54	-0.63	-3.91	-1.84	-1.88	-0.83
ROCE	%	-8.1	2.5	-10.6	-10.9	-10.0	-2.4
Core workforce ²		22,785	23,562	-777	22,785	23,009	23,308

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

Considerable impact of COVID-19 pandemic on sales and the result

Income statement

Income Statement (€ million)	9M 2020	9M 2019	Δ
Sales	5,264.3	6,637.3	-1,373.0
Increase/decrease in finished goods and work in process/other own work capitalized	-154.8	2.3	-157.1
	5,109.6	6,639.7	-1,530.1
Other operating income	186.7	188.0	-1.3
Cost of materials	3,358.5	4,329.6	-971.0
Personnel expenses	1,248.5	1,335.7	-87.3
Amortization and depreciation of intangible assets and property, plant and equipment	219.2	262.2	-43.0
Other operating expenses	694.5	888.3	-193.8
Result from impairment losses and reversal of impairment losses of financial assets	-11.1	-1.2	-9.9
Income from shareholdings	2.1	1.8	0.3
Result from investments accounted for using the equity method	50.7	73.9	-23.1
Finance income	5.7	13.9	-8.1
Finance expenses	47.5	59.5	-12.1
Earnings before taxes (EBT)	-224.4	40.7	-265.1
Income tax	18.6	70.5	-51.9
Consolidated result	-243.0	-29.8	-213.2

Consolidated balance sheet

Assets (€ million)	30.09.2020	31.12.2019	Δ
Non-current assets	4,188.8	4,099.0	89.8
Intangible assets, property, plant and equipment	2,387.0	2,343.0	44.0
Investment property	80.9	82.0	-1.1
Financial assets	56.2	64.7	-8.4
Investments accounted for using the equity method	1,113.7	1,072.9	40.8
Trade receivables	17.5	18.4	-0.9
Other receivables and other assets	32.7	25.6	7.0
Income tax assets	0.0	0.0	0.0
Deferred income tax assets	500.7	492.3	8.4
Current assets	3,801.1	4,518.5	-717.5
Inventories	1,871.3	2,248.1	-376.8
Trade receivables	1,015.9	1,118.4	-102.5
Contract assets	297.3	186.3	110.9
Other receivables and other assets	207.5	191.8	15.7
Income tax assets	23.7	22.6	1.1
Securities	39.6	50.9	-11.2
Cash and cash equivalents	339.0	700.5	-361.5
Assets available for sale	6.9	0.0	6.9
Balance sheet total	7,989.9	8,617.5	-627.6

Consolidated balance sheet

Equity and liabilities (€ million)	30.09.2020	31.12.2019	Δ
Equity	2,631.6	2,938.7	-307.0
Subscribed capital	161.6	161.6	0.0
Capital reserve	257.0	257.0	0.0
Retained earnings	2,546.2	2,845.2	-299.0
Other reserves	16.3	23.0	-6.6
Unappropriated retained earnings	12.1	12.1	0.0
Treasury shares	-369.7	-369.7	0.0
Minority Interest	8.2	9.6	-1.4
Non-current liabilities	3,653.8	3,453.6	200.1
Provisions for pensions and similar obligations	2,399.5	2,356.1	43.3
Deferred tax liabilities	72.0	72.0	0.0
Income tax liabilities	36.2	36.6	-0.4
Other provisions	327.5	334.9	-7.4
Financial liabilities	806.7	637.1	169.6
Other liabilities	11.8	16.8	-5.0
Current liabilities	1,704.5	2,225.3	-520.8
Other provisions	198.0	224.6	-26.6
Financial liabilities	257.7	430.1	-172.4
Trade payables	711.6	915.2	-203.7
Liability contracts	209.1	200.7	8.4
Income tax liabilities	6.0	8.6	-2.6
Other liabilities	322.1	446.0	-123.9
Balance sheet total	7,989.9	8,617.5	-627.6

Cash flow statement

(€ million)	9M 2020	9M 2019	Δ
Cash and cash equivalents at the start of the period	700.5	555.6	144.9
Cash flow from operating activities	-96.5	77.7	-174.2
Cash flow from investment activities	-228.8	-378.1	149.3
Cash flow from financial activities	-27.7	193.3	-221.0
Changes in cash	-361.5	-100.3	-261.3
Cash and cash equivalents at the end of the period	339.0	455.3	-116.3

**Negative cash flow from operating activities characterized by the pre-tax loss;
Cash flow from investment activities notably lower also due to the immediate measures**

Strip Steel Business Unit

		9M 2020	9M 2019	Δ	Q3 2020	Q2 2020	Q1 2020
External sales	€ million	1,384.9	1,730.1	-345.1	482.1	336.6	566.2
Order bookings	kt	3,010.9	3,347.2	-336.3	1,176.9	640.9	1,193.1
Order backlog ¹	kt	889.6	910.2	-20.5	889.6	779.4	917.8
EBITDA	€ million	23.0	243.2	-220.3	10.6	-22.3	34.6
EBT	€ million	-94.9	84.6	-179.5	-25.7	-62.4	-6.8
Core workforce ¹		6,029	6,138	-109	6,029	6,040	6,113

**Significant recovery in the third quarter,
negative earnings before taxes due to decrease in shipments and earnings**

Plate / Section Steel Business Unit

		9M 2020	9M 2019	Δ	Q3 2020	Q2 2020	Q1 2020
External sales	€ million	530.3	630.6	-100.3	167.1	168.7	194.5
Order bookings	kt	1,399.8	1,429.2	-29.3	434.3	381.7	583.8
Order backlog ¹	kt	287.3	243.8	43.5	287.3	274.2	369.4
EBITDA	€ million	-42.8	22.7	-65.4	-30.1	-14.9	2.2
EBT	€ million	-64.7	-13.0	-51.8	-37.8	-22.8	-4.2
Core workforce ¹		2,313	2,414	-101	2,313	2,347	2,353

Decline of earnings due to decreasing volumes and margins especially in the heavy plate companies

		9M 2020	9M 2019	Δ	Q3 2020	Q2 2020	Q1 2020
External sales	€ million	723.3	842.1	-118.8	228.8	198.6	295.9
Order bookings	€ million	762.9	1,065.9	-303.0	265.1	178.3	319.5
Order backlog ¹	€ million	357.7	481.4	-123.7	357.7	347.8	402.3
EBITDA	€ million	-2.0	50.7	-52.7	-10.1	-2.4	10.5
EBT	€ million	-48.3	-2.9	-45.4	-25.6	-18.1	-4.6
Core workforce ¹		4,416	4,670	-254	4,416	4,511	4,609

Negative earnings before taxes particularly reflects the development in the precision tubes segment

		9M 2020	9M 2019	Δ	Q3 2020	Q2 2020	Q1 2020
External sales	€ million	1,667.9	2,294.5	-626.6	438.7	525.8	703.4
Shipments	kt	2,361.1	3,027.7	-666.6	636.7	746.9	977.5
EBITDA	€ million	-8.4	25.1	-33.5	-3.3	-10.8	5.8
EBT	€ million	-22.9	3.3	-26.2	-7.1	-16.1	0.3
Core workforce ¹		1,962	2,106	-144	1,962	1,990	2,036

Decrease of shipments due to lower volumes, especially in international trading, and tense margins situation in the stockholding business cause negative pre-tax result

Technology Business Unit

		9M 2020	9M 2019	Δ	Q3 2020	Q2 2020	Q1 2020
External sales	€ million	853.6	1,000.9	-147.3	279.1	264.3	310.3
Order bookings	kt	841.9	1,010.0	-168.1	283.4	221.2	337.3
Order backlog ¹	kt	626.4	716.4	-90.1	626.4	618.2	739.3
EBITDA	€ million	8.4	41.1	-32.6	3.9	-8.1	12.6
EBT	€ million	-13.8	22.5	-36.3	-3.2	-15.8	5.2
Core workforce ¹		5,457	5,576	-119	5,457	5,504	5,568

Positive result of KHS-Group in the third quarter cannot compensate the diminishing development of the DESMA companies

Industrial Participations / Consolidation

		9M 2020	9M 2019	Δ	Q3 2020	Q2 2020	Q1 2020
External sales	€ million	104.2	139.1	-34.9	37.6	28.7	38.0
EBITDA	€ million	57.2	-30.9	88.1	14.8	51.0	-8.5
EBT	€ million	20.2	-53.9	74.1	2.8	38.8	-21.3
Core workforce ¹		2,608	2,658	-50	2,608	2,617	2,629

Earnings before taxes includes € 53.4 million contribution from the participating investment in Aurubis AG accounted for using the equity method

Business Units – Forecast 2020

Strip Steel

- Order intake recovered in the third quarter to normal level
- Decrease of short-time work, higher production volume
- AD quotas without coming close to exhaustion due to low demand, therefore virtually without effect

Plate / Section Steel

- Market situation and demand will remain tight
- Consistently high import volumes in the plate segment
- Sections market expected to remain geared to the short term and volatile

Mannesmann

- LD pipe mills: unsatisfactory capacity utilization in GER, US better
- Medium line pipes: significantly reduced demand, lower selling prices
- Precision tubes: utilization still not satisfactory
- Stainless tubes: declining tendencies

Trading

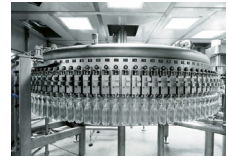
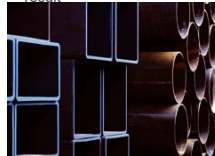
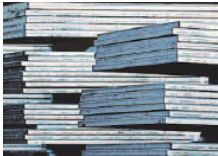
- Prospects in international trading will remain under pressure due to restrictive trading policies
- Reduced demand in stockholding steel trade due to the impact of the Corona pandemic

Technology

- KHS Group: negative impacts of the Corona pandemic in the second quarter, recovery in the third quarter
- KDE and KDS: decreasing earnings due to overall muted market forecasts

Guidance for sales and earnings of the business units

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|---|--|---|---|--|
| <ul style="list-style-type: none"> • Notable decline in sales • Significantly negative pre-tax result | <ul style="list-style-type: none"> • Tangible decline in sales • High pre-tax loss | <ul style="list-style-type: none"> • Significant downturn in sales • Tangibly negative pre-tax result | <ul style="list-style-type: none"> • Sales notably below previous year • Including proceeds from the disposal of a property, marginally positive pre-tax result | <ul style="list-style-type: none"> • Slightly sales • Breakeven pre-tax result |
|---|--|---|---|--|



The Salzgitter Group anticipates for the financial year 2020:

- a notable reduction in sales,
- a pre-tax result roughly in the year-earlier range (€– 253.3 million) excluding potential special effects in the context of the annual accounts, as well as
- a return on capital employed (ROCE) that is tangibly below the previous year's 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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