9M

Quarterly Statement
9 Months 2020

SALZGITTER AG
Stahl und Technologie

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The Salzgitter Group in Figures

		9M 2020	9M 2019	+/–
Crude steel production	**kt**	**4,334.2**	**5,060.1**	**–725.9**
External sales	**€ m**	**5,264.3**	**6,637.3**	**–1,373.0**
Strip Steel Business Unit	€ m	1,384.9	1,730.1	–345.1
Plate/Section Steel Business Unit	€ m	530.3	630.6	–100.3
Mannesmann Business Unit	€ m	723.3	842.1	–118.8
Trading Business Unit	€ m	1,667.9	2,294.5	–626.6
Technology Business Unit	€ m	853.6	1,000.9	–147.3
Industrial Participations/ Consolidation	€ m	104.2	139.1	–34.9
EBIT before depreciation and amortization (EBITDA)	**€ m**	**35.5**	**351.9**	**–316.4**
Earnings before interest and taxes (EBIT)	**€ m**	**–183.7**	**89.7**	**–273.4**
Earnings before taxes (EBT)	**€ m**	**–224.4**	**40.7**	**–265.1**
Strip Steel Business Unit	€ m	–94.9	84.6	–179.5
Plate/Section Steel Business Unit	€ m	–64.7	–13.0	–51.8
Mannesmann Business Unit	€ m	–48.3	–2.9	–45.4
Trading Business Unit	€ m	–22.9	3.3	–26.2
Technology Business Unit	€ m	–13.8	22.5	–36.3
Industrial Participations/ Consolidation	€ m	20.2	–53.9	74.1
Consolidated result	**€ m**	**–243.0**	**–29.8**	**–213.2**
Earnings per share – basic	**€**	**–4.54**	**–0.63**	**–3.91**
Return on capital employed (ROCE)[1]	**%**	**–8.1**	**2.5**	**–10.6**
Cash flow from operating activities	**€ m**	**–96.5**	**77.7**	**–174.2**
Investments[2]	**€ m**	**291.6**	**436.2**	**–144.6**
Depreciation/amortization[2]	**€ m**	**–219.2**	**–262.2**	**43.0**
Total assets	**€ m**	**7,989.9**	**9,089.3**	**–1,099.4**
Non-current assets	**€ m**	**4,188.8**	**4,159.7**	**29.1**
Current assets	**€ m**	**3,801.1**	**4,929.6**	**–1,128.5**
of which inventories	€ m	1,871.3	2,347.8	–476.5
of which cash and cash equivalents	€ m	339.0	455.3	–116.3
Equity	**€ m**	**2,631.6**	**2,981.5**	**–349.8**
Liabilities	**€ m**	**5,358.3**	**6,107.9**	**–749.6**
Non-current liabilities	€ m	3,653.8	3,823.4	–169.7
Current liabilities	€ m	1,704.5	2,284.5	–580.0
of which due to banks[3]	€ m	913.2	820.2	93.0
Net financial position on the reporting date[4]	**€ m**	**–498.0**	**–216.8**	**–281.2**
Employees				
Personnel expenses	€ m	–1,248.5	–1,335.7	87.3
Core workforce on the reporting date[5]	empl.	22,785	23,562	–777
Total workforce on the reporting date[6]	empl.	24,546	25,498	–952

Disclosure of financial data in compliance with IFRS
[1] Annualized
[2] Excluding financial assets, as from FY 2019 under initial application of IFRS 16 Leases
[3] Current and non-current bank liabilities
[4] Including investments, e.g. securities and structured investments
[5] Excl. trainee contracts and excl. non-active age-related part-time work
[6] Incl. trainee contracts and incl. non-active age-related part-time work

Profitability of the Group and its Business Units

Profitability of the Group

		Q3 2020	Q3 2019	9M 2020	9M 2019
Crude steel production	kt	1,381.5	1,648.0	4,334.2	5,060.1
External sales	**€ m**	**1,633.4**	**2,111.1**	**5,264.3**	**6,637.3**
EBIT before depreciation and amortization (EBITDA)	€ m	–14.2	–1.7	35.5	351.9
Earnings before interest and taxes (EBIT)	€ m	–84.7	–87.6	–183.7	89.7
Earnings before taxes (EBT)	**€ m**	**–96.6**	**–104.6**	**–224.4**	**40.7**
Consolidated result	**€ m**	**–98.3**	**–126.2**	**–243.0**	**–29.8**
Return on capital employed (ROCE)[1)]	**%**	**–10.9**	**–10.0**	**–8.1**	**2.5**
Investments[2)]	€ m	81.7	129.6	291.6	436.2
Depreciation/amortization[2)]	€ m	–70.5	–85.8	–219.2	–262.2
Cash flow from operating activities	€ m	25.0	103.6	–96.5	77.7
Net financial position[3)]	**€ m**			**–498.0**	**–216.8**
Equity ratio	%			32.9	32.8

[1)] Annualized
[2)] Excluding financial assets, as from FY 2019 under initial application of IFRS 16 Leases
[3)] Including investments, e.g. securities and structured investments

In the first nine months of the financial year 2020, the Salzgitter Group recorded a **pre-tax result** of € –224.4 million (9 months 2019: € +40.7 million) in a market environment severely impacted by the economic disruptions caused by the Corona pandemic. After the second quarter in which the Group's subsidiaries reported capacity utilization reductions of up to 70% compared with 2019, order intake gradually recovered from the early summer months onward. In combination with the measures implemented at short notice to secure earnings and liquidity, the results of the Strip Steel, Trading and Technology business units recovered partly discernibly in the third quarter. The contribution of Aurubis AG, an investment included at equity, amounted to € 53.4 million (9 months 2019: € 78.1 million). **External sales** declined by around one fifth to € 5,264.3 million due to lower volumes and prices (9 months 2019: € 6,637.3 million). The **after-tax result** came in at €–243.0 million (9 months 2019: € –29.8 million), which brings basic earnings per share to €–4.54 (9 months 2019: €–0.63) and return on capital employed to –8.1% (ROCE 9 months 2019: +2.5%). The **net financial position** (€ –498.0 million; 9 months 2019: € –216.8 million) declined above all due to the payment made to the German Federal Cartel Office in the first quarter. The **equity ratio** of 32.9% remained stable (9 months 2019: 32.8%) and underscores the still sound balance sheet of the Salzgitter Group.

Special items / EBT business units and Group

	EBT		Restructuring		Impairment/ write-up		Other		EBT excluding special items	
In € m	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**
Strip Steel	−94.9	84.6	–	–	–	–	–	–	−94.9	84.6
Plate / Section Steel	−64.7	−13.0	–	–	–	–	–	–	−64.7	−13.0
Mannesmann	−48.3	−2.9	–	–	–	–	–	–	−48.3	−2.9
Trading	−22.9	3.3	–	–	–	–	–	–	−22.9	3.3
Technology	−13.8	22.5	–	–	–	–	–	–	−13.8	22.5
Industrial Participations/ Consolidation	20.2	−53.9	–	–	–	–	–	−141.0	20.2	87.1
Group	**−224.4**	**40.7**	**–**	**–**	**–**	**–**	**–**	**−141.0**	**−224.4**	**181.7**

Strip Steel Business Unit

		Q3 2020	Q3 2019	9M 2020	9M 2019
Order intake	kt	1,176.9	1,064.8	3,010.9	3,347.2
Order backlog on reporting date	kt			889.6	910.2
Crude steel production	kt	977.6	1,110.4	2,861.9	3,330.5
Rolled steel production	kt	773.0	990.5	2,368.2	2,755.5
Shipments	kt	1,080.8	1,120.8	3,071.0	3,438.4
Segment sales[1)]	**€ m**	**649.7**	**734.8**	**1,887.6**	**2,303.3**
External sales	**€ m**	**482.1**	**554.6**	**1,384.9**	**1,730.1**
Earnings before taxes (EBT)	**€ m**	**–25.7**	**24.3**	**–94.9**	**84.6**

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

Development of the European steel market

Following a decline of 10% in global economic output in the first half of 2020, the third quarter saw a recovery that presented a very disparate picture due to the patchy incidences of infection. The global steel industry was massively hit by the effects of the Corona pandemic. The relatively slight decline of 3% in the global output of crude steel in the first nine months of the year is attributable in particular to the Chinese steel industry that was already raising its production by the end of the first quarter, after the regional lockdown measures had been lifted. The country recorded growth of 4% over the same period. Without the special influence of China, crude steel production declined by an average 12% in all countries. In Europe, the development of demand over the period under review caused production to slump by almost 20%. With the recovery of key customer industries, the take-up of steel products also staged a gradual comeback. The automotive industry, as well as other sectors more closely related to the consumer, increased their activities at an earlier point in time and to a greater degree than customers engaged in capital goods production. This was reflected by an increase of almost 50% in order intake at strip steel producers over the period from May to July. The volume cutbacks introduced by the steelworks in the early months of the year, together with the unexpectedly swift increase in demand for some products, triggered a temporary supply shortfall on the European steel market. In conjunction with the meanwhile sharp increase in iron ore prices prompted by the Chinese steel industry, selling prices rose partly by leaps and bounds as from July and, by September, had reached the price level seen at the start of the year in the case of some strip steel products.

Procurement

Iron ore

The pandemic induced downturn in demand caused iron or prices to decline, starting from around 93 USD/dmt at the beginning of the year to below the 80 USD mark by the start of February. Over the course of the quarter, prices moved within a range of between 80 and 90 USD/dmt. In April, prices initially came under pressure in anticipation of an oversupply on the market, before the situation reversed in May and restrictions in South Africa and Canada, introduced by the authorities to curb the Corona virus, and its increased spread in Brazil resulted in a dwindling supply of iron ore. An upturn in steel production in China and low inventory levels resulted in strong purchasing requirements, which lifted the benchmark price by around 20% at the start of June to just over 100 USD/dmt. This trend held steady in the third quarter as well. Unabatedly strong demand from China, combined with recurring requirements from the other Asian countries and Europe, lifted the IODEX 62% Fe benchmark price to a new six-year high of 130 USD/dmt CFR China in mid-September. Prices subsequently slipped slightly but nevertheless remained at a level of more than 120 USD/dmt. The shortages initially feared on the market did not materialize. Instead, imports from Brazil stabilized at mid-year, and Australia's export volume will set a new record in 2020. This is, however, counterbalanced by unexpected demand from China this year that exceeds previous expectations and is the main reason behind the drastic increase in the price of iron ore. Consequently, prices averaged 118 USD/dmt CFR China in the third quarter, around 16 USD/dmt (+16%) higher compared with the previous year's quarter. We hedge defined iron ore volumes in order to mitigate the price risks resulting from procurement.

Coking coal

At the beginning of the COVID-19 pandemic, many traders and consumers stocked up on material to be prepared for potential shortfalls in coking coal and delivery delays. The increased demand for coking coal traded seaward coincided with relatively stable supply. Disruptions due to weather conditions in the logistics chain in Australia nevertheless caused frequent price fluctuations. As from the end of the first quarter, prices slipped notably in response to weaker demand and a sustained high level of Australian coking coal production. This trend continued in the second quarter and subsequently right through until September. The price of high grade coking coal dropped from its peak in mid-March by more than 50 USD/t to 106 USD/t FOB Australia over the period through to mid-August. In the face of growing demand from China before the holiday week at the start of October and a similar uptrend in requirements from India and Europe, prices climbed within a few weeks to just under 140 USD/t FOB Australia. The average price in the third quarter stood at 115 USD/t FOB Australia, thereby falling short of the prior-year quarter by around 30%. We hedge defined coking coal volumes in order to mitigate the risks resulting from procurement.

Business development

Order intake recovered considerably in the third quarter and almost attained the level of the first quarter. However, the figure of the first nine months 2019 was not achieved and **orders on hand** also remained below the year-earlier level during the reporting period. **Crude steel production** and **rolled steel output** fell short of the previous year's figures. The blast furnace that was taken out of production in late summer 2019 is still in shutdown. Although **shipments** increased sharply, boosted by backlog effects in the last quarter, a notable decline was nevertheless recorded compared with the first nine months of 2019. In conjunction with the drop in selling prices, **segment** and **external sales** were tangibly lower than in the previous year. The Strip Steel Business Unit recorded a **pre-tax loss** of € 94.9 million (9 months 2019: € +84.6 million).

Investments

The Strip Steel Business Unit continued to work on its strategic "Hot Dip Galvanizing Line 3" project. The new facilities are to increase the existing hot dip galvanizing capacities of Salzgitter Flachstahl GmbH by around 500 ktons per year with the aim of accommodating greater customer requirements for galvanized high-strength and ultra-high strength steel grades. The building itself was largely completed in the period under review. Plant construction is currently in the engineering phase and work has commenced on the foundations.

The investment in a hot strip slitting plant that is currently at the assembly stage, and the exchange of the machine head of Continuous Casting Line 1 underpins the strategic goal of developing the product portfolio further in the direction of high strength and ultra-high strength grades.

SALCOS® (SAlzgitter Low CO_2 Steelmaking)

With our SALCOS® concept we have adopted a pioneering role in decarbonizing the steel industry. The engineering approach of SALCOS® targets the direct avoidance of CO_2 emissions in the production process itself by using hydrogen to gradually replace the carbon necessary for steel production based on iron ore, initially by natural gas and subsequently by hydrogen at a later stage in direct reduction facilities to be built. Largely harnessing existing production facilities after the converters in the meltshop, SALCOS® will already allow the CO_2 emissions of the steelworks in Salzgitter to be reduced by at least 25% by middle of this decade. A reduction of 95% can be achieved based on full implementation over the period up until 2050.

The "Wind Hydrogen Salzgitter" project (WindH2) Salzgitter is enabling SZFG to gain operational experience in the important field of "hydrogen from renewable energies", which is vital for SALCOS®. As part of the "Wind Hydrogen Salzgitter" project, a 2.5 megawatt PEM electrolysis plant (PEM = Proton-Exchange Membrane) will be commissioned at the start of 2021. The plant will fully cover the Salzgitter site's current hydrogen requirements. This is a key component on the path to hydrogen-based steel production. The assembly of the necessary equipment was completed in the reporting period. The facility is due to be commissioned in March 2021.

In addition, Salzgitter AG has been working together with Sunfire GmbH and other partners on the EU „GrInHy“ (= Green Industrial Hydrogen) research project since 2016. New approaches for producing hydrogen efficiently are being investigated with the aim of making a contribution to lowering CO_2 in steel production through SALCOS® in the future. At the end of August, the world's most powerful high-temperature electrolyzer for producing energy-efficient hydrogen was delivered to SZFG as part of the successor project "GrInHy2.0". Under the project, a high-temperature electrolyzer with rated electrical output of 720 kilowatts is to be deployed in an industrial context. Over the period up until the end of 2022, the electrolyzer is to have been in operation for at least 13,000 hours and have produced more than 100 tons of green hydrogen.

Green strip steel enhances the product range

Before the end of this year 2020, the Salzgitter Group will be able to offer its customers a range of green strip steel products in specified grades and dimensions. These products will feature a CO_2 footprint less than a quarter that of previous steels. In order to enable production, one of the two continuous casting lines at the Peine steel works will be fitted out to cast slabs. This green strip steel puts us in a position to address a large number of customers who consider it important to take delivery of a real, physical reduced-CO_2 product rather than being satisfied with more or less theoretical CO_2 footprint projections.

Plate / Section Steel Business Unit

		Q3 2020	Q3 2019	9M 2020	9M 2019
Order intake [1]	kt	434.3	394.0	1,399.8	1,429.2
Order backlog[1] on reporting date	kt			287.3	243.8
Crude steel production	kt	220.8	215.5	753.2	747.5
Rolled steel production	kt	452.8	427.2	1,463.6	1,502.4
Shipments[1]	kt	432.3	470.1	1,449.4	1,570.5
Segment sales[2]	**€ m**	**306.5**	**371.8**	**1,033.3**	**1,259.2**
External sales	**€ m**	**167.1**	**188.3**	**530.3**	**630.6**
Earnings before taxes (EBT)	**€ m**	**−37.8**	**−13.5**	**−64.7**	**−13.0**

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

Market development
Relatively stable order intake at the start of the year secured a good basis for the rolling mills right through to the second quarter. As a result, the **heavy plate market** initially proved to be relatively resilient in a market environment impacted by COVID-19. Restrictions as from March 2020, however, caused delays and cancellations in orders placed. Ordering processes were only initiated if absolutely necessary, which increasingly caused output gaps across the entire supply chain. Along with mechanical engineering, shipbuilding and the yellow goods sector, steel trading was particularly hard hit, with sales plunges of between 25 and 50%. The downward spiral in prices on the heavy plate market that started in May continued through to the third quarter. Only at the end of August did a fragile stabilization of the very low price level set in, prompted by lower supply due to the summer vacation and the downtime of European plants. Prices have been slipping again since mid-September, however. Imports from non-EU countries remained at a high level in the third quarter as well, which accelerated the erosion of prices in Europe. Ukraine was once again the primary source of volumes with around 40%, followed by South Korea, North Macedonia and Russia.

Low inventory levels at the start of the year and the increase anticipated in scrap prices had an initially positive effect on producers' capacity utilization in the **European section market**. As early as February, against the backdrop of dwindling demand, the stockholding steel trade began to replenish inventories again. The reluctance in booking for the production month of March sent prices into decline, and uncertainty about further market developments resulted in orders only being placed with a great deal of reticence and caution in the subsequent months as well. After the downtime caused by Corona, the return of southern European producers to the market in the first two weeks of June put additional pressure on prices. In the second half of the month, traders stocked up to secure their delivery capabilities in response to the downtime announced for the plants in the summer. August saw only weak demand, with the resulting impact on capacity utilization and pricing. Reluctance to purchase in the previous month and the price increases anticipated due to rising scrap prices boosted demand emanating from steel construction at the end of the third quarter. All in all, the construction industry as the key customer sector proved to be robust in the period under review. Investor confidence, however, and consequently the release of funds for new building projects, has been dented, which will have an impact on producers for the remainder of the year.

Procurement

Steel scrap

At the start of the year, Germany's scrap market was determined by rising prices that subsequently weakened from February onward. The decline in demand on the deep water market and plant closures exerted growing pressure on prices at the end of the first quarter. In April, the steep decline in scrap availability, also as a consequence of the partly massive cutbacks in industrial production, slowed the demand-driven price downtrend. The following months saw a slight correction. After dipping in July, partly significant price increases were recorded with demand increasing as the quarter progressed, supported by Turkish steel producers' sustained, strong demand for steel scrap.

Business development

The **order intake** of the Plate/Sections Business Unit almost repeated the year-earlier level in the first nine months of 2020 thanks to the increased volumes of Ilsenburger Grobblech GmbH (ILG) and stable order intake at Peiner Träger GmbH (PTG). The decline in the order intake of the Mülheim heavy plate company reflects the lower volumes for the trade sector and other tube rolling mills. **Orders on hand** settled notably above the previous year's period as ILG appreciably outperformed its low year-earlier figure. **Crude steel production** matched the year-earlier level, as opposed to **rolled steel output** that was recorded somewhat lower. **Segment** and **external sales** fell considerably short of the first nine months of 2019, accompanied by lower **shipment tonnage**. The business unit reported a **pre-tax loss** of € 64.7 million (9 months 2019: € –13.0 million). The results of the heavy plate companies dropped substantially below the previous year's period in terms of volumes and selling prices, and Peiner Träger GmbH also reported a tangible decline, in connection with weaker selling prices. The DEUMU Deutsche Erz und Metall- Union-Group generated a positive result that fell short of the prior year figure.

Investments

The investments of the Plate/Section Steel Business Unit focused on continuing ILG's "New Heat Treatment Line" project initiated under the "Salzgitter AG 2021" strategic growth program. The investment serves to expand the product portfolio and achieve a stronger positioning in the higher-end grade segment. The facilities are due for commissioning by the start of 2021.

Mannesmann Business Unit

		Q3 2020	Q3 2019	9M 2020	9M 2019
Order intake	€ m	265.1	379.9	762.9	1,065.9
Order backlog on reporting date	€ m			357.7	481.4
Crude steel production Hüttenwerke Krupp Mannesmann (30 %)	kt	183.1	322.1	719.0	982.1
Shipment tubes[1)]	kt	87.4	129.8	300.6	411.6
Segment sales[2)]	**€ m**	**299.0**	**414.5**	**991.3**	**1,302.0**
External sales	**€ m**	**228.8**	**259.8**	**723.3**	**842.1**
Earnings before taxes (EBT)	**€ m**	**– 25.6**	**– 11.9**	**– 48.3**	**– 2.9**

[1)] Disclosure of volumes measured pursuant to IFRS 15
[2)] Including sales with other business units in the Group

Market development
After a relatively strong first quarter, the output of the **steel tubes industry** declined drastically as a consequence of the Corona pandemic. The third quarter saw a recovery set in, the course of which in many cases was slower than the overall industry, however. In the European Union, steel tubes producers were required to deal with significantly weaker demand and great pressure due to imports from non-EU countries. Key sectors such as mechanical engineering and the automotive industry reduced their take-up volumes considerably, and partly even temporarily suspended them in the second quarter. Demand from the oil and gas industry was also tangibly lower than in recent years. The number of inquiries from the construction industry had a stabilizing effect.

Business development
Order intake and **orders on hand** of the Mannesmann Business Unit were a good quarter below the previous year's period in the first nine months of 2020 as all companies reported declines. In the case of the precision tubes group, orders placed by the automotive sector above all decreased significantly. Following the second quarter that was characterized by a high level of cancellations, order intake recently picked up gratifying momentum again at the level of the first three months of 2020. **Tubes shipments** as well as **segment** and **external sales** fell short of the year-earlier period, despite the uptrend in the third quarter. The Mannesmann Business Unit reported **earnings before taxes** of € – 48.3 million (9 months 2019: € – 2.9 million). The result clearly reflects the pre-tax loss of the precision tubes group in particular, but also the results of the other companies were lower than a year ago.

Outside the group of consolidated companies, the order intake of the EUROPIPE Group (EP Group) did not match the first nine months of 2019 that was determined by major orders placed with the US companies. Due to the lack of larger project bookings to date, the EP Group's orders on hand were also lower year on year. Sales dropped below the year-earlier figure due to the decline in the shipment volumes of EUROPIPE GmbH. All in all, and despite the positive result of the US companies, a negative at-equity contribution was delivered.

Investments
As part of expanding the Mexican precision tubes company at El Salto, the focus remains on optimizing processes and the organization as well as on the rigorous expediting of product qualification. The large cold pilger machine at the Remscheid location has been ready for production since the end of the first quarter and initial orders have been put into production. The measure is aimed at expanding capacities and the product range in the seamless cold finished stainless steel segment in order to produce larger diameters.

Trading Business Unit

		Q3 2020	Q3 2019	9M 2020	9M 2019
Shipments	kt	636.7	936.9	2,361.1	3,027.7
Segment sales[1)]	**€ m**	**443.2**	**723.1**	**1,683.4**	**2,332.5**
External sales	**€ m**	**438.7**	**716.3**	**1,667.9**	**2,294.5**
Earnings before taxes (EBT)	**€ m**	**–7.1**	**–0.9**	**–22.9**	**3.3**

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

Market development
Following an already subdued start to the year, demand on the international steel markets also deteriorated further. The weak market environment, production downtime in key customer sectors in combination with protectionist measures led to a lower level of order activity and of price levels, particularly in the trading business. The downtrend in the European stockholding steel trade also continued, above all in Germany, compounded by stronger pressure on margins.

Business development
In the first nine months of 2020, the **shipments** of the Trading Business Unit dropped almost one quarter below the previous year's figure due to lower tonnage, especially in international trading. In conjunction with an unsatisfactory price situation, **segment** and **external sales** declined. Consequently, the **pre-tax result** that came in at € –22.9 million fell short of the year-earlier period (€ +3.3 million). The UES Group achieved breakeven in its pre-tax result.

Investments
Maintaining and upgrading existing facilities continue to form the focus of investments by the Trading Business Unit in 2020. In addition, the measures launched as part of the "Salzgitter AG Strategy 2021" and "FitStructure 2.0" will be pursued further.

Acquisitions
With the takeover of Statendam Steel Plates, the Salzgitter- Group has expanded its European trading network and reinforced its market presence in the Netherlands. Statendam Steel Plates B.V. was established in 2000 and supplies customers in the construction, trading, boiler construction and mechanical engineering sectors, as well as in the metalworking, offshore and shipbuilding industries.

Technology Business Unit

		Q3 2020	Q3 2019	9M 2020	9M 2019
Order intake	€ m	283.4	328.1	841.9	1,010.0
Order backlog on reporting date	€ m			626.4	716.4
Segment sales[1)]	**€ m**	**279.1**	**344.1**	**853.9**	**1,001.3**
External sales	**€ m**	**279.1**	**344.0**	**853.6**	**1,000.9**
Earnings before taxes (EBT)	**€ m**	**– 3.2**	**6.4**	**– 13.8**	**22.5**

1) Including sales with other business units in the Group

Market development
According to the German Engineering Federation (VDMA), the sector has been severely affected by the Corona crisis in the past nine months, as reflected by the decline in order intake that has fallen considerably below the level posted in the prior-year period. Demand from Germany and from abroad dropped off, with a great deal of uncertainty prevailing among customers at the start of the second quarter in particular. The booking situation began to recover as from June. The industry's sales did not match the previous year's figures, reflecting the development of new orders. Order intake in the market for food and packaging machinery settled at or slightly above year-earlier levels.

Business development
Order activity at the start of the year initially attained a satisfactory level thanks to the KHS Group's good project business. As from the spring, it mirrored the market downtrend and generally remained in a steep decline in the first six months of the year. In the third quarter this trend slowed, both at the KHS Group and at the special machinery manufacturers. **Order intake** nevertheless settled significantly below that of the first nine months of 2019. Despite the higher volume of the KDE Group, **orders on hand** were also tangibly lower than in the previous year's period. **Segment** and **external sales** decreased notably as well. The KHS Group generated a positive pre-tax result in the third quarter that was nevertheless insufficient for compensating the negative results of KDS and the KDE Group. All in all, the business unit therefore reported a **pre-tax loss** of € 13.8 million (9 months 2019: € + 22.5 million).

The KHS Group continues to rigorously pursue the comprehensive "KHS Future" efficiency and growth program. With a focus on reducing costs and expanding the service business, the program has already made a significant contribution to lifting the result and is aimed at promoting the development of the company in the future as well in the fiercely competitive and challenging market environment.

Investments
In the reporting period, the Technology Business Unit continued to focus on replacement and streamlining measures. In order to ensure the steady optimization of organizational workflows, IT projects in Germany and in the international companies were carried out within the KHS Group to further optimizing workflows. The extensive modernization of the Bad Kreuznach site with a view to ensuring lean manufacturing was completed in the reporting period. An investment program for strategic realignment is being implemented for the Chinese market.

About a year after the groundbreaking ceremony at the start of June 2019, the "Factory of the Future" meaning the new production and office building of Achim-based KDS has been completed. The investment is aimed at ensuring KDS' sustainable growth and profitability. The information and material flow, as well as the assembly process associated with this investment, are to be optimized in order to raise productivity.

Industrial Participations/Consolidation

		Q3 2020	Q3 2019	9M 2020	9M 2019
Sales[1)]	€ m	154.6	241.5	508.9	711.5
External sales	€ m	37.6	48.2	104.2	139.1
Earnings before taxes (EBT)	€ m	2.8	−109.0	20.2	−53.9

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

Sales in the Industrial Participations/Consolidation segment, which are based mainly on business in semi-finished products with subsidiaries and external parties, declined substantially compared with the first nine months of 2019 due to constrained economic activity. **External sales** also decreased as against the year-earlier period. **Earnings before taxes** (€ 20.2 million; 9 months 2019: €−53.9 million) include a contribution of € 53.4 million from the participating investment in Aurubis AG accounted for using the (IFRS accounting) equity method (9 months 2019: € 78.1 million, of which € 27.8 million in income from an accounting adjustment through profit and loss in connection with the Aurubis shares acquired at an average price below the market value of the pro rata equity of the Aurubis AG shares). The results from the valuation of derivative positions made a positive contribution. The services companies that mainly operate on behalf of the Group exceeded the pre-tax profit of the year-earlier period due to one-off proceeds from the disposal of a property.

Financial Position and Net Assets

Notes to the balance sheet

The **total assets** of the Salzgitter Group declined by € 628 million in the current reporting period compared with December 31, 2019.

Non-current assets increased (€ +90 million) owing to the higher level of shares in the companies accounted for using the equity method (€ +41 million). Investments in intangible assets and property, plant and equipment (€ +292 million) came in above the scheduled depreciation and amortization of fixed assets (€ –219 million) in the period under review. Deferred income tax assets increased (€ +8 million) in comparison with December 31, 2019, owing in particular to the higher level of pension provisions. **Current assets** decreased by € 717 million as against the last reporting date. The financial assets (€ –362 million) – declined mainly due to the fine paid to the German Federal Cartel Office in January 2020 – along with inventories (€ –377 million). While other receivables and other assets rose slightly (€ +16 million), trade receivables, including contract assets remained at the year-earlier level (€ +8 million).

On the **liabilities side**, pension provisions climbed by € 43 million, with the actuarial rate of 1.2% lower than at the end of the previous year (2019/12/31: 1.4%). Equity decreased (€ –307 million) in particular due to the negative result. The equity ratio nevertheless continues to post a sound 32.9% on the back of the decline in total assets. Non-current liabilities exceeded the previous reporting date by € 200 million in total, reflecting the increase in non-current financial liabilities (€ +170 million) in particular. Current liabilities decreased by € 521 million since other liabilities declined largely due to the payment of the fine to the Federal Cartel Office (€ –164 million). Moreover, a lower level of trade payables, including contract liabilities (€ –195 million), and lower financial liabilities (€ –172 million) due to the repayment of the convertible bond were reported.

The change in the **net financial position** (€ –498 million; 2019/12/31: € –140 million) is attributable above all to the aforementioned payment to the German Federal Cartel Office. Cash investment, including securities (€ 418 million; 2019/12/31: € 797 million), was offset by liabilities of € 916 million (2019/12/31: € 937 million), of which € 913 million were owed to banks (2019/12/31: € 783 million). As before, assets and liabilities from leasing arrangements are not considered in the net financial position.

Notes to the cash flow statement

Given a pre-tax result of € –224 million, a **negative cash flow from operating activities** of € –97 million was reported (previous year: € +78 million). Both inventories and trade payables and other liabilities declined.

The **cash outflow from investing activities** of € –229 million (previous year: € –378 million) reflects the more restrictive approach to new investments against the backdrop of the progress of the two major strategic projects and mainly comprises disbursements for investments in intangible assets and property, plant, and equipment (€ –269 million; previous year: € –309 million). In the first nine months of 2019, investments in other non-current assets were included consisting mainly of the increase in the participating interest in Aurubis AG accounted for using the equity method.

The **cash outflow from financing activities** was determined by proceeds from borrowing (€ +166 million; previous year: € +638 million). This was offset by the full repayment of the convertible bond issued in 2015 (€ –151 million), repayments of loans granted and interest payments, bringing cash outflow from financing activities to only € –28 million (previous year: € +193 million).

As a result of the negative overall cash flow, **cash and cash equivalents** (€ 339 million) decreased accordingly compared with December 31, 2019 (€ 701 million).

Employees

	2020/09/30	2019/12/31	Change
Core workforce[1)]	**22,785**	**23,354**	**–569**
Strip Steel Business Unit	6,029	6,090	–61
Plate/Section Steel Business Unit	2,313	2,352	–39
Mannesmann Business Unit	4,416	4,643	–227
Trading Business Unit	1,962	2,066	–104
Technology Business Unit	5,457	5,557	–100
Industrial Participations/ Consolidation	2,608	2,646	–38
Apprentices, students, trainees	1,266	1,380	–114
Non-active age-related part-time employment	496	493	3
Total workforce	**24,546**	**25,227**	**–681**

Rounding differences may occur due to pro-rata shareholdings.
1) Excluding executive body members

The **core workforce** of the Salzgitter Group came to 22,785 employees on September 30, 2020, representing a reduction of 569 staff members since December 31, 2019.

A total of 245 trainees were hired during the reporting period, 164 of whom were given temporary contracts. A countereffect emanated above all from members of the company going into non-active age-related part-time or reaching retirement age.

The **total workforce** comprised 24,546 employees, which is 681 less than on December 31, 2019.

The number of **temporary staff outsourced** stood at 871 as of September 30, 2020, marking a decline of 406 persons compared with the 2019 reporting date.

Along with numerous measures designed to safeguard health, an extensive monitoring system was implemented in order to effectively deploy employment policy instruments to cushion the economic effect of the Corona pandemic. Special emphasis was placed on short-time work, also with a view to securing liquidity. At the end of the reporting period, 4,632 employees of domestic Group companies were affected by **short-time work**, above all in the steel producing companies, in Mannesmannröhren-Werk GmbH, in Salzgitter Mannesmann Stahlhandel GmbH and in KHS GmbH. Another 98 employees participated in comparable short-time work programs at the international locations. The proportion of operations working short time remained at an unchanged high level, albeit with visibly diminishing intensity since the last reporting date.

Forecast, Opportunities and Risk Report

The Salzgitter Group has implemented extensive immediate measures to cushion the negative effects of the Corona pandemic on profit and liquidity. Irrespective of this, the outlook for earnings has clouded significantly as against the start of the year. As a result, the business units now assume the following for the remainder of the financial year 2020 compared with the previous year:

After the selling price level bottomed out at the end of 2019, the **Strip Steel Business Unit** initially recorded a trend reversal that came to an end in mid-March, with a steep decline in order intake. Production at the Salzgitter location was therefore temporarily scaled back as from May and short-time work introduced. The end of the second quarter appears to have marked the turning point. Order intake increased notably and attained a normal level in the third quarter, with metallurgy resuming production at a higher level and substantial reduction in the short-time working rate. By contrast, the import quotas of European anti-dumping measures proved to be virtually ineffectual as the quotas were not even close to being exhausted due to the generally lackluster demand for nearly all products. As before, we anticipate a notable decline in sales in the financial year 2020 and a significantly negative pre-tax result.

We assume that the situation in the markets relevant to the **Plate/Section Steel Business** will remain tight, with import volumes in the plate segment continuing to run at a high level. The plate mill in Ilsenburg was still reporting good capacity utilization in the first half-year. As a result of market conditions, a reduced level was attained in the third quarter, which is also expected for the remainder of the year. At the Mülheim plant, the production of input material for the major “Baltic Pipe” project, as well as other smaller contracts, secured basic capacity utilization for the first nine months. In the fourth quarter, endeavors are underway to achieve almost full utilization of the plant on the basis of reduced capacity. In the section steel business, the market environment is expected to remain geared to the short term and volatile. As the burdens from restructuring provisions booked in 2019 and impairment no longer apply, the Plate/Section Steel Business Unit is expected to deliver a significant earnings improvement despite the considerable downturn in selling prices. We nevertheless assume a tangible decline in sales and a high pre-tax loss.

The effects of the Corona crisis on demand – also with respect to falling oil prices and the resulting dip in the investment propensity of the gas and oil industry – have been visible since the start of the second quarter and have also hit the steel tubes and pipes industry, and thereby the companies of the **Mannesmann** Business Unit. Given the reduced order activity from the exploration sector, we anticipate a significant drop in the demand for large- and medium-diameter line pipes segments. Outside the consolidated group, the business situation of the EUROPIPE Group remains impacted by the German plant’s unsatisfactory capacity utilization. The American EUROPIPE companies are mainly benefiting from orders placed in the previous year. Given the development in the business of their automotive and industrial customers, the precision tube companies expect improved capacity utilization compared with the very weak second quarter, that will, however, still not be satisfactory for the remainder of the year. The stainless steel segment anticipates performance that will be comparatively stable but nevertheless with declining tendencies compared with the year-earlier period. We therefore predict a significant downturn in shipments and sales in the Mannesmann Business Unit, and a tangibly negative pre-tax result.

The **Trading** Business Unit expects that shipments and sales will fall notably short of the year-earlier figures in the financial year 2020 due to the impact of the COVID-19 pandemic. Shipment volumes in international trading are likely to remain under pressure from jittery markets and ubiquitous restrictive trade policies. Customer demand is also expected to be persistently weak in the stockholding steel trade in the months ahead. Including proceeds from the disposal of a property, the Trading Business Unit predicts a marginally positive pre-tax result for the financial year 2020.

The **Technology** Business Unit looks back on a very volatile order trend. The first quarter remained practically unaffected by the Corona crisis, while the business unit was massively impacted in the form of reticent customer demand and travel restrictions in the second quarter. Order activity recovered in the third quarter. The swiftly introduced cost curbing and efficiency boosting measures are at least able to partly compensate the declines in the result. KDE and KDS, the two specialist mechanical engineering companies anticipate that sales will be much lower than in the previous year's period, along with negative results, while KHS expects to deliver a positive pre-tax result despite sales declining as well. Consequently, lower sales and a breakeven pre-tax result are forecast in the Technology Business Unit.

According to current estimates, the trough is likely to have bottomed out in the second and third quarter. The most recent events nevertheless show that the course of the pandemic in Germany and abroad, along with the associated development of the overall economic situation, remains subject to great uncertainty. In the light of the aforementioned, we anticipate the following for the **Salzgitter-Group** in 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.

We make reference to the fact that criteria of the annual financial statements and imponderables, including changes in the cost of raw materials, precious metal prices and exchange rates, may still have a considerable impact on the result of the financial year 2020.

Risk management

At the time of reporting there were no risks that could endanger the Salzgitter Group as a going concern. With regard to the individual **opportunities and risks**, we make reference to the Annual Report 2019.

The **Corona pandemic** presents our company with huge challenges: a massive economic downturn, the collapse in the demand of entire customer groups, a continuous slew of fresh news, as well as the challenge of ensuring the best possible protection of the health of our workforce. We have therefore initiated an extensive program of measures with the aim of cushioning the impact on earnings and on liquidity. These measures also include the temporary scaling back of the production volume in many locations, the introduction of short-time work, voluntary salary waivers on the part of many hundreds of managers in Germany and abroad, reducing maintenance and repair measures not required for operational purposes, stringent working capital management, as well as the cautious approval of new investments. Following the huge impact in the last two quarters, we recorded a marked recovery in demand at the end of the third quarter. With infection rates on the rise again, we continue to consider ourselves well prepared with our catalog of measures.

Irrespective of this, the development of prices in the sales and procurement markets, as well as of energy prices and exchange rates (above all, USD/EUR), is particularly important for the Salzgitter Group. The associated earnings effects for risks have been factored in for the companies in the current year to the extent foreseeable. In order to minimize further business risks, we monitor the relevant trends and take account of them in risk forecasts. This is also true of potential restrictions resulting from financial or political measures affecting international business.

Sectoral risks

Industry-specific risks have existed for a number of years – from distortions to competition in the international steel markets, huge and increasing excess capacities, US special duties on steel products, and the associated import pressure in the EU. The shutdown of large parts of Europe's economy, and the slow return to economic normality have heightened these risks for the unforeseeable future.

As a consequence of the plummeting European demand for steel during the second quarter of 2020, in particular key customer sectors, such as the automotive industry, saw their production slashed by more than 80%. Non-EU countries, such as China or Turkey, have meanwhile not cut back on their steel production. Due to the persistently high level of imports, EU producers lost market shares in the reporting period, and, along with this, shipment volumes to an excessive degree. A more stringent version of the safeguard measures enacted by the EU Commission might have been able to counteract this situation. The safeguards were introduced in response to American protective tariffs on steel and aluminum in the summer of 2018 but largely failed to have an effect due to several stages of liberalization against the backdrop of declining demand for steel. During the last review of measures in the summer of 2020, a few administrative changes were introduced that did not, however, provide for a significant lowering of import quotas but at least tempered the most aggressive exporters.

Other risks arise from the attempts of importers to obviate the existing trade defense measures, thereby rendering them ineffective. To counteract such practices, the flow of goods is monitored on an ongoing basis and potential breaches are passed on via Eurofer, the European Steel Association, to the EU Commission and the EU anti-corruption authority OLAF.

Along with the EU, many non-EU countries have responded with their own safeguard measures for steel products in response to the US import duties introduced in 2018. These developments proved to be a further hindrance to exports, causing additional redirections into the EU market. Some Group companies – such as from the Plate/Section Steel Business Unit in Canada – are also directly impacted by the current safeguard measures.

Upon the concluding of the withdrawal agreement, the United Kingdom officially left the EU on January 31, 2020. There will be a transition phase through to the end of 2020 during which the United Kingdom will still be a member of the customs union and stay in the EU Single Market while remaining subject to EU law. During this period, the EU and the United Kingdom will strive to conclude a free trade agreement. Given the in any event tight time line and the resulting danger of an unregulated trading arrangement as from 2021, the considerable uncertainty surrounding Brexit continues to prevail.

Tax risks

Starting in the spring of 2014, the Braunschweig public prosecutor's office engaged in investigating those responsible from various Group companies on the grounds of provisions and expenses inadmissible for tax purposes. In the 2019 reporting year, the public prosecutor terminated the investigation procedure with the exception of two cases. The remaining proceedings were closed in the summer of 2020. Inasmuch, no risk from tax proceedings exists.

In connection with the ruling of the Bundesfinanzhof on securities lending in 2016, reference was made to the risk of a possible repayment of accrued capital gains tax in an amount of € 102.4 million (including interest) under contingent liabilities in the notes to the consolidated financial statements of the 2019 financial year. The German fiscal authority is expected to make a decision on this matter in the fourth quarter of 2020.

Interim Financial Statements

I. Consolidated Income Statement

In € million	Q3 2020	Q3 2019	9M 2020	9M 2019
Sales	1,633.4	2,111.2	5,264.3	6,637.3
Increase/decrease in finished goods and work in process/other own work capitalized	–97.6	0.6	–154.8	2.3
Total operating performance	**1,535.8**	**2,111.7**	**5,109.6**	**6,639.7**
Other operating income	53.8	96.7	186.7	188.0
Cost of materials	985.2	1,391.5	3,358.5	4,329.6
Personnel expenses	402.5	445.1	1,248.5	1,335.7
Amortization and depreciation of intangible assets and property, plant and equipment	70.5	85.8	219.2	262.2
Other operating expenses	232.5	391.7	694.5	888.3
Result from impairment losses and reversal of impairment losses of financial assets	–2.1	–1.8	–11.1	–1.2
Income from shareholdings	0.0	0.5	2.1	1.8
Result from investments accounted for using the equity method	17.4	18.8	50.7	73.9
Finance income	1.8	3.9	5.7	13.9
Finance expenses	12.7	20.3	47.5	59.5
Earnings before taxes (EBT)	**–96.6**	**–104.6**	**–224.4**	**40.7**
Income tax	1.7	21.6	18.6	70.5
Consolidated result	**–98.3**	**–126.2**	**–243.0**	**–29.8**
Amount due to Salzgitter AG shareholders	–99.3	–127.6	–245.5	–34.2
Minority interest	1.0	1.4	2.5	4.5
Appropriation of profit				
Consolidated result	–98.3	–126.2	–243.0	–29.8
Profit carried forward from the previous year	–	–	12.1	33.1
Minority interest in consolidated net result	1.0	1.4	2.5	4.5
Dividend payment	–	–	0.0	–29.7
Transfer from (+)/to (–) other retained earnings	99.3	127.6	245.5	34.2
Unappropriated retained earnings of Salzgitter AG	**0.0**	**0.0**	**12.1**	**3.3**
Earnings per share (in €) – basic	**–1.84**	**–2.36**	**–4.54**	**–0.63**
Earnings per share (in €) – diluted	–	**–2.27**	–	**–0.63**

II. Statement of Comprehensive Income

In € million	Q3 2020	9M 2020	Q3 2019	9M 2019
Consolidated result	**– 98.3**	**– 243.0**	**– 126.2**	**– 29.8**
Recycling				
Changes in value from currency translation	– 11.5	– 28.2	7.0	11.0
Changes in value from cash flow hedges	30.5	20.2	– 32.6	18.4
Fair value change	30.0	18.4	– 31.9	20.1
Recognition with effect on income	0.5	1.8	– 0.4	– 1.7
Deferred taxes	–	–	– 0.3	–
Changes in the value of investments in companies accounted for using the equity method	– 0.8	– 4.0	5.4	5.8
Fair value change	4.9	– 0.0	1.4	1.2
Recognition with effect on income	–	–	–	–
Currency translation	– 4.8	– 3.4	4.3	4.9
Deferred taxes	– 0.9	– 0.6	– 0.4	– 0.2
Deferred taxes on other changes without effect on income	– 0.1	– 0.4	– 0.0	0.0
Subtotal	18.1	– 12.4	– 20.2	35.3
Non-recycling				
Changes in equity for financial equity instruments valued without effect on income	–	–	– 0.0	0.0
Fair value change	–	–	– 0.0	0.0
Deferred taxes	–	–	–	–
Remeasurements	– 81.2	– 53.3	– 82.7	– 263.7
Remeasurement of pensions	– 111.0	– 74.7	– 87.9	– 351.7
Deferred taxes	29.8	21.4	5.2	88.0
Changes in the value of investments in companies accounted for using the equity method	–	10.9	– 5.7	– 13.7
Subtotal	– 81.2	– 42.4	– 88.4	– 277.4
Other comprehensive income	**– 63.1**	**– 54.8**	**– 108.5**	**– 242.1**
Total comprehensive income	**– 161.4**	**– 297.8**	**– 234.8**	**– 271.8**
Total comprehensive income due to Salzgitter AG shareholders	– 162.4	– 300.2	– 236.2	– 276.3
Total comprehensive income due to minority interest	1.0	2.4	1.4	4.5
	– 161.4	**– 297.8**	**– 234.8**	**– 271.8**

III. Consolidated Balance Sheet

Assets in € m	2020/09/30	2019/12/31
Non-current assets		
Intangible assets	209.3	211.6
Property, plant and equipment	2,177.7	2,131.4
Investment property	80.9	82.0
Financial assets	56.2	64.7
Investments in companies accounted for using the equity method	1,113.7	1,072.9
Trade receivables	17.5	18.4
Other receivables and other assets	32.7	25.6
Income tax assets	0.0	0.0
Deferred income tax assets	500.7	492.3
	4,188.8	**4,099.0**
Current assets		
Inventories	1,871.3	2,248.1
Trade receivables	1,015.9	1,118.4
Contract assets	297.3	186.3
Other receivables and other assets	207.5	191.8
Income tax assets	23.7	22.6
Securities	39.6	50.9
Cash and cash equivalents	339.0	700.5
	3,794.2	**4,518.5**
Assets available for sale	6.9	0.0
	3,801.1	**4,518.5**
	7,989.9	**8,617.5**

Equity and liabilities in € million	2020/09/30	2019/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings	2,546.2	2,845.2
Other reserves	16.3	23.0
Unappropriated retained earnings	12.1	12.1
	2,993.2	**3,298.7**
Treasury shares	–369.7	–369.7
	2,623.5	**2,929.0**
Minority interest	8.2	9.6
	2,631.6	**2,938.6**
Non-current liabilities		
Provisions for pensions and similar obligations	2,399.5	2,356.1
Deferred tax liabilities	72.0	72.0
Income tax liabilities	36.2	36.6
Other provisions	327.5	334.9
Financial liabilities	806.7	637.1
Other liabilities	11.8	16.8
	3,653.8	**3,453.6**
Current liabilities		
Other provisions	198.0	224.6
Financial liabilities	257.7	430.1
Trade payables	711.6	915.2
Contract liabilities	209.1	200.7
Income tax liabilities	6.0	8.6
Other liabilities	322.1	446.0
	1,704.5	**2,225.3**
	7,989.9	**8,617.5**

IV. Cash Flow Statement

In € million	9M 2020	9M 2019
Earnings before taxes (EBT)	– 224.4	40.7
Depreciation write-downs (+) / write-ups (–) of non-current assets	220.2	261.9
Income tax paid (–) / refunded (+)	– 4.3	– 51.3
Other non-cash expenses (+)/ income (–)	60.2	121.3
Interest expenses	46.4	59.5
Gain (–) / loss (+) from the disposal of non-current assets	– 10.8	6.3
Increase (–) / decrease (+) in inventories	358.8	– 13.6
Increase (–) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	– 69.1	– 78.3
Use of provisions affecting payments, excluding income tax provisions	– 152.8	– 152.0
Increase (+) / decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	– 320.7	– 116.7
Cash outflow / inflow from operating activities	**– 96.5**	**77.7**
Cash inflow from the disposal of intangible assets, property, plant and equipment and investment properties	24.3	0.5
Cash outflow for investments in intangible assets, property, plant and equipment and investment properties	– 268.8	– 309.4
Cash inflow from investments of funds	20.1	30.5
Payments for financial investments	– 10.4	– 10.0
Cash inflow from the disposal of non-current assets	7.8	6.9
Cash outflow for investments in non-current assets	– 1.8	– 96.5
Cash flow from investment activities	**– 228.8**	**– 378.1**
Cash outflow in payments to company owners	–	– 29.7
Deposits from taking out loans and other financial debts	165.5	637.5
Repayment of loans and other financial liabilities	– 23.9	– 374.2
Cash outflow from repayments of loans	– 150.9	– 16.8
Interest paid	– 18.4	– 23.4
Cash outflow / inflow from financing activities	**– 27.7**	**193.3**
Cash and cash equivalents at the start of the period	700.5	555.6
Cash and cash equivalents relating to changes in the consolidated group	–	0.4
Gains and losses from changes in foreign exchange rates	– 8.6	6.4
Payment-related changes in cash and cash equivalents	– 352.9	– 107.1
Cash and cash equivalents at the end of the period	**339.0**	**455.3**

Notes

Segment Reporting

In € million	Strip Steel		Plate/Section Steel		Mannesmann	
	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019
External sales	1,384.9	1,730.1	530.3	630.6	723.3	842.1
Sales to other segments	500.4	570.7	502.3	628.0	70.7	133.2
Sales to group companies that are not allocated to an operating segment	2.3	2.5	0.6	0.6	197.4	326.7
Segment sales	1,887.6	2,303.3	1,033.3	1,259.2	991.3	1,302.0
Interest income (consolidated)	0.1	1.6	0.0	0.1	0.6	0.7
Interest income from other segments	–	–	0.0	0.0	–	–
Interest income from group companies that are not allocated to an operating segment	0.0	0.0	4.0	0.1	2.2	0.7
Segment interest income	0.1	1.7	4.1	0.2	2.8	1.4
Interest expenses (consolidated)	8.5	11.0	1.2	2.3	4.5	5.5
Interest expenses to other segments	–	–	–	–	–	–
Interest expenses from group companies that are not allocated to an operating segment	10.8	16.6	2.1	4.3	5.2	6.8
Segment interest expenses	19.2	27.7	3.2	6.6	9.7	12.3
of which interest portion of allocations to pension provisions	8.0	9.2	1.8	2.1	2.3	3.4
Depreciation of property, plant and equipment and amortization of intangible assets	98.7	132.6	22.8	29.2	39.5	42.7
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	98.7	132.6	22.8	29.2	39.5	42.7
EBIT before depreciation and amortization (EBITDA)	23.0	243.2	–42.8	22.7	–2.0	50.7
Earnings before interest and taxes (EBIT)	–75.8	110.6	–65.6	–6.6	–41.4	8.1
Segment earnings before taxes	–94.9	84.6	–64.7	–13.0	–48.3	–2.9
of which resulting from investments in companies accounted for using the equity method	–	–	–	–	–2.7	–4.2
Investments in property, plant and equipment and intangible assets	106.8	118.1	71.5	86.8	46.5	57.1

Trading		Technology		Total segments		Industrial Participations/ Consolidation		Group	
9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019
1,667.9	2,294.5	853.6	1,000.9	5,160.1	6,498.2	104.2	139.1	5,264.3	6,637.3
15.5	38.0	0.2	0.4	1,089.1	1,370.3	404.7	572.4	1,493.7	1,942.8
0.0	0.0	–	–	200.4	329.8	–	–	200.4	329.8
1,683.4	2,332.5	853.9	1,001.3	6,449.5	8,198.3	508.9	711.5	6,958.4	8,909.9
1.5	2.5	0.7	1.8	3.0	6.7	2.8	3.8	5.7	10.5
–	–	–	–	0.0	0.0	20.4	29.2	20.4	29.3
5.0	3.7	0.0	0.7	11.3	5.1	–	–	11.3	5.1
6.5	6.2	0.8	2.4	14.3	11.8	23.2	33.1	37.4	44.9
8.9	16.0	1.8	2.0	24.8	36.9	21.6	22.7	46.4	59.5
0.0	0.0	–	–	0.0	0.0	11.3	5.1	11.3	5.1
0.3	0.4	2.0	1.1	20.4	29.2	–	–	20.4	29.2
9.3	16.4	3.8	3.1	45.2	66.1	32.9	27.8	78.1	93.9
1.2	1.5	1.5	1.4	14.9	17.6	8.9	11.4	23.8	29.0
11.8	11.5	19.2	17.9	192.0	233.9	27.2	28.3	219.2	262.2
11.8	11.5	19.2	17.9	192.0	233.9	27.2	28.3	219.2	262.2
−8.4	25.1	8.4	41.1	−21.7	382.8	57.2	−30.9	35.5	351.9
−20.1	13.6	−10.8	23.2	−213.7	148.9	30.0	−59.2	−183.7	89.7
−22.9	3.3	−13.8	22.5	−244.6	94.6	20.2	−53.9	−224.4	40.7
–	–	–	–	−2.7	−4.2	53.4	78.1	50.7	73.9
27.2	32.4	27.0	42.5	279.0	336.9	12.6	99.3	291.6	436.2

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

1. The consolidated financial report of Salzgitter AG, Salzgitter (SZAG), for the reporting period from January 1 to September 30, 2020 has been prepared as a condensed report with selected notes. The report has been drawn up, as before, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) in consideration of the requirements set out under IAS 34 for condensed interim reports.
2. In comparison with the annual financial statements as at December 31, 2019, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended September 30, 2020.
3. In calculating the fair value of defined benefit obligations as of September 30, 2020, an actuarial rate of 1.2 % was applied (December 31, 2019: 1.4 %). The resulting increase in provisions for pensions and similar obligations are reported in other comprehensive income (pension remeasurement) and incurs a corresponding reduction in equity.
4. In the context of the continuous monitoring of the economic and social framework conditions and the developments of the cash-generating units in the case of individual companies, the global Corona pandemic that emerged in the first quarter of 2020 and its consequences on the general economic trend were identified as a triggering event for potential asset impairment. In macroeconomic terms, the estimates of various external institutions, both worldwide and regional, in sales markets that are important for us indicate a negative development of economic growth for the current fiscal year in the mid to high single-digit percentage range. A significant recovery has been predicted for 2021. Full reinstatement of overall economic performance is only expected in 2022. On the basis of planning as it stands, we arrived at the current conclusion that, despite temporary negative influences on sales and earnings, a recovery and return to original levels will take place at least in the medium term and the fair value of the assets disclosed will apply. The assumptions made here are nevertheless subject to uncertainty.
   The calculations of fair value less costs to sell were carried out for this purpose, as before, in accordance with the discounted cash flow method and assuming an after-tax interest rate of 7.47 % (2019: 7.97 %) for the Technology Business Unit and of 6.35 % (2019: 6.22 %) for the other business units.
5. The recognition of the lease liabilities assigned to financial liabilities is calculated as the present value of the lease payments to be made. In subsequent measurement, the carrying amounts of the lease liability are compounded and reduced by the lease payments remitted with no effect on income. The usage rights reported in property, plant and equipment are recognized at the cost of acquisition less accumulated depreciation and amortization and, if appropriate, any necessary impairment.

The historical cost of acquisition of the usage rights and leasing liabilities accounted for in accordance with IFRS 16 Leases are shown in the presentation below:

In € million	2020/09/30	2019/12/31
Right of use of land, similar rights and buildings, including buildings on land owned by others	122.2	94.9
Right of use of plant equipment and machinery	36.7	34.7
Right of use of other equipment, plant and office equipment	23.0	21.5
Non-current assets	**181.9**	**151.1**
Right of use of land, similar rights and buildings, including buildings on land owned by others	17.1	10.4
Right of use of plant equipment and machinery	13.4	8.0
Right of use of other equipment, plant and office equipment	12.4	8.0
Depreciation/amortization	**42.9**	**26.4**
Lease liabilities	**140.5**	**125.5**

An amount of € 118.2 million is attributable to non-current lease liabilities. Moreover, there were amounts of € 18.3 million in depreciation and amortization, € 2.4 million in interest expenses, as well as a cash outflow totaling € 19.5 million in the first nine months of 2020.

6. Salzgitter AG’s Executive Board and the Supervisory Board decided to dispose of an administrative property belonging to the Trading Business Unit via a sale-and-leaseback agreement. Furthermore, there are plans to sell company premises belonging to the business unit, including the administration building on it. The sale has been scheduled for completion by the end of 2020 or in 2021.
7. The convertible bond of € 167.9 million issued in June 2015 by Salzgitter Finance B.V., Oosterhout (Netherlands) was fully repaid in the reporting period.

Selected explanatory notes to the income statement

1. Sales by business segment are shown in the segment report.
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of SZAG, stood at €–4.54 in the period under review. Dilution would occur if earnings per share were reduced through the issuance of potential shares from option and conversion rights. Such rights did not exist as of the balance sheet date.

Related party disclosures

In addition to business relationships with companies that are consolidated fully, relationships also exist with companies that must be designated as related companies in accordance with IAS 24. The category of joint operations exclusively comprises Duisburg-based Hüttenwerke Krupp Mannesmann GmbH. The category of other associated companies comprises the majority interests and joint ventures of the Federal State of Lower Saxony.

The sale of goods and services essentially comprise deliveries of input material for the manufacture of large-diameter pipes. Their volumes are shown in the table below:

In € million	Sale of goods and services	Purchase of goods and services	Receivables	Liabilities
	01/01-09/30/2020	01/01-09/30/2020	2020/09/30	2020/09/30
Non-consolidated group companies	26.4	10.7	13.0	2.8
Joint ventures	53.8	6.6	12.1	0.2
Joint operations	1.5	0.7	33.8	20.3
Associated companies	0.0	5.2	0.4	0.0
Other related parties	1.1	1.3	8.0	66.6

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

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

Legal disclaimer

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

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

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

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