9M

Quarterly Statement
9 Month 2017

SALZGITTER AG
Stahl und Technologie

Contents

Salzgitter Group Figures

		9M 2017	9M 2016[1]	+/–
Crude steel production	**kt**	**5,151.0**	**5,171.6**	**–20.6**
External sales	**€ m**	**6,813.2**	**5,860.5**	**952.8**
Strip Steel Business Unit	€ m	1,649.7	1,389.0	260.7
Plate / Section Steel Business Unit	€ m	772.1	535.9	236.2
Mannesmann Business Unit	€ m	824.0	727.1	97.0
Trading Business Unit	€ m	2,463.1	2,109.1	354.0
Technology Business Unit	€ m	954.9	954.2	0.6
Industrial Participations / Consolidation	€ m	149.5	145.2	4.3
EBIT before depreciation and amortization (EBITDA)	**€ m**	**486.4**	**336.0**	**150.4**
Earnings before interest and taxes (EBIT)	**€ m**	**233.3**	**79.5**	**153.8**
Earnings before taxes (EBT)	**€ m**	**174.5**	**21.1**	**153.3**
Strip Steel Business Unit	€ m	159.2	–27.4	186.6
Plate / Section Steel Business Unit	€ m	–18.7	–24.7	6.0
Mannesmann Business Unit	€ m	1.4	2.4	–1.0
Trading Business Unit	€ m	44.8	31.7	13.1
Technology Business Unit	€ m	17.8	17.1	0.7
Industrial Participations / Consolidation	€ m	–30.0	22.0	–52.0
Consolidated net income/loss	**€ m**	**112.6**	**14.6**	**98.1**
Earnings per share – basic	**€**	**2.01**	**0.21**	**1.80**
Return on capital employed (ROCE)[2]	**%**	**7.9**	**2.1**	**5.8**
Cash flow from operating activities	**€ m**	**118.2**	**–2.9**	**121.1**
Investments[3]	**€ m**	**185.7**	**241.8**	**–56.1**
Depreciation/amortization[3]	**€ m**	**–253.2**	**–256.5**	**3.4**
Total assets	**€ m**	**8,600.9**	**8,360.0**	**241.0**
Non-current assets	**€ m**	**3,769.0**	**3,730.3**	**38.7**
Current assets	**€ m**	**4,831.9**	**4,629.6**	**202.2**
of which inventories	€ m	2,010.9	1,700.4	310.5
of which cash and cash equivalents	€ m	636.6	648.1	–11.5
Equity	**€ m**	**2,873.6**	**2,628.8**	**244.8**
Liabilities	**€ m**	**5,727.3**	**5,731.1**	**–3.8**
Non-current liabilities	€ m	3,254.2	3,774.8	–520.7
Current liabilities	€ m	2,473.1	1,956.3	516.8
of which due to banks[4]	€ m	467.0	297.1	170.0
Net financial position on the reporting date[5]	**€ m**	**131.8**	**115.3**	**16.5**
Employees				
Personnel expenses	€ m	–1,259.2	–1,231.6	–27.5
Core workforce on the reporting date[6]	empl.	23,276	23,356	–80
Total workforce on the reporting date[7]	empl.	25,272	25,341	–69

Disclosure of financial data in compliance with IFRS

[1] Balance sheet figures and related ratios pertaining restated due to correction of inventory for the 2015 period and earlier

[2] Annualized

[3] Excluding financial investments

[4] Current and non-current bank liabilities

[5] Including investments, e.g. securities and structured investments

[6] Excl. trainee contracts and excl. non-active age-related part-time work

[7] Incl. trainee contracts and incl. non-active age-related part-time work

Profitability of the Group and Business Units

Earning Situation within the Group

		Q3 2017	Q3 2016[1]	9M 2017	9M 2016[1]
Crude steel production	kt	1,735.7	1,665.5	5,151.0	5,171.6
External sales	**€ m**	**2,197.1**	**1,892.9**	**6,813.2**	**5,860.5**
EBIT before depreciation and amortization (EBITDA)	€ m	175.1	111.9	486.4	336.0
Earnings before interest and taxes (EBIT)	€ m	91.6	27.7	233.3	79.5
Earnings before taxes (EBT)	**€ m**	**74.2**	**5.1**	**174.5**	**21.1**
Consolidated net income/loss	**€ m**	**48.0**	**5.3**	**112.6**	**14.6**
Return on capital employed (ROCE)[2]	**%**	**9.3**	**2.2**	**7.9**	**2.1**
Investments[3]	€ m	77.3	75.0	185.7	241.8
Depreciation/amortization[3]	€ m	–83.5	–84.2	–253.2	–256.5
Cash flow from operating activities	€ m	190.4	3.3	118.2	–2.9
Net financial position[4]	**€ m**			**131.8**	**115.3**
Equity ratio	%			33.4	31.4

[1] Balance sheet figures and related ratios pertaining restated due to correction of inventory for the 2015 period and earlier
[2] Annualized
[3] Excluding financial investments
[4] Including investments, e.g. securities and structured investments

The Salzgitter Group is reporting a very satisfactory third quarter in 2017. The sustained healthy order situation in conjunction with imports into the EU that, while remaining at a high level, did not increase further have resulted in notably higher average selling prices for strip steel products. The business development of the European stockholding as well as of the in-ternational trading was also very pleasing. Flanked by the success of the internal programs of measures, the usual seasonal effects from declining demand of customers as well as sched-uled repair and maintenance standstills in the summer quarter have therefore been more than compensated for.

Consolidated **external sales** climbed to € 6,813.2 million (9M 2016: € 5,860.5 million). **Earnings before taxes** increased by more than € 150 million to € 174.5 million (9M 2016: € 21.1 million). The result includes € –8.7 million (9M 2016: € 16.8 million) in contribution from the Aurubis investment that was impacted for the last time by € –80.0 million in valuation effects (9M 2016: € –16.7 million) from the Aurubis bond exchangeable into shares that was redeemed in the fourth quarter of 2017. The **after-tax result** came in at € 112.6 million (9M 2016: € 14.6 million), which brings basic earnings per share to € 2.01 (9M 2016: € 0.21) and return on capital employed to 7.9% (ROCE 9M 2016: 2.1%). With an equity ratio of 33% and a net financial position of € 132 million (09/30/2016: € 115 million), the Salzgitter Group continues to enjoy a comfortable financial basis and sound balance sheet.

Special Items/EBT Business Unit and Group (including discontinued activities)

	EBT		Restructuring		Impairment/ Reversal of impairment		Other		EBT without special effects	
In € m	**9M 2017**	**9M 2016**	**9M 2017**	**9M 2016**	**9M 2017**	**9M 2016**	**9M 2017**	**9M 2016**	**9M 2017**	**9M 2016**
Strip Steel	159.2	−27.4	0.0	0.0	0.0	0.0	0.0	0.0	159.2	−27.4
Plate / Section Steel	−18.7	−24.7	0.0	−2.1	0.0	0.0	0.0	0.0	−18.7	−22.6
Mannesmann	1.4	2.4	0.0	−5.1	0.0	0.0	0.0	0.0	1.4	7.5
Trading	44.8	31.7	0.0	0.0	0.0	0.0	0.0	0.0	44.8	31.7
Technology	17.8	17.1	0.0	0.0	0.0	0.0	0.0	0.0	17.8	17.1
Industrial Participations / Consolidation	−30.0	22.0	0.0	0.0	0.0	0.0	0.0	0.0	−30.0	22.0
Group	**174.5**	**21.1**	**0.0**	**−7.2**	**0.0**	**0.0**	**0.0**	**0.0**	**174.5**	**28.3**

Strip Steel Business Unit

		Q3 2017	Q3 2016	9M 2017	9M 2016
Order intake	kt	1,062.9	985.7	3,368.2	3,400.7
Order backlog on reporting date	kt			896.0	835.9
Crude steel production	kt	1,158.9	1,117.2	3,295.3	3,391.8
Rolled steel production	kt	931.5	911.7	2,689.6	2,710.1
Shipments	kt	1,079.0	1,089.9	3,351.8	3,489.1
Segment sales[1)]	**€ m**	**722.4**	**587.5**	**2,202.2**	**1,812.5**
External sales	**€ m**	**547.5**	**452.1**	**1,649.7**	**1,389.0**
Earnings before taxes (EBT)	**€ m**	**65.1**	**9.9**	**159.2**	**–27.4**

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

Market development
Accelerating global economic growth is exerting a positive impact on activities in the global steel market. Over the course of the year to date, crude steel production expanded, and global capacity utilization has meanwhile moved away from its lowest points. The uptrend in activities on China's steel market, combined with the aim of reducing overcapacities in the country, is one of the main drivers of the improved outlook. Activities on the EU steel market also developed better than originally anticipated, although this varied depending on the individual product groups. With some exceptions, the sustained demand recovery is taking place on a broad-based footing. Regardless of this positive scenario, distortions on the import front still prevail, while growing protectionism at a global level constitutes the main risk to the stability of the European steel market. There is therefore no alternative to the EU Commission's rigorous operation of the available trade protection instruments. In Germany, the recovery is evidently soundly underpinned by the robust condition of the most important steel processing industries. Despite the recent downturn in order intake, orders on hand and the coverage of the German steel industry in the sum total of all products remains on a satisfactory level.

Procurement
Iron ore
The iron ore market was determined by high volatility in the period under review. While the iron ore index climbed to a new 30-month high in the first quarter of 2017, up from 95 USD/dmt, the following months saw it slip considerably to around 55 USD/dmt. By mid-July, however, it had meanwhile recovered again to the 70 USD/dmt mark. At the start of the third quarter, demand for high quality iron ore from China stimulated the market again. The iron ore price, expressed as an annual average, came in 35% higher than in the year-earlier period.

In order to mitigate the risks resulting from procurement, defined iron ore volumes are hedged to secure against price risks.

Coking coal
In contrast to the index-determined ore market pricing, the quarterly prices for coking coal with benchmark quality were negotiated between large producers and customers until the first quarter of 2017. The benchmark contract in the first three months of 2017 was concluded while still under the influence of the exceptionally high spot prices in December driven by events; prices softened visibly during the first quarter of 2017. Shortly before negotiations were concluded for the second quarter between Japanese steelworks and the large coking coal producers, hurricane Debbie hit the Australian east coast at the start of April, and the picture changed radically. The mines themselves did not sustain any great damage, but the most important railway lines to the ports of loading were greatly impacted. The main routes were impassable for about three weeks, which drove the spot price up to 300 USD/t FOB within the space of a few days. Against this backdrop, customers and producers dropped negotiations on the second quarter in order to await further developments. The shelved benchmark negotiations were resumed again in May. As customers and producers had very different ideas,

however, no conventional benchmark agreement was reached. The parties subsequently agreed an index-based pricing system based on the average prices of the first two months of a quarter plus the last month of the preceding quarter. In the summer, prices ceased their downtrend. While the price rose at the start of September to 211 USD/t FOB Australia, boosted by strong demand from Chinese consumers, declining demand from China in October pushed prices below 190 USD/t FOB Australia.

Business development

Order intake and the **rolled steel production** of the Strip Steel Business Unit remained stable during the reporting period, as opposed to **shipments** and **crude steel output** that settled slightly below the previous year's figure. **Segment** and **external sales** rose on the back of notably higher average selling prices; **orders on hand** also increased.

Earnings before taxes also climbed by almost € 200 million to a very gratifying € 159.2 million compared with the year-earlier period that was negatively impacted by imports (9M 2016: €–27.4 million). This development was mainly driven by the significant increase in the selling prices of strip steel products. In addition, the effects from the programs of measures initiated had a positive impact. A counter trend emanated from higher procurement prices for raw materials, especially coking coal.

Investments

The Strip Steel Business Unit is focusing its investments on new aggregates as well as on optimizing and extending its existing facilities in 2017. To this end, the following projects in particular were advanced:

In order to strengthen its competitiveness, SZFG has invested in the construction of an **RH vacuum plant** for the vacuum treatment of crude steel. The production of decarburized and desulphurized steels and grades of the highest purity is intended to satisfy steadily growing customer requirements for specified metallurgic composition and ease the capacity bottleneck in secondary metallurgy. The facility was successfully taken into operation and is now in the optimization phase.

During the blowing process on the converters hot steel gas is generated and captured in a boiler system, cooled, refined and recovered for thermal reuse. A technological conversion of the cooling systems of all three **converter boilers** was carried out. This measure reduces the boiler systems' energy requirements by more than 10%, and thereby lowers the volume of natural gas purchased externally, as well as the CO_2 emissions. The conversion of converter boiler B was completed in 2016. Converters A and C followed on from this in 2017.

On September 28, 2017, the Supervisory Board of Salzgitter AG (SZAG) approved the investment in a **third hot-dip galvanizing line**. Under this project, a key building block of the "Salzgitter AG 2021" corporate strategy geared to rigorously focusing on superior quality product segments was implemented for SZFG. With an annual capacity of around 500 ktons, the new line is expected to be commissioned in the second half of 2020 and will supplement SZFG's existing hot-dip galvanizing lines.

Plate / Section Steel Business Unit

		Q3 2017	Q3 2016	9M 2017	9M 2016
Order intake	kt	627.4	519.0	1,727.8	1,699.4
Order backlog on reporting date	kt			435.8	389.5
Crude steel production	kt	217.2	242.5	777.4	813.7
Rolled steel production	kt	486.7	486.4	1,673.7	1,662.3
Shipments[1]	kt	514.7	512.4	1,717.9	1,670.3
Segment sales[2]	**€ m**	**387.0**	**351.2**	**1,272.8**	**1,070.8**
External sales	**€ m**	**234.5**	**169.3**	**772.1**	**535.9**
Earnings before taxes (EBT)	**€ m**	**– 24.4**	**– 7.7**	**– 18.7**	**– 24.7**

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

Market development
Following a subdued start to the year, characterized by consistently high inventory levels of the stockholding steel trade with the corresponding range of coverage, the general demand situation on the **heavy plate market** initially showed a markedly positive development in the second quarter of 2017. As from the end of May, order activity slowed, especially for simple commercial grades, accompanied by fiercer competition that caused selling prices to decline. The surplus capacities already prevailing in Europe also led to price reductions due to the temporary decline in raw materials costs, with higher-end grades and diameters significantly less affected than the commercial grade segment. In terms of selling prices, fully passing on another steady increase in the cost of coal and iron ore seen since the start of July through to around mid-September has so far not been possible in the market in view of the downturn in demand during the summer period due to seasonal effects. Although heavy plate imports from non-EU countries into Europe also decreased slightly in comparison with the year-earlier period as a result of imports from China declining to virtually zero, this was offset by higher imports from countries that did not formerly have much of a presence on the European market. The scrap price hikes observed at the beginning of the year on the European **sections market** led to an initial temporary improvement in the booking situation of producers. However, the sales of the stockholding steel trade initially fell short of expectations, which resulted in a considerable increase in inventories going forward. At the end of the first quarter, the situation stabilized, allowing many European producers to have their capacities booked again in the second quarter. The market situation nevertheless prevented local oversupply from being pared down through an expansion of the export business, which forced producers to compromise on prices despite the partly good booking of plant capacities. Owing to the need of the stock holding steel trade to catch up in replenishing their inventories and the summer vacation standstills of almost all producers, demand outstripped supply in the third quarter, which made utilizing capacities unproblematic.

Procurement
Steel scrap
The start of the year in Germany brought price increases on the scrap steel market of between 25 and €38/t depending on the grade and region, driven by the stronger demand of domestic consumers. Prices declined in the month thereafter, and then rose again in March. The determining factor for steel price declines in the European domestic markets and the immediate subsequent recovery in prices was the buying patterns of Turkish scrap steel importers. In the second quarter of 2017, demand of the domestic steelworks was generally firm on the back of the largely good order situation. Consumers nevertheless took advantage of somewhat weaker demand and prices in international trading, which led to prices declining.

In anticipation of prices rising and because of the lower scrap volumes available due to the vacation season, all markets reported excess demand in the third quarter. In particular, an additional purchasing wave from Turkish consumers that set in in August triggered a gradual increase in prices, with the situation finally normalizing at the end of September.

Graphite electrodes and refractory products

The European steel industry procures graphite electrodes for ladle furnaces in very large volumes virtually exclusively through dealers in China. Generally, the prices and volumes are agreed in the fourth quarter for the following year. Government environmental protection measures have led to reduced capacities in the graphite electrode product segment since the start of the year. Consequently, Chinese producers have canceled their delivery agreements with the dealers who, for their part, have pulled out of their contractual agreements for 2017 with their customers all over the world. Graphite electrodes have subsequently been offered at steadily increasing prices with very short commitment periods since the second quarter.

Along with production facilities for graphite electrodes, the environmental inspectors employed by the Chinese government have imposed strict environmental standards on other industrial sectors, particularly on the raw materials and commodities segment, and ordered cutbacks in production or the permanent closure of individual operations here as well. The extraction of raw materials is made more difficult through the distribution of explosives that is stringently monitored and rationed by the government, which places great constraints on the availability of raw materials and input materials for the production of refractory materials.

Business development

With **order intake** and **shipments** virtually unchanged, the **order book** of the Plate / Section Steel Business Unit grew by around one tenth compared with the year-earlier period. **Rolled steel production** remained stable while **crude steel output** declined slightly. Both **segment** and **external sales** rose sharply, mainly on the back of selling prices.

The segment's **pre-tax result**, that came in at –18.7 Mio. €, increased in a year-on-year comparison (€–24.7 million). Salzgitter Mannesmann Grobblech GmbH (MGB), which received support from the release of order-specific provisions, and the DMU Group made marginally positive contributions.

Investments

In the Plate / Section Steel Business Unit, the “Plate Strategy – Finishing Shop II” investment measure was commenced in 2017 as part of the “Salzgitter AG 2021” growth program. This measure is aimed at enlarging the product portfolio and achieving an even stronger positioning in the higher-end grade segment. The contract for a new heat treatment line at the Ilsenburg site was awarded in September.

Mannesmann Business Unit

		Q3 2017	Q3 2016	9M 2017	9M 2016
Order intake	€ m	430.1	276.1	1,221.1	904.5
Order backlog on reporting date[1]	€ m			522.0	411.6
Crude steel production Hüttenwerke Krupp Mannesmann (30%)	kt	359.6	305.7	1,078.3	966.0
Shipments[1]	kt	169.8	120.8	490.9	377.9
Segment sales[2]	**€ m**	**426.4**	**308.9**	**1,286.4**	**989.6**
External sales	**€ m**	**254.8**	**224.6**	**824.0**	**727.1**
Earnings before taxes (EBT)	**€ m**	**4.1**	**−7.0**	**1.4**	**2.4**

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

Market development
Following a significantly improved first half year compared with the weak year-earlier period, steel tubes and pipes production grew in the third quarter of 2017 as well. The order book situation of the manufacturers of large-diameter welded pipes of over 16” remained healthy. Demand from the energy industry in North America continued to recover and has meanwhile resulted in good capacity utilization again, in particular for the producers of seamless tubes. The producers of welded line pipe in diameters of up to 406.4 mm also benefited from strong order activity from the US. The orders of welded and drawn precision steel tubes increased slightly.

Business development
The **order intake** and **orders on hand** of the Mannesmann Business Unit notably exceeded the previous year’s figures, which was attributable to growth in all product segments. Outside the consolidated group, the order intake and orders on hand of the EUROPIPE Group (EP Group), a 50% participation reported at equity, dropped below the year-earlier period that was impacted by the major Nord Stream 2 project. Thanks to the booking of the follow-up order European Gas Pipeline Link (EUGAL), orders on hand nevertheless remained at a high level.

Shipments as well as **segment** and **external sales** of the Mannesmann Business Unit increased, due above all to the sharp growth generated by Mannesmann Grossrohr GmbH (MGR) and Mannesmann Line Pipe GmbH (MLP). The shipments of the EP Group remained stable in a year-on-year comparison, as opposed to sales that were lower. Because of the high delivery volumes, the German company notably exceeded the first nine months of 2016, while the respective key figures in the US declined.

At € 1.4 million, the business unit generated marginally positive **earnings before taxes** (9M 2016: €+2.4 million). The precision and stainless steel tubes segments reduced their pre-tax losses and MLP returned to the profit zone. By contrast, the slightly negative result of the EP Group consolidated at equity and the positive performance of Hüttenwerke Krupp Mannesmann GmbH (HKM) came in below the previous year’s earnings contributions.

Investments
The Mannesmann Business Unit is principally concentrating on replacement investments in 2017. This includes at the MPT Group for instance, renewing the automation system of the separation plant in the Zeithain rolling mill. Investment measures for improving the performance of the facilities at the Hamm location were concluded. The organizational and logistic-related optimizations are ongoing.

Trading Business Unit

		Q3 2017	Q3 2016	9M 2017	9M 2016
Shipments	kt	1,087.4	1,145.3	3,587.5	3,866.8
Segment sales[1]	**€ m**	**805.5**	**690.5**	**2,531.3**	**2,129.7**
External sales	**€ m**	**787.3**	**683.6**	**2,463.1**	**2,109.1**
Earnings before taxes (EBT)	**€ m**	**10.2**	**15.2**	**44.8**	**31.7**

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

Market development
Against the backdrop of the anti-dumping measures in various regions and the sharp increase in the price of iron ore in the first quarter, prices in the international steel markets moved at a comparatively high level. Following a brief correction during the second quarter, prices rose again from the summer onward. The European market presented a more varied picture: While hot-rolled strip and heavy plate prices were on the rise, with slight corrections in the second quarter, selling prices in the sections segment had already come under pressure in January and only staged a recovery from mid-year onward.

Business development
The Trading Business Unit reported a lower **shipment** volume for the period under review compared with the previous year. Demand in the European stockholding steel trade increased slightly, as opposed to the shipments of international trading that were determined by the low level of project business and the absence of large-scale orders. The improved selling price situation nevertheless resulted in significantly higher **segment** and **external sales**. Boosted by the positive results of international trading, which compensated for the volume shortfall through deliveries with stronger margins, and the positive earnings position of the stock holding steel trade as well as of the Universal Eisen und Stahl Group (UES Group), the Trading Business Unit delivered gratifying **earnings before taxes** of € 44.8 million in the first nine months of 2017, thereby notably exceeding the year-earlier period (€ 31.7 million).

Investments
Maintaining and upgrading existing facilities continue to form the focus of investments of the Trading Business Unit in 2017. The projects initiated by Salzgitter Mannesmann Stahlhandel GmbH (SMSD) to digitalize sales processes are making headway.

Technology Business Unit

		Q3 2017	Q3 2016	9M 2017	9M 2016
Order intake	€ m	354.3	396.8	987.1	975.9
Order backlog on reporting date	€ m			654.0	681.7
Segment sales[1)]	**€ m**	**324.9**	**312.6**	**955.3**	**954.5**
External sales	**€ m**	**324.8**	**312.5**	**954.9**	**954.2**
Earnings before taxes (EBT)	**€ m**	**4.2**	**4.5**	**17.8**	**17.1**

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

Market development
According to German Engineering Federation (VDMA), new orders generally increased significantly compared with the year-earlier figure, with a surge in international demand and a noticeable upturn in domestic demand. The industry also reported sales growth. Orders placed in the market for food and packaging machinery developed well. Whereas domestic order activity did not match the year-earlier figure, international order activity accelerated impressively.

Business development
The **order intake** of the Technology Business Unit matched the previous year's level in the first nine months of 2017. New orders placed with the Klöckner Desma Elastomer Group (KDE Group) and DESMA Schuhmaschinen GmbH (KDS) surged, while orders received by the KHS Group entered a downtrend. The segment's **order book** inched down.

Segment and **external sales** matched the year-earlier figures. The KDE Group and KDS reported growth as opposed to the KHS Group where sales declined slightly.

At € 17.8 million, the Technology Business Unit generated **earnings before taxes** in the first nine months of 2017 that repeated the previous year's level (9M 2016: € 17.1 million). The KDE Group and KDS outperformed the year-earlier results, while the result of the KHS Group dropped below this level due to price pressure from competition.

Under the "Fit4Future 3.0" program, launched in 2016 and rigorously implemented, activities in the specific areas of market development, procurement and service, as well as measures to maximize productivity in processing orders, assembly and commissioning were pursued. Efficiency improvements from the program are already apparent.

Investments
In the first nine months of 2017, the Technology Business Unit focused on replacement and streamlining measures geared to promoting its sustainable competitiveness. IT projects in Germany and in the international companies were carried out at the KHS Group to further optimize workflows. The extensive modernization of the Bad Kreuznach site to ensure lean manufacturing is being implemented in various individual subprojects.

Industrial Participations / Consolidation

		Q3 2017	Q3 2016	9M 2017	9M 2016
Sales[1)]	**€ m**	**234.1**	**194.4**	**669.8**	**569.7**
External sales	**€ m**	**48.3**	**51.0**	**149.5**	**145.2**
Earnings before taxes (EBT)	**€ m**	**15.1**	**–9.8**	**–30.0**	**22.0**

[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, increased year on year to € 669.8 million (9M 2016: € 569.7 million). **External sales** also grew marginally (€ 149.5 million; 9M 2016: € 145.2 million).

Earnings before taxes came in at €–30.0 million, representing a significant decline compared with the year-earlier period (€+22.0 million). This figure includes the contribution of the Aurubis investment amounting to €–8.7 million (9M 2016: € 16.8 million). This contribution comprises the proportion of the company's after-tax profit (€ 71.3 million; 9M 2016: € 33.5 million) attributable to Salzgitter AG (SZAG) as well as €–80.0 million in valuation effects from the Aurubis bond exchangeable into shares (9M 2016: €–16.7 million) that were clearly negative due to the sharp rise in the share price of Aurubis AG (NAAG) in 2017. Reporting-date related valuation effects of foreign exchange and derivative positions also had a burdening effect on the result. Interest income resulting from Group cash management had an offsetting effect. The pre-tax result of the Group companies not directly assigned to a business unit considerably exceeded the figure achieved in first nine months of 2016.

Financial Position and Net Assets

Explanations on the balance sheet

The **total assets** of the Salzgitter Group rose by € 151 million in the current reporting period compared with December 31, 2016.

Non-current assets (€+52 million) increased owing in particular to the higher level of shares in the companies accounted for using the equity method (€+145 million). In the reporting period, the sum total of scheduled depreciation and amortization of fixed assets (€–253 million) came in above the level of investments (€+186 million) and reduced the non-current assets. The growth in **current assets** (€+82 million) resulted mainly from the selling price-induced higher level of trade receivables (€+151 million) and higher inventories (€+168 million). As a result of the increase in working capital, this was offset by lower cash and cash equivalents (€–182 million). Furthermore, other receivables and other assets (€–51 million) declined.

On the **liabilities side**, equity remained virtually the same due to the good result (€+22 million). The equity ratio has therefore stayed at the level of the previous financial year and amounts to a sound 33.4 %. Non-current liabilities were € 4 million lower compared with the prior-year reporting date. Non-current other provisions (€+19 million) and income tax liabilities increased (€+16 million) while pension provisions declined (€–32 million). Current liabilities climbed by € 133 million, mainly due to the increase in trade payables (€+38 million) as well as to the growth in other current liabilities (€+164 million). This was offset by the lower level of other provisions (€ –59 million).

The **net financial position** dropped to € 132 million (2016/12/31: € 302 million) above all due to the higher level of working capital and the increase in non-current assets. Cash investment, including securities (€ 1,032 million; 2016/12/31: € 1,218 million), was offset by liabilities of € 900 million (2016/12/31: € 916 million), of which € 467 million were owed to banks (2016/12/31: € 483 million).

Notes to the cash flow statement

With a pre-tax profit of € 175 million, the **cash flow from operating activities** stood at € 118 million (previous year: € –3 million), due in particular to the significant improvement in earnings.

The **cash outflow from investing activities** of € 251 million (previous year: € 313 million) mainly reflects disbursements for capital expenditure in intangible assets and property, plant and equipment (€–199 million).

Interest payments, disbursements to company owners, as well as the redemption of loans constituted a **cash outflow from financing activities** of € 41 million (previous year: cash inflow of € 126 million).

As a result of the negative overall cash flow, **cash and cash equivalents** (€ 637 million) declined accordingly compared with December 31, 2016.

Employees

	2017/09/30	2016/12/31	Change
Core workforce[1)]	**23,276**	**23,152**	**124**
Strip Steel Business Unit	6,106	6,062	44
Plate / Section Steel Business Unit	2,542	2,585	–43
Mannesmann Business Unit	4,671	4,731	–60
Trading Business Unit	1,973	1,914	59
Technology Business Unit	5,387	5,301	86
Industrial Participations / Consolidation	2,597	2,559	38
Apprentices, students, trainees	1,491	1,452	39
Non-active age-related part-time employment	505	564	–59
Total workforce	**25,272**	**25,168**	**104**
In light of prorata shareholdings, rounding differences can occur			

[1)] Excluding the members of executive and non-executive bodies

The **core workforce** of the Salzgitter Group came to 23,276 employees on September 30, 2017, representing an addition of 124 staff members since December 31, 2016. Excluding the initial consolidation of four Group companies, the core workforce would have grown by only 60 staff members since the start of the year. The initial consolidation took place on September 30, 2017 with retrospective effect as of January 1, 2017.

The **total workforce** comprised 25,272 employees.

The number of **temporary staff** stood at 1,419 on September 30, 2017, which marks an increase of 347 persons compared with the 2016 reporting date.

At the end of the reporting period no employees were affected by short-time work.

Forecast, Opportunities and Risk Report

Compared with the previous year, the business units anticipate that business in 2017 will develop as follows:

The **Strip Steel Business Unit** expects business to develop extremely well thanks to the increase in selling prices in the EU steel market. Assuming that robust demand holds steady, a notable increase in sales can be expected. Supported by the measures and impact of various programs and projects, a considerable pre-tax profit is envisaged based on the strong nine-month result, despite the sensitive market environment, including the price volatility of raw materials.

The **Plate / Section Steel Business Unit** will continue to remain exposed to a very difficult market environment in the current financial year. Satisfactory capacity utilization is nonetheless expected at the Mülheim mill. Hence, the production of input materials for the Nord Stream II as well as the EUGAL contract will contribute to notable basic capacity utilization. Against the backdrop of a market that continues to be determined by excess capacities, the situation at the Ilsenburg mill remains challenging in the fourth quarter, also since large-scale projects are only expected next year. Capacity utilization in the section steel business is likely to run only slightly below the satisfactory level of the previous year. However, the substantial increase in costs, particularly of scrap, energy and alloying agents, will impact strongly on earnings. All in all, the business unit anticipates a notable selling price- and volume-induced increase in sales as well as a pre-tax loss at the year-earlier level.

The development of the **Mannesmann Business Unit** is proving to be disparate in 2017. While the German large-diameter pipe mills report very good capacity utilization due to bookings of major orders last year and in the first quarter of 2017, the order situation on the North American market, especially in the segment of spirally welded pipe, is unsatisfactory. The medium line pipe, precision and stainless steel tubes segments expect margins to recover slightly as the year progresses despite the generally ongoing tense situation. Rising shipment volumes supported by higher average prices should result in substantial sales growth in the business unit. In conjunction with the programs of measures under way, a notably improved pre-tax result at breakeven is predicted.

In the financial year 2017, the **Trading Business Unit** anticipates marked sales growth compared with the previous year, which is first and foremost attributable to the prevailing price situation. Additional support is to emanate from expanding the customer base in the context of stepping up the digitalization of sales. Against the backdrop of the earnings already generated, very satisfactory earnings before taxes are expected above the year-earlier figure.

The **Technology Business Unit** expects a stable sales trend supported by a high order backlog. Given the ongoing fierce price-led competition in the global project business, the KHS-Group is concentrating on profitable product segments, innovative new products and expanding its service business. Further efficiency enhancements from the “Fit4 Future 3.0” program will show effects. The prospects of the smaller specialist mechanical engineering companies are promising. Overall, a pre-tax result at around the year-earlier level is therefore anticipated.

We affirm our earnings forecast for the financial year 2017 that we raised on October 24, 2017 and anticipate:

- an increase in sales to around € 9 billion,
- a pre-tax profit of between € 175 million and € 225 million and
- a return on capital employed that is discernibly higher year on year.

This outlook takes account of the income from the derivative liability to be released pertaining to the bond exchangeable into the shares of Aurubis AG (NAAG) redeemed at the end of October 2017, as well as countervailing effects emanating from the proportionate derecognition of the book value of the Aurubis shares relinquished and the probable impact – with an initially lowering effect on the results – of measures envisaged under the groupwide “FitStructure SZAG” optimization program.

As in recent years, please note that **opportunities and risks** from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as exchange rate fluctuations, may considerably affect performance in the course of the financial year 2017. The resulting fluctuation in the consolidated pre-tax result may be within a considerable range, either to the positive or to the negative. The dimensions of this range become clear if one considers that, with around 12 million tons of steel products p.a. sold by the Strip Steel, Plate / Section Steel, Mannesmann and Trading business units, an average € 25 change in the margin per ton is sufficient to cause a variation in the annual result of more than € 300 million. Moreover, the accuracy of the company's planning is restricted by the volatile cost of raw materials and shorter contractual durations, on the procurement as well as on the sales side.

Risk management

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 2016.

In terms of risks arising from strained market conditions, including the volatility of raw materials prices, the effects on the results of the companies in the current year have been factored in to the extent they can be estimated. An additional burdening effect is emanating from the numerous, often purely protectionist trade defense mechanisms from countries outside the EU that are no longer aimed solely at China but also at EU producers in equal measure. Salzgitter AG (SZAG) is directly affected by the anti-dumping proceedings meanwhile brought to a close in the US against heavy plate and wide strip imports from twelve countries, including Germany, and ongoing anti-dumping proceedings against precision tubes imports, also from Germany.

At the start of May 2017, the anti-dumping duty of 22.9 % imposed on SZAG in respect of heavy plate and wide strip was conclusively affirmed by the US International Trade Commission (ITC) and entered into force in mid-May. In response to the unjustified decision, the Group has brought legal action against the imposing of the punitive tariff before the United States Court of International Trade. An initial outcome is anticipated at the start of 2018. Furthermore, the Group is engaging in dialog with the EU Commission and the German government in order to bring parallel legal action before the World Trade Organization (WTO).

Along with the ongoing trade defense proceedings, the US government is currently investigating whether steel imports pose a threat to national security. Much is currently under discussion, ranging from targeted import hurdles concerning a few specific products and countries right through to general import duties on a whole range of steel products. The US President has, however, has made a public statement indicating that this topic is currently less of a priority. Under the law, the US Treasury Secretary is obliged to submit a report with proposals for measures by mid-January. The risks still inherent include the possibility of export opportunities closing and a considerable redirection effect from countries outside the EU into this area. With this in mind, the European steel industry continues to maintain close contact with the EU Commission and the national governments in order to intervene promptly with adequate countermeasures.

Furthermore, risks could arise through a new US sanctions act (Countering America's Adversaries Through Sanctions Act). Following the virtually untrammeled approval of the US Congress and signing by President Trump, the act entered into force on August 2, 2017. The act provides i.a. for the following: companies deemed by the US administration to have business ties with Russian energy export pipelines may have punitive measures imposed on them by the US President in the US. What precisely the provisions are remains open. We are in close contact with the federal ministries responsible (the German Federal Foreign Office and the Federal Ministry of Economics and Technology) as well as domestic organizations representing the various industries (such as the Committee on Eastern European Economic Relations (OA)) in order to anticipate the potential impact on EUROPIPE and on SZAG companies.

To conclude, we make reference to the geopolitical risks in Turkey. A “black list” of more than 650 companies – aside from high-profile German DAX companies, also including KHS Corpoplast GmbH (KHSCP) and Salzgitter Mannesmann Stahlhandel GmbH (SMSD) – was published at the end of July 2017. According to the Turkish authorities, these companies maintained business relations with companies domiciled in Turkey that are being investigated in connection with financing terrorism. The list has meanwhile been withdrawn as a “misunderstanding” in response to political pressure. There is nonetheless growing legal uncertainty with regard to the business relations of Group companies with Turkey.

Interim Report

I. Consolidated Income Statement[1)]

In € million	Q3 2017	Q3 2016	9M 2017	9M 2016
Sales	2,197.1	1,893.0	6,813.2	5,847.2
Increase/decrease in finished goods and work in process/other own work capitalized	70.0	–5.4	107.9	–53.4
	2,267.1	1,887.6	6,921.2	5,793.8
Other operating income	47.2	31.9	189.9	134.7
Cost of materials	1,467.0	1,181.9	4,553.9	3,710.9
Personnel expenses	417.5	407.1	1,258.1	1,230.6
Amortization and depreciation of intangible assets and property, plant and equipment	83.5	84.2	253.2	256.5
Other operating expenses	272.7	232.7	888.1	707.1
Income from shareholdings	0.2	0.0	5.8	3.0
Result from investments accounted for using the equity method	17.5	14.5	69.3	50.0
Finance income	4.0	4.1	14.3	13.0
Finance expenses	20.8	26.6	72.4	70.9
Earnings before taxes (EBT)	**74.4**	**5.6**	**174.8**	**18.6**
Income tax	26.2	–0.2	61.8	6.5
Consolidated result from continued operations	48.2	5.8	113.0	12.0
Consolidated result from discontinued operations	–0.2	–0.6	–0.4	2.6
Consolidated result	**48.0**	**5.3**	**112.6**	**14.6**
Amount due to Salzgitter AG shareholders	47.1	4.4	108.7	11.5
Minority interest	0.9	0.9	3.9	3.1
Appropriation of profit				
Consolidated result	48.0	5.3	112.6	14.6
Profit carried forward from the previous year	–	–	21.1	15.1
Minority interests in consolidated net loss for the year	0.9	0.9	3.9	3.1
Dividend payment	–	–	–16.2	–13.5
Transfer from (+)/to (–) other retained earnings	–47.1	–4.3	–108.7	–11.4
Unappropriated retained earnings of Salzgitter AG	**–0.0**	**–**	**4.9**	**1.6**
Earnings per share (in €) – basic	**0.87**	**0.08**	**2.01**	**0.21**
Earnings per share (in €) – diluted	**0.83**	**0.08**	**1.92**	**0.21**

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

II. Statement of Comprehensive Income

	Q3 2017			9M 2017		
In € million	Total	Amount due to Salzgitter AG shareholders	Minority interest	Total	Amount due to Salzgitter AG shareholders	Minority interest
Consolidated result	**48.0**	**47.1**	**0.9**	**112.6**	**108.7**	**3.9**
Recycling						
Reserve from currency translation	–7.8	–7.8	0.0	–22.8	–22.8	0.0
Changes in value from cash flow hedges	–11.4	–11.4	–	–54.5	–54.5	–
Fair value change	5.1	5.1	–	6.3	6.3	–
Basis adjustments	–14.7	–14.7	–	–56.3	–56.3	–
Recognition with effect on income	–0.5	–0.5	–	–3.7	–3.7	–
Deferred tax	–1.4	–1.4	–	–0.7	–0.7	–
Change in value due to available-for-sale financial assets	0.5	0.5	–	0.3	0.3	–
Fair value change	0.5	0.5	–	0.3	0.3	–
Recognition with effect on income	–	–	–	–	–	–
Deferred tax	–	–	–	–	–	–
Changes in value of investments accounted for using the equity method	1.3	1.3	–	–6.0	–6.0	–
Fair value change	6.9	6.9	–	6.2	6.2	–
Recognition with effect on income	–	–	–	–	–	–
Currency translation	–4.2	–4.2	–	–11.1	–11.1	–
Deferred tax	–1.4	–1.4	–	–1.1	–1.1	–
Deferred taxes on other changes without effect on the income	–0.0	–0.0	–	–0.0	–0.0	–
Subtotal	–17.5	–17.5	0.0	–83.0	–83.0	0.0
Non-recycling						
Remeasurements	0.0	0.0	–0.0	–0.0	–0.0	–0.0
Remeasurement of pensions	0.0	0.0	–0.0	–0.0	0.0	–0.0
Deferred tax	–	–0.0	0.0	–	–0.0	0.0
Changes in value of investments accounted for using the equity method	0.2	0.2	–	10.2	10.2	–
Subtotal	0.2	0.2	–0.0	10.2	10.2	–0.0
Other comprehensive income	**–17.3**	**–17.3**	**0.0**	**–72.8**	**–72.8**	**0.0**
Total comprehensive income	**30.7**	**29.8**	**0.9**	**39.9**	**36.0**	**3.9**
Continuing operations		30.0			36.3	
Discontinued operation		–0.2			–0.4	

In € million	Q3 2016 Total	Q3 2016 Amount due to Salzgitter AG share-holders	Q3 2016 Minority interest	9M 2016 Total	9M 2016 Amount due to Salzgitter AG share-holders	9M 2016 Minority interest
Consolidated result	**5.3**	**4.4**	**0.9**	**14.6**	**11.5**	**3.1**
Recycling						
Reserve from curreny translation	–1.1	–1.1	–0.0	–3.1	–3.1	–
Changes in value from cash flow hedges	26.2	26.2	–	66.1	66.1	–
Fair value change	21.6	21.6	–	50.9	50.9	–
Basis adjustments	0.3	0.3	–	10.7	10.7	–
Recognition with effect on income	–0.2	–0.2	–	–0.6	–0.6	–
Deferred tax	4.5	4.5	–	5.1	5.1	–
Change in value due to available-for-sale financial assets	1.5	1.5	–	2.6	2.6	–
Fair value change	1.6	1.6	0.0	2.7	2.7	–
Recognition with effect on income	–	–	–	–	–	–
Deferred tax	–0.1	–0.1	–	–0.1	–0.1	–
Changes in value of investments accounted for using the equity method	–1.2	–1.2	–	3.2	3.2	–
Fair value change	–0.7	–0.7	–	7.0	7.0	–
Recognition with effect on income	–	–	–	–	–	–
Currency translation	–0.4	–0.4	–	–2.5	–2.5	–
Deferred tax	–0.1	–0.1	–	–1.3	–1.3	–
Deferred taxes on other changes without effect on the income	–0.0	–0.0	–	–0.1	–0.1	–
Subtotal	25.4	25.4	–0.0	68.7	68.7	–
Non-recycling						
Remeasurements	0.1	0.1	0.0	–266.8	–266.8	–
Remeasurement of pensions	0.1	0.1	0.0	–340.0	–340.0	–
Deferred tax	–	–	–	73.2	73.2	–
Changes in value of investments accounted for using the equity method	–6.7	–6.7	–	–16.4	–16.4	–
Subtotal	–6.6	–6.6	0.0	–283.2	–283.2	–
Other comprehensive income	**18.8**	**18.8**	**–0.0**	**–214.5**	**–214.5**	**–**
Total comprehensive income	**24.2**	**23.3**	**0.9**	**–199.9**	**–203.0**	**3.1**
Continuing operations		23.7			–205.6	
Discontinued operation		–0.5			2.6	

III. Consolidated Balance Sheet

Assets in € million	2017/09/30	2016/12/31
Non-current assets		
Intangible assets	219.4	223.3
Property, plant and equipment	2,259.2	2,343.4
Investment property	21.3	21.8
Financial assets	87.4	95.6
Investments accounted for using the equity method	805.5	660.4
Trade receivables	22.7	–
Other receivables and other assets	17.8	0.0
Income tax assets	3.3	–
Deferred income tax assets	332.4	355.1
	3,769.0	**3,699.5**
Current assets		
Inventories	2,010.9	1,842.8
Trade receivables	1,626.8	1,476.2
Other receivables and other assets	453.7	504.3
Income tax assets	25.0	26.5
Securities	78.9	82.3
Cash and cash equivalents	636.6	818.1
	4,831.9	**4,750.3**
	8,600.9	**8,449.8**

Equity and liabilities in € million	2017/09/30	2016/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings	2,812.4	2,703.4
Other reserves	−1.3	71.4
Unappropriated retained earnings	4.9	21.1
	3,234.5	**3,214.5**
Treasury shares	−369.7	−369.7
	2,864.8	**2,844.8**
Minority interests	8.8	7.1
	2,873.6	**2,852.0**
Non-current liabilities		
Provisions for pensions and similar obligations	2,416.9	2,449.0
Deferred tax liabilities	39.6	39.3
Income tax liabilities	84.2	67.7
Other provisions	264.6	245.3
Financial liabilities	442.7	452.4
Other liabilities	6.2	4.5
	3,254.2	**3,258.1**
Current liabilities		
Other provisions	233.9	292.5
Financial liabilities	489.8	493.6
Trade payables	1,192.7	1,154.5
Income tax liabilities	27.8	34.1
Other liabilities	528.8	365.1
	2,473.1	**2,339.7**
	8,600.9	**8,449.8**

IV. Cash Flow Statement

In € million	9M 2017	9M 2016
Earnings before taxes (EBT)[1]	174.5	21.1
Depreciation, write-downs (+)/write-ups (–) of non-current assets	253.2	256.5
Income tax paid (–)/refunded (+)	–27.3	–140.1
Other non-cash expenses (+)/income (–)	140.2	74.5
Interest expenses	71.9	71.1
Gain (–)/loss (+) from the disposal of non-current assets	–11.8	6.0
Increase (–)/decrease (+) in inventories	–186.7	60.2
Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	–241.9	–186.3
Use of provisions affecting payments, excluding income tax provisions	–176.9	–184.7
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	123.1	18.8
Cash outflow/inflow from operating activities	**118.2**	**–2.9**
Cash inflow from the disposal of fixed assets	24.9	0.4
Cash outflow for investments in intangible assets and property, plant and equipment	–198.5	–244.8
Cash inflow (+)/outflow (–) for/from investments of funds	3.5	–73.0
Cash inflow from the disposal of financial assets	10.9	9.7
Cash outflow for investments in financial assets	–92.0	–5.6
Cash flow from investment activities	**–251.3**	**–313.3**
Cash outflow in payments to company owners	–16.2	–13.5
Cash inflow (+)/outflow (–) as a result of the issuing of bonds, borrowings and other financial liabilities	–9.9	156.0
Interest paid	–14.8	–16.5
Cash outflow/inflow from financing activities	**–40.9**	**126.0**
Cash and cash equivalents at the start of the period	818.1	836.2
Cash and cash equivalents relating to changes in the consolidated group	4.0	4.4
Gains and losses from changes in foreign exchange rates	–11.6	–2.3
Payment-related changes in cash and cash equivalents	–174.0	–190.2
Cash and cash equivalents at the end of the period	**636.6**	**648.1**

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

Notes

Segment Reporting

In € million	Strip Steel		Plate / Section Steel		Mannesmann	
	9M 2017	9M 2016	9M 2017	9M 2016	9M 2017	9M 2016
External sales	1,649.7	1,389.0	772.1	535.9	824.0	727.1
Sales to other segments	549.7	422.3	500.1	534.2	158.4	50.8
Sales to group companies that are not allocated to an operating segment	2.8	1.2	0.6	0.7	304.0	211.8
Segment sales	2,202.2	1,812.5	1,272.8	1,070.8	1,286.4	989.6
Interest income (consolidated)	0.8	0.1	0.3	1.0	0.4	0.4
Interest income from other segments	–	–	0.0	–	–	–
Interest income from group companies that are not allocated to an operating segment	0.0	0.1	0.1	0.0	1.0	1.0
Segment interest income	0.8	0.2	0.4	1.1	1.5	1.4
Interest expenses (consolidated)	10.8	16.5	2.2	2.5	5.8	6.7
Interest expenses to other segments	–	–	–	–	–	–
Interest expenses from group companies that are not allocated to an operating segment	19.5	18.8	4.2	9.8	5.5	4.4
Segment interest expenses	30.3	35.3	6.4	12.4	11.3	11.1
of allocations to pension provisions	9.1	10.4	2.1	2.4	3.4	4.1
Depreciation of property, plant and equipment and amortization of intangible assets	130.1	134.0	34.0	34.8	44.7	43.0
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	130.1	134.0	34.0	34.8	44.7	43.0
EBIT before depreciation and amortization (EBITDA)	318.9	141.7	21.4	21.4	55.9	55.1
Earnings before interest and taxes (EBIT)	188.8	7.7	–12.7	–13.4	11.2	12.1
Segment earnings before taxes	159.2	–27.4	–18.7	–24.7	1.4	2.4
of which result from investments accounted for using the equity method	–	–	–	–	–4.1	10.6
Investments in property, plant and equipment and intangible assets	85.7	147.9	19.9	17.1	49.4	41.9

	Trading		Technology		Total segments		Industrial Participations / Consolidation		Group
9M 2017	9M 2016	9M 2017	9M 2016	9M 2017	9M 2016	9M 2017	9M 2016	9M 2017	9M 2016
2,463.1	2,109.1	954.9	954.2	6,663.8	5,715.3	149.5	145.2	6,813.2	5,860.5
68.2	20.6	0.4	0.3	1,276.8	1,028.1	520.3	424.5	1,797.1	1,452.6
0.1	0.1	–	–	307.4	213.8	–	–	307.4	213.8
2,531.3	2,129.7	955.3	954.5	8,247.9	6,957.1	669.8	569.7	8,917.7	7,526.9
1.9	2.0	2.9	3.1	6.3	6.7	6.8	6.1	13.1	12.7
–	–	–	–	0.0	–	31.3	34.0	31.4	34.0
5.9	2.4	0.7	0.4	7.7	3.9	–	–	7.7	3.9
7.8	4.3	3.5	3.5	14.0	10.6	38.2	40.1	52.1	50.6
10.3	7.2	1.9	2.2	31.1	35.1	40.8	36.0	71.9	71.1
0.0	–	–	–	0.0	–	7.7	3.9	7.7	3.9
0.3	0.2	1.9	0.8	31.3	34.0	–	–	31.3	34.0
10.6	7.3	3.8	3.0	62.4	69.1	48.6	39.9	111.0	109.0
1.6	1.9	1.5	1.9	17.7	20.6	13.6	17.7	31.3	38.3
7.8	7.7	16.4	16.6	233.0	236.1	20.2	20.4	253.2	256.5
7.8	7.7	16.4	16.6	233.0	236.1	20.2	20.4	253.2	256.5
55.3	42.4	34.4	33.2	485.9	293.8	0.5	42.2	486.5	336.0
47.5	34.7	18.1	16.6	252.9	57.7	−19.6	21.8	233.3	79.5
44.8	31.7	17.8	17.1	204.5	−0.9	−30.0	22.0	174.5	21.1
–	–	–	–	−4.1	10.6	73.4	39.4	69.3	50.0
5.7	5.0	13.5	15.3	174.0	227.2	11.7	14.6	185.7	241.8

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, 2017, 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, 2016, no changes have fundamentally been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended September 30, 2017, barring the exceptions below.
3. In calculating the fair value of defined benefit obligations as of September 30, 2017, an actuarial rate of 1.75% was applied, unchanged in comparison with December 31, 2016.
4. Owing to losses over many years, HSP Hoesch Spundwand und Profil Gesellschaft mit beschränkter Haftung (HSP) terminated the production of heavy section steel products, in particular sheet piling and mining sections, in December 2015. The delivery of products was, however, partly still scheduled for the start of 2016. The process of decommissioning of production facilities has been running since then, with completion due in 2017. HSP and all the associated sheet piling activities are disclosed as a discontinued operation in accordance with the standards laid down under IFRS 5. The results from this discontinued operation are disclosed in a separate line in the income statement, set apart from the earnings and expenses of continuing operations. The tables below include a transition of the income statement from continuing operations to an income statement that comprises both continuing as well as discontinued operations.

Result from discontinued operations

	9M 2017			9M 2016		
	Discon-tinued operation	Continuing operations	Total	Discon-tinued operation	Continuing operations	Total
In € m						
Sales	–	6,813.2	6,813.2	13.2	5,847.2	5,860.5
Increase/decrease in finished goods and work in process/other own work capitalized	–	107.9	107.9	–6.8	–53.4	–60.3
	–	**6,921.2**	**6,921.2**	**6.4**	**5,793.8**	**5,800.2**
Other operating income	3.4	189.9	193.3	1.2	134.7	135.9
Cost of materials	–	4,553.9	4,553.9	1.6	3,710.9	3,712.6
Personnel expenses	1.1	1,258.1	1,259.2	1.1	1,230.6	1,231.6
Amortization and depreciation of intangible assets and property, plant and equipment	–	253.2	253.2	–	256.5	256.5
Other operating expenses	2.6	888.1	890.7	2.1	707.1	709.2
Income from shareholdings	–	5.8	5.8	–	3.0	3.0
Result from investments accounted for using the equity method	–	69.3	69.3	–	50.0	50.0
Finance income	0.0	14.3	14.3	0.0	13.0	13.0
Finance expenses	0.2	72.4	72.6	0.2	70.9	71.1
Earnings before taxes (EBT)	**–0.4**	**174.8**	**174.5**	**2.6**	**18.6**	**21.1**
Income tax	–	61.8	61.8	–	6.5	6.5
Consolidated result	**–0.4**	**113.0**	**112.7**	**2.6**	**12.0**	**14.6**

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

Condensed cash flow statement for the discontinued operation

In € m	9M 2017	9M 2016
Cash flow from operating activities	–3.3	–4.5
Cash outflow/inflow from investment activities	–	0.2
Cash inflow/outflow from financing activities	–	–
Change in cash and cash equivalents of the discontinued operations	**–3.3**	**–4.2**

Selected explanatory notes to the income statement

1. Sales by business segment are shown in the segment report.
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of SZAG, came to € 2.01 in the period under review. Dilution would occur if earnings per share were reduced through the issuance of potential shares from option and conversion rights. Such rights, attached to a convertible bond, existed as of the balance sheet date. When taken into account there is a decrease in earnings per share from continuing operations, as a result of which these option and conversion rights have a dilutive effect. Diluted earnings per share amount to € 1.92.

Correction of prior-year accounts

Due to a retrospective correction to the value of inventory belonging to a subsidiary in the Plate / Section Steel Business Unit, the figure recognized for the 2014 period and earlier was adjusted by € 50.9 million directly in equity in accordance with the pertinent IFRS standards. For the financial year 2015, a further reduction of € 8.5 million was carried out through profit or loss. In this context, income tax liabilities of € 1.4 million were taken account of on balance, thereby correcting the equity disclosed in previous years that was too high, without effect on income.

The adjustments to the account are shown in the table below:

€ m	Issued consolidated financial statement	Adjustment	Adjusted consolidated financial statement
	2016/09/30		2016/09/30
Income tax assets	27.5	3.3	30.8
Deferred income tax assets	390.0	–3.3	386.7
Equity	2,628.3	0.5	2,628.8
Deferred income tax liabilities	27.5	–0.5	27.0

Disclosures on fair value

Fair value disclosures comply with the standards set out under IFRS 13 "Fair Value Measurement". A deviation between the book value and fair value results from the reporting of a convertible bonds and a bond exchangeable into shares at amortized cost.

The calculation of fair value disclosures for non-current financial assets and liabilities not accounted for by applying fair value is always carried out by discounting future cash flows. In this instance, a term-dependent interest rate was applied that reflected the risk-free rate and the default risk derived from a peer group of the Salzgitter Group.

Book value and fair value of the bonds:

In € million	Convertible bonds and exchangeable bond	
	2017/09/30	2016/12/31
Book value	421.2	414.0
Fair value	426.9	419.1

Related party disclosures

In addition to business relationships with companies that are consolidated fully and proportionately in the consolidated financial statements, relationships also exist with associated companies recognized at equity, as well as non-consolidated subsidiaries that must be designated as related companies in accordance with IAS 24. The category of other associated companies comprises the majority interests and joint ventures of the Federal State of Lower Saxony.

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

In € million	Sale of goods and services	Purchase of goods and services	Receivables	Liabilities
	01/01/-09/30/2017	01/01/-09/30/2017	2017/09/30	2017/09/30
Non consolidated group companies	33.0	5.6	22.7	3.2
Joint ventures	227.7	139.6	36.1	2.5
Joint operations	6.8	1.0	1.0	33.4
Other related parties	0.1	0.9	6.5	92.3

Events after the balance sheet date

The bond convertible into the shares of Hamburg-based Aurubis AG (NAAG) issued by Salzgitter Finance B.V., Oosterhout in a volume of € 295.5 million matured on November 8, 2017, but the option of cash payment of the part still due for payment was, however, not exercised. Shares of NAAG were provided instead. After the transfer of the shares, NAAG will continue to be included in the consolidated financial statements of SZAG as a company accounted for using the equity method.

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

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

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 (SZAG) is also available in German. In the event of any discrepancy, the German version shall prevail.

Unless otherwise indicated, all figures and corresponding information as well as the guidance include the sheet piling activities that were discontinued at the end of 2015.

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