3M

Quarterly Statement
3 Months 2021

SALZGITTER AG
Stahl und Technologie

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The Salzgitter Group in Figures

		Q1 2021	Q1 2020	+/–
Crude steel production	**kt**	**1,644.5**	**1,681.5**	**–37.0**
External sales	**€ m**	**2,094.1**	**2,108.3**	**–14.2**
Strip Steel Business Unit	€ m	606.4	566.2	40.2
Plate/Section Steel Business Unit	€ m	214.4	194.5	19.9
Mannesmann Business Unit	€ m	256.6	295.9	–39.3
Trading Business Unit	€ m	673.3	703.4	–30.1
Technology Business Unit	€ m	300.9	310.3	–9.4
Industrial Participations/Consolidation	€ m	42.5	38.0	4.5
EBIT before depreciation and amortization (EBITDA)	**€ m**	**202.8**	**57.2**	**145.6**
Earnings before interest and taxes (EBIT)	**€ m**	**128.6**	**–16.9**	**145.5**
Earnings before taxes (EBT)	**€ m**	**117.3**	**–31.4**	**148.7**
Strip Steel Business Unit	€ m	43.1	–6.8	49.9
Plate/Section Steel Business Unit	€ m	–21.0	–4.2	–16.9
Mannesmann Business Unit	€ m	–7.5	–4.6	–2.9
Trading Business Unit	€ m	44.7	0.3	44.4
Technology Business Unit	€ m	25.0	5.2	19.8
Industrial Participations/Consolidation	€ m	33.0	–21.3	54.4
Consolidated result	**€ m**	**76.6**	**–43.7**	**120.3**
Earnings per share – basic	**€**	**1.38**	**–0.83**	**2.21**
Return on capital employed (ROCE)[1]	**%**	**13.2**	**–2.4**	**15.6**
Cash flow from operating activities	**€ m**	**108.8**	**–142.8**	**251.6**
Investments[2]	**€ m**	**79.1**	**94.9**	**–15.8**
Depreciation/amortization[2] [3]	**€ m**	**–74.2**	**–74.1**	**–0.1**
Total assets	**€ m**	**8,599.5**	**8,429.8**	**169.7**
Non-current assets	**€ m**	**4,205.8**	**4,024.8**	**181.0**
Current assets	**€ m**	**4,393.7**	**4,405.0**	**–11.3**
of which inventories	€ m	1,892.5	2,097.3	–204.8
of which cash and cash equivalents	€ m	578.4	464.5	113.9
Equity	**€ m**	**2,834.6**	**2,976.5**	**–141.8**
Liabilities	**€ m**	**5,764.9**	**5,453.3**	**311.5**
Non-current liabilities	€ m	3,342.1	3,311.8	30.3
Current liabilities	€ m	2,422.7	2,141.5	281.2
of which due to banks[4]	€ m	905.5	814.9	90.6
Net financial position on the reporting date[5]	**€ m**	**–447.1**	**–415.4**	**–31.7**
Employees				
Personnel expenses	€ m	–424.3	–439.0	14.7
Core workforce on the reporting date[6]	Empl.	22,475	23,308	–833
Total workforce on the reporting date[7]	Empl.	24,136	25,014	–878

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] Scheduled and unscheduled write-downs
[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 its Business Units

Earnings Situation within the Group

		Q1 2021	Q1 2020
Crude steel production	kt	1,644.5	1,681.5
External sales	**€ m**	**2,094.1**	**2,108.3**
EBIT before depreciation and amortization (EBITDA)	€ m	202.8	57.2
Earnings before interest and taxes (EBIT)	€ m	128.6	–16.9
Earnings before taxes (EBT)	**€ m**	**117.3**	**–31.4**
Consolidated result	**€ m**	**76.6**	**–43.7**
Return on capital employed (ROCE)[1]	**%**	**13.2**	**–2.4**
Investments[2]	€ m	79.1	94.9
Depreciation/amortization[2]	€ m	–74.2	–74.1
Cash flow from operating activities	€ m	108.8	–142.8
Net financial position[3]	**€ m**	**–447.1**	**–415.4**
Equity ratio	%	33.0	35.3

[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

The Salzgitter Group generated **earnings before taxes** of € 117.3 million in the first quarter of the financial year 2021 (Q1 2020: € –31.4 million). Against the backdrop of a sustained recovery in the market and an uptrend in steel prices, this performance was especially attributable to the gratifying results of the Strip Steel and Trading business units, as well as a contribution of € 42.5 million from Aurubis AG, a participating investment included at equity (IFRS accounting) (Q1 2020: € –18.7 million). Almost all segments reported a steady increase in their monthly results over the course of the quarter. The Salzgitter Group's **external sales** remained stable compared with the year-earlier level (€ 2,094.1 million; Q1 2020: € 2,108.3 million). An **after-tax result** that stood at € 76.6 million (Q1 2020: € –43.7 million) brings **earnings per share** to € 1.38 (Q1 2020: € –0.83) and **return on capital employed** to 13.2% (Q1 2020: –2.4%). The **equity ratio** amounted to 33.0% (Q1 2020: 35.3%). In addition, – compared with the respective costs of procurement – the hidden reserves not evident from the balance sheet from the acquisition of our participating investment in Aurubis AG and the CO_2 allowances purchased as a precautionary measure for the fourth period of the EU greenhouse gas emission trading scheme that commenced on January 1, 2021, meanwhile amount to over one billion euros.

Special Items / EBT Business Units and Group

	EBT		Restructuring		Impairment/ Reversal of impairment		Other		EBT without special items	
In € million	**Q1 2021**	**Q1 2020**	**Q1 2021**	**Q1 2020**	**Q1 2021**	**Q1 2020**	**Q1 2021**	**Q1 2020**	**Q1 2021**	**Q1 2020**
Strip Steel	43.1	−6.8	–	–	–	–	–	–	43.1	−6.8
Plate/Section Steel	−21.0	−4.2	–	–	–	–	–	–	−21.0	−4.2
Mannesmann	−7.5	−4.6	–	–	–	–	–	–	−7.5	−4.6
Trading	44.7	0.3	–	–	–	–	–	–	44.7	0.3
Technology	25.0	5.2	–	–	–	–	–	–	25.0	5.2
Industrial Participations/ Consolidation	33.0	−21.3	–	–	–	–	–	–	33.0	−21.3
Group	**117.3**	**−31.4**	**–**	**–**	**–**	**–**	**–**	**–**	**117.3**	**−31.4**

Strip Steel Business Unit

		Q1 2021	Q1 2020
Order intake	kt	1,187.6	1,193.1
Order backlog on reporting date	kt	1,078.4	917.8
Crude steel production	kt	1,032.1	1,069.1
Rolled steel production	kt	960.5	944.3
Shipments	kt	1,181.0	1,208.3
Segment sales[1)]	**€ m**	**785.1**	**748.2**
External sales	**€ m**	**606.4**	**566.2**
Earnings before taxes (EBT)	**€ m**	**43.1**	**–6.8**

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

Development of the European steel market
A good year after the outbreak, the coronavirus pandemic still has a firm grip on Germany and on large swathes of Europe. The positive development of economic indicators nevertheless shows that yet another lockdown has not impacted areas close to production as hard as in the spring of 2020. Instead, the German steel market has benefited from a robust recovery in domestic and pan-European industry. The positive market momentum that commenced in the second half of 2020 was also holding steady at the beginning of the first quarter of 2021. Demand emanating from the steel processing industry remained high. The traditionally weak fourth quarter in 2020 turned out to be one of the strongest for years in terms of orders placed with European steel producers. By the end of November, many plants were already fully booked for the first quarter of 2021. This trend continued in the reporting period as well. Strong global demand is driving the temporary materials shortfall on the global market along with the increase in strip steel prices. The economic framework conditions for Europe’s steel industry nevertheless remain challenging. Although the situation recently stabilized and an uptrend set in on the back of the surge in demand of important customer groups, there is uncertainty about how sustainable this trend is, and thus the prospect of recovery. Given the global surplus capacity and the massive increase in the stocks of important steel producing countries, there is still a threat of renewed redirections of trade into the EU steel market and imports drastically increasing. Against this backdrop, extending the safeguard measures that expire on June 30, 2021 is indispensable.

Procurement
Iron ore
At the start of 2021, the market had still not returned to calmer waters. Thus, iron ore prices moved within a range of 150 and 180 USD/dmt CFR China in the first quarter. In mid-February, prices stood at 178.45 USD/dmt CFR China, marking their highest level since September 2011. The wider margins of Chinese steel manufacturers after Chinese New Year, as well as strong global demand for steel kept demand for iron ore at a high level. Some uncertainty prevails as to whether the announced or partly already implemented production restrictions to reduce environmental pollution in some areas of China will have a sustainable impact on iron ore demand, or whether the outcome will merely take the form of relocating steel production to other regions. In order to counteract further restrictions, Chinese companies are attempting to reduce their emissions by using higher grade fine ore and materials such as pellets and lumps for direct use in furnaces. The iron ore price in the first quarter posted 166.90 USD/dmt CFR China, reflecting a year-on-year increase of 88%. In order to mitigate the risks resulting from procurement, defined iron ore volumes are hedged to secure against price risks.

Coking coal

Prices began to trend upward as from mid-January 2021. This was attributable to stronger demand in conjunction with lower levels of free spot volumes due to Australian producers adjusting their production. As a result, the price had risen by almost 60 USD/t to more than 160 USD/t FOB Australia by the end of January. February saw another slew of significant corrections when European market participants sold on two lots of Australian coking coal via auction with laydays in March. In the following weeks as well, high-grade coking coal FB Australia proved to be sufficiently available contrary to statements made by the producers. The price therefore dropped steadily to just over 110 USD/t. At the end of the quarter, prices for high-grade coking coal continued to stagnate at a low level. China's import ban on Australian coal since the end of October 2020 caused increasingly severe distortions in long-standing market mechanisms. In the first quarter of 2021, prices averaged 127.14 USD/t FOB Australia, up 18% compared with the previous year's quarter. We hedge defined coking coal volumes in order to mitigate the risks resulting from procurement.

Business development

In the first quarter of 2021, the **order intake** of the Strip Steel Business Unit matched the good year-earlier level. Compared with the first three months of 2020, **orders on hand** increased on the back of strong bookings, while **shipments** almost reached the previous year's figure. Similarly, **crude steel production** and **rolled steel production** also remained virtually unchanged compared with the first quarter of 2020. In view of the sufficient volumes of slabs available within the group of companies, one blast furnace still remained out of operation. **Segment** and **external sales** exceeded the year-earlier figure, boosted by the considerable upturn in selling prices. Thanks first and foremost to the improved price level, the Strip Steel Business Unit generated **earnings before taxes** of € 43.1 million (Q1 2020: € –6.8 million).

Investments

Increased customer requirements for galvanized high-strength and ultra-high-strength steel grades are being accommodated through the new strategic "Construction of New Hot Dip Galvanizing Line 3". In the period under review, the building was completed and construction work on foundations for the facilities continued.

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 through using hydrogen to gradually replace the carbon necessary for steel production based on iron ore, initially by natural gas and then by hydrogen at a later stage in direct reduction facilities to be built. Largely using existing downstream production facilities deployed in producing crude steel, SALCOS® will enable the CO_2 emissions of the steelworks in Salzgitter to be reduced by 30% by 2030. A reduction of over 95% can be achieved based on full implementation over the period up until 2050.

The "Wind Hydrogen (WindH_2)" Salzgitter project is allowing SZFG to gain valuable operational experience in the important field of "hydrogen from renewable energies" essential to SALCOS®. As part of the "Wind Hydrogen Salzgitter" project, we took a 2.5 megawatt PEM electrolysis plant (PEM = Proton-Exchange Membrane) on the premises of SZFG into operation in March 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.

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 2020, the world's most powerful high-temperature electrolyzer for producing energy-efficient hydrogen was taken into operation at SZFG as part of the successor "GrInHy2.0" project. 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 over 100 tons of green hydrogen.

At the start of December 2020, Federal Environment Minister Svenja Schulze gave Salzgitter AG the funding approval for the construction of the first direct reduced iron (DRI) plant to be operated flexibly by hydrogen and natural gas. The new plant that is due to start production in the first half of 2022 marks a further step on the way to realizing SALCOS®. Further knowledge will be gained from the operations, the aim being to enable the production of efficient and low CO_2 directly reduced iron (DRI) on a large scale in a few years' time. DRI of the small plant will initially be used in the blast furnace process to save on coal used for injection into the blast furnace and in the electric arc furnace of the Peine plant. The project is currently at the engineering stage.

Expanding the product range to include green strip steel

Since the end of 2020, low CO_2 green steel slabs in a defined range of various dimensions and grades are being produced in Peiner Träger GmbH's mini mill for subsequent processing by SZFG into hot and cold strip. As the first European steel producer, Salzgitter AG obtained two conformity statements in accordance with the VERIsteel standard of TÜV SÜD (German technical inspectorate). This method provides proof of product-specific CO_2 emissions in steel production and flanks the process of decarbonization. Under this method, switching the steel production process from the conventional blast furnace route to the electro-steel route achieves reductions of more than 75% in the CO_2 footprint of slabs and more than 66% in that of galvanized coils. These low CO_2 steel grades have met with strong interest from customers operating in range of different sectors.

Plate / Section Steel Business Unit

		Q1 2021	Q1 2020
Order intake [1]	kt	525.1	583.8
Order backlog[1] on reporting date	kt	408.1	369.4
Crude steel production	kt	270.2	295.3
Rolled steel production	kt	521.6	538.4
Shipments[1]	kt	527.2	531.0
Segment sales[2]	**€ m**	**414.6**	**385.9**
External sales	**€ m**	**214.4**	**194.5**
Earnings before taxes (EBT)	**€ m**	**–21.0**	**–4.2**

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

Market development
The **quarto plate market** got off to a favorable start to the year 2021 thanks firstly to strong demand from the stockholding steel trade that has been reporting historically low levels since the beginning of the year, and secondly due to support from supply shortages in the wide strip market. In the first quarter, the steel construction sector reported a steady inflow of orders, while the consumer business remained downbeat and determined by pandemic-induced uncertainty. The increase in the prices of iron ore, scrap and Black Sea slab, in conjunction with the withdrawal of competitor capacities, lent notable momentum to the heavy plate market. The range of commodity grades in particular saw prices climb in comparison with the low levels posted in the previous quarter, with orders reflecting the increases as from the end of the first quarter.

Similar to the previous year, the construction industry proved to be robust this year as well. This had a positive effect on the capacity utilization of producers on the European **section markets** and manifested in healthy order patterns of the stockholding steel trade. Lower inventory levels at the beginning of the year, the significant uptrend in scrap prices, and the resulting speculation about prices rising further led to satisfactory demand in the section market. Despite the notable upturn in selling prices, the margin situation nevertheless deteriorated overall, pressured by the soaring scrap prices. As a result of sufficient demand, also over the remaining course of the quarter, selling prices rose initially and then entered a slight downtrend in March, mirroring the decline in scrap prices in February.

Procurement
Steel scrap
The German steel scrap market was subject to volatility in the first quarter of 2021. Very strong demand for deep sea export services at the beginning of the year, and the high level of domestic consumers' requirements sent prices up steeply, from 70 €/t to just under 100 €/t. In February, prices on Germany's scrap market dropped by up to 36 €/t, pressured by the reticence of Turkish consumers, before meanwhile rising again in March on the back of demand. At the end of the quarter, international prices declined once more in response to Turkish steelworks beating a surprising retreat.

Business development
The **order intake** of the Plate/Section Steel Business Unit did not reach the year-earlier level in the first three months of 2021, due above all to the weaker flow of orders received by the Mülheim-based heavy plate company. By contrast, **orders on hand** notably exceeded the previous year's quarter, reflecting growth in the volumes of Peiner Träger GmbH (PTG). **Crude steel output** and **rolled steel production** dropped below the previous year's level. **Segment** and **external sales** significantly outperformed the first quarter of 2020, with **shipment tonnage** remaining virtually stable. This result was attributable to PTG and DEUMU Deutsche Erz und Metall-Union-Group (DMU Group) raising their sales. The business unit reported a **pre-tax loss** of € 21.0 million (Q1 2020: € –4.2 million). The results of the heavy plate companies fell considerably short of the previous year's

level given lower selling prices. PTG also delivered a lower pre-tax profit in a year-on-year comparison due to the higher cost of energy, among other factors. All three companies reported an improvement in their monthly results over the course of the quarter. The DMU Group lifted its result compared with the first quarter of 2020, underpinned by higher volumes and prices.

Investments

The extensive investments launched under the “Salzgitter AG 2021” growth program in the “New heat treatment line” for Ilsenburger Grobblech GmbH serves to expand the product portfolio and to reinforce the positioning in the higher-end grade segment. The facilities are currently being ramped up with performance tests being run and customer sheets being produced.

Mannesmann Business Unit

		Q1 2021	Q1 2020
Order intake	€ m	412.7	319.5
Order backlog on reporting date	€ m	448.3	402.3
Crude steel production Hüttenwerke Krupp Mannesmann (30%)	kt	342.1	317.1
Shipment tubes[1]	kt	96.8	135.4
Segment sales[2]	**€ m**	**381.2**	**406.3**
External sales	**€ m**	**256.6**	**295.9**
Earnings before taxes (EBT)	**€ m**	**–7.5**	**–4.6**

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

Market development

The **steel tubes and pipes industry** reported a general improvement in demand in the first quarter of 2021. Rising energy prices led to increased bookings by industry and the energy sector in the precision tubes segment. Take-up volumes were also positively impacted by the diminishing effects of the coronavirus pandemic on production and shipments in the automotive and supplier industry. Business in the seamless stainless steel tubes segment stabilized, supported by a strong recovery in the Asian market for all kinds of applications, for instance, in energy production and the chemicals and petrochemicals industries. Thanks to the significant increase in the barrel price, the oil and gas industry picked up momentum again, and growing demand for projects in the OCTG segment and for distribution pipelines was reported. The market for medium-diameter line pipes and spiral-welded large-diameter pipes was characterized particularly strongly by the increase in input material prices. Given the sustained reticence of investors operating in the energy infrastructure in the oil and gas segments, no trend reversal in the project situation for large-diameter tubes is discernible as yet.

Business development

The **order intake** of the Mannesmann Business Unit significantly exceeded the level posted in the first quarter of 2020. As already seen over the course of the second half of 2020, order activity in the precision tubes group settled at stable and satisfactory levels in the first quarter of 2021 again. From February onward, the positive market developments, also at the stainless steel tubes group, filtered through in the form of a significant upturn in orders. The business unit's **orders on hand** also increased tangibly in comparison with the previous year. **Segment** and **external sales** declined subsequent to lower **tubes shipments**. While the precision tubes group reported improved sales, boosted by shipments and selling prices, the other product segments did not match the year-earlier figures. The Mannesmann Business Unit recorded a **pre-tax result** of € –7.5 million (Q1 2020: € –4.6 million).

Due to the lack of larger project bookings at the US companies, order intake and orders on hand of the EUROPIPE Group (EP Group) outside the consolidated group dropped below the level of the first quarter of 2020 that was determined by the "Baltic Pipe" order. The US companies' lower shipment volumes brought sales to below the year-earlier level. As a result, the at-equity contribution of the EP Group fell short of the previous year's figure.

Investments

As part of expanding the Mexican precision tubes company at El Salto, work continues on the homologation process. Further series and sample productions were initiated in the new Line 2. New approvals for serial production were given by customers in the period under review. In the first quarter of 2021, approval was granted for investment in expanding the range of dimensions produced at the stainless steel tubes group's Montbard location, with the aim of enabling the processing of input material blooms up to an external diameter of 380 mm. The full phase of realization will run until the fall of 2022. The measure allows access to new shipment segments, in particular in oil and gas exploration and the petrochemicals industry.

Trading Business Unit

		Q1 2021	Q1 2020
Shipments	kt	888.0	977.5
Segment sales[1)]	**€ m**	**681.7**	**707.9**
External sales	**€ m**	**673.3**	**703.4**
Earnings before taxes (EBT)	**€ m**	**44.7**	**0.3**

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

Market development
The notable price uptrend across all product categories at year-end 2020 held steady in the first three months of 2021. The demand situation in the stockholding steel trade business proved to be stable, as opposed to international trading where protectionist trade defense mechanisms continued to keep order activity down. The end of the quarter brought a significant increase in sea freight costs, coupled with a shortage of available freight capacities.

Business development
In the first quarter of 2021, the **shipment volumes** of the Trading Business Unit dropped below the year-earlier level as international trading continues to operate in a challenging market environment. By contrast, the stockholding steel trade matched the previous year's figure, while the UES Group's shipments were slightly higher year on year. **Segment** and **external sales** did not achieve the figures posted in the first quarter of 2020 despite the considerable improvement in the stockholding steel trade. **Earnings before taxes** of € 44.7 million notably exceeded the year-earlier figure (Q1 2020: € 0.3 million). This development was due in particular to price increases, combined with favorable procurement prices, in the stockholding business and at the UES Group. International trading also achieved a higher, positive result compared with the first quarter of 2020.

Investments
The focus of the Trading Business Unit's investments is on maintaining and upgrading existing facilities. Moreover, the measures launched as part of the "Salzgitter AG Strategy 2021" and "FitStructure 2.0" will be pursued further. Activities are concentrated on projects aimed at digitalization – especially software solutions and expanding IT hardware – in the European stockholding steel trade and in sales.

Technology Business Unit

		Q1 2021	Q1 2020
Order intake	€ m	358.0	337.3
Order backlog on reporting date	€ m	734.3	739.3
Segment sales[1)]	**€ m**	**301.0**	**310.4**
External sales	**€ m**	**300.9**	**310.3**
Earnings before taxes (EBT)	**€ m**	**25.0**	**5.2**

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

Market development
According to the German Engineering Federation (VDMA), order intake increased encouragingly at the start of the financial year 2021. Particularly abroad, and especially in the non-euro countries, demand surged, with domestic demand showing a slight improvement. The dynamic situation described was also reflected in the market for packaging machinery.

Business development
In the first quarter of 2021, the **order intake** of the Technology Business Unit clearly outperformed the previous year's figure, thus tracking the development in the market. At the KHS Group, order activity at the start of the year was marginally higher than in the first three months of 2020 due to sustained healthy demand in the project business, while the orders received by the Klöckner DESMA Elastomer Group (KDE Group) and DESMA Schuhmaschinen GmbH (KDS) were notably higher than a year ago. The business unit's **orders on hand** almost repeated the previous year's level. **Segment** and **external sales** dropped slightly below the first quarter of 2020. The KHS Group exceeded the year-earlier result, deriving strong support from the accounting profit achieved by selling the pouch business. The KDE Group also made a positive earnings contribution. KDS reported a negative result in the opening quarter that was nevertheless higher than in the first three months of 2020. All in all, the Technology Business Unit generated a **pre-tax profit** of € 25.0 million (Q1 2020: € 5.2 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 the result achieved so far 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. To ensure the steady optimization of organizational workflows, IT projects in Germany and in the international companies were carried out within the KHS Group, geared to further optimizing workflows. An investment program for strategic realignment is being implemented for the Chinese market.

Industrial Participations/Consolidation

		Q1 2021	Q1 2020
Sales[1)]	**€ m**	**220.8**	**204.9**
External sales	**€ m**	**42.5**	**38.0**
Earnings before taxes (EBT)	**€ m**	**33.0**	**–21.3**

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, rose notably compared with the first three months of 2020 due to increased economic activity. **External sales** also grew substantially as against the year-earlier period.

Earnings before taxes (€ 33.0 million; Q1 2020: € –21.3 million) include a contribution of € 42.5 million from the participating investment in Aurubis AG accounted for using the equity method (Q1 2020: € –18.7 million). The results from the valuation of derivatives positions and net interest income from cash management of the consolidated group delivered a positive contribution again (€ 11.1 million; Q1 2020: € 8.4 million). The services companies that mainly operate on behalf of the Group generated a profit, but were nevertheless unable to match the one-off proceeds from the disposal of a property that determined the year-earlier result.

Financial Position and Net Assets

Notes to the balance sheet

The **total assets** of the Salzgitter Group rose by € 362 million in the first quarter of 2021 compared with December 31, 2020.

Non-current assets dropped by € 39 million as against the last reporting date. The shares in the companies accounted for using the equity method increased (€ +23 million). Investments in intangible assets and in property, plant and equipment (€ +79 million) settled just below the level of scheduled depreciation and amortization of fixed assets (€ –74 million) in the period under review. Deferred income tax assets declined in particular due to the lower level of pension provisions (€ –56 million) determined by a higher actuarial interest rate. **Current assets** rose by € 401 million in comparison with the last reporting date, attributable in particular to the growth in trade receivables, including contract assets (€ +384 million). Moreover, current other receivables and assets also increased (€ +49 million), along with securities (€ +50 million), which was offset by a decline in inventories (€ –41 million) and cash and cash equivalents (€ –43 million).

On the **liabilities side**, pension provisions dropped by € –119 million given the higher actuarial rate of 1.4 % compared with the end of the previous year (2019/12/31: 1.1 %). Equity also increased on the back of the positive result (€ +156 million). With the growth in equity and higher total assets, the equity ratio continued to post a sound 33.0 %. Non-current liabilities were € –134 million lower overall than the year-earlier figure that, along with lower pension provisions, also reflected the decline in non-current financial liabilities (€ –10 million). Current liabilities rose by € 341 million. A considerable increase in trade payables, including contract liabilities (€ +265 million), along with higher other financial liabilities (€ +41 million) and current financial liabilities (€ +28 million) were reported compared with year-end 2020.

At € –447 million, the **net financial position** settled around the level posted on the last reporting date (€ –432 million). Cash investment, including securities (€ 664 million; 2020/12/31: € 659 million), was offset by liabilities of € 1,111 million (2020/12/31: € 1,091 million), of which € 906 million were owed to banks (2020/12/31: € 885 million). As before, assets and liabilities from leasing arrangements are not considered in the net financial position. The increase in the business volume on the balance sheet date is reflected by the significant rise in trade receivables that do not impact the net financial position until the payment date.

Notes to the cash flow statement

With pre-tax profit of € 117 million, a positive **cash flow from operating activities** of € 109 million was reported (previous year: € –143 million). While the improved result had a positive influence on the operating cash flow, this was offset by the increase in working capital.

The **cash outflow from investing activities** of € –123 million (previous year: € –95 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 (€ –78 million; previous year: € –101 million). In addition, funds were invested in long-term cash investments (€ –50 million).

The repayments of loans and interest payments resulted in a negative **cash outflow from financing activity** (€ –35 million; previous year: € +4 million).

As a result of the negative overall cash flow, **cash and cash equivalents** (€ 578 million) decreased accordingly compared with December 31, 2020 (€ 621 million).

Employees

	2021/03/31	2020/12/31	Change
Core workforce[1)]	**22,475**	**22,604**	**– 129**
Strip Steel Business Unit	6,010	5,999	11
Plate/Section Steel Business Unit	2,260	2,272	– 12
Mannesmann Business Unit	4,317	4,366	– 49
Trading Business Unit	1,931	1,946	– 15
Technology Business Unit	5,353	5,433	– 80
Industrial Participations/ Consolidation	2,604	2,588	16
Apprentices, students, trainees	1,124	1,264	– 140
Non-active age-related part-time employment	538	548	– 10
Total workforce	**24,136**	**24,416**	**– 280**

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

As of March 31, 2021, the **core workforce** of the Salzgitter Group numbered 22,475 employees, which is 129 people less than at the end of the financial year 2020.

A total of 117 trainees were hired during the reporting period, 82 of whom were given temporary contracts. A countereffect emanated above all from employees going into non-active age-related part-time or reaching retirement age.

The **total workforce** stood at 24,136 persons.

Temporary staff outsourced numbered 977 on March 31, 2021, which is 61 persons less than on the previous year's reporting date.

Along with numerous measures geared to dealing with the coronavirus pandemic, safeguarding health and preventing infection, we implemented a comprehensive monitoring system back in 2020 that has created transparency concerning infections across the entire Group. In order to cushion the impact of the pandemic and for the purpose of securing liquidity, parts of the Group continued to **work short-time,** although this option has clearly diminished compared with the high levels still posted in the summer of 2020. At the end of the reporting period, short-time work affected 590 employees in the domestic Group entities, above all in the Technology and Mannesmann business units as well as at Salzgitter Europlatinen GmbH.

A collective bargaining agreement for the North West German steel industry was reached on March 27, 2021, and subsequently adopted by the tariff area in the east. Regarding companies subject to the collective agreement applicable to the steel industry, meaning approximately 56% of the total domestic workforce, this agreement provides for payment of a one-off Covid-19 allowance of € 500 in June 2021 in addition to wages. In December 2021 and in February 2022, employees will also receive a recurrent payment of € 250 respectively for employment protection; as from February 2023, this payment will amount to € 600 per year. The employer is entitled to convert the recurrent payments for safeguarding employment into free time depending on the financial position of the respective company's overall economic situation. The agreement runs for a minimum term of 15 months through to May 31, 2022.

A collective agreement for the metal and electronics industry was concluded on March 30, 2021 in the pilot district of North Rhine-Westphalia. The collective agreement in the metal and electronics industry – applicable to companies with around 27% of the total domestic workforce – also provides for payment of a one-off Covid-19 allowance of € 500 in June 2021. In addition, employees will be given transformation money in February 2022 that amounts to 18.4% of the regular monthly wage and that will be subsequently raised to 27.6% as from February 2023. In the event of a collective reduction in working hours in the context of employment problems, this transformation money can be offset against an agreed part payment compensation. Furthermore, the conditions under which the supplementary allowance B, already paid since 2019, would no longer apply were specified, along with options under collective bargaining for reducing working hours against part payment compensation. The agreement runs for a minimum term of 21 months through to September 30, 2022.

Forecast, Opportunities and Risk Report

Compared with the previous year, the business units anticipate that business in the financial year 2021 will develop as follows:

Based on a high level of orders on hand, the **Strip Steel Business Unit** anticipates demand that will fully utilize capacity in the first six months of 2021 despite the ongoing pandemic situation, along with considerably improved price levels compared with the previous year. This positive trend is also expected to continue in the second half of the year. On the raw materials front, significantly higher operating costs are forecast for iron ore. Supported by further additional effects from the “FitStructure 2.0” program of measures, we assume a significant increase in sales and a very gratifying pre-tax profit of more than € 200 million for the Strip Steel Business Unit.

In the **Plate/Section Steel Business Unit**, the positive start to the year of the quarto plate market was driven by historically low inventory levels of the stockholding steel trade, and substantially supported by supply shortages in the wide strip market. Similarly, the withdrawal of competitor capacities lent notable momentum to the market. Whether this can generally be interpreted as a trend reversal is currently not foreseeable. At the same time, the lack of orders for the supply of input materials for pipes is burdening booking capacities in Mülheim. In the section steel business, we forecast a volatile market environment that will continue to focus on the short term. Following a rather subdued start to the year 2021, we anticipate that the situation will gradually improve for the segment overall as the year progresses, accompanied by the currently upbeat sentiment, the first effects from taking the Ilsenburg's new heat treatment line into operation, and flanked by further efficiency gains from implementing “FitStructure 2.0”. Inasmuch, we expect a notable increase in sales compared with the previous year, as well as a discernibly reduced pre-tax loss.

In 2021, the **Mannesmann Business Unit** reports an improved market situation, especially in the precision tubes segment, compared with the previous year that was impacted by the coronavirus pandemic. By contrast, demand in the large-diameter tubes business remains insufficient. Despite the “Qatar gas” project that secures basic capacity utilization in Germany, the EUROPIPE Group continues to suffer from unsatisfactory capacity utilization. Similarly, the booking situation at Mannesmann Grossrohr GmbH is currently insufficient. By contrast, we expect an uptrend to resume in the medium-diameter line pipe segment. The precision tubes companies started off the new year with a very healthy volume of orders on hand – boosted by demand rebounding especially in the automotive industry – and assume that the market will continue its pleasing recovery. We also anticipate growing demand in the stainless steel segment. All in all, we anticipate significant growth in shipment volumes for the business unit and, in conjunction with the increase in input materials prices, a higher sales level. Supported by further savings from measures implemented, the pre-tax result will be tangibly improved while nevertheless remaining in negative territory.

The **Trading Business Unit** expects business to continue to develop well for its companies, also if the exceptionally good earnings situation of the first quarter of the year cannot be anticipated in these dimensions in the months ahead. We assume that selling price growth rates will slow and that prices will remain at a high level. After a considerable boost in the first quarter, particularly in the stockholding steel trade, earnings should therefore have returned to normal levels by the second half of the year due to rising inventory prices. Despite the ongoing difficult trading conditions experienced in international trading, shipment volumes are expected to rise. All in all, we expect the business unit to deliver higher shipment and sales figures that should ultimately result in earnings before taxes that are notably higher than in the previous year.

Thanks to the high order intake at the end of the year 2020, and order bookings in the first quarter of 2021 that exceeded the year-earlier period, the companies of the **Technology Business Unit** anticipate a sustained good order situation. Given the rigorous expediting of the “KHS Future” program, as well as the marketing and sales of new, innovative products, we predict improved profitability of the KHS Group, accompanied by slight growth in volumes and sales. Gaining additional market shares in the standard business in particular should underpin this positive trajectory. The two DESMA specialist mechanical engineering companies expect a notable rebound of the market and, also thanks to a program of cost cutting measures, a discernible improvement in the earnings situation. Consequently, sales in the business unit as a whole are expected to be higher compared with the previous-year period, along with a significant increase in pre-tax profit that will derive additional, positive influence from non-recurrent effects.

In view of the good start to the year and the dynamic increase in rolled steel prices – nevertheless also with explicit reference to the still imminent risk of the coronavirus pandemic – we now anticipate the following for the **Salzgitter Group** in the financial year 2021:

- an increase in sales to more than € 8.5 billion,
- a pre-tax profit of between € 300 million and € 400 million, as well as
- a return on capital employed (ROCE) that is tangibly above the previous year's figure.

We also make reference to the fact that further opportunities and risks from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as changes in the exchange rates, may considerably affect performance in the course of the financial year 2021. The resulting fluctuation in the consolidated pre-tax result may be within a considerable range, either to the positive or to the negative.

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 2020.

Following the significant impact of the **coronavirus pandemic**, particularly in the first half of the year, we observed a significant recovery in demand as the year progressed. Depending on the further development of infection rates, the situation may result in prolonged restrictions placed on public life and economic activity, and similarly the risk of abrupt changes in the demand for steel and in import flows. Back in 2020, we had already initiated an extensive program of measures to secure earnings and liquidity that, depending on the further impact of the coronavirus pandemic, is still being applied in a targeted manner and at short notice.

Despite limited planning certainty, we nonetheless regard ourselves as well equipped in the current situation to master the considerably greater challenges placed on opportunity and risk management during this phase. Our business policy, which takes due account of risks and is geared toward sustainability, and the sound strategic alignment of the Salzgitter Group form the basis for this assessment.

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

To protect the EU steel market from redirections of steel imports in response to US special duties levied on steel, the EU Commission enacted safeguards in the form of tariff quotas in July 2018. If these should expire in July 2021, imports could rise steeply again and undermine the most recent positive trend on the EU steel market. Urged by twelve EU member states, the EU Commission opened a formal investigation at the end of February 2021 on extending these safeguards. The results can be expected in June 2021.

Other risks arise from the attempts of importers to obviate the existing trade defense measures, thereby voiding their effectiveness. 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 constitute a hindrance to exports, causing additional redirections into the EU market. Some Group companies – such as those in the Plate/Section Steel Business Unit in Canada – are also directly affected by new safeguard measures.

With the EU reaching a last-minute agreement on Brexit with the United Kingdom, a no deal scenario has ultimately been banished. Risks from the United Kingdom withdrawing from the EU nevertheless continued to manifest in disrupted supply chains and changes in the flow of goods. As part of the transition, a slew of problems has arisen with regard to imports due to unclear processes and customs risks in bilateral steel trading, particularly from the special role played by Northern Ireland and the existing safeguard measures.

The US sanction policy continues to pose risks for future business activity, also with Russia, among others, with regard to existing or new pipeline projects. In March the US imposed new sanctions on Russia in response to the Nawalny case. Rescinding the US's Section 232 measures on steel imports can also not be expected yet. Inasmuch, the risks from a protectionist US trade policy generally continue to exist. Potential burdens from these issues are factored into regular Group earnings forecasts.

Interim Report

I. Consolidated Income Statement

In € million	Q1 2021	Q1 2020
Sales	2,094.1	2,108.3
Increase/decrease in finished goods and work in process/other own work capitalized	–18.2	–36.5
Total operating performance	**2,075.9**	**2,071.8**
Other operating income	114.8	90.1
Cost of materials	1,333.1	1,378.8
Personnel expenses	424.3	439.0
Amortization and depreciation of intangible assets and property, plant and equipment	74.2	74.1
Other operating expenses	265.2	260.8
Result from impairment losses and reversal of impairment losses of financial assets	–1.4	–2.5
Income from shareholdings	–	–
Result from investments accounted for using the equity method	36.1	–18.3
Finance income	1.9	2.4
Finance expenses	13.2	22.2
Earnings before taxes (EBT)	**117.3**	**–31.4**
Income tax	40.7	12.3
Consolidated result	**76.6**	**–43.7**
Amount due to Salzgitter AG shareholders	74.9	–44.7
Minority interest	1.7	1.0
Appropriation of profit		
Consolidated result	76.6	–43.7
Profit carried forward from the previous year	–	12.1
Minority interest in consolidated net result	1.7	1.0
Dividend payment	–	–
Transfer from (+)/to (–) other retained earnings	–74.9	44.7
Unappropriated retained earnings of Salzgitter AG	**–**	**12.1**
Earnings per share (in €) – basic	**1.38**	**–0.83**
Earnings per share (in €) – diluted	**–**	**–0.83**

II. Statement of Comprehensive Income

In € million	Q1 2021	Q1 2020
Consolidated result	**76.6**	**–43.7**
Recycling		
Changes in value from currency translation	9.2	–13.5
Changes in value from cash flow hedges	–10.0	–15.3
Fair value change	–13.6	–15.7
Recognition with effect on income	3.5	0.4
Deferred taxes	–	–
Changes in the value of investments in companies accounted for using the equity method	4.3	2.8
Fair value change	–	–
Recognition with effect on income	–	–
Currency translation	4.3	2.8
Deferred taxes	–	–
Deferred taxes on other changes without effect on income	–1.0	–0.3
Subtotal	2.5	–26.2
Non-recycling		
Changes in equity instruments measured at fair value without effect on income	–	–
Fair value change	–	–
Deferred taxes	–	–
Remeasurements	82.1	110.2
Remeasurement of pensions	107.1	142.7
Deferred taxes	–25.0	–32.5
Changes in the value of investments in companies accounted for using the equity method	–	–
Subtotal	82.1	110.2
Other comprehensive income	**84.6**	**84.0**
Total comprehensive income	**161.2**	**40.2**
Total comprehensive income due to Salzgitter AG shareholders	159.5	39.3
Total comprehensive income due to minority interest	1.7	0.9
	161.2	**40.2**

III. Consolidated Balance Sheet

Assets in € m	2021/03/31	2020/12/31
Non-current assets		
Intangible assets	216.9	223.1
Property, plant and equipment	2,206.6	2,200.5
Investment property	81.1	81.5
Financial assets	55.1	54.6
Investments in companies accounted for using the equity method	1,192.0	1,169.1
Trade receivables	10.3	11.0
Other receivables and other assets	16.1	22.3
Income tax assets	1.6	0.5
Deferred income tax assets	426.1	481.9
	4,205.8	**4,244.5**
Current assets		
Inventories	1,892.5	1,933.7
Trade receivables	1,312.8	923.9
Contract assets	295.1	300.2
Other receivables and other assets	236.8	188.3
Income tax assets	26.5	23.7
Securities	50.0	0.0
Cash and cash equivalents	578.4	621.4
	4,392.0	**3,991.2**
Assets available for sale	1.7	1.7
	4,393.7	**3,992.9**
	8,599.5	**8,237.4**

Equity and liabilities in € million	2021/03/31	2020/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings	2,750.4	2,594.5
Other reserves	24.5	26.4
Unappropriated retained earnings	0.0	0.0
	3,193.5	**3,039.5**
Treasury shares	–369.7	–369.7
	2,823.8	**2,669.8**
Minority interest	10.8	9.1
	2,834.6	**2,678.9**
Non-current liabilities		
Provisions for pensions and similar obligations	2,179.9	2,298.6
Deferred tax liabilities	73.6	73.9
Income tax liabilities	30.4	30.4
Other provisions	265.0	267.1
Financial liabilities	739.2	749.4
Other liabilities	54.0	57.1
	3,342.1	**3,476.4**
Current liabilities		
Other provisions	213.1	210.4
Financial liabilities	516.4	488.3
Trade payables	1,020.2	802.4
Contract liabilities	319.8	272.8
Income tax liabilities	10.3	5.5
Other liabilities	342.9	302.8
	2,422.7	**2,082.1**
	8,599.5	**8,237.4**

IV. Cash Flow Statement

In € million	Q1 2021	Q1 2020
Earnings before taxes (EBT)	117.3	– 31.4
Depreciation write-downs (+) / write-ups (–) of non-current assets	74.1	74.0
Income tax paid (–) / refunded (+)	– 12.6	– 3.3
Other non-cash expenses (+)/ income (–)	11.2	74.2
Interest expenses	13.2	16.9
Gain (–) / loss (+) from the disposal of non-current assets	1.7	– 1.3
Increase (–) / decrease (+) in inventories	46.0	142.4
Increase (–) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	– 426.2	– 280.8
Use of provisions affecting payments, excluding income tax provisions	– 50.0	– 64.2
Increase (+) / decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	334.1	– 69.2
Cash outflow / inflow from operating activities	**108.8**	**– 142.8**
Cash inflow from the disposal of intangible assets, property, plant and equipment and investment properties	3.1	3.5
Cash outflow for investments in intangible assets, property, plant and equipment and investment properties	– 78.2	– 100.9
Cash inflow from investments of funds	–	0.0
Payments for financial investments	– 50.0	–
Cash inflow from the disposal of non-current assets	2.5	3.4
Cash outflow for investments in non-current assets	– 0.0	– 0.7
Cash flow from investment activities	**– 122.7**	**– 94.7**
Cash outflow in payments to company owners	–	–
Deposits from taking out loans and other financial debts	–	15.5
Repayment of loans and other financial liabilities	– 10.4	– 6.5
Interest paid	– 24.5	– 5.4
Cash outflow / inflow from financing activities	**– 34.9**	**3.6**
Cash and cash equivalents at the start of the period	621.4	700.5
Gains and losses from changes in foreign exchange rates	5.8	– 2.1
Payment-related changes in cash and cash equivalents	– 48.7	– 233.9
Cash and cash equivalents at the end of the period	**578.4**	**464.5**

Notes

Segment Reporting

In € million	Strip Steel		Plate/Section Steel		Mannesmann	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
External sales	606.4	566.2	214.4	194.5	256.6	295.9
Sales to other segments	177.7	181.1	199.9	191.1	18.3	39.7
Sales to group companies that are not allocated to an operating segment	1.0	1.0	0.2	0.2	106.3	70.7
Segment sales	785.1	748.2	414.6	385.9	381.2	406.3
Interest income (consolidated)	0.0	0.0	0.0	0.0	0.2	0.3
Interest income from other segments	–	–	–	–	–	–
Interest income from group companies that are not allocated to an operating segment	0.1	0.0	1.3	1.8	0.7	0.8
Segment interest income	0.1	0.0	1.3	1.9	0.9	1.1
Interest expenses (consolidated)	2.7	2.9	0.5	0.7	1.4	1.6
Interest expenses to other segments	–	–	–	–	–	–
Interest expenses from group companies that are not allocated to an operating segment	0.9	3.7	0.3	0.5	1.1	1.8
Segment interest expenses	3.6	6.6	0.8	1.1	2.6	3.5
of which interest portion of allocations to pension provisions	2.1	2.7	0.5	0.6	0.7	0.9
Depreciation of property, plant and equipment and amortization of intangible assets	31.4	34.8	9.1	7.1	14.0	12.8
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	31.4	34.8	9.1	7.1	14.0	12.8
EBIT before depreciation and amortization (EBITDA)	78.0	34.6	−12.4	2.2	8.1	10.5
Earnings before interest and taxes (EBIT)	46.6	−0.2	−21.5	−4.9	−5.9	−2.2
Segment earnings before taxes	43.1	−6.8	−21.0	−4.2	−7.5	−4.6
of which resulting from investments in companies accounted for using the equity method	–	–	–	–	−6.4	0.4
Investments in property, plant and equipment and intangible assets	30.0	29.7	26.7	34.6	9.5	13.8

Trading		Technology		Total segments		Industrial Participations/ Consolidation		Group	
Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
673.3	703.4	300.9	310.3	2,051.6	2,070.3	42.5	38.0	2,094.1	2,108.3
8.4	4.5	0.1	0.1	404.4	416.4	178.3	166.9	582.7	583.4
0.0	0.0	–	–	107.6	71.9	–	–	107.6	71.9
681.7	707.9	301.0	310.4	2,563.6	2,558.7	220.8	204.9	2,784.3	2,763.6
0.7	0.5	0.3	0.2	1.3	1.0	0.6	1.5	1.9	2.4
–	–	–	–	–	–	2.7	6.4	2.7	6.4
2.2	1.6	0.3	0.0	4.5	4.3	–	–	4.5	4.3
2.9	2.1	0.6	0.2	5.8	5.3	3.3	7.9	9.1	13.2
2.1	3.7	0.6	0.8	7.4	9.7	5.8	7.3	13.2	16.9
–	–	–	–	–	–	4.5	4.3	4.5	4.3
0.1	0.1	0.3	0.3	2.7	6.4	–	–	2.7	6.4
2.2	3.8	0.8	1.1	10.0	16.1	10.3	11.6	20.3	27.7
0.3	0.4	0.4	0.5	4.0	5.1	2.2	3.0	6.2	8.1
4.1	3.8	6.6	6.5	65.2	65.0	9.1	9.2	74.2	74.1
4.1	3.8	6.6	6.5	65.2	65.0	9.1	9.2	74.2	74.1
48.1	5.8	31.8	12.6	153.6	65.7	49.2	−8.5	202.8	57.2
44.0	1.9	25.3	6.1	88.5	0.8	40.1	−17.7	128.6	−16.9
44.7	0.3	25.0	5.2	84.3	−10.1	33.0	−21.3	117.3	−31.4
–	–	–	–	−6.4	0.4	42.5	−18.7	36.1	−18.3
3.1	2.3	4.6	10.2	73.8	90.6	5.3	4.3	79.1	94.9

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 March 31, 2021 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 of December 31, 2020, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended March 31, 2021.
3. In calculating the fair value of defined benefit obligations as of March 31, 2021, an actuarial rate of 1.4 % was applied (December 31, 2020: 1.1 %). The resulting reduction in provisions for pensions and similar obligations is reported in other comprehensive income (pension revaluation) and incurs a corresponding increase in equity.
4. 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	2021/03/31	2020/12/31
Right of use of land, similar rights and buildings, including buildings on land owned by others	119.2	119.4
Right of use of plant equipment and machinery	43.9	39.9
Right of use of other equipment, plant and office equipment	24.9	25.1
Non-current assets	**188.0**	**184.4**
Right of use of land, similar rights and buildings, including buildings on land owned by others	22.1	19.9
Right of use of plant equipment and machinery	18.6	16.4
Right of use of other equipment, plant and office equipment	15.9	14.6
Depreciation/amortization	**56.6**	**50.8**
Lease liabilities	**137.0**	**139.5**

An amount of € 109.2 million is attributable to non-current lease liabilities. Moreover, there were amounts of € 6.6 million in depreciation and amortization, € 0.7 million in interest expenses, as well as a cash outflow totaling € 7.2 million in the first three months of 2021.

5. Salzgitter AG's Executive Board and the Supervisory Board have decided to sell another Trading Business Unit property consisting of the land and the administration building located there. The sale is scheduled for completion by the end of 2021.

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 € 1.38 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/-03/31/2021	01/01/-03/31/2021	2021/03/31	2021/03/31
Non-consolidated group companies	3.3	3.6	3.6	2.6
Joint ventures	3.8	0.2	3.7	–
Joint operations	1.6	0.2	30.0	38.2
Associated companies	–	0.0	0.2	0.0
Other related parties	0.0	0.5	5.2	85.8

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

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