9M

Quarterly Statement
9 Months 2021

SALZGITTER AG
Stahl und Technologie

Table of Contents

The Salzgitter Group in Figures

		9M 2021	9M 2020	+/–
Crude steel production	**kt**	**5,071.2**	**4,334.2**	**737.0**
External sales	**€ m**	**7,001.7**	**5,264.3**	**1,737.4**
Strip Steel Business Unit	€ m	1,852.0	1,384.9	467.1
Plate/Section Steel Business Unit	€ m	689.1	530.3	158.7
Mannesmann Business Unit	€ m	812.2	723.3	88.9
Trading Business Unit	€ m	2,546.8	1,667.9	878.9
Technology Business Unit	€ m	979.5	853.6	125.9
Industrial Participations/Consolidation	€ m	122.1	104.2	17.9
EBIT before depreciation and amortization (EBITDA)	**€ m**	**866.8**	**35.5**	**831.3**
Earnings before interest and taxes (EBIT)	**€ m**	**646.5**	**–183.7**	**830.3**
Earnings before taxes (EBT)	**€ m**	**604.5**	**–224.4**	**828.9**
Strip Steel Business Unit	€ m	237.6	–94.9	332.5
Plate/Section Steel Business Unit	€ m	–8.0	–64.7	56.7
Mannesmann Business Unit	€ m	–20.1	–48.3	28.1
Trading Business Unit	€ m	282.4	–22.9	305.3
Technology Business Unit	€ m	40.9	–13.8	54.7
Industrial Participations/Consolidation	€ m	71.6	20.2	51.4
Consolidated result	**€ m**	**467.7**	**–243.0**	**710.6**
Earnings per share – basic	**€**	**8.56**	**–4.54**	**13.09**
Return on capital employed (ROCE)[1)]	**%**	**20.0**	**–8.1**	**28.1**
Cash flow from operating activities	**€ m**	**123.0**	**–96.5**	**219.6**
Investments[2)]	**€ m**	**258.5**	**291.6**	**–33.1**
Depreciation/amortization[2) 3)]	**€ m**	**–220.3**	**–219.2**	**–1.0**
Total assets	**€ m**	**9,542.2**	**7,989.9**	**1,552.3**
Non-current assets	**€ m**	**4,280.0**	**4,188.8**	**91.2**
Current assets	**€ m**	**5,262.2**	**3,801.1**	**1,461.1**
of which inventories	€ m	2,696.8	1,871.3	825.5
of which cash and cash equivalents	€ m	360.2	339.0	21.2
Equity	**€ m**	**3,293.8**	**2,631.6**	**662.2**
Liabilities	**€ m**	**6,248.4**	**5,358.3**	**890.1**
Non-current liabilities	€ m	3,258.8	3,653.8	–394.9
Current liabilities	€ m	2,989.6	1,704.5	1,285.1
of which due to banks[4)]	€ m	850.5	913.2	–62.7
Net financial position on the reporting date[5)]	**€ m**	**–614.6**	**–498.0**	**–116.6**
Employees				
Personnel expenses	€ m	–1,311.3	–1,248.5	–62.8
Core workforce on the reporting date[6)]	Empl.	22,411	22,785	–374
Total workforce on the reporting date[7)]	Empl.	24,338	24,546	–208

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

Profitability of the Group

		Q3 2021	Q3 2020	9M 2021	9M 2020
Crude steel production	kt	1,693.7	1,381.5	5,071.2	4,334.2
External sales	**€ m**	**2,566.2**	**1,633.4**	**7,001.7**	**5,264.3**
EBIT before depreciation and amortization (EBITDA)	€ m	388.2	–14.2	866.8	35.5
Earnings before interest and taxes (EBIT)	€ m	317.9	–84.7	646.5	–183.7
Earnings before taxes (EBT)	**€ m**	**298.8**	**–96.6**	**604.5**	**–224.4**
Consolidated result	**€ m**	**237.0**	**–98.3**	**467.7**	**–243.0**
Return on capital employed (ROCE)[1)]	**%**	**29.7**	**–10.9**	**20.0**	**–8.1**
Investments[2)]	€ m	98.1	81.7	258.5	291.6
Depreciation/amortization[2)]	€ m	–70.4	–70.5	–220.3	–219.2
Cash flow from operating activities	€ m	–99.0	25.0	123.0	–96.5
Net financial position[3)]	**€ m**			**–614.6**	**–498.0**
Equity ratio	%			34.5	32.9

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 delivered a **pre-tax profit** of € 604.5 million in the first nine months of the financial year 2021 (9M 2020: € –224.4 million). This result was driven by the dynamic uptrend in selling prices through to August that first and foremost impacted the results of the Strip Steel and Trading business units. The latter achieved the highest quarterly and nine-month result in its history. The participating investment in Aurubis AG again delivered a very gratifying earnings contribution (€ 133.5 million; 9M 2020: € 53.4 million). The increase in Salzgitter Group's **external sales** to €7,001.7 million was due above all to the upturn in prices for rolled steel and notably exceeded the year-earlier figure (9M 2020: € 5,264.3 million). **Earnings after taxes** came in at € 467.7 million (9M 2020: € –243.0 million). **Earnings per share** therefore stood at € 8.56 (9M 2020: € –4.54) and **return on capital employed** at 20.0 % (9M 2020: –8.1 %). The **equity ratio** remained at a very sound 34.5 %. Due to the reporting-date related increase in working capital, the **net financial position** of € –614.6 million fell considerably short of the level posted on the balance sheet date at year-end 2020 (€ –431.7 million).

Special items / EBT business units and Group

	EBT		Restructuring		Impairment/ Reversal of impairment		Other		EBT without special items	
In € million	**9M 2021**	**9M 2020**	**9M 2021**	**9M 2020**	**9M 2021**	**9M 2020**	**9M 2021**	**9M 2020**	**9M 2021**	**9M 2020**
Strip Steel	237.6	−94.9	–	–	–	–	–	–	237.6	−94.9
Plate/Section Steel	−8.0	−64.7	–	–	–	–	–	–	−8.0	−64.7
Mannesmann	−20.1	−48.3	–	–	–	–	–	–	−20.1	−48.3
Trading	282.4	−22.9	–	–	–	–	–	–	282.4	−22.9
Technology	40.9	−13.8	–	–	–	–	–	–	40.9	−13.8
Industrial Participations/ Consolidation	71.6	20.2	–	–	–	–	–	–	71.6	20.2
Group	**604.5**	**−224.4**	**–**	**–**	**–**	**–**	**–**	**–**	**604.5**	**−224.4**

Strip Steel Business Unit

		Q3 2021	Q3 2020	9M 2021	9M 2020
Order intake	kt	840.6	1,176.9	3,075.9	3,010.9
Order backlog on reporting date	kt			953.2	889.6
Crude steel production	kt	1,116.6	977.6	3,215.9	2,861.9
Rolled steel production	kt	983.8	773.0	2,783.6	2,368.2
Shipments	kt	967.0	1,080.8	3,208.4	3,071.0
Segment sales[1)]	**€ m**	**873.5**	**649.7**	**2,460.4**	**1,887.6**
External sales	**€ m**	**653.9**	**482.1**	**1,852.0**	**1,384.9**
Earnings before taxes (EBT)	**€ m**	**133.1**	**–25.7**	**237.6**	**–94.9**

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

Development of the European steel market

Following the slump in demand caused by the pandemic in the previous year, European steel producers benefited above all from the strong economic upswing in the first half of 2021. Global crude steel output, along with European steelworks' production, has risen steadily since the start of the year, enabling full capacity utilization again. Not only did the order intake in Europe's steelworks increase substantially but prices also rose significantly. The exacerbation of supply chain problems – quite apart from steel products – and the resulting production cuts, in the automotive sector for example, have been also reflected in the steel industry's order intake since middle of the quarter. The resulting semiconductor shortage caused automotive manufacturers to scale back their take-up volumes on a running basis. The demand for steel products is meanwhile being more strongly impacted by the global chip shortage than by the pandemic. The safeguards enacted for the protection of the EU steel market in the form of tariff quotas were extended in their current form in June 2021 for another three years. As a result, drastic increases in imports have been largely averted for the time being.

Procurement

Iron ore

At 166.90 USD/dmt, the ore price in the first quarter of 2021 had already increased by 88% year on year due to the huge global demand for steel, in conjunction with requirements for iron ore at a persistently high level. Prices continued their uptrend in the second quarter as well, causing IODEX 62% Fe CFR China, the benchmark price for the spot market, to rise to 233.10 USD/dmt by mid-May, marking the highest figure since the introduction of the index in 2008. The iron ore price in the second quarter came in at 200.01 USD/dmt CFR China, up 115% compared with the previous year's quarter. At the start of the third quarter, IODEX 62% Fe was still running at the high level of the two previous months. A downtrend subsequently set in, with prices settling at 94 USD/dmt at the end of the reporting period, their lowest since mid-May 2020. Reports on China's steel industry curbing production due to stronger controls on CO_2 emissions, also in preparation for the Olympic Winter Games in Beijing at the beginning of the year 2022, caused steel producers and trading companies to apply extreme caution in procuring iron ore. In the context of excellent availability, ore prices came under massive pressure at the end of the summer. Prices that averaged 162.94 USD/dmt in the third quarter were therefore only 38% higher year on year. In order to mitigate the risks resulting from procurement, defined iron ore volumes are hedged to secure against price risks.

Coking coal

In the first quarter of 2021, prices averaged 127.14 USD/t FOB Australia, down 18% compared with the previous year's quarter. As from the middle of the second quarter, prices had risen again, up to 194 USD/t FOB Australia by the end of June. The significant price hike largely resulted from the Chinese government's import ban on Australian coal imposed in October 2020, which led to Chinese consumers covering their ongoing strong demand in other parts of the world. Compared with the FOB Australia benchmark price, this resulted in tangibly higher prices for coal not originating from Australia. Consumers outside China were therefore forced to cover their spot requirements in Australia. In the second quarter, prices averaged 137.46 USD/t FOB Australia, reflecting growth of 16% compared with the previous year's quarter. Prices also continued to increase in the third quarter for the aforementioned reasons. The start of July therefore saw the 200 USD/t FOB Australia exceeded. By the beginning of September, the index had already risen to 300 USD/t, only to climb to a new record high of 408.50 USD/t FOB Australia within the space of a few days. CFR China prices rose even more swiftly to just under 600 USD/t by the end of September. At the end of the quarter, prices averaged 263.66 USD/t FOB Australia, marking an increase of 130% compared with the previous quarter. We hedge defined coking coal volumes in order to mitigate the risks resulting from procurement.

Business development

As of the reporting date, the **order intake** of the Strip Steel Business Unit was only marginally higher compared with the level posted in the year-earlier period that was burdened by the pandemic. This development was caused by order activity dropping off in the third quarter of 2021 given the semiconductor shortages, while also reflecting an increase in bookings in the second half of 2020 due to catch-up effects. **Orders on hand** increased year on year on the back of strong bookings in the first half of 2021. **Crude steel production** and **rolled steel production** were notably higher than in the previous year. In view of the sufficient volumes of slabs available within the group of companies, one blast furnace remained out of operation. With growth in **shipments**, and thanks to positive price momentum, **segment** and **external sales** came in higher year on year. The Strip Steel Business Unit recorded a **pre-tax profit** of € 237.6 million (9M 2020: € –94.9 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" investment project. Work on the foundations and the construction of the building have been completed. The installation of plant technology is proceeding according to plan.

Furthermore, the construction of a flexible hydrogen-fueled direct reduction plant on a reduced scale is progressing. The foundations and the building construction were completed in the period under review. The plant assembly preparations are going according to plan.

SALCOS® (SAlzgitter Low CO_2 Steelmaking)

With our SALCOS® concept we are playing a pioneering role in decarbonizing the steel industry. The engineering approach of SALCOS® targets the direct avoidance of CO_2 emissions in the production process itself by using hydrogen to gradually replace the carbon necessary for steel production based on iron ore, initially by natural gas and then by hydrogen at a later stage in direct reduction plants to be built.

With a view to expediting the implementation of SALCOS® and of already producing 30% of primary steel without coking coal at Salzgitter Flachstahl GmbH by the end of 2025, i. e. two years earlier than planned, we have given the SALCOS® project a new organization structure. The new "SALCOS® Office" that reports directly to the Chief Executive Officer concentrates the entire technical and commercial expertise and is currently preparing the final investment decision for the first stage of SALCOS® planned for mid-year 2022. Further information is available at: ↗ https://salcos.salzgitter-ag.com.

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 have been 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 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. According to this procedure, transitioning 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. The low CO_2 steel products already been successfully delivered to prestigious customers such as BMW, Daimler, Bosch Siemens Hausgeräte and Miele.

Plate / Section Steel Business Unit

		Q3 2021	Q3 2020	9M 2021	9M 2020
Order intake [1]	kt	284.4	434.3	1,385.7	1,399.8
Order backlog[1] on reporting date	kt			319.6	287.3
Crude steel production	kt	228.7	220.8	796.7	753.2
Rolled steel production	kt	451.4	452.8	1,501.0	1,463.6
Shipments[1]	kt	457.8	432.3	1,499.2	1,449.4
Segment sales[2]	**€ m**	**503.1**	**306.5**	**1,387.2**	**1,033.3**
External sales	**€ m**	**243.5**	**167.1**	**689.1**	**530.3**
Earnings before taxes (EBT)	**€ m**	**19.0**	**–37.8**	**–8.0**	**–64.7**

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

Market development

The market recovery in the first half of 2021 in the **heavy plate segment** gradually lost momentum over the summer months. Against the backdrop of dwindling demand, prices came under increasing pressure from high inventory levels and the growing volume of imports, accompanied by greater slab availability. Southern Europe experienced much greater price pressure due to the weaker booking situation compared with Northern Europe, where the capacity utilization of heavy plate producers was still linked to sufficient lead times. The inflow of heavy plate imported from non-EU countries has increased substantially since the second quarter of 2021. In the first nine months, the share of imports from Ukraine and Russia accounted for approximately 65% in the overall volume. India increased and accelerated its imports as well and represents around 10% of the import market. Only the extended safeguard measures are preventing an even higher increase.

Low inventory levels, the significant increase in scrap costs, and the resulting speculation about further price hikes, ensured satisfactory demand in Europe's **sections market** in the first half of 2021. As a result of the strong demand at the start of the year, order bookings had markedly decreased by the end of September and it became increasingly difficult to secure utilization even though real demand had not changed overall. The explanation is to be found in the speculative buying patterns, both of the stockholding steel trade and of end consumers: it was assumed that the available volumes would become increasingly scarce, making it difficult to secure supplies, and that the prices would continue to rise, prompted by stable demand. This scenario did not play out, however. The reductions in inventory anticipated in August did not take place, and have not occurred in September either. Instead, inventory turnover remained at a weak level, with all manufacturers producing again after downtime in the summer and delivering large volumes. This resulted in the inventory levels held by the stockholding steel trade rising again.

Procurement

Steel scrap

The German steel scrap market displayed volatility at the start of the reporting period. Robust demand of German steel producers from the middle of the second quarter onward, and the growing need for scrap from the deep-sea market, accompanied by the continued poor availability of new steel scrap, caused tangible price hikes. The price trend in the summer quarter fluctuated within a wide range, with renewed divergence between new scrap in strong demand and export-dependent old scrap. Price rises for old scrap were therefore quoted at somewhat over 6 €/t, whereas new scrap prices were recorded in excess of 25 €/t. Scrap demand slowed notably in August and September due to plant downtimes in the summer. Turkish scrap consumers were also successful in covering their healthy demand during these months at more favorable conditions given the existing supply surplus, above all, from the US and Baltic regions. Scrap prices in Germany therefore came under considerable pressure and, depending on the grade, slipped by up to 72 €/t.

Business development

Due to the significant downtrend in order activity in the third quarter, the **order intake** of the Plate / Section Steel Business Unit settled around the year-earlier level on the reporting date. **Orders on hand** exceeded the low year-earlier figure. **Crude steel production** and **rolled steel production** were higher than the level posted in the first nine months of 2020. **Segment** and **external sales** clearly outperformed the previous year's levels, with slight growth reported in **shipments**. Peiner Träger GmbH (PTG) and DEUMU Deutsche Erz und Metall-Union-Group (DMU Group) recorded a price- and volume-induced increase in their revenues and delivered very gratifying pre-tax results. The business unit reported **earnings before taxes** of € –8.0 million (9M 2020: € –64.7 million). All companies exceeded the figures posted in the previous year's period.

Investments

The "New heat treatment line" investment at ILG serves to expand the product portfolio and to achieve a stronger positioning in the higher-end grade segment. Customer feedback is testimony to the high product quality. Production is currently focused on improving throughput, automated operations in all functions, and the timely testing, release and shipment of the volumes produced.

Mannesmann Business Unit

		Q3 2021	Q3 2020	9M 2021	9M 2020
Order intake	€ m	447.9	265.1	1,328.8	762.9
Order backlog on reporting date	€ m			614.7	357.7
Crude steel production Hüttenwerke Krupp Mannesmann (30%)	kt	348.4	183.1	1,058.6	719.0
Shipment tubes[1)]	kt	104.9	87.4	297.3	300.6
Segment sales[2)]	**€ m**	**451.9**	**299.0**	**1,251.3**	**991.3**
External sales	**€ m**	**281.8**	**228.8**	**812.2**	**723.3**
Earnings before taxes (EBT)	**€ m**	**–4.6**	**–25.6**	**–20.1**	**–48.3**

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

Market development
The marked uptrend of the economy led to an increase in demand that was, however, not fully reflected in all parts of the steel tubes industry. Over the course of the third quarter, the economic momentum slowed due to the disruption to global supply chains. The global challenges in securing the supply of input material was recently clearly evident in all large vehicle markets and exerted a growing impact on production and sales volumes in the automotive and supplier industries, and consequently on the precision tubes manufacturers' order intake. The third quarter of 2021 reaffirmed the positive trend in the seamless stainless steel tubes segment since the start of the year. The oil and gas business saw a shift in demand in the period under review. The OCTG business recorded a temporary slowdown as opposed to the process and offshore pipeline business that staged a recovery. The markets for medium-diameter line pipes were heavily impacted by the drastic price hikes in input materials. Although projects are still to be had in North and South America, they are not being awarded in the short term for this reason. The project business situation remained subdued overall in Europe, but entered a downtrend in Germany. A difficult project situation was reported in the core markets for large-diameter pipes. Changes in the focus of US energy policy, in conjunction with the high steel price level, therefore prompted a reticent approach to investment. New tenders were postponed in anticipation of falling steel prices.

Business development
In the first nine months of 2021, the **order intake** of the Mannesmann Business Unit clearly exceeded the level posted in the previous year that was impacted by the pandemic. This figure especially reflects the stronger bookings at the precision tubes group although order intake declined notably over the course of the third quarter, due above all to the semiconductor shortage. The medium-diameter line pipe segment, the stainless steel tubes group and Mannesmann Grossrohr GmbH also recorded an increase in order intake during the period under review. The business unit's **orders on hand** also rose tangibly in comparison with the year-earlier period. With **tube shipments** remaining virtually stable, **segment** and **external sales** increased, boosted by selling prices. Thanks to considerable profit improvement of the precision tubes group, and given the positive pre-tax result of the medium-diameter line pipe segment, the Mannesmann Business Unit reported **earnings before taxes** of € –20.1 million (9M 2020: € –48.3 million).

Outside the consolidated group, the EUROPIPE Group's order intake exceeded the previous year's level. This was principally due to the booking of the "Scarborough Woodside" project at EUROPIPE GmbH in the reporting period. The markedly lower level of the US companies' shipment volumes caused shipments and sales to fall short of the year-earlier figures. As a result, the at-equity contribution of the EP Group was also lower than in the first nine months of 2020.

Investments

Ramping up the new Line 2 of the Mexican precision tubes company at El Salto was consistently expedited. Further sample orders are currently in the final stage of approval at large automotive suppliers. The focus of the stainless steel tubes group in the third quarter was on final acceptance at the Remscheid site of the largest cold pilger line ever built. This investment enables the product portfolio to be systematically extended in the high-end dimension range that is particularly relevant for sophisticated applications in the oil and gas segments and in the petrochemicals industry.

Trading Business Unit

		Q3 2021	Q3 2020	9M 2021	9M 2020
Shipments	kt	910.0	636.7	2,719.6	2,361.1
Segment sales[1)]	**€ m**	**1,024.3**	**443.2**	**2,580.5**	**1,683.4**
External sales	**€ m**	**1,008.7**	**438.7**	**2,546.8**	**1,667.9**
Earnings before taxes (EBT)	**€ m**	**133.1**	**–7.1**	**282.4**	**–22.9**

1) Including sales with other business units in the Group

Market development
The first nine months were mainly determined by marked price increases across all product categories, a trend that slowed toward the end of the reporting period and resulted in a high, stable price level. The demand situation in international trading improved in the third quarter, with all business units achieving considerably higher shipment volumes compared with the previous year's period. By contrast, sea freight costs that have risen sharply since the end of the first quarter, combined with a shortage of available freight capacities, had a negative impact on earnings in international trading.

Business development
In the first three quarters of 2021, **shipments** of the Trading Business Unit notably exceeded the previous year's level. The stockholding steel trade, international trading, as well as the UES Group all made contributions to this result. In conjunction with higher prices, volume growth had a positive impact on **segment** and **external sales** that were over 50% higher than the figures posted in the first nine months of 2020. **Earnings before taxes** of € 282.4 million clearly outperformed the previous year's figure (9M 2020: € –22.9 million). This development was due in particular to price increases, along with favorable purchase prices in the stockholding business and at the UES Group. International trading also recorded a positive result above that of the year-earlier period. Proceeds of € 16.7 million from the sale of two properties additionally boosted the business unit's result.

Investments
The focus of the Trading Business Unit's investments is on maintaining and upgrading existing facilities. Furthermore, the measures launched as part of the "Salzgitter AG Strategy 2021" and "FitStructure 2.0" will be pursued further. Activities were also concentrated on digitalization projects and on expanding finishing capacities in the European stockholding steel trade and sales.

Technology Business Unit

		Q3 2021	Q3 2020	9M 2021	9M 2020
Order intake	€ m	410.6	283.4	1,159.3	841.9
Order backlog on reporting date	€ m			886.1	626.4
Segment sales[1)]	**€ m**	**340.5**	**279.1**	**980.0**	**853.9**
External sales	**€ m**	**340.3**	**279.1**	**979.5**	**853.6**
Earnings before taxes (EBT)	**€ m**	**8.5**	**–3.2**	**40.9**	**–13.8**

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

Market development
According to the statistics of the German Engineering Federation (VDMA), order intake continued to rise in the first nine months of 2021 compared with the previous year's period. Orders increased significantly, above all from abroad and in particular from non-euro countries. Domestic demand also edged up. The dynamic situation described was also reflected in the market for packaging machinery where order activity also improved.

Business development
At the end of the third quarter of 2021, the **order intake** of the Technology Business Unit had risen by more than one third year on year, thereby tracking the market developments. At the KHS Group, new orders in the first nine months exceeded the year-earlier period on the back of sustained healthy demand in the project business. The order intake of the Klöckner DESMA Elastomer Group (KDE Group) and of DESMA Schuhmaschinen GmbH (KDS) also showed gratifying developments. **Orders on hand** of the business unit, as well as **segment** and **external sales** were higher than the previous year's level. With support derived from the accounting profit achieved by selling the pouch business, the KHS Group's pre-tax result significantly outperformed the year-earlier figure. The KDE Group raised its positive result, while KDS continued the uptrend of the second quarter and also generated a positive earnings contribution at the last count. All in all, the Technology Business Unit generated a **pre-tax profit** of € 40.9 million (9M 2020: €–13.8 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 made a significant contribution to lifting the result and is aimed at promoting the development of the company in the future as well in the fiercely competitive and challenging market environment.

Investments
In the reporting period, the Technology Business Unit continued to focus on replacement and streamlining measures. To ensure the steady optimization of organizational workflows, IT projects in Germany and in the international companies were also carried out within the KHS Group. An investment program for strategic realignment is being implemented for the Chinese market.

Industrial Participations/Consolidation

		Q3 2021	Q3 2020	9M 2021	9M 2020
Sales[1)]	**€ m**	**252.3**	**154.6**	**729.7**	**508.9**
External sales	**€ m**	**38.0**	**37.6**	**122.1**	**104.2**
Earnings before taxes (EBT)	**€ m**	**9.8**	**2.8**	**71.6**	**20.2**

[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 substantially compared with the first nine months of 2020 due to greater economic activity. **External sales** also grew markedly as against the year-earlier period.

Earnings before taxes (€ 71.6 million; 9M 2020: € 20.2 million) include a contribution of € 133.5 million from the participating investment in Aurubis AG accounted for using the equity method (9M 2020: € 53.4 million). The results from the valuation of derivatives positions and net interest income from cash management of the consolidated group delivered a negative contribution on balance (€– 2.5 million; 9M 2020: € 1.7 million). The companies that mainly operate on behalf of the Group generated a profit again but were nevertheless unable to quite match the year-earlier result that was determined by one-off proceeds from the disposal of a property.

Financial Position and Net Assets

Notes to the balance sheet

The **total assets** of the Salzgitter Group rose by € 1,305 million in the first nine months of 2021 compared with December 31, 2020.

Non-current assets grew by € 36 million as against the last reporting date. The shares in the companies accounted for using the equity method increased notably (€ +105 million). Investments in intangible assets and in property, plant and equipment (€ +259 million) exceeded the level of scheduled depreciation and amortization of fixed assets (€ –220 million) in the period under review. In addition, disposals of € 19 million were recorded. Among other reasons, deferred tax assets (€ –91 million) declined due to the differing inventory valuations applied under IFRS and under tax law. **Current assets** rose by € 1,269 million in comparison with the last reporting date. This is due in particular to the considerably higher level of inventories (€ +763 million) and the sharp increase in trade receivables, including contract assets (€ +575 million). Furthermore, current other receivables and assets also increased (€ +150 million), along with securities (€ +50 million), which was offset by a decline in cash and cash equivalents (€ –261 million).

On the **liabilities side**, pension provisions dropped by € –140 million given the higher actuarial rate of 1.4 % compared with the end of the previous year (2020/12/31: 1.1 %). Moreover, equity increased discernibly on the back of the positive result (€ +615 million). With the growth in equity and higher total assets, the equity ratio continued to post a sound 34.5 %. Non-current liabilities were € –218 million lower overall than the year-earlier figure that, along with lower pension provisions, also reflected the decline in non-current financial liabilities (€ –51 million) and in financial liabilities (€ –22 million). Current liabilities rose by € 907 million. A significant increase in trade payables, including contract liabilities (€ +698 million), along with higher other liabilities (€ +161 million) and provisions (€ +47 million), were reported compared with year-end 2020.

At € –615 million, the **net financial position** fell considerably short of the level posted on the balance sheet date at year-end 2020 (€ –432 million) due to a reporting-date increase in working capital. Cash investment, including securities (€ 441 million; 2020/12/31: € 659 million), was offset by liabilities of € 1,056 million (2020/12/31: € 1,091 million), of which € 851 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 higher business volume on the balance sheet date is reflected by the significant rise in trade receivables and trade payables respectively that do not impact the net financial position until the payment date.

Notes to the cash flow statement

With a pre-tax profit of € 605 million, a positive cash flow from operating activities of € 123 million was reported (previous year: € –97 million). While the improved result had a positive influence on the operating cash flow, this was offset by the notable increase in working capital.

The **cash outflow from investing activities** of € –270 million (previous year: € –229 million) mainly reflects progress made in the two major strategic projects, along with regular investment requirements, and mostly comprises disbursements for capital expenditure in intangible assets and in property, plant and equipment (€ –247 million; previous year: € –269 million). In addition, funds were invested in cash investments (€ –50 million).

The repayments of loans and interest payments resulted in a negative **cash outflow from financing activities** (€ –122 million; previous year: € –28 million).

As a result of the negative overall cash flow, **cash and cash equivalents** (€ 360 million) decreased accordingly compared with December 31, 2020 (€ 621 million).

Employees

	2021/09/30	2020/12/31	Change
Core workforce[1]	**22,411**	**22,604**	**–193**
Strip Steel Business Unit	5,982	5,999	–17
Plate/Section Steel Business Unit	2,241	2,272	–31
Mannesmann Business Unit	4,346	4,366	–20
Trading Business Unit	1,949	1,946	3
Technology Business Unit	5,283	5,433	–150
Industrial Participations/ Consolidation	2,610	2,588	22
Apprentices, students, trainees	1,369	1,264	105
Non-active age-related part-time employment	558	548	10
Total workforce	**24,338**	**24,416**	**–78**

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

As of September 30, 2021, the core workforce of the Salzgitter Group numbered 22,411 employees, which is 193 people less than at the end of the financial year 2020.

A total of 217 trainees were hired during the reporting period, 163 of whom were given temporary contracts. A counter effect emanated above all from employees of the company reaching retirement age or going into non-active age-related part-time.

The total workforce stood at 24,338 persons.

The number of temporary staff outsourced stood at 996 on September 30, 2021, which is 125 persons more than on the previous year's reporting date.

At the end of the reporting period, short time work affected 230 employees in the domestic Group entities, above all in Salzgitter Mannesmann Forschung GmbH, Salzgitter Europlatinen GmbH, Salzgitter Automotive Engineering GmbH & Co. KG and the companies of the Salzgitter Hydroforming Group.

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:

Through to year-end 2021 and beyond, we will be faced with the impact of disruptions to global supply and logistics chains. Largely existing demand is reflected in the high level of orders on hand in the strip steel segment. These orders, however, are only partly taken up, particularly by the automotive industry, due to the semiconductor shortage. Notwithstanding, and irrespective of seasonality at the end of the year, capacities will still be well utilized. Compared with the previous year, we continue to see a significantly improved, very high price level in a multi-year comparison. On the extremely volatile raw materials and energy front, the operating costs of iron ore and coking coal, and of electricity and natural gas are predicted to rise sharply. 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 € 300 million for the **Strip Steel Business Unit**.

Having gained increasing momentum on the heavy plate market in the second quarter, activities gradually dropped off in the summer months. For the remainder of the year, we anticipate stable demand at the level last observed in the **Plate/Section Steel Business Unit**, accompanied by rising imports of heavy plate. The weak international tubes business is showing the first signs of recovery, underpinned by various different projects. Whether these developments can generally be interpreted as a trend reversal is currently not foreseeable. In the section steel business, we forecast a volatile market environment that will generally continue to focus on the short term. Thanks to the improved market situation, to the first positive effects from taking the new heat treatment line into operation and to further efficiency gains from implementing “FitStructure 2.0”, we assume that the business unit will see a steady improvement in the situation. Inasmuch, we expect a notable increase in sales compared with the previous year and a return to the profit zone.

The **Mannesmann Business Unit** reports an improvement in the market situation in 2021, especially in the precision tubes segment, compared with the previous year that was impacted by the COVID-19 pandemic. The chip shortage in the automotive industry and expectations of falling steel prices have nevertheless been reflected in the bookings since late summer. Despite the "Qatar gas” project that secures basic capacity utilization in the EUROPIPE Group’s German plant, insufficient demand nevertheless continues to prevail in the large-diameter pipes business. EP has booked a major order for next year that was placed by Woodside, an Australian company. EP will deliver almost 300,000 tons of large-diameter pipes for the planned “Scarborough Gas Pipeline”. The market environment in the medium-diameter line pipe segment brightened in the first half of the year, only to deteriorate significantly from the third quarter onward. An uptrend in volumes is nevertheless expected overall. The agreement between the US and the EU on the introduction of special tariffs on duty-free import quotas to resolve the dispute about US Section 232 is likely to generate a positive contribution, particularly in the medium-diameter line pipe segment from the first quarter of 2022 at the earliest. The precision tubes companies got off to a good start to the year with a very healthy level of orders on hand. The recovery in demand, especially from the automotive industry, held steady during the summer, but then slipped notably thereafter. Conversely, we anticipate sustained growth in demand in the stainless steel tubes segment. All in all, we expect 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, although the exceptionally good earnings situation of the first nine months cannot be expected to repeat in these dimensions in the last quarter. We assume that the selling prices will stabilize at a high level. Due to higher inventory valuations, the very good earnings level achieved in the first three quarters should therefore return to normal terrain in the final quarter. Despite the ongoing difficult trading conditions experienced in international trading, shipment volumes are expected to rise again. All in all, we expect the business unit to deliver considerably higher shipment and sales figures that should translate into earnings before taxes that are notably higher than in the previous year.

Based on the higher level of incoming orders in the first nine months of 2021 that exceeded the year-earlier period, the companies of the **Technology Business Unit** predict a sustained, healthy order situation in the remaining three months. With the rigorous expediting of the “KHS Future” program and the marketing and sales of new, innovative products, we predict improved profitability of the KHS Group, accompanied by impressive growth in order intake and sales. Gaining additional market shares in the standard business in particular should bolster this positive trajectory. The two DESMA specialist mechanical engineering companies expect the market to rebound and a discernible improvement in the earnings situation, also thanks to a program of cost cutting measures. Consequently, sales in the business unit as a whole are expected to be higher compared with the year-earlier period, along with a significant increase in pre-tax profit that will be positively influenced by non-recurrent effects. At the end of the third quarter, the companies of the Technology Business Unit were increasingly confronted by challenges in material procurement. So far the business unit’s result is expected to remain unaffected, but the situation is expected to deteriorate further in the fourth quarter.

Supply chain disruptions and their repercussions have also been impacting some of our Group companies since the end of the summer quarter. We nevertheless reaffirm our guidance and continue to anticipate the following for the **Salzgitter Group** in the financial year 2021:

- an increase in sales to more than € 9 billion,
- a pre-tax profit of between € 600 million and € 700 million and
- a return on capital employed (ROCE) that is tangibly above the previous year's figure.

We make reference to the fact that criteria of the annual financial statements and imponderables, including changes in the cost of raw materials, precious metal prices and exchange rates, may still have a considerable impact on the end of the financial year 2021.

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.

While the economic institutions predict encouraging growth rates in the next two years, they nevertheless also refer to economic risks. The combination of materials shortages in the various sectors, such as the semiconductor industry, and concerns about fresh COVID-19 restrictions could abruptly put the brakes on economic recovery and consequently also impact the steel industry.

Back in 2020 we had already initiated an extensive program of measures in response to the **COVID-19 pandemic** to secure the result and the liquidity. This program is being deployed at short notice and in a targeted manner depending on economic developments. Despite the good state of the economy, we are operating in a phase of limited planning reliability. We nevertheless consider ourselves well equipped to master this situation of considerably greater challenges placed on opportunity and risk management. 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, of freight rates, along with energy prices and exchange rates (above all, USD/EUR) is particularly important for the Salzgitter Group. Currently, and as far as is discernible, we are exposed to the impact of disruption in global supply and logistics chains, as well as extreme volatility on the raw materials and energy markets, with the associated wave of higher inflation rates. We anticipate burdens from these scenarios, at least in the first half of the new year. The effect on earnings from the risks arising from these scenarios have been factored in for the companies in the current year and in the forecast 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 also applies to potential restrictions resulting from financial or political measures affecting international business.

Sectoral risks

In order 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. In June 2021, the EU Member States decided to extend the safeguards in the current form by another three years. As a result, drastic increases in imports in the course of the economic recovery have been averted for the time being. The EU Commission has nevertheless provided for several conditional reviews that will scrutinize both the form of the measures taken and their existence. This being the case, the safeguards could already expire as early as summer 2022.

At the start of November, the EU and the US, meeting at the G7 Summit in Rome, announced an agreement pertaining to Section 232. Under this agreement, the EU is to be given better access to the US steel market again. On January 1, 2022, the US will be introducing a system of tariff rate quotas similar to the EU safeguard measures. Each EU member state will be granted its own duty-free import quota based on 2015 to 2017 exports. Numerous details, the exact quota levels for instance, and other administrative rules and regulations, were not known at the time this report was prepared. The agreement gives rise to export opportunities for the Salzgitter Group, particularly in the medium-diameter line pipe segment. At the same time, there are also risks inherent in the agreement. In turn, in view of significant changes to US Section 232 tariffs, the EU Commission is required to review the EU safeguards and their expiration.

Since the summer of 2021, further risks from trade policy have arisen. A number of safeguard measures were enforced in 2016 and 2017, particularly against China. These measures will either expire after five years or, upon application by the EU producers and analysis by the EU Commission, could be extended by another five years. There is a significantly heightened risk that the EU Commission may not extend the existing safeguard measures in the coming year. Exports from the countries affected will therefore once more have unhindered access to the EU market.

Moreover, the EU Commission has temporarily lifted anti-dumping duties on some non-steel products, such as plywood from Russia and flat-rolled aluminum products from China, for instance. With a view to the situation in the steel market, some steel consumers have demanded a similar approach be adopted for steel products. A short-term lifting of trade defense measures could have significant, adverse effects on a sustained recovery in the European steel market and, aside from some players that are strongly dependent on imports, inflict damage on the entire steel value chain.

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 being 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.

The US sanction policy continues to present risks for future business activity, also with regard to Russia and Iran. Potential transactions are examined externally in advance.

Possible burdens and encumbrances from these issues are factored into regular Group earnings forecasts.

Interim Financial Statements

I. Consolidated income statement

In € million	Q3 2021	Q3 2020	9M 2021	9M 2020
Sales	2,566.2	1,633.4	7,001.7	5,264.3
Increase/decrease in finished goods and work in process/other own work capitalized	199.3	–97.6	287.5	–154.8
Total operating performance	**2,765.5**	**1,535.8**	**7,289.2**	**5,109.6**
Other operating income	87.8	53.8	262.7	186.7
Cost of materials	1,807.1	985.2	4,732.9	3,358.5
Personnel expenses	440.0	402.5	1,311.3	1,248.5
Amortization and depreciation of intangible assets and property, plant and equipment	70.4	70.5	220.3	219.2
Other operating expenses	255.1	232.5	764.4	694.5
Result from impairment losses and reversal of impairment losses of financial assets	0.2	–2.1	3.6	–11.1
Income from shareholdings	0.0	0.0	0.6	2.1
Result from investments accounted for using the equity method	37.0	17.4	119.5	50.7
Finance income	1.9	1.8	5.4	5.7
Finance expenses	21.0	12.7	47.6	47.5
Earnings before taxes (EBT)	**298.8**	**–96.6**	**604.5**	**–224.4**
Income tax	61.8	1.7	136.9	18.6
Consolidated result	**237.0**	**–98.3**	**467.7**	**–243.0**
Amount due to Salzgitter AG shareholders	235.5	–99.3	462.8	–245.5
Minority interest	1.6	1.0	4.9	2.5
Appropriation of profit				
Consolidated result	237.0	–98.3	467.7	–243.0
Profit carried forward from the previous year	–	–	–	12.1
Minority interest in consolidated net result	1.6	1.0	4.9	2.5
Dividend payment	–	–	–	–
Transfer from (+)/to (–) other retained earnings	–235.5	99.3	–462.8	245.5
Unappropriated retained earnings of Salzgitter AG	**–0.0**	**0.0**	**–0.0**	**12.1**
Earnings per share (in €) – basic	**4.36**	**–1.84**	**8.56**	**–4.54**
Earnings per share (in €) – diluted	–	–	–	–

II. Statement of comprehensive income

In € million	Q3 2021	9M 2021	Q3 2020	9M 2020
Consolidated result	**237.0**	**467.7**	**–98.3**	**–243.0**
Recycling				
Changes in value from currency translation	2.8	12.3	–11.5	–28.2
Changes in value from cash flow hedges	66.9	72.6	30.5	20.2
Fair value change	65.1	67.6	30.0	18.4
Recognition with effect on income	1.7	5.0	0.5	1.8
Deferred taxes	–	–	–	–
Changes in the value of investments in companies accounted for using the equity method	1.2	1.7	–0.8	–4.0
Fair value change	–1.2	–5.7	4.9	–0.0
Recognition with effect on income	–	–	–	–
Currency translation	2.3	5.6	–4.8	–3.4
Deferred taxes	0.1	1.8	–0.9	–0.6
Deferred taxes on other changes without effect on income	2.7	2.0	–0.1	–0.4
Subtotal	73.5	88.7	18.1	–12.4
Non-recycling				
Changes in equity instruments measured at fair value without effect on income	–	–	–	–
Fair value change	–	–	–	–
Deferred taxes	–	–	–	–
Remeasurements	–1.0	80.7	–81.2	–53.3
Remeasurement of pensions	0.1	107.0	–111.0	–74.7
Deferred taxes	–1.1	–26.3	29.8	21.4
Changes in the value of investments in companies accounted for using the equity method	–0.1	1.8	–	10.9
Subtotal	–1.2	82.5	–81.2	–42.4
Other comprehensive income	**72.3**	**171.1**	**–63.1**	**–54.8**
Total comprehensive income	**309.4**	**638.8**	**–161.4**	**–297.8**
Total comprehensive income due to Salzgitter AG shareholders	307.8	633.9	–162.4	–300.2
Total comprehensive income due to minority interest	1.6	4.9	1.0	2.4
	309.4	**638.8**	**–161.4**	**–297.8**

III. Consolidated balance sheet

Assets in € m	2021/09/30	2020/12/31
Non-current assets		
Intangible assets	213.9	223.1
Property, plant and equipment	2,237.0	2,200.5
Investment property	80.4	81.5
Financial assets	51.2	54.6
Investments in companies accounted for using the equity method	1,274.6	1,169.1
Trade receivables	6.4	11.0
Other receivables and other assets	23.2	22.3
Income tax assets	2.1	0.5
Deferred income tax assets	391.2	481.9
	4,280.0	**4,244.5**
Current assets		
Inventories	2,696.8	1,933.7
Trade receivables	1,486.9	923.9
Contract assets	311.7	300.2
Other receivables and other assets	337.9	188.3
Income tax assets	18.8	23.7
Securities	49.8	–
Cash and cash equivalents	360.2	621.4
	5,262.2	**3,991.2**
Assets available for sale	–	1.7
	5,262.2	**3,992.9**
	9,542.2	**8,237.4**

Equity and liabilities in € million	2021/09/30	2020/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings	3,140.7	2,594.5
Other reserves	93.7	26.4
Unappropriated retained earnings	–	–
	3,653.0	**3,039.5**
Treasury shares	–369.7	–369.7
	3,283.3	**2,669.8**
Minority interest	10.6	9.1
	3,293.8	**2,678.9**
Non-current liabilities		
Provisions for pensions and similar obligations	2,159.1	2,298.6
Deferred tax liabilities	73.8	73.9
Income tax liabilities	32.2	30.4
Other provisions	260.3	267.1
Financial liabilities	727.3	749.4
Other liabilities	6.2	57.1
	3,258.8	**3,476.4**
Current liabilities		
Other provisions	257.2	210.4
Financial liabilities	471.6	488.3
Trade payables	1,440.3	802.4
Contract liabilities	332.6	272.8
Income tax liabilities	23.6	5.5
Other liabilities	464.3	302.8
	2,989.6	**2,082.1**
	9,542.2	**8,237.4**

IV. Cash flow statement

In € million	9M 2021	9M 2020
Earnings before taxes (EBT)	604.5	– 224.4
Depreciation write-downs (+) / write-ups (–) of non-current assets	219.6	220.2
Income tax paid (–) / refunded (+)	– 21.3	– 4.3
Other non-cash expenses (+)/income (–)	16.1	60.2
Interest expenses	47.5	46.4
Gain (–) / loss (+) from the disposal of non-current assets	– 13.3	– 10.8
Increase (–) / decrease (+) in inventories	– 752.1	358.8
Increase (–) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	– 640.9	– 69.1
Use of provisions affecting payments, excluding income tax provisions	– 135.7	– 152.8
Increase (+) / decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	798.6	– 320.7
Cash outflow / inflow from operating activities	**123.0**	**– 96.5**
Cash inflow from the disposal of intangible assets, property, plant and equipment and investment properties	21.2	24.3
Cash outflow for investments in intangible assets, property, plant and equipment and investment properties	– 247.3	– 268.8
Cash inflow from investments of funds	–	20.1
Payments for financial investments	– 50.2	– 10.4
Cash inflow from the disposal of non-current assets	6.6	7.8
Cash outflow for investments in non-current assets	– 0.0	– 1.8
Cash outflow from investment activities	**– 269.8**	**– 228.8**
Payouts to company owners	–	–
Deposits from taking out loans and other financial debts	4.3	165.5
Repayment of loans and other financial liabilities	– 86.7	– 23.9
Cash outflow from repayments of loans	–	– 150.9
Interest paid	– 39.8	– 18.4
Cash outflow / inflow from financing activities	**– 122.2**	**– 27.7**
Cash and cash equivalents at the start of the period	621.4	700.5
Gains and losses from changes in foreign exchange rates	7.8	– 8.6
Payment-related changes in cash and cash equivalents	– 268.9	– 352.9
Cash and cash equivalents at the end of the period	**360.2**	**339.0**

Notes

Segment reporting

In € million		Strip Steel		Plate/Section Steel		Mannesmann
	9M 2021	9M 2020	9M 2021	9M 2020	9M 2021	9M 2020
External sales	1,852.0	1,384.9	689.1	530.3	812.2	723.3
Sales to other segments	605.7	500.4	697.5	502.3	79.8	70.7
Sales to group companies that are not allocated to an operating segment	2.7	2.3	0.6	0.6	359.3	197.4
Segment sales	2,460.4	1,887.6	1,387.2	1,033.3	1,251.3	991.3
Interest income (consolidated)	0.1	0.1	0.1	0.0	0.7	0.6
Interest income from other segments	–	–	–	0.0	–	–
Interest income from group companies that are not allocated to an operating segment	0.3	0.0	2.6	4.0	2.0	2.2
Segment interest income	0.4	0.1	2.7	4.1	2.8	2.8
Interest expenses (consolidated)	8.1	8.5	1.6	1.2	3.5	4.5
Interest expenses to other segments	–	–	–	–	–	–
Interest expenses from group companies that are not allocated to an operating segment	3.0	10.8	0.9	2.1	3.9	5.2
Segment interest expenses	11.2	19.2	2.5	3.2	7.5	9.7
of which interest portion of allocations to pension provisions	6.4	8.0	1.5	1.8	1.5	2.3
Depreciation of property, plant and equipment and amortization of intangible assets	93.9	98.7	24.7	22.8	42.2	39.5
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	93.9	98.7	24.7	22.8	42.2	39.5
EBIT before depreciation and amortization (EBITDA)	342.3	23.0	16.5	–42.8	26.8	–2.0
Earnings before interest and taxes (EBIT)	248.4	–75.8	–8.2	–65.6	–15.4	–41.4
Segment earnings before taxes	237.6	–94.9	–8.0	–64.7	–20.1	–48.3
of which resulting from investments in companies accounted for using the equity method	–	–	–	–	–14.0	–2.7
Investments in property, plant and equipment and intangible assets	123.7	106.8	43.0	71.5	42.8	46.5

Trading		Technology		Total segments		Industrial Participations/ Consolidation		Group	
9M 2021	9M 2020	9M 2021	9M 2020	9M 2021	9M 2020	9M 2021	9M 2020	9M 2021	9M 2020
2,546.8	1,667.9	979.5	853.6	6,879.6	5,160.1	122.1	104.2	7,001.7	5,264.3
33.6	15.5	0.5	0.2	1,417.2	1,089.1	607.5	404.7	2,024.7	1,493.7
0.1	0.0	–	–	362.7	200.4	–	–	362.7	200.4
2,580.5	1,683.4	980.0	853.9	8,659.5	6,449.5	729.7	508.9	9,389.1	6,958.4
1.6	1.5	1.4	0.7	3.9	3.0	1.5	2.8	5.4	5.7
–	–	–	–	–	0.0	8.7	20.4	8.7	20.4
10.3	5.0	1.6	0.0	16.9	11.3	–	–	16.9	11.3
12.0	6.5	3.0	0.8	20.8	14.3	10.2	23.2	31.0	37.4
7.9	8.9	1.7	1.8	22.8	24.8	24.7	21.6	47.5	46.4
–	0.0	–	–	–	0.0	16.9	11.3	16.9	11.3
0.1	0.3	0.7	2.0	8.7	20.4	–	–	8.7	20.4
8.0	9.3	2.4	3.8	31.5	45.2	41.6	32.9	73.0	78.1
1.0	1.2	1.1	1.5	11.4	14.9	6.5	8.9	17.9	23.8
12.2	11.8	19.6	19.2	192.6	192.0	27.7	27.2	220.3	219.2
12.2	11.8	19.6	19.2	192.6	192.0	27.7	27.2	220.3	219.2
290.7	–8.4	59.9	8.4	736.2	–21.7	130.6	57.2	866.8	35.5
278.5	–20.1	40.3	–10.8	543.6	–213.7	103.0	30.0	646.5	–183.7
282.4	–22.9	40.9	–13.8	532.9	–244.6	71.6	20.2	604.5	–224.4
–	–	–	–	–14.0	–2.7	133.5	53.4	119.5	50.7
7.6	27.2	19.0	27.0	236.1	279.0	22.4	12.6	258.5	291.6

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, 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 at 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 September 30, 2021.
3. In calculating the fair value of defined benefit obligations as of September 30, 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.

In compliance with the accounting rules for leases (IFRS 16), the historical cost of acquisition of the usage rights and leasing liabilities are shown in the presentation below:

In € million	2021/09/30	2020/12/31
Right of use of land, similar rights and buildings, including buildings on land owned by others	124.5	119.4
Right of use of plant equipment and machinery	44.9	39.9
Right of use of other equipment, plant and office equipment	27.7	25.1
Non-current assets	**197.1**	**184.4**
Right of use of land, similar rights and buildings, including buildings on land owned by others	26.8	19.9
Right of use of plant equipment and machinery	22.3	16.4
Right of use of other equipment, plant and office equipment	17.7	14.6
Depreciation/amortization	**66.8**	**50.8**
Lease liabilities	**136.1**	**139.5**

An amount of € 111.7 million is attributable to non-current lease liabilities. Moreover, there were amounts of € 19.5 million in depreciation and amortization, € 2.3 million in interest expenses, as well as cash outflow totaling € 21.3 million in the first nine months of 2021.

5. At the Hamburg location of the Trading Business Unit, a property consisting of the land and the administration building on it was sold in the third quarter 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 € 8.56 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 consist of 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
	01/01-09/30/2021	01/01-09/30/2021	2021/09/30	2021/09/30
Non-consolidated group companies	11.1	10.6	4.2	2.8
Joint ventures	27.8	37.8	14.2	23.0
Joint operations	4.6	0.7	25.9	40.5
Associated companies	0.1	1.2	0.1	0.0
Other related parties	0.2	1.7	5.2	107.0

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

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

Legal disclaimer

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

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

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

Editorial Details and Contact

Contact
SALZGITTER AG
Eisenhüttenstraße 99
38239 Salzgitter
Germany

Postal address
38223 Salzgitter
Germany

Public Relations
Telephone: +49 (0)53 41/21-27 01
Telefax: +49 (0)53 41/21-23 02

Investor Relations
Telephone: +49 (0)53 41/21-18 52
Telefax: +49 (0)53 41/21-25 70

Publisher
SALZGITTER AG

Concept and Design
wirDesign Berlin Braunschweig

Editorial Office
SALZGITTER AG, Investor Relations

Translation
Baker & Company, Munich

This quarterly statement was prepared with the support of the firesys editorial system.