3M

Quarterly Statement
3 Months 2019

SALZGITTER AG
Stahl und Technologie

Content

The Salzgitter Group in Figures

		Q1 2019	Q1 2018	+/–
Crude steel production	**kt**	**1,739.8**	**1,773.8**	**–34.0**
External sales	**€ m**	**2,293.8**	**2,307.5**	**–13.7**
Strip Steel Business Unit	€ m	598.8	609.4	–10.6
Plate/Section Steel Business Unit	€ m	229.6	286.6	–57.0
Mannesmann Business Unit	€ m	290.3	271.0	19.3
Trading Business Unit	€ m	797.9	759.8	38.0
Technology Business Unit	€ m	333.8	327.7	6.1
Industrial Participations / Consolidation	€ m	43.3	52.9	–9.6
EBIT before depreciation and amortization (EBITDA)	**€ m**	**228.3**	**193.0**	**35.2**
Earnings before interest and taxes (EBIT)	**€ m**	**140.9**	**108.5**	**32.4**
Earnings before taxes (EBT)	**€ m**	**125.9**	**95.9**	**30.0**
Strip Steel Business Unit	€ m	46.3	62.5	–16.2
Plate/Section Steel Business Unit	€ m	1.7	9.3	–7.6
Mannesmann Business Unit	€ m	8.4	1.6	6.8
Trading Business Unit	€ m	3.0	13.8	–10.8
Technology Business Unit	€ m	11.8	11.2	0.6
Industrial Participations / Consolidation	€ m	54.7	–2.4	57.1
Consolidated net income/loss	**€ m**	**96.7**	**65.2**	**31.5**
Earnings per share – basic	**€**	**1.76**	**1.18**	**0.58**
Return on capital employed (ROCE)[1]	**%**	**14.1**	**11.6**	**2.5**
Cash flow from operating activities	**€ m**	**53.6**	**100.6**	**–47.0**
Investments[2]	**€ m**	**201.5**	**69.1**	**132.4**
Depreciation/amortization[2]	**€ m**	**–87.4**	**–84.6**	**–2.8**
Total assets	**€ m**	**9,016.6**	**8,407.7**	**608.8**
Non-current assets	**€ m**	**4,082.5**	**3,586.2**	**496.3**
Current assets	**€ m**	**4,934.1**	**4,821.5**	**112.6**
of which inventories	€ m	2,341.9	2,075.8	266.1
of which cash and cash equivalents	€ m	444.3	624.0	–179.7
Equity	**€ m**	**3,331.3**	**3,103.5**	**227.8**
Liabilities	**€ m**	**5,685.2**	**5,304.2**	**381.1**
Non-current liabilities	€ m	3,290.0	3,204.5	85.5
Current liabilities	€ m	2,395.2	2,099.6	295.6
of which due to banks[3]	€ m	490.1	468.4	21.7
Net financial position on the reporting date[4]	**€ m**	**108.0**	**320.0**	**–212.1**
Employees				
Personnel expenses	€ m	–442.5	–422.4	–20.1
Core workforce on the reporting date[5]	empl.	23,683	23,333	350
Total workforce on the reporting date[6]	empl.	25,378	25,051	327

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

Profitability of the Group and Business Units

Earnings Situation within the Group

		Q1 2019	Q1 2018
Crude steel production	kt	1,739.8	1,773.8
External sales	**€ m**	**2,293.8**	**2,307.5**
EBIT before depreciation and amortization (EBITDA)	€ m	228.3	193.0
Earnings before interest and taxes (EBIT)	€ m	140.9	108.5
Earnings before taxes (EBT)	**€ m**	**125.9**	**95.9**
Consolidated net income/loss	**€ m**	**96.7**	**65.2**
Return on capital employed (ROCE)[1)]	**%**	**14.1**	**11.6**
Investments[2)]	€ m	201.5	69.1
Depreciation/amortization[2)]	€ m	–87.4	–84.6
Cash flow from operating activities	€ m	53.6	100.6
Net financial position[3)]	**€ m**	**108.0**	**320.0**
Equity ratio	%	36.9	36.9

1) Annualized
2) Excluding financial investments
3) Including investments, e.g. securities and structured investments

Against the backdrop of an increasingly competitive environment, the Salzgitter Group generated **earnings before taxes** of € 125.9 million (Q1 2018: € 95.9 million). Along with the very satisfactory pre-tax result of the Strip Steel Business Unit, all other business units and the participating investment in Aurubis AG, a company included at equity, contributed to the positive start to the year. The **external sales** of the Salzgitter Group came in at € 2.3 billion, thereby unchanged against the previous year's period (Q1 2018: € 2.3 billion). With the development of the Strip Steel Business Unit remaining virtually stable, the decline in the Plate / Section Steel Business Unit was compensated by the other business units. The pre-tax earnings of € 125.9 comprise a € 50.2 million contribution from the Aurubis investment (Q1 2018: € 7.5 million) that included € 18.3 million in reporting-date related valuation effects (Q1 2018: € –6.3 million) essentially from positive precious metal price developments. Given the volatility, we cannot assume that this trend will continue over the remainder of the year. Moreover, the contribution from the Aurubis investment includes € 20.0 million (Q1 2018: € 0) in income from an accounting adjustment through profit and loss in connection with shares acquired in Aurubis AG in the first quarter of 2019 at average price below the market value of the pro rata equity capital. The **after-tax result** stood at € 96.7 million (Q1 2018: € 65.2 million). Earnings per share were therefore recorded at € 1.76 (Q1 2018: € 1.18) and return on capital employed at 14.1 % (Q1 2018: 11.6 %).

Special Items / EBT Business Units and Group

	EBT		Restructuring		Impairment/ Reversal of impairment		Other		EBT without special items	
In € million	**Q1 2019**	**Q1 2018**	**Q1 2019**	**Q1 2018**	**Q1 2019**	**Q1 2018**	**Q1 2019**	**Q1 2018**	**Q1 2019**	**Q1 2018**
Strip Steel	46.3	62.5	–	–	–	–	–	–	46.3	62.5
Plate / Section Steel	1.7	9.3	–	–	–	–	–	–	1.7	9.3
Mannesmann	8.4	1.6	–	–	–	–	–	–	8.4	1.6
Trading	3.0	13.8	–	–	–	–	–	–	3.0	13.8
Technology	11.8	11.2	–	–	–	–	–	–	11.8	11.2
Industrial Participations / Consolidation	54.7	−2.4	–	–	–	–	–	–	54.7	−2.4
Group	**125.9**	**95.9**	**–**	**–**	**–**	**–**	**–**	**–**	**125.9**	**95.9**

Strip Steel Business Unit

		Q1 2019	Q1 2018
Order intake	kt	1,138.8	1,238.3
Order backlog on reporting date	kt	911.5	944.6
Crude steel production	kt	1,152.5	1,159.7
Rolled steel production	kt	911.0	907.3
Shipments	kt	1,172.2	1,197.4
Segment sales[1)]	**€ m**	**805.3**	**804.4**
External sales	**€ m**	**598.8**	**609.4**
Earnings before taxes (EBT)	**€ m**	**46.3**	**62.5**

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

Market development

Growth momentum slackened throughout the entire euro area, with business expectations declining, especially in the industrial arena. Particularly imponderable political risks such as the Brexit issue and trade conflicts, along with the slowdown in the global economy and the floundering automotive industry took their toll on sentiment. The EU Commission enacted final safeguard measures on February 2, 2019 in order to mitigate the risk of trade redirection effects caused by US special import duties of 25% (Section 232) on steel products from non-EU countries. All strip steel products are covered by the measures that will run until the summer of 2021 and take the form of a tariff rate quota. Order intake of the European steel industry has been in decline since the beginning of the second half of 2018, with this trend accelerating in the period under review. While the share of European strip steel producers in the EU's market supply declined further, imports from non-EU countries set another record again at the start of the year. Despite the safeguard measures introduced, this was enabled by the starting point of the import quotas that are aligned to the high import levels of the years 2015 to 2017. The declines in demand of the kind observed in recent months have resulted in an imbalance in the market. The competition among EU producers for employment therefore intensified in the first quarter of 2019, with negative effects on the development of the spot market prices that slipped again despite the increase in raw materials prices.

Procurement

Iron ore

The iron ore market proved to be less volatile over the course of 2018 compared with the year before. Platts IODEX 62% Fe CFR China, the spot market's benchmark, stood at 69 USD/dmt. At the end of the year, the demand for higher grade iron ore surged, which sent the index up to more than 75 USD/dmt. This level held steady until the dam in VALE's iron ore mine system in Brazil burst on January 25, 2019. As a result, the price jumped temporarily to 95 USD/dmt and subsequently moved within a range of 83 to 89 USD/dmt. The price averaged 83 USD/dmt in the first quarter of 2019, which is 11% higher than in the year-earlier quarter. In order to mitigate the risks resulting from procurement, specified volumes of iron ore are hedged to secure against price risks.

Coking coal

The pricing of coking coal was fully determined by the index for the first time in 2018. Expressed as an annual average, prices for higher grades stood at 207 USD/t FOB Australia, thereby exceeding the previous year's figure by around 10%. Owing to slacker demand from China, the price dropped below the 200 USD/t level again in January 2019 for the first time since October 2018. Brisker market activity following the Chinese New Year celebrations and weather induced production problems in Australia pushed prices up again in March. The average price in the first three months of 2019 came in at 207 USD/t, down 9% compared with the previous year's quarter. Prices are also hedged for specific volumes of coking coal.

Business development

The **order intake** of the Strip Steel Business Unit declined notably, reflecting the trend in the European steel industry that has been weakening since the summer of 2018. **Orders on hand** also failed to match the figure delivered in the first three months of 2018, while **shipments** declined slightly. **Crude steel output** and **rolled steel production** settled at the level of the previous year. With selling prices remaining largely stable, **segment** and **external sales** remained virtually unchanged. The business unit generated a gratifying **pre-tax profit** of € 46.3 million (Q1 2018: € 62.5 million). The decline in performance compared with the excellent year-earlier result is mainly attributable to the increase in raw material prices.

Investments

In 2019 the Strip Steel Business Unit is focusing its investments on new aggregates, as well as on optimizing and extending its existing facilities. The portfolio is being developed in the direction of high and ultra-high grades in line with SZFG's strategy. For instance, the investment in a hot strip slitting plant that is currently in the assembly phase serves this purpose, as does replacing the machine head on the continuous casting line 1. The new coil binding line commissioned during the reporting period is to be used to take samples of the hot rolled coils, as well as for transport locking devices on material ready for shipment. In order to satisfy greater customer requirements for hot-dip galvanized, high and ultra-high strength steel grades, the construction of another hot-dip galvanizing line was approved and has now been put out to tender.

Plate/Section Steel Business Unit

		Q1 2019	Q1 2018
Order intake [1]	kt	524.5	629.2
Order backlog1) on reporting date	kt	337.8	380.8
Crude steel production	kt	255.2	290.1
Rolled steel production	kt	525.9	611.2
Shipments[1]	kt	560.7	648.7
Segment sales[2]	**€ m**	**455.1**	**497.8**
External sales	**€ m**	**229.6**	**286.6**
Earnings before taxes (EBT)	**€ m**	**1.7**	**9.3**

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

Market development
Although the tense demand and the booking situation for **heavy plate** in western Europe has improved somewhat since the beginning of the year, it nevertheless remained at a weak level. Negative stimulus emanated from the heavy plate mills whose portfolios comprise grades for pipeline projects. Given the lack of major follow-up orders in Europe and intense competition by Russian producers for input material for domestic tubes production, the mills increasingly took evasive action by turning to the already fiercely contested commodity segment. Intense competition among European mills and the consequently limited appeal of the market is also reflected in a downturn of 20% in imports compared with the previous year's period.

Despite the very good capacity utilization of central European steel builders, demand on the **European sections** market remained very subdued and speculative overall in the first quarter of 2019. This resulted in uneven capacity utilization for the producers. The tense market situation was further exacerbated in particular by the safeguard quotas that were swiftly filled by Turkish imports. The mills were nevertheless able to stabilize prices to a large extent.

Procurement
Steel scrap
At the beginning of the year, domestic scrap prices declined within a range of between 16 and 20 €/t depending on the grade. The factors triggering this development included a slowdown in the demand of German consumers, falling prices for the steel industry's finished products, and ultimately also the lower levels of scrap exports. This trend reversed in Europe in February and March on the back of high purchasing by Turkey, which pushed prices up by between 12 and 20 €/t. In particular, the wave of buying by Turkish consumers took the export market by surprise: Price surges of up to 50 USD/t in export were commanded during this period for prompt scrap deliveries, with the corresponding impact on the continental procurement markets.

Business development
The **order intake** and **orders on hand** of the Plate/Section Steel Business Unit were unable to match the previous year's level due to the lower volumes of both the heavy plate companies and of Peiner Träger GmbH (PTG), along with **crude** and **rolled steel production** that was also lower year on year. Given a tangible decline in **shipments, segment and external sales** also dropped below the level of the first three months of 2018. The business unit achieved a **pre-tax profit** of € 1.7 million (Q1 2018: € 9.3 million). While PTG and the DEUMU Deutsche Erz und Metall-Union Groupcontributed virtually stable, positive results, the heavy plate producers delivered a result that fell significantly short of the year-earlier period due to the development at the Mülheim-based company.

Investments

After the groundbreaking ceremony at Ilsenburger Grobblech GmbH for the “New Heat Treatment Line” investment project in the autumn of 2018, the foundations of the facilities have almost been completed and work on the steel construction measures has commenced. The investment launched in the context of the “Salzgitter AG 2021” growth program and costing more than € 150 million is aimed at extending the product portfolio and gaining an even stronger position in the higher-end grade segment. The facilities are due for commissioning in 2020. Other investments of the business unit concentrated above all on maintaining production capabilities.

Mannesmann Business Unit

		Q1 2019	Q1 2018
Order intake	€ m	342.1	382.8
Order backlog on reporting date	€ m	477.3	539.7
Crude steel production Hüttenwerke Krupp Mannesmann (30%)	kt	332.1	324.0
Shipment tubes[1)]	kt	146.5	134.2
Segment sales[2)]	**€ m**	**447.3**	**400.4**
External sales	**€ m**	**290.3**	**271.0**
Earnings before taxes (EBT)	**€ m**	**8.4**	**1.6**

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

Market development
Activities on the tubes market in Europe were showing signs of slowing in the first quarter of 2019. The production of seamless and welded steel tubes in the medium dimension range fell marginally short of the year-earlier figures. The order activity of large-diameter pipes dropped off significantly due to the lack of project orders. Demand for precision steel tubes that is heavily dependent on the automotive industry also weakened but nevertheless remained satisfactory.

Business development
In the first quarter of 2019, the **order intake** of the Mannesmann Business Unit settled notably below the previous year’s figure. This was attributable, on the one hand, to the downturn in the medium-diameter line pipe segment – although inquiries in the international project business remained at a normal level, large volumes were not awarded, especially on the American market. On the other, orders in the precision tubes group's automotive customer and industry sectors declined. While the business unit’s **shipments** were higher, **orders on hand** decreased noticeably in a year-on-year comparison. **Segment** and **external sales** reported strong growth. With **earnings before taxes** of € 8.4 million (Q1 2018: € 1.6 million), the result significantly outperformed the year-earlier figure. The precision tubes group, the medium-diameter line pipe segment, and the stainless steel tubes group achieved growth.

Outside the group of consolidated companies, new orders of the EUROPIPE Group (EP Group), a 50% participation reported at equity, increased significantly through the booking of a major project in the US. The orders on hand of the EP Group were nevertheless considerably lower due to the lack of major projects at EUROPIPE GmbH to follow on from EUGAL. The EP Group’s sales declined on the back of a significant decline in shipments, and pre-tax profit dropped below the level achieved in the previous year’s period.

Investments
The investment activities of the Mannesmann Business Unit in 2019 continue to be focused on expansion and replacement investments. In the process of expanding the Mexican precision tubes company in El Salto, key plant equipment and machinery such as the welding plant, the furnace and the coating, drawing and straightening line, were commissioned. The investment of the stainless steel tubes group in a large cold pilger machine at the Remscheid location is still progressing according to plan. Preparations for the start of production have commenced and a first trial run is imminent. The measure is aimed at extending capacity and the product range in the seamless cold finished stainless steel tubes segment by adding larger diameters.

Trading Business Unit

		Q1 2019	Q1 2018
Shipments	kt	1,043.4	1,122.7
Segment sales[1)]	**€ m**	**814.1**	**775.2**
External sales	**€ m**	**797.9**	**759.8**
Earnings before taxes (EBT)	**€ m**	**3.0**	**13.8**

1) Including sales with other business units in the Group

Market development
Demand on the international steel markets fell short of expectations. While the trading business was faced with growing uncertainty and restrictions during the reporting period due to protectionist trading measures, the European stockholding steel trade was determined by aggressive price-led competition, especially in Germany.

Business development
Notwithstanding a slight increase in the tonnage of the stockholding steel trade, the **shipments** of the Trading Business Unit dropped below the previous year period due to the decline in the volume of international trading. Along with protectionist measures that hampered cross-border trading, this was attributable to fierce competition. The Universal Eisen und Stahl Group (UES Group) reported growth. **Segment** and **external sales** were higher than in the previous year on the back of generally improved selling prices. The Trading Business Unit generated **earnings before taxes** of € 3.0 million that were noticeably lower due to volumes as well as the margin situation in the stockholding steel trade (Q1 2018: € 13.8 million).

Investments
Maintaining and upgrading existing facilities continue to form a focus of investments by the Trading Business Unit in 2019. Moreover, the measures launched in the context of the “Salzgitter AG Strategy 2021” were pursued further. Against this backdrop numerous projects for the digitalization of sales processes – mainly in the European stockholding steel trade – from warehousing right through to the shipment of products are being initiated or the content developed further.

Technology Business Unit

		Q1 2019	Q1 2018
Order intake	€ m	330.0	305.9
Order backlog on reporting date	€ m	704.5	686.1
Segment sales[1)]	**€ m**	**333.9**	**327.8**
External sales	**€ m**	**333.8**	**327.7**
Earnings before taxes (EBT)	**€ m**	**11.8**	**11.2**

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

The following companies were newly established during the reporting period:

- KHS Eurasia LLC, Almaty
- KHS d.o.o. Beograd, Novi Beograd

Market development
According to the statistics of the German Engineering Federation (VDMA), the sector's order intake dropped notably below the previous year's level. International as well as domestic demand declined notably. Bookings in general were in steeper decline in the market for food and packaging machinery. Domestic order activity settled slightly above the year-earlier figure, but was unable to compensate for the significant slowdown in international orders.

Business development
In the first quarter of the financial year 2019, the Technology Business Unit's **order intake** clearly outperformed the year-earlier figure. The Technology Business Unit therefore successfully bucked the market trend with this gratifying growth. While the new orders of the KHS Group increased significantly compared with the first three months of 2018, the Klöckner DESMA Elastomer Group (KDE Group) and DESMA Schuhmaschinen GmbH (KDS) were unable to repeat the high level posted in the previous year. The business unit's **orders on hand** followed on from the order intake. **Segment** and **external sales** were also marginally higher than in the first quarter of 2018. The KHS Group reported sales growth, while the KDE Group and KDS dropped considerably below the excellent previous year's figures. The result of the KHS Group that had doubled year on year reflects the contribution from cost cutting measures and positive stimulus from the selling of new, innovative products. The decline in the pre-tax profit of the KDE Group and KDS was therefore offset. All in all, the Technology Business Unit reported € 11.8 million in **earnings before taxes** (Q1 2018: € 11.2 million).

The KHS Group continues to rigorously pursue the measures from the comprehensive "KHS Future" efficiency and growth program. With a focus on cutting costs and expanding the service business, the group made a significant contribution to lifting the results in the financial year ended and will work on furthering the group's development in the fiercely competitive market environment in 2019 as well.

Investments
In the reporting period, the Technology Business Unit continued to focus on replacement and streamlining measures. IT projects were carried out at the KHS Group in Germany and in the international companies to continually optimize workflows. Implementation of the extensive modernization of the Bad Kreuznach site to ensure lean manufacturing was ongoing in various individual subprojects. Extensive investments to upgrade production and expand assembly operations are under way at the Dortmund location. An investment program aimed at strategic realignment was initiated for the Chinese market. At KDS, work continued on the "Fabrik der Zukunft" (factory of the future) that entails the construction of office and production buildings on the existing site in Achim. The investment is intended to secure the growth and profitability of KDS in the long term. Productivity is also to be raised through the optimization of the information and material flow and the assembly process.

Industrial Participations / Consolidation

		Q1 2019	Q1 2018
Sales[1)]	**€ m**	**231.1**	**250.7**
External sales	**€ m**	**43.3**	**52.9**
Earnings before taxes (EBT)	**€ m**	**54.7**	**– 2.4**

1) Including sales with other business units in the Group

Sales in the Industrial Participations / Consolidation segment, which are based mainly on business in semi-finished products with subsidiaries and external parties, declined year on year and **external sales** also decreased considerably.

Earnings before taxes came in at € 54.7 million, thereby significantly exceeding in the year-earlier result (€–2.4 million). This figure includes the contribution of Aurubis AG, an investment included at equity, amounting to € 50.2 million (Q1 2018: € 7.5 million). The result includes € 20.0 million (Q1 2018: € 0) in income from an accounting adjustment through profit and loss in connection with shares acquired in Aurubis AG in the first three months of 2019 at an average price below the pro rata equity capital as well as around € 18.3 million in reporting-date valuation effects largely from the positive precious metal price trend (Q1 2018: €–6.3 million). The net interest from the cash management of the consolidated group as well as the valuation of derivative positions in the first quarter of 2019 bolster the result further. By contrast, the pre-tax result of the Group companies not directly assigned to a business unit dropped tangibly below the figure achieved in first three months of 2019.

Financial Position and Net Assets

Explanations on the balance sheet

The **total assets** of the Salzgitter Group rose by € 260 million in the current reporting period compared with December 31, 2018.

Non-current assets (€+247 million) increased owing in particular to the higher level of shares in the companies accounted for using the equity method (€+99 million). Investment in intangible assets and property, plant and equipment (€+202 million) settled above the sum total of the scheduled depreciation and amortization of fixed assets in the period under review (€–87 million). The investments comprise € 120 million in non-cash additions from the initial application of IFRS 16 Leases. More detailed explanations on the initial application of IFRS 16 can be found under item 4 in the section on "Principles of accounting and consolidation, balance sheet reporting and valuation methods". Deferred income tax assets increased in comparison with the last reporting date (€+37 million). The growth in **current assets** (€+13 million) resulted mainly from the selling price-induced higher level of trade receivables, including contract assets (€+69 million). Inventories as well as other receivables and assets also increased (€+14 million and €+38 million respectively). Higher working capital was offset by lower cash and cash equivalents (€–111 million).

On the **liabilities side**, equity remained virtually unchanged (€–1 million) thanks to the good result. The equity ratio amounts to a sound 37.0 %, as before. Non-current liabilities are € 254 million higher than on the prior-year reporting date. Given a pension interest rate of 1.25 % that had declined compared with figure seen at year end (2018/12/31: 1.75 %), pension provisions rose by € 165 million. Financial liabilities were higher (€+97 million) due to the initial application of IFRS 16. Current liabilities climbed by € 6 million. While a lower level of trade payables (€–78 million), including contract liabilities, was recorded compared with the end of last year, other provisions and other liabilities increased (€+13 million and €+43 million respectively).

The **net financial position** dropped to € 108 million due above all to the investments in non-current assets (2018/12/31: € 192 million). Cash investment, including securities (€ 766 million; 12/31/2018: € 878 million), was offset by liabilities of € 658 million (12/31/2018: € 687 million), of which € 490 million were owed to banks (12/31/2018: € 519 million). As previously, assets and liabilities from leases are not reported in the net financial position.

Notes to the cash flow statement

With a pre-tax profit of € 126 million, the **cash flow from operating activities** was positive at € 54 million (previous year: € 101 million). While the improved result had a positive impact on the operating cash flow, this was offset above all by higher working capital.

The **cash outflow from investing activities** of €–143 million (previous year: €–147 million) mainly reflects disbursements for investments in intangible assets and property, plant and equipment (€–84 million; previous year: €–74 million) and in other non-current assets (€–62 million; previous year: €–81 million). The latter disbursement essentially comprises the additional acquisitions of the participating investment in Aurubis AG accounted for using the equity method.

The redemption of loans as well as interest payments constituted a **cash outflow from financing activities** of € 25 million (previous year: €–7 million).

As a result of the negative overall cash flow, **cash and cash equivalents** (€ 444 million) declined accordingly compared with December 31, 2018 (€ 556 million).

Employees

	2019/03/31	2018/12/31	Change
Core workforce[1)]	**23,683**	**23,523**	**160**
Strip Steel Business Unit	6,207	6,182	25
Plate/Section Steel Business Unit	2,444	2,451	–7
Mannesmann Business Unit	4,700	4,675	25
Trading Business Unit	2,126	2,109	17
Technology Business Unit	5,559	5,490	69
Industrial Participations / Consolidation	2,647	2,616	31
Apprentices, students, trainees	1,226	1,375	–149
Non-active age-related part-time employment	469	465	4
Total workforce	**25,378**	**25,363**	**15**

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

The **core workforce** of the Salzgitter Group came to 23,683 employees on March 31, 2019, representing an addition of 160 staff members since December 31, 2018. A total of 139 trainees were hired during the reporting period, 90 of whom were given temporary contracts. A counter effect emanated from members of the company reaching retirement age or going into non-active age-related part-time.

The **total workforce** comprised 25,378 employees.

The number of **temporary staff** outsourced stood at 1,228 as of March 31, 2019, which marks a decline of 140 persons compared with the 2018 reporting date.

At the end of the reporting period EUROPIPE GmbH was affected by short-time work. Taking account of the proportionate inclusion of 50%, this corresponds to 270 employees in the personnel statistics. Moreover, employees were intermittently put on short-time work at Peiner Träger GmbH in February.

A collective bargaining agreement for the North West German steel industry was reached on March 17, 2019, and subsequently adopted by the tariff area in the east. Following January and February 2019 with no increases, the agreement provides for a rise in wages and salaries of 3.7% as of March 1, 2019 for all companies subject to the collective agreement, thus affecting around 56% of the domestic workforce. With effect from January 1, 2020, all workers and employees will receive additional remuneration of € 1,000 p.a. that, depending on utilization in the operations in question and the individual groupings, can be converted into a maximum of five additional free days. The agreement runs for a minimum term of 26 months through to February 28, 2021.

Forecast, Opportunities and Risk Report

Compared with the previous year, the business units anticipate that business in the financial year 2019 will develop as follows:

The **Strip Steel Business Unit** is anticipating a more muted business development compared with the good, above-average previous year as well as stable sales and a tangible reduction in the pre-tax profit due to margins. This is attributable to a glut on the European steel market, on the one hand, and to higher raw material costs, particularly for iron ore, on the other.

The heavy plate market is still characterized by high import volumes, especially from non-EU countries, into the EU. In addition, the situation is aggravated by the lack of follow-up orders at the Mülheim-based company for the delivery of pipeline input material. In the section steel segment lower but still satisfactory margins are expected after a very good previous year, accompanied by a slight decline in volumes. All in all, we expect sales at the year-earlier level, a result notably below the previous year's figure and assume a pre-tax loss for the **Plate / Section Steel Business Unit**.

In the **Mannesmann Business Unit** the German company of the EUROPIPE Group will be marked by unsatisfactory capacity utilization, at least through to the third quarter. By contrast, the American Europipe companies are set to benefit from order intake from 2018 and from the start of the year and, similar to Mannesmann Grossrohr GmbH, anticipate further bookings. After two very good years, the medium-diameter line pipe segment expects demand to settle at a normal level. The precision tube companies anticipate a market situation that is stable overall while the stainless steel segment expects a moderate improvement. On the back of a slight upturn in shipments and sales figures, we expect a positive pre-tax result for the business unit.

The **Trading Business** Unit assumes stable shipments and price-induced sales growth. While generating margins will remain under pressure in international trading due to the ongoing impact of restrictive trade policies everywhere, the declines predicted in margins in the stockholding steel trade will be at least partly compensated by business with additional value added. We expect a pre-tax profit for the business unit that is again gratifying but that will nevertheless be notably below that of the previous year.

Based on the high level of orders on hand and good order intake, the **Technology Business Unit** predicts a slight increase in sales. The KHS Group will continue to operate on the basis of a selective order intake, expanding its service business and deriving additional positive effects from the measures introduced to enhance efficiency. The two mechanical engineering companies of the DESMA Group anticipate that the earnings situation will return to normal levels, leading to assumptions for a pre-tax profit that exceeds the average of previous years but is lower than a year ago.

Salzgitter AG affirms its forecast for the financial year 2019. We continue to anticipate:

- a slight increase in sales to above the € 9.5 billion mark,
- a pre-tax profit (EBT) of between € 125 million and € 175 million and
- a return on capital employed (ROCE) that is tangibly below the previous year's figure.

Following a strong first quarter, we currently expect a pre-tax result rather more in the upper end of the aforementioned range. However, with reference to the unstable economic situation, not only in the EU, and the associated reduced forecasting reliability for the remainder of the financial year, we consider revising the forecast to be premature at present.

We make reference to the fact that imponderables, including changes in the cost of raw materials, precious metal prices and exchange rates, along with global trade policy measures, may still have a considerable impact over the course of the financial year 2019. The dimensions of this range become clear if one considers that, with around 9 million tons of steel products to be sold by the Strip Steel, Plate / Section Steel, Mannesmann and Trading business units through to the end of the year, an average € 10 change in the margin per ton is already sufficient to cause a variation in the annual result of € 90 million.

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 2018.

The development of prices on the sales and procurement markets, the energy price and exchange rate (first and foremost USD/EUR) are especially important for the Salzgitter Group. The impact of risks arising from these factors on the result has been taken into consideration in the companies in the current year inasmuch as foreseeable.

In order to minimize the additional impact of the resulting 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. Uncertainty prevails as to how this situation will develop. Risks have also arisen as a consequence of the trade disputes triggered by the US, as well as by the United Kingdom's withdrawal from the EU. Risks specific to this context:

- The US threat of imposing special import tariffs on automobiles and automotive parts and components, where deemed appropriate, thereby disrupting important global value chains,
- an escalation of the trade dispute between the US and China and the resulting unforeseeable effects on the global economy,
- the uncertainty regarding the future status of the United Kingdom is weighing on Europe's economy. A more major impact from Brexit on Salzgitter AG's business is nevertheless not anticipated due to the low level of direct exports.

Sector-specific risks are inherent in competitive distortions on the international market, in massive overcapacities, in US-imposed special import duties on steel products, and in the associated import pressure within the EU.

The duties of 25% (Section 232) imposed by the US on steel imports at the end of March 2018 are still in force. Given the global surplus capacities, the countries affected by the US protective tariffs have redirected their faltering export volumes into the EU market. Compared with 2017, imports into the EU therefore rose by around 3 million tons in 2018 while steel imports into the US declined accordingly within a similar range. Particularly noteworthy in this context is Turkey whose EU exports have soared by 66% compared with 2017. As a reaction to the redirection effects and the threat to the domestic steel industry, the EU Commission enacted final safeguards on February 2, 2019, that will run until July 2021. These measures received support from a large majority of the EU Member States.

The safeguard clause procedure covers all steel products of the Salzgitter portfolio and takes the form of a "tariff rate quota". Import contingencies apply based on the average imports in the years from 2015 to 2017, with duties of 25% becoming payable above these quotas. The EU Commission has provided for a gradual increase in these quotas during the period when the measures apply; the first increase of 5% already took effect in February 2019. Given these generous quotas there is still a danger of high import volumes. Moreover, specific regulations concerning the form the quotas take has prompted irrational behavior by a number of importers, especially Turkey and China. The resulting abrupt increase in imports may cause turbulence on the EU steel market.

In addition, numerous non-EU countries have responded to the US import duties on steel products with defense measures of their own. The Eurasian Economic Union (Russia, Kazakhstan, Armenia, Kyrgyzstan and Belarus), Turkey and Canada, for instance, have introduced safeguard measures. This is likely to make exporting even more difficult and exacerbate the threat of trade flows being redirected into the EU market. A number of Group companies are also directly affected by the measures but not to any significant extent.

Further risks arise through importers attempting to circumvent the existing trade defense measures. To counteract practices of this kind, goods traffic is monitored on an ongoing basis and potential breaches are relayed via the European Steel Association Eurofer to the EU Commission and to OLAF, the EU's anti-fraud office.

Uncertainty also still prevails about direct and indirect business relations with Russia, among other reasons due to the US sanctions act (Countering America's Adversaries Through Sanctions Act) that entered into force in August 2017. The act provides for the following: companies deemed by the US administration to have business ties with Russian energy export pipelines may have punitive measures imposed on them by the US President in the US. Several legislative proposals for extending the sanctions are currently being deliberated in the US Senate.

Uncertainty of a similar nature, though not affecting SZAG to any great extent, is the announcement by the US of withdrawing from the nuclear agreement with Iran (Joint Comprehensive Plan of Action, JCPOA) on May 8, 2018. With the termination of JCPOA, the US has also reactivated the sanctions. The EU Commission nevertheless wants to uphold the agreement and is working on measures to maintain trade with Iran.

Interim Report

I. Consolidated Income Statement

In € million	Q1 2019	Q1 2018
Sales	2,293.8	2,307.5
Increase/decrease in finished goods and work in process/other own work capitalized	26.9	18.9
	2,320.7	2,326.4
Other operating income	53.7	55.8
Cost of materials	1,495.1	1,505.0
Personnel expenses	442.5	422.4
Amortization and depreciation of intangible assets and property, plant and equipment	87.4	84.6
Other operating expenses	262.6	270.7
Income from shareholdings	0.0	0.1
Result from investments accounted for using the equity method	52.9	9.5
Finance income	5.6	3.6
Finance expenses	19.4	16.9
Earnings before taxes (EBT)	**125.9**	**95.9**
Income tax	29.2	30.7
Consolidated result	**96.7**	**65.2**
Amount due to Salzgitter AG shareholders	95.2	64.1
Minority interest	1.5	1.2
Appropriation of profit		
Consolidated result	96.7	65.2
Profit carried forward from the previous year	33.1	27.1
Minority interest in consolidated net loss for the year	1.5	1.2
Transfer from (+)/to (–) other retained earnings	–95.2	–64.1
Unappropriated retained earnings of Salzgitter AG	**33.1**	**27.1**
Earnings per share (in €) – basic	**1.76**	**1.18**
Earnings per share (in €) – diluted	**1.66**	**1.12**

II. Statement of Comprehensive Income

In € million	Q1 2019	Q1 2018
Consolidated result	**96.7**	**65.2**
Recycling		
Reserve from currency translation	6.1	–5.9
Changes in value from cash flow hedges	29.2	–19.7
Fair value change	30.2	–8.2
Basis adjustments	–	–11.9
Recognition with effect on income	–0.9	0.3
Deferred tax	–0.1	–
Changes in value of investments accounted for using the equity method	1.8	–2.3
Fair value change	–0.0	–
Recognition with effect on income	–	–
Currency translation	1.8	–2.3
Deferred tax	–	–
Deferred taxes on other changes without effect on the income	0.0	–0.0
Subtotal	37.1	–27.9
Non-recycling		
Changes in equity for financial equity instruments valued without effect on the income	–0.0	–0.4
Fair value change	–0.0	–0.4
Deferred tax	–	–
Remeasurements	–120.7	90.6
Remeasurement of pensions	–175.9	90.6
Deferred tax	55.2	–
Changes in value of investments accounted for using the equity method	–	–0.0
Subtotal	–120.7	90.2
Other comprehensive income	**–83.5**	**62.3**
Total comprehensive income	**13.2**	**127.5**
Total comprehensive income due to Salzgitter AG shareholders	11.6	126.4
Total comprehensive income due to minority interest	1.6	1.1
	13.2	**127.5**

III. Consolidated Balance Sheet

Assets in € million	2019/03/31	2018/12/31
Non-current assets		
Intangible assets	214.9	219.4
Property, plant and equipment	2,237.3	2,120.5
Investment property	83.1	83.5
Financial assets	73.7	75.6
Investments accounted for using the equity method	987.7	888.3
Trade receivables	23.0	25.5
Other receivables and other assets	26.6	24.0
Income tax assets	0.1	0.1
Deferred income tax assets	436.0	399.1
	4,082.5	**3,835.9**
Current assets		
Inventories	2,341.9	2,327.5
Trade receivables	1,437.6	1,367.2
Contract assets	173.8	175.2
Other receivables and other assets	441.3	403.7
Income tax assets	26.7	24.5
Securities	68.6	67.4
Cash and cash equivalents	444.3	555.6
	4,934.1	**4,921.0**
	9,016.6	**8,756.9**

Equity and liabilities in € million	2019/03/31	2018/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings	3,158.4	3,181.0
Other reserves	80.3	60.0
Unappropriated retained earnings	33.1	33.1
	3,690.3	**3,692.6**
Treasury shares	−369.7	−369.7
	3,320.6	**3,322.9**
Minority interest	10.7	9.1
	3,331.3	**3,332.1**
Non-current liabilities		
Provisions for pensions and similar obligations	2,440.5	2,275.5
Deferred tax liabilities	67.6	67.6
Income tax liabilities	36.3	36.9
Other provisions	353.2	358.4
Financial liabilities	387.8	291.1
Other liabilities	4.6	6.1
	3,290.0	**3,035.7**
Current liabilities		
Other provisions	294.7	281.4
Financial liabilities	419.3	426.9
Trade payables	1,101.9	1,130.2
Contracts liabilities	200.4	250.2
Income tax liabilities	39.1	37.0
Other liabilities	339.8	263.4
	2,395.2	**2,389.2**
	9,016.6	**8,756.9**

IV. Cash Flow Statement

In € million	Q1 2019	Q1 2018
Earnings before taxes (EBT)	125.9	95.9
Depreciation write-downs (+) / write-ups (-) of non-current assets	87.3	84.5
Income tax paid (–)/refunded (+)	–7.1	–8.4
Other non-cash expenses (+)/income (–)	3.1	50.7
Interest expenses	19.4	16.2
Gain (-) / loss (+) from the disposal of non-current assets	2.0	0.6
Increase (–)/decrease (+) in inventories	–9.9	34.5
Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	–76.6	–179.6
Use of provisions affecting payments, excluding income tax provisions	–56.9	–69.7
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	–33.7	75.9
Cash outflow/inflow from operating activities	**53.6**	**100.6**
Cash inflow from the disposal of intangible assets, property, plant and equipment and investment properties	0.1	1.4
Cash outflow for investments in intangible assets, property, plant and equipment and investment properties	–83.8	–74.2
Cash inflow from investments of funds	–	4.9
Cash inflow from the disposal of non-current assets	2.2	2.1
Cash outflow for investments in non-current assets	–61.7	–81.1
Cash flow from investment activities	**–143.2**	**–147.0**
Repayment of loans and other financial liabilities	–18.6	–2.4
Interest paid	–6.0	–4.6
Cash outflow/inflow from financing activities	**–24.6**	**–7.0**
Cash and cash equivalents at the start of the period	555.6	679.4
Gains and losses from changes in foreign exchange rates	3.0	–2.1
Payment-related changes in cash and cash equivalents	–114.3	–53.4
Cash and cash equivalents at the end of the period	**444.3**	**624.0**

Notes

Segment Reporting

In € million	Strip Steel		Plate/Section Steel		Mannesmann	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
External sales	598.8	609.4	229.6	286.6	290.3	271.0
Sales to other segments	205.5	194.0	225.3	211.1	47.8	33.3
Sales to group companies that are not allocated to an operating segment	1.0	1.0	0.2	0.2	109.2	96.1
Segment sales	805.3	804.4	455.1	497.8	447.3	400.4
Interest income (consolidated)	0.5	0.2	0.0	0.1	0.2	0.2
Interest income from other segments	–	–	0.0	–	–	–
Interest income from group companies that are not allocated to an operating segment	0.0	0.0	0.0	0.2	0.4	0.6
Segment interest income	0.6	0.2	0.1	0.2	0.5	0.8
Interest expenses (consolidated)	3.5	3.2	0.7	0.7	1.7	1.7
Interest expenses to other segments	–	–	–	–	–	–
Interest expenses from group companies that are not allocated to an operating segment	5.5	6.3	1.8	1.2	2.2	1.7
Segment interest expenses	9.0	9.5	2.5	1.9	4.0	3.4
of which interest portion of allocations to pension provisions	3.1	2.7	0.7	0.6	1.1	1.0
Depreciation of property, plant and equipment and amortization of intangible assets	45.4	46.0	9.8	9.6	13.8	14.7
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	45.4	46.0	9.8	9.6	13.8	14.7
EBIT before depreciation and amortization (EBITDA)	100.1	117.9	14.0	20.6	25.6	19.0
Earnings before interest and taxes (EBIT)	54.7	71.9	4.2	10.9	11.8	4.2
Segment earnings before taxes	46.3	62.5	1.7	9.3	8.4	1.6
of which resulting from investments accounted for using the equity method	–	–	–	–	2.7	4.7
Investments in property, plant and equipment and intangible assets	34.3	29.1	24.1	15.8	20.7	16.2

Trading		Technology		Total segments		Industrial Participations / Consolidation		Group	
Q1 2019	**Q1 2018**	**Q1 2019**	**Q1 2018**	**Q1 2019**	**Q1 2018**	**Q1 2019**	**Q1 2018**	**Q1 2019**	**Q1 2018**
797.9	759.8	333.8	327.7	2,250.5	2,254.6	43.3	52.9	2,293.8	2,307.5
16.2	15.3	0.1	0.1	494.9	453.8	187.8	197.8	682.7	651.6
0.0	0.0	–	–	110.3	97.2	–	–	110.3	97.2
814.1	775.2	333.9	327.8	2,855.7	2,805.6	231.1	250.7	3,086.8	3,056.3
1.0	0.6	0.4	1.3	2.2	2.2	2.3	1.4	4.4	3.6
–	–	–	–	0.0	–	10.0	9.6	10.0	9.6
1.3	1.8	0.3	0.2	2.0	2.8	–	–	2.0	2.8
2.3	2.3	0.8	1.5	4.2	5.0	12.2	11.0	16.4	16.0
5.7	3.9	0.6	0.6	12.3	10.1	7.1	6.1	19.4	16.2
0.0	–	–	–	0.0	–	2.0	2.8	2.0	2.8
0.1	0.1	0.3	0.3	10.0	9.6	–	–	10.0	9.6
5.8	4.0	0.9	0.9	22.2	19.7	9.2	8.8	31.4	28.6
0.5	0.5	0.5	0.4	5.8	5.2	3.8	3.6	9.6	8.9
3.2	2.5	5.8	5.3	78.0	78.2	9.4	6.3	87.4	84.6
3.2	2.5	5.8	5.3	78.0	78.2	9.4	6.3	87.4	84.6
9.8	17.9	17.8	15.9	167.3	191.3	61.0	1.8	228.3	193.0
6.5	15.4	12.0	10.6	89.2	113.1	51.7	–4.6	140.9	108.5
3.0	13.8	11.8	11.2	71.2	98.3	54.7	–2.4	125.9	95.9
–	–	–	–	2.7	4.7	50.2	4.8	52.9	9.5
21.3	2.8	12.9	3.2	113.4	67.0	88.1	2.1	201.5	69.1

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, 2019, 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, 2018, 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, 2019.
3. In calculating the fair value of defined benefit obligations as of March 31, 2019, an actuarial rate of 1.25% was applied (December 31, 2018: 1.75%). The resulting increase in provisions for pensions and similar obligations are reported in other comprehensive income (pension revaluation) and incurs a corresponding reduction in equity.
4. IFRS 16 "Leases" that regulates the accounting of leases has been applied throughout the Salzgitter Group since January 1, 2019. Prior year periods have not been adjusted under the modified retrospective approach. SZAG subsidiaries mainly use operating leases, which is the reason why the application of IFRS 16 affects the net assets, financial position and results of operations. The usage rights are reported at the cost of acquisition less accumulated depreciation and amortization and, if appropriate, any necessary impairment. The cost of acquiring the usage rights is calculated as the present value of all future leasing payments plus the lease payments that are remitted on or before the term of the lease commences, as well as the cost of contracts signed and the estimated costs of dismantling or reinstating the leased asset. All leasing incentives received are deducted from the aforementioned. If the leasing payments to be included also entail the transfer of ownership and the exercising of a purchase option relating to the underlying asset at the end of the lease term, the asset will be depreciated over its useful economic life. The usage right will otherwise be written down over the term of the leasing arrangement. The initial recognition of the lease liability assigned to financial liabilities is calculated as the present value of the lease payments to be made less prepayments already remitted. In subsequent measurement, the carrying amounts of the lease liability are compounded and reduced by the lease payments remitted with no effect on income. SZAG's incremental borrowing rate of interest is used for discounting at the time of the first-time adoption. In calculating the incremental borrowing rate of interest, the yield curve depending on the maturity for industrial companies in Europe that corresponds to the rating of the Salzgitter Group is used. In the case of foreign Group companies, the conditions specific to the country are taken into account.
   By contrast, the accounting rules for lessors have remained largely unchanged, particularly with regard to the still required classification of leases pursuant to IAS 17.
   SZAG avails itself of the options under IFRS 16 according to which reporting the usage right and the lease liability can be dispensed with in the case of lease agreements with a term of up to twelve months (short-term leases) and lease agreements on low value assets. Leases that expire on December 31, 2019 and will not be renewed are not reported as short-term lease arrangements for reasons of simplification. The term of the lease is determined at the time when it commences on the basis of the non-cancellable contractual period and while including existing renewal options and termination options. Current information is taken into account in the process inasmuch as an assessment is deemed sufficiently certain. Non-lease components are identified at the beginning only for leases from the areas of real estate and vehicle fleets and are therefore not an integral part of the underlying lease payments.

The table below shows the derivation of liabilities from leases from lease agreements as of January 1, 2019:

In € million	2019/03/31
Right of use of land, similar rights and buildings, including buildings on land owned by others	79.1
Right of use of plant equipment and machinery	50.6
Right of use of other equipment, plant and office equipment	10.7
Non-current assets	**140.4**
Lease liabilities	**146.8**

In the presentation below on the usage rights and the lease liabilities, assets are included that were capitalized through to December 31, 2018 in the context of finance leases pursuant to IAS 17. In the first quarter of 2019, this resulted in the following effects on the balance sheet and on the income statement:

In € million	2019/03/31
Right of use of land, similar rights and buildings, including buildings on land owned by others	–1.6
Right of use of plant equipment and machinery	–5.6
Right of use of other equipment, plant and office equipment	–1.3
Depreciation/amortization	**–8.6**
Lease interest expenses	**–1.0**
In € million	
Minimum lease payments as of December 31, 2018	187.9
Standard simplification rules, effects of discounting with incremental borrowing interest rate as of January 1, 2019 and reestimation of contracts	–64.5
Lease liabilities based on first-time adoption of IFRS 16 as of January 1, 2019	**123.5**
Finance lease liabilities as of December 31, 2018	29.1
Lease liabilities as of January 1, 2019	**152.5**

Selected explanatory notes to the income statement

1. Sales by business segment are shown in the segment report.
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of SZAG, came to € 1.76 in the period under review. Dilution would occur if earnings per share were reduced through the issuance of potential shares from option and conversion rights. Such rights, attached to a convertible bond, existed as of the balance sheet date. When taken into account there is a decrease in earnings per share, as a result of which these option and conversion rights have a dilutive effect. Diluted earnings per share amount to € 1.66.

Disclosures on fair value

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

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

Book value and fair value of the bonds:

In € million	Convertible bond	
	2019/03/31	2018/12/31
Book value	163.0	162.0
Fair value	167.2	166.7

Related party disclosures

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

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

In € million	Sale of goods and services	Purchase of goods and services	Receivables	Liabilities
	01/01/-03/31/2019	01/01/-03/31/2019	2019/03/31	2019/03/31
Non consolidated group companies	9.4	5.4	36.4	3.1
Joint ventures	6.4	3.1	1.3	3.8
Joint operations	0.7	0.2	46.7	32.3
Other related parties	0.2	0.7	2.8	99.9

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

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

Legal disclaimer

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

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

The Quarterly Statement of Salzgitter AG 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

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