INTERIM REPORT

First Half 2022

H1

SALZGITTER AG
People, Steel and Technology

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THE SALZGITTER GROUP IN FIGURES

		H1 2022	H1 2021	+/-
Crude steel production	kt	**3,338.8**	3,377.6	-38.7
External sales	€ m	**6,636.5**	4,435.5	2,201.0
Steel Production Business Unit	€ m	**2,327.6**	1,481.5	846.1
Steel Processing Business Unit	€ m	**1,012.2**	692.6	319.6
Trading Business Unit	€ m	**2,541.9**	1,538.1	1,003.8
Technology Business Unit	€ m	**670.4**	639.3	31.1
Industrial Participations / Consolidation	€ m	**84.5**	84.1	0.3
EBIT before depreciation and amortization (EBITDA)	€ m	**1,138.5**	478.6	659.9
Earnings before interest and taxes (EBIT)	€ m	**999.8**	328.7	671.1
Earnings before taxes (EBT)	€ m	**970.5**	305.7	664.8
Steel Production Business Unit	€ m	**558.8**	120.0	438.8
Steel Processing Business Unit	€ m	**51.6**	-57.4	109.0
Trading Business Unit	€ m	**249.0**	149.3	99.7
Technology Business Unit	€ m	**19.1**	32.5	-13.3
Industrial Participations / Consolidation[1]	€ m	**92.0**	61.4	30.6
Consolidated result	€ m	**781.0**	230.6	550.4
Earnings per share – basic	€	**14.39**	4.20	10.19
Return on capital employed (ROCE)[2]	%	**30.7**	16.4	14.3
Cash flow from operating activities	€ m	**-116.3**	222.1	-338.4
Investments[3]	€ m	**150.0**	160.4	-10.4
Depreciation / amortization[3 4]	€ m	**-138.7**	-149.9	11.2
Total assets	€ m	**11,175.0**	9,000.7	2,174.4
Non-current assets	€ m	**4,098.6**	4,229.0	-130.4
Current assets	€ m	**7,076.5**	4,771.7	2,304.8
of which inventories	€ m	**3,651.9**	2,181.1	1,470.8
of which cash and cash equivalents	€ m	**684.6**	544.6	140.0
Equity	€ m	**4,714.0**	2,998.5	1,715.5
Liabilities	€ m	**6,461.1**	6,002.2	458.9
Non-current liabilities	€ m	**2,538.9**	3,340.2	-801.3
Current liabilities	€ m	**3,922.2**	2,662.0	1,260.1
of which due to banks[5]	€ m	**762.4**	844.7	-82.4
Net financial position on the reporting date[6]	€ m	**-901.4**	-422.5	-479.0
Employees				
Personnel expenses	€ m	**-908.0**	-871.2	-36.8
Core workforce on the reporting date[7]	Empl.	**22,545**	22,414	131
Total workforce on the reporting date[8]	Empl.	**24,232**	24,026	206

Disclosure of financial data in compliance with IFRS
[1] Retroactive adjustment of the previous year's figure due to the new Group structure
[2] Annualized
[3] Excluding financial assets
[4] Scheduled and unscheduled write-downs
[5] Current and non-current bank liabilities
[6] Including investments, e.g. securities and structured investments
[7] Excl. trainee contracts and excl. non-active age-related part-time work
[8] Incl. trainee contracts and incl. non-active age-related part-time work

PROFITABILITY OF THE GROUP AND ITS BUSINESS UNITS

EARNINGS SITUATION WITHIN THE GROUP

		Q2 2022	Q2 2021	H1 2022	H1 2021
Crude steel production	kt	1,626.3	1,733.1	3,338.8	3,377.6
External sales	€ m	3,286.7	2,341.4	6,636.5	4,435.5
EBIT before depreciation and amortization (EBITDA)	€ m	590.3	275.8	1,138.5	478.6
Earnings before interest and taxes (EBIT)	€ m	521.0	200.1	999.8	328.7
Earnings before taxes (EBT)	€ m	505.2	188.4	970.5	305.7
Consolidated result	€ m	412.2	154.1	781.0	230.6
Return on capital employed (ROCE)[1]	%	32.0	20.1	30.7	16.4
Investments	€ m	82.8	81.3	150.0	160.4
Depreciation / amortization	€ m	-69.4	-75.6	-138.7	-149.9
Cash flow from operating activities	€ m	-101.0	113.3	-116.3	222.1

[1] Annualized

In the first six months of 2022, the **Salzgitter Group** delivered the highest operating result for a first half-year in the company's history. Rolled steel product prices meanwhile running at a record level sent profit up by leaps and bounds for the Steel Production, Steel Processing and Trading business units that were the key drivers behind the exceptional earnings trend in the period under review. The Technology business unit, along with the industrial participations, however, also contributed positive results. The Salzgitter Group's **external sales** saw price-induced growth of 50 % to € 6,636.5 million (H1 2021: € 4,435.5) million. **Earnings before interest, taxes, depreciation and amortization** (EBITDA) increased to € 1,138.5 million, while the **pre-tax result** even more than trebled to € 970.5 million (H1 2021: € 305.7 million). This figure includes a contribution of € 84.3 million from the participating investment in Aurubis AG accounted for using the equity method (H1 2021: € 91.0 million). **After-tax profit** of € 781.0 million (H1 2021: € 230.6 million) brings earnings per share to € 14.39 (H1 2021: € 4.20). Return on capital employed (ROCE) came in at 30.7 % (H1 2021: 16.4 %).

SPECIAL ITEMS

	EBT		Restructuring		Impairment / Reversal of impairment		Other		EBT without special items	
In € million	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
Steel Production	558.8	120.0	–	–	–	–	–	–	558.8	120.0
Steel Processing	51.6	-57.4	–	–	–	–	–	–	51.6	-57.4
Trading	249.0	149.3	–	–	–	–	–	–	249.0	149.3
Technology	19.1	32.5	–	–	–	–	–	–	19.1	32.5
Industrial Participations / Consolidation	92.0	61.4	–	–	–	–	–	–	92.0	61.4
Group	970.5	305.7	–	–	–	–	–	–	970.5	305.7

RETURN ON CAPITAL EMPLOYED (ROCE)

In € million	H1 2022	H1 2021
EBT	970.5	305.7
+ Interest expenses	33.1	26.5
– Interest expenses for pension provisions	13.9	12.4
= EBIT I	989.7	319.8
Total assets	11,175.0	9,000.7
– Pension provisions	1,460.8	2,170.1
– Other provisions excluding provision for income taxes	518.7	501.4
– Liabilities excluding bonds, bank liabilities and notes payable, liabilities from finance leasing and forfaiting, derivatives	2,489.3	2,023.9
– Deferred tax claims	253.0	404.7
= Capital employed	6,453.2	3,900.5
in %		
ROCE	30.7	16.4

ROCE is an important financial performance indicator and an integral part of the internal system of management and control. The quantitative, performance-related target set for the Salzgitter Group consists of a ROCE of at least 12 % over an economic cycle that we generally define as a period of five years. ROCE came in at 30.7 % in the first half of 2022 (H1 2021: 16.4 %).

More detailed explanations on the derivation of ROCE are provided in the section on "Financial Control System" of the 2021 Annual Report.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)/EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

In € million	H1 2022	H1 2021
EBT	970.5	305.7
+ Interest expenses	33.1	26.5
– Interest income	3.8	3.5
= EBIT	999.8	328.7
+ Depreciation / amortization[1]	138.7	149.9
= EBITDA	1,138.5	478.6

[1] Depreciation / amortization of tangible and intangible fixed assets and non-current financial assets

The EBIT and EBITDA earnings ratios indicate the operating strength of a company set apart from its capital structure. These ratios allow and additional analysis and assessment of a company's results, as well as facilitating comparability with its peers at an operating level. Differences in taxation specific to the respective country, as well as special features concerning the structure of financing and property, plant and equipment of the individual company, can therefore be disregarded. With depreciation and amortization figures somewhat lower than in the first half of 2021, the significant increase in the pre-tax result is also reflected by significantly improved EBIT and EBITDA.

STEEL PRODUCTION BUSINESS UNIT

		Q2 2022	Q2 2021	H1 2022	H1 2021
Order intake[1]	kt	980.3	1,359.5	2,567.0	2,831.2
Order backlog on reporting date[1]	kt	1,069.3	1,267.8	1,069.3	1,267.8
Crude steel production	kt	1,320.1	1,365.0	2,710.3	2,667.3
Salzgitter Flachstahl	kt	1,064.5	1,067.2	2,168.5	2,099.3
Peiner Träger	kt	255.6	297.8	541.7	568.0
Rolled steel production	kt	1,038.4	1,117.3	2,263.2	2,355.8
Salzgitter Flachstahl	kt	813.5	839.3	1,770.3	1,799.8
Peiner Träger	kt	224.9	278.0	492.9	556.0
Shipments	kt	1,368.0	1,410.6	2,873.1	2,940.6
Segment sales[1]	€ m	1,579.2	1,042.5	3,183.0	2,036.8
External sales	€ m	1,123.2	738.3	2,327.6	1,481.5
EBIT before depreciation and amortization (EBITDA)	€ m	306.9	117.3	637.7	200.8
Earnings before interest and taxes (EBIT)	€ m	270.5	80.2	564.9	127.2
Earnings before taxes (EBT)	€ m	268.5	76.7	558.8	120.0

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

Along with the two steel producing companies of Salzgitter Flachstahl GmbH and Peiner Träger GmbH, the **Steel Production Business Unit** also comprises DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) as an important internal transformation partner for our SALCOS® – Salzgitter Low CO_2-Steelmaking program. With the aim of massively reducing carbon emissions in steel production, we are incrementally switching the production of steel to a hydrogen-based route under SALCOS®. In contrast to the former process involving blast furnaces, hydrogen and green electricity will replace the carbon formerly required for producing steel (↗ https://salcos.salzgitter-ag.com/en/). Salzgitter AG plans to have completed the technical transformation of the steelworks to accommodate the new procedure by the year 2033. This technology enables steel production's carbon footprint to be reduced by 95 %. Furthermore, the business unit includes the companies of Salzgitter Mannesmann Stahlservice GmbH (SMS), Salzgitter Bauelemente GmbH (SZBE) and Salzgitter Europlatinen GmbH (SZEP).

MARKET DEVELOPMENT

The steel market proved to be turbulent in the first six months of the year. The war in Ukraine caused global steel shortages and sent demand for domestic products up, in particular for hot-rolled strip, wide strip and heavy plate. Coupled with the expectation of rising prices, customers' concerns about supply translated into above-average inventory replenishment by the stockholding steel trade, accompanied by a price rally in the spot business. The trend reversal that set in at the start of April had sent prices down to around pre-war levels by the end of June. The determining factor in this context consisted of supply shortfalls not materializing and sluggish uptake, largely from the automotive industry whose value chain remains considerably challenged due to the lack of input materials. At the same time the industry's orders on hand are running at a record high. Along with steel producers, the order intake of the German industry at large recently entered a decline, however, an effect only marginally cushioned by new tube projects in the energy sector. The surge in energy costs in the period under review also left its mark on market development in the sections business. Consequently, the stockholding steel trade set about notably replenishing below-average inventories at the start of the year in anticipation of prices rising further. Higher demand initially held steady in the second quarter. Consequently, the stockholding steel trade booked high tonnage levels, which led to good capacity utilization at producers right through to June. Against the backdrop of demand slowing considerably again, order volumes dipped as from the start of May, with a corresponding impact on production in the summer quarter.

PROCUREMENT

IRON ORE

The war in Ukraine has so far not incurred any severe impact on iron ore prices, as only small volumes of iron ore fines are exported from Russia and Ukraine. In the case of iron ore pellets, however, the war has caused severe shortages of high-grade blast furnace pellets, sending premiums up sharply. Similar price hikes for high quality lump ore as a substitute for pellets and fines qualities that allow sinter production to be ramped up were also recorded. In comparison with the year-earlier period, prices quoted in the first quarter dropped 15 % to 142 USD/dmt. At the start of the second quarter, prices softened again, due above all to developments in China. The repeatedly protracted lockdowns in various regions and major cities put a cap on many construction undertakings, with the commensurate impact on the demand for steel. Reports that the Chinese government will launch new infrastructure projects, thereby bolstering demand for steel over the remainder of the year, were at best able to stall price declines. The end of the first big wave of lockdown measures triggered an only short-lived rebound of the steel market and consequently also of the iron ore market. Compared with the previous year's quarter, prices dropped 31 % to 138 USD/dmt.

COKING COAL

Given the low level of availability of free spot volumes, FOB Australia prices increased significantly above 400 USD/t again at the beginning of the year. Following on from Russia's invasion of Ukraine, and the associated stocking up, the price FOB Australia reached a new record high of 670.50 USD/t. After consumers had made their purchases at the end of March, a price correction set in with prices falling to just under 400 USD/t FOB Australia. As against the year-earlier period, the index soared by 284 % to 488 USD/t. Prices continued to trend down in the second quarter. Along with the increase in the supply of high-grade coking coal, contracting steel margins also prompted a more cautious stance on the part of consumers. Prices averaged 446 USD/t in the second quarter of 2022, reflecting growth of 224 % compared with the previous year's period.

Salzgitter AG does not source iron ore, pellets or coking coal from Russia or Ukraine. The low volume of coal for injection that has been supplied by Russia to date will be procured from alternative sources. We hedge defined iron ore and coking coal volumes in order to mitigate the procurement risks.

STEEL SCRAP

Supply and demand on Germany's scrap market held the balance at the start of the year before significant price hikes kicked in over the course of the first quarter, triggered by the war in Ukraine. Turkish steel producers benefited especially from the absence of Russian, Ukrainian and Belorussian market participants, which resulted in strong demand on their part for scrap. Moderate price increases were initially also recorded in the second quarter. The market reversed in May and June, and scrap prices plunged in Germany. The steep decline was once again determined by Turkish scrap importers' purchasing behavior: Contrary to market participants' original expectations, they did not return to the market at the start of May. The lockdown in China, as well as the aggressive presence of Chinese producers, among others, on the international steel market put strong pressure on the price of structural steel. Moreover, steel consumers held back their orders in anticipation of prices falling again, which also influenced steel and scrap prices.

BUSINESS DEVELOPMENT

The Steel Production Business Unit's **order intake** did not match the year-earlier figure due to the significant slowdown in orders in the second quarter, above all in the sections segment. **Crude steel production** settled marginally above the year-earlier level, while **rolled steel production** decreased below this level due to PTG's lower volumes. At the end of June, **orders on hand** had dropped below year-earlier levels, while **shipments** almost matched the figures posted in the first six months of 2021. Significantly higher selling price, particularly for strip steel products and sections, along with steel scrap price hikes at DMU, were reflected in a considerable increase in **segment** and **external sales**. With SZFG's record result and PTG's excellent performance, **EBITDA** of € 637.7 million (H1 2021: € 200.8 million) and € 558.8 million in **earnings before taxes** were reported (H1 2021: € 120.0 million). DMU and the other companies of the business unit also generated significantly higher contributions to earnings than in the previous year. Burdens emanated from the sharp increase in commodity prices, particularly coking coal, alloy agents and scrap, as well as energy.

INVESTMENTS

With a view to securing the supply of pig iron, the relining of SZFG's Blast Furnace A has been approved. The investment project's main contract has been awarded and preliminary work has commenced.

Increased customer requirements for galvanized high-strength and ultra-high-strength steel grades are being accommodated through the construction of the Hot Dip Galvanizing Line 3 in Salzgitter. With the construction work now largely completed, the facilities are currently undergoing functional testing. In support of this testing, the first coil was galvanized at the end of the second quarter.

A hydrogen-fueled direct reduction plant, designed for flexible use with natural gas / hydrogen, is being built on the Salzgitter site as a pilot facility for SALCOS®. Work on the foundations and building construction have been completed. The plant is currently in the assembly phase.

On July 13, Salzgitter AG's Supervisory Board unanimously approved the release of company funds amounting to €723 million for the first stage of the SALCOS® program. The early start to the measures that these funds permit will enable us to adhere to our ambitious schedule for decarbonizing steel production. Along with the Salzgitter AG's own funds, the company is counting on public start-up funding. The approval and appraisal process for these funds has not yet been fully concluded. SALCOS® is aimed at converting the integrated steelworks into low-carbon crude steel production in three stages over the period up until 2033. As part of the first stage of development, an electrolyzer, a DRI plant and an electric arc furnace are to be built by the end of 2025. These facilities can be used to produce 1.9 million tons of low carbon crude steel a year, thereby replacing a blast furnace and a converter.

STEEL PROCESSING BUSINESS UNIT

		Q2 2022	Q2 2021	H1 2022	H1 2021
Order intake	€ m	763.8	567.2	1,552.3	1,043.3
Order backlog	€ m	1,095.7	780.0	1,095.7	780.0
Crude steel production	kt	306.1	368.1	628.6	710.2
Rolled steel production	kt	295.8	250.0	587.2	493.6
Shipments	kt	414.2	330.8	833.6	675.7
Segment sales[1]	€ m	872.8	542.7	1,656.2	1,046.6
External sales	€ m	545.5	358.3	1,012.2	692.6
EBIT before depreciation and amortization (EBITDA)	€ m	63.0	–8.8	82.4	–18.5
Earnings before interest and taxes (EBIT)	€ m	49.7	–27.5	56.3	–55.2
Earnings before taxes (EBT)	€ m	47.2	–29.0	51.6	–57.4

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

The **Steel Processing Business Unit** comprises the Salzgitter Group's steel tubes and pipes producing companies and heavy plate activities in the form of various medium-sized steel processing companies with similar core processes and operating value drivers. The tubes and pipes portfolio covers a wide range of line pipe diameters with the EUROPIPE Group (EP Group; 50 %), Mannesmann Line Pipe GmbH (MLP), as well as Mannesmann Grossrohr GmbH (MGR). The business unit also includes the precision steel tubes of the Mannesmann Precision Tubes Group (MPT Group) and the seamless stainless and nickel-based tubes of the Mannesmann Stainless Tubes Group (MST Group). The two heavy plate mills of Ilsenburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB) also form part of the business unit. Along with standard grades, Ilsenburg produces high strength and sour gas resistant plate. MGB's competence resides above all in the production of line pipe plate for on- and offshore pipelines in medium to large batch sizes. Through its participation in Hüttenwerke Krupp Mannesmann GmbH (HKM), the business unit has its own supply of input material.

HKM is reported at 30 % on a proportionate basis and is included accordingly in the order intake, sales and the result of the business unit, but not in the figures for orders on hand and shipments. The participating investments in the EP Group and in Turkish pipes producer Borusan Mannesmann Boru Yatirim Holding A.S. (BMBYH; 23 %) are accounted for using the proportionate after-tax result (at-equity consolidation).

MARKET DEVELOPMENT

QUARTO PLATE

On the quarto plate market, infrastructure projects led to a growing need for steel in the wind energy industry and in steel construction in the beginning of the year. Demand peaked at the end of the first quarter, with quarto plate prices surging abruptly. This uptrend was attributable to heavy plate shortfalls as a result of the war and the significant decline in plate and slab imports from Ukraine. Stronger demand slowed over the course of the second quarter again against the backdrop of the increase in the supply of heavy plate from southern European re-rollers and higher import volumes from other regions. Extending the anti-dumping measures against China that expired in March is currently being reviewed by the EU Commission. In any event, duties will remain in force until the review has been concluded. Furthermore, in the context of safeguards, the EU Commission decided to replace the country-specific quotas for heavy plate by a global quota, effective as from July 1, 2022.

STEEL TUBES AND PIPES

The sharp rise in oil and gas prices and the foreseeable shortage of gas caused by the war in Ukraine fueled the investment propensity of oil and gas groups operating on an international scale. Thus, the number of pipeline projects to be awarded on the large-diameter pipe market increased notably in the first six months. In the case of medium-diameter line pipes, the strong demand triggered by the war in Ukraine was initially reported in Germany and Europe, with orders running at above-average levels, a trend that did not perpetuate in the second quarter. The precision tubes market was characterized by vehicle production cut-backs. By contrast, requirements from the markets of industry and the energy sector remained largely stable. After the strong start to the year 2022 in the market for seamless stainless steel tubes, massive turbulence on the commodities market, exacerbated by the energy crisis, caused demand to plunge from March onward. Surging prices prompted notable reticence in orders being placed, with major projects in particular being put back in anticipation of prices returning to calmer waters. Since the beginning of the second quarter, the stockholding steel trade has also only been placing orders that were absolutely necessary to replenish inventories.

BUSINESS DEVELOPMENT

Compared with the previous year's period, the Steel Processing Business Unit's **order intake** and **orders on hand** rose tangibly on the back of strong growth in the heavy plate and in the steel tubes segment. In this context, activity at the Mülheim heavy plate mill essentially reflected the two pipeline projects with the EP Group, while ILG benefited from a more advantageous market situation, also due to the lack of exports from eastern Europe, among other factors. In the large-diameter pipes business, further projects were acquired alongside the Wilhelmshaven pipeline that is to connect up with the LNG terminal still to be built by the end of the year. The tight supply chain situation in the precision tubes products segment negatively impacted bookings in the automotive business. Higher selling prices in response to the very steep increases in input materials and energy costs resulted in the year-earlier figure being exceeded, however. The generally improved order situation led to the business unit's **shipments** increasing by almost 25 % compared with the previous year's level. **Segment** and **external sales** advanced considerably thanks to the price- and volume-induced increases in all companies compared with the first half of 2021. The business unit generated **EBITDA** of € 82.4 million (H1 2021: € –18.5 million) and **EBT** came in at € 51.6 million (H1 2021: € –57.4 million). The turnaround was determined by the significantly improved results of the two heavy plate companies. A counter effect emanated from the sharp increase in input material and energy costs that burdened the results of the precision tubes and stainless tubes group in particular.

TRADING BUSINESS UNIT

		Q2 2022	Q2 2021	H1 2022	H1 2021
Shipments	kt	938.8	921.7	2,000.7	1,809.6
Segment sales[1]	€ m	1,259.6	874.5	2,585.7	1,556.2
External sales	€ m	1,239.3	864.8	2,541.9	1,538.1
EBIT before depreciation and amortization (EBITDA)	€ m	156.2	107.5	258.1	155.6
Earnings before interest and taxes (EBIT)	€ m	152.3	103.4	250.2	147.4
Earnings before taxes (EBT)	€ m	150.9	104.6	249.0	149.3

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

The **Trading Business Unit** comprises a well-developed organization of stockholding steel trading subsidiaries in Europe with a wide range of processing capabilities, various companies specialized in plate, as well as an international trading network spanning the globe. Along with selling rolled steel and tubes products of the Salzgitter Group and complementary products of other producers, feedstock is also procured on the international markets for Group companies and external customers.

MARKET DEVELOPMENT

The demand for steel on the key markets of the Trading Business Unit, especially of the European stockholding steel trade, was determined by the effects of the war in Ukraine in the first half of 2022. The huge issue of supply uncertainty at the beginning of the conflict drove sales volumes and prices up again to heights that significantly exceeded the level posted at the already upbeat start to the year. The effect of the war on international trading manifested above all in a challenging situation in logistics, with reports of rising prices and dwindling capacities. Over the course of the second quarter, demand was increasingly seen to return to more normal levels, with both volumes and prices declining.

BUSINESS DEVELOPMENT

The **shipments** of the Trading Business Unit grew considerably compared with the previous year's period. This performance was attributable to international trading's sound shipment tonnage. The UES Group reported stable shipments, as opposed to the stockholding steel trade whose shipments dropped below the year-earlier level in the course of the downtrend in the second quarter. Compared with the first six months of 2021, **segment** and **external sales** surged, also on the back of prices. Another uptrend in prices, in conjunction with lower inventory prices in the stockholding business and at the UES Group, along with the gratifying developments in volumes and margins in international trading, delivered an excellent **EBITDA** of € 258.1 million (H1 2021: € 155.6 million) and € 249.0 million **earnings before taxes** (H1 2021: € 149.3 million).

TECHNOLOGY BUSINESS UNIT

		Q2 2022	Q2 2021	H1 2022	H1 2021
Order intake	€ m	406.9	390.7	925.6	748.7
Order backlog on reporting date	€ m	1,151.4	819.6	1,151.4	819.6
Segment sales[1]	€ m	337.0	338.5	671.0	639.5
External sales	€ m	336.7	338.4	670.4	639.3
EBIT before depreciation and amortization (EBITDA)	€ m	12.9	13.8	31.9	45.6
Earnings before interest and taxes (EBIT)	€ m	6.1	7.3	18.1	32.6
Earnings before taxes (EBT)	€ m	6.0	7.4	19.1	32.5

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

Three manufacturers of special machinery steeped in tradition are grouped within the **Technology Business Unit**. Around 90 % of sales is generated by the KHS Group that, as a plant engineering specialist, holds a leading position in filling and packaging technology. KHS is a full-line supplier. Its product range covers intralogistics and processing through to the filling and packaging of beverages. The Klöckner DESMA Elastomer Group (KDE Group) manufactures injection molding machinery for rubber and silicon products, while DESMA Schuhmaschinen GmbH (KDS) sells special machinery for the shoe industry. Both companies are market leaders within their respective segment.

MARKET DEVELOPMENT

Despite all adversity, the German Engineering Federation (VDMA) views the global demand for new machinery and plants as intact. Incoming orders outperformed the year-earlier level in the second quarter of 2022. Following months of an initial downturn, the VDMA recently reported growth for the industry again.

New orders placed for packaging machinery in the first half year significantly exceeded the previous year's level, boosted by higher order intake from international customers. By contrast, domestic demand entered a pronounced downtrend.

BUSINESS DEVELOPMENT

The Technology Business Unit's **order intake** in the first six months of 2022 achieved growth that outpaced the industry trend. The KHS Group delivered year-on-year growth of 25 %. The project business in particular was bolstered by sustained strong demand. The KDE Group and KDS also increased their order intake. The Technology Business Unit's **orders on hand** mirrored the development of order intake, achieving record levels. **Segment** and **external sales** in the first six months were higher year-on-year. All in all, the Technology Business Unit generated **EBITDA** of € 31.9 million (H1 2021: € 45.6 million) and **EBT** of € 19.1 million (H1 2021: € 32.5 million). The previous year's result was positively impacted by the disposal of KHS Group's pouch business (€ 18.8 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 already made a significant contribution to the higher result achieved and is aimed at promoting the development of the company in the future against the backdrop of a fiercely competitive and challenging market environment.

INDUSTRIAL PARTICIPATIONS / CONSOLIDATION

		Q2 2022	Q2 2021	H1 2022	H1 2021
Sales[1]	€ m	336.1	256.5	634.3	477.3
External sales	€ m	42.1	41.6	84.5	84.1
EBIT before depreciation and amortization (EBITDA)[2]	€ m	51.3	45.9	128.4	95.0
Earnings before interest and taxes (EBIT)[2]	€ m	42.3	36.7	110.4	76.7
Earnings before taxes (EBT)[2]	€ m	32.6	28.6	92.0	61.4

[1] Including sales with other business units in the Group
[2] Retroactive adjustment of the previous year's figure due to the assignment of HSP Spundwand und Profil GmbH

Industrial Participations / Consolidation comprises activities that are not directly allocated to a business unit. As a management holding company, Salzgitter AG does not have any operations of its own. Instead, it manages Salzgitter Mannesmann GmbH and Salzgitter Klöckner Werke GmbH under which the major companies of the Salzgitter Group are held. In addition, the results of companies operating primarily within the Group, as well as those of Group companies that support the core activities of the business units with their products and services, are recorded here.

Sales in the Industrial Participations / Consolidation segment, which are based mainly on business in semi-finished products with subsidiaries and external parties, rose notably compared with the first six months of 2021 due to increased economic activity. **External sales** remained stable. **EBITDA** (€ 128.4 million; H1 2021: € 95.0 million) includes a contribution of € 84.3 million from the participating investment in Aurubis AG accounted for using the equity method (H1 2021: € 91.0 million). **Earnings before taxes** of € 92.0 million notably exceeded the previous year's figure (H1 2021: € 61.4 million). The results from the valuation of derivatives positions and net interest income from cash management of the consolidated group delivered a positive, significantly higher net contribution in comparison with the previous year (€ 17.3 million; H1 2021: € 2.5 million). The companies that mainly operate on behalf of the Group lifted their profit contribution considerably compared with the year-earlier period, also through the disposal of a property.

FINANCIAL POSITION AND NET ASSETS

NOTES TO THE BALANCE SHEET

The **total assets** of the Salzgitter Group rose by € 920 million in the first six months of 2022 compared with December 31, 2021.

Non-current assets dropped by € 152 million as against the last reporting date. In this context, the shares in the companies accounted for using the equity method increased slightly (€ +85 million). Investments in intangible assets and in property, plant and equipment (€ +150 million) marginally exceeded the level of scheduled depreciation and amortization of fixed assets (€ –139 million) in the period under review. Deferred tax assets (€ –239 million) declined as a result of the higher interest rate level and therefore lower pension provisions. **Current assets** climbed by € 1,072 million, a sharp rise in comparison with the last reporting date, which was due in particular to the substantial increase in trade receivables, including contract assets (€ +557 million). As against the last balance sheet date, inventories also advanced notably (€ 529 million). The decline in cash and cash equivalents (€ –57 million) and the lower level of securities held as current assets (€ –50 million) were offset by higher receivables and assets (€ +87 million).

On the **liabilities side**, equity increased considerably (€ +1,357 million) on the back of the positive consolidated results, as well as the re-evaluation of pension provisions without effect on income due to the higher actuarial rate of 3.4 % (2021/12/31: 1.3 %). Accompanied by a similar increase in total assets, the equity ratio rose to a very sound 42.2 % (2021/12/31: 32.7 %). Non-current liabilities were € –708 million lower overall than the year-earlier figure, which reflected the lower level of pension provisions in particular. Current liabilities rose by € 272 million. While trade payables, including contract liabilities (€ –42 million), were noticeably lower than on the last reporting date, current financial liabilities (€ +241 million) and other liabilities (€ +69 million) have risen.

Due a reporting-date-related increase in working capital, the **net financial position** of € –901 million dropped tangibly below the level posted on the balance sheet date at year-end 2021 (€ –544 million). Cash investments, including securities (€ 709 million; 2021/12/31: € 820 million) were offset by liabilities of € 1,610 million (2021/12/31: € 1,365 million), of which € 606 million were held at banks (2021/12/31: € 688 million). As before, assets and liabilities from leasing arrangements are not considered in the net financial position. The higher business volume is evidenced by the significant rise in trade receivables on the balance sheet date that will impact the net financial position positively only when payment is made. We are therefore anticipating a significant improvement in the net financial position in the second half-year. Conversely, the higher level of inventories as of the reporting date was already adversely reflected by the decrease in liabilities.

NET FINANCIAL POSITION

Net financial position = cash investments – financial liabilities of the net financial position

In € million	2022/06/30	2021/12/31
Cash and cash equivalents acc. to balance sheet	684.6	741.8
+ Certificates held for trading	0.0	0.0
+ Other investments of funds[1]	24.3	78.3
= Investments of funds	**708.9**	**820.1**
Financial liabilities acc. to balance sheet	1,752.9	1,514.7
– Liabilities from leasing agreements, from financing / financial transactions and other	142.6	150.2
= Financial liabilities of net financial position	**1,610.3**	**1364.5**
Net financial position	**–901.4**	**–544.4**

1 Securities, loans excl. valuation allowances (€ 21.1 million; previous year: € 75.3 million) and incl. other cash investments reported under other receivables and other assets (€ 3.1 million; previous year: € 3.0 million)

NOTES TO THE CASH FLOW STATEMENT

Given a pre-tax result of € 971 million, a negative **cash flow from operating activities** of € –116 million was reported (previous year: € +222 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 € –78 million (previous year: € –198 million) includes a repayment of cash investments (€ –50 million). The disbursements for investments in intangible assets and in property, plant and equipment (€ –143 million; year-earlier period: € –156 million) correspond to the previous year and a customary level that also includes the completion of strategic projects. Proceeds from the disposal of property, plant and equipment had an offsetting effect.

Payouts made to our shareholders (dividend) and the repayment of loans and interest payments were offset by borrowing and other financial liabilities, resulting in an overall positive **cash outflow from financing activity** (€ +123 million; year-earlier period: € –106 million).

As a result of the negative overall cash flow, **cash and cash equivalents** (€ 685 million) decreased accordingly compared with December 31, 2021 (€ 742 million).

EMPLOYEES

	2022/06/30	2021/12/31	Change
Core workforce[1]	**22,545**	**22,356**	**189**
Steel Production Business Unit	**7,342**	7,158	184
Steel Processing Business Unit	**5,328**	5,341	−13
Trading Business Unit	**1,937**	1,934	3
Technology Business Unit	**5,307**	5,298	9
Industrial Participations / Consolidation	**2,631**	2,625	6
Apprentices, students, trainees	**1,055**	1,310	−255
Non-active age-related part-time employment	**632**	590	42
Total workforce	**24,232**	**24,255**	**−23**

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

As of June 30, 2022, the **core workforce** of the Salzgitter Group numbered 22,545 employees, which is 189 persons more than at the end of the financial year 2021. At +144 persons, the lion’s share of the higher employee numbers was attributable to Salzgitter Flachstahl GmbH and workload-related additional staffing requirements, as well as to the ahead-of-time taking over agency workers that was in any case already part of planning. A total of 216 trainees were hired during the reporting period, 159 of whom were given temporary contracts. A countereffect emanated above all from members of the company going into non-active age-related part-time or reaching retirement age. The **total workforce** stood at 24,232 persons. The number of **temporary staff** outsourced stood at 1,140 on June 30, 2022, which is 137 persons more than on the previous year’s reporting date. At the end of the reporting period, 156 employees were working **short time** in the domestic Group companies, 87 of whom at Salzgitter Mannesmann Stahlservice GmbH and 56 at Salzgitter Europlatinen GmbH.

FORECAST, OPPORTUNITIES AND RISK REPORT

OUTLOOK

Compared with the previous year, the business units anticipate that business in the financial year 2022 will develop as follows:

As part of the **Steel Production Business Unit,** the strip steel segment expects business to develop extremely well. Although disrupted supply chains caused production downtime in the automotive industry in the first six months, alternative customers were largely found. As from the fall, supply bottlenecks are expected to ease and, consequently, demand from the automotive industry should rebound. Our order intake and orders on hand display a healthy selling price level. On the raw materials front, we expect much lower costs for iron ore, but significantly higher costs for coking coal. In terms of strip steel products, we anticipate a sound earnings level in the coming months that is nevertheless lower than in the first half of the year. With regard to sections, we predict good earnings as well that will also drop below the level achieved in the first six months. All in all, we anticipate an increase in sales boosted by higher average selling prices in the Steel Production Business Unit, along with EBITDA and a pre-tax profit that are significantly higher compared with the year-earlier period.

The companies of the **Steel Processing Business Unit** generally expect a tangible improvement in the business situation. Positive effects from the commissioning of Ilsenburg's new heat treatment line, the production of feedstock for EUROPIPE's "Scarborough contract" in the Mülheim mill, coupled with the advantageous market situation in the second quarter, are resulting in good capacity utilization for the companies producing heavy plate. The German mill of the EUROPIPE Group and Mannesmann Grossrohr GmbH, thanks to the orders acquired in connection with two German LNG terminals, are reporting improved capacity utilization and predicting further booking opportunities. The US EUROPIPE companies, however, continue to be determined by unsatisfactory bookings. In the medium-diameter line pipes segment, volumes are expected to gain momentum. The precision tubes companies assume higher volumes in all product areas but, as with the stainless tubes group, are confronted by reticence on the part of market participants. All in all, we forecast the following for the business unit: a notable increase in sales and – despite the pronounced burden from energy prices on all companies – markedly improved, positive EBITDA compared with the previous year. The pre-tax result will also track this upbeat trend that will be reinforced by the non-recurrence of the impairment carried out in the previous year.

The **Trading Business Unit** expects a tangible decrease of margins and volumes in the second half of the year, which will also be reflected in the results. This situation will mainly impact on the stockholding steel trade and the UES Group that both reported excellent profitability in the first half year. Owing to the sound order backlog, accompanied by declining volumes, in international trading, business is expected to remain satisfactory. Overall, we predict an increase in shipments and sales for the business unit and key earnings figures below the historically exceptional year-earlier period.

Based on the high level of orders on hand and good order intake, the **Technology Business Unit** predicts sales growth compared with the previous year. The earnings trend is expected to improve in the second half of the year. Adjusted for the effect on earnings from the disposal of the pouch business (€ 18.8 million) in the financial year 2021, EBITDA and the pre-tax result are likely to exceed the year-earlier figures. This forecast is underpinned, on the one hand, by the ongoing strong demand for products of the companies that are part of the business unit, as well as, on the other, by the rigorous pursuit of the profitability and growth programs under way. Sustained supply and capacity bottlenecks on the procurement markets, compounded by geopolitical tensions, give rise to uncertainty for the anticipated development.

As a result of steel prices consolidating as from the second quarter, we expect the above-average margins to narrow as the year progresses. While also factoring in the geopolitical situation, we therefore continue to anticipate the following for the **Salzgitter Group** in the financial year 2022:

- sales in the region of € 13 billion,
- EBITDA of between € 1.4 billion and 1.6 billion,
- EBT of between € 1.0 billion and € 1.2 billion, and
- a return on capital employed (ROCE) above the previous year's figure.

This guidance is based on the assumption of the ongoing, unlimited availability of natural gas as a prerequisite for maintaining production. We make explicit reference to virtually unquantifiable risks in connection with the war in Ukraine, the impact of which has already triggered a notable economic downturn and energy prices rising by leaps and bounds.

RISK MANAGEMENT

At the time of reporting, we find ourselves dealing with the impact of the Russia/Ukraine war, and are facing disruptions 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. At present, and to the extent foreseeable, we have factored the effects on earnings in the companies into guidance for the current year, as far as can be estimated.

Despite reduced discernibility, there were no risks that could endanger the Salzgitter Group as a going concern as of the reporting date. With regard to the individual **opportunities and risks**, we make reference to the Annual Report 2021.

GEOPOLITICAL RISKS

Russia launched its military attack on Ukraine on February 24, 2022. With regard to Salzgitter Group, the economic uncertainties resulting from the **Russia/Ukraine war** pertain in particular to price trends and supply reliability on the procurement markets for energy and commodities and future sales prospects. The direct impact on our customers and suppliers changes periodically. Framework conditions shifting at short notice makes it impossible to reliably quantify the consequences. With regard to supply reliability, we are in contact with alternative suppliers, or have already identified them, and expect delivery in line with requirements to continue. The decline in sales in the war-affected regions of Russia and Ukraine is of minor significance for us.

The delivery volumes of Russian natural gas have declined by around 60 % in recent weeks. At the political level, countermeasures, such as substituting coal-fired generation for gas, as well as further savings on gas in industry and in households are under discussion. Furthermore, the construction of LNG terminals on the coast and ramping up imports from Norway and the Netherlands have been initiated in order to significantly mitigate the medium-term dependence on Russian gas and to achieve independence. The limited availability of natural gas can no longer be excluded.

A stable **supply of natural gas** is fundamentally important for our Group. Appropriate monitoring is being carried out to keep a close eye on the situation across the Group. It should be noted that significant areas of our activities are less affected. Metallurgy for steel production at the Salzgitter site can be operated independently, while processing slabs into coils necessitates natural gas. Due to the district heating supply of nearby residential areas by Salzgitter Flachstahl GmbH, we expect – if it comes to it – to receive emergency supplies from the grid operator pursuant to Section 53a of Germany's energy industry law. Section production at the Peine site would also still be able to continue if natural gas supplies were limited, albeit at lower output volumes. Furthermore, we emphasize the fact that the companies of our Technology and Trading business units would not be directly affected.

China's still volatile coronavirus infection rates, in combination with its zero COVID-19 strategy, is still negatively impacting the replenishment of various supply chains, especially in the manufacturing and automotive industries. Steel demand in China itself has also declined due to the restrictions placed on public life, accompanied by minimal production cutbacks and larger volumes being earmarked for export.

In the knowledge that the global supply chains are extremely vulnerable, conclusions can also be drawn about new developments for companies producing and selling mainly in Europe, such as Salzgitter AG. Re-localizing production chains, new infrastructure investment, along with the strategic privatization of local suppliers versus importers, could increase the need for local products in the medium term.

ECONOMIC RISKS

The extremely volatile price of input raw materials, energy and preliminary products resulting from the aforementioned developments have triggered the highest **inflation rates** in Germany since the 1970s. On March 30, 2022, the German government's Council of Experts lowered its economic forecast for 2022 from 4.6 percent to 1.8 percent, which was still based on the assumption of secure natural gas supplies.

When considering a possible full **embargo on natural gas exports from Russia**, the models of the economic research institutes (IMK, DIW, ifo) diverge considerably in terms of the impact. There is consensus that, irrespective of the actual supply situation, issuing a warning at the highest level (emergency) and the necessary rationing and austerity measures would trigger a recession. How deep economic output would fall remains unclear, however. The institutes forecast the slump at between 0.3 % (ifo) and 6 %(IMK).

SECTORAL RISKS

The statements made in the Annual Report 2021 generally retain their validity. The following additional aspects are to be taken into account.

The imposing of **sanctions** against imports of finished steel products from **Russia and Belarus**, as well as the cessation of supplies from Ukraine have prompted some steel consumer associations to demand that all trade safeguard measures be lifted. In order to address concerns about supply shortages, the EU Commission has distributed all Russian and Belarus import quotas among other countries within the EU safeguard system and slightly revised the safeguard measures as of July 1, 2022. The changes give rise to risks for sections and heavy plate products that now have new import quota management allowing imports to be raised.

Furthermore, it has become clear that sanctioned steel products enter the EU market via further processing in non-EU countries and also negatively impact steel market activities in Europe indirectly due to price mark-downs.

On April 27, 2022, the EU Commission proposed the suspension of all **safeguard measures for Ukrainian products**. The EU Commission's proposal was ratified by the European Parliament and the European Council at the start of June.

Negotiations are meanwhile still underway on introducing a **Carbon Border Adjustment Mechanism (CBAM)** to prevent the risk of carbon leakage for the purpose of replacing the free CO_2 allowance allocation in the long term. A transition period with test phases, export discounts and stringent rules against obviating the measures are critical for creating an effective mechanism. An ineffective CBAM, accompanied by the discontinuation of free allotment, would incur negative consequences for the profitability of the EU steel industry compared with non-European competitors. The negotiations between the Council of Ministers, the EU Parliament and EU Commission are still ongoing in trilogue consultations.

INTERIM REPORT

CONSOLIDATED INCOME STATEMENT

In € million	Q2 2022	Q2 2021	H1 2022	H1 2021
Sales	3,286.7	2,341.4	6,636.5	4,435.5
Increase / decrease in finished goods and work in process / other own work capitalized	82.8	106.4	72.2	88.2
Total operating performance	3,369.4	2,447.8	6,708.8	4,523.7
Other operating income	350.2	60.1	512.3	174.9
Cost of materials	2,148.1	1,592.7	4,341.9	2,925.8
Personnel expenses	460.8	446.9	908.0	871.2
Amortization and depreciation of intangible assets and property, plant and equipment	69.4	75.6	138.7	149.9
Other operating expenses	545.9	244.2	912.6	509.3
Result from impairment losses and reversal of impairment losses of financial assets	2.5	4.9	2.3	3.5
Income from shareholdings	2.7	0.6	2.7	0.6
Result from investments accounted for using the equity method	20.0	46.3	74.7	82.5
Finance income	2.1	1.6	4.0	3.5
Finance expenses	17.5	13.4	33.1	26.5
Earnings before taxes (EBT)	505.2	188.4	970.5	305.7
Income tax	93.1	34.3	189.6	75.1
Consolidated result	412.2	154.1	781.0	230.6
Amount due to Salzgitter AG shareholders	410.5	152.4	778.2	227.3
Minority interest	1.6	1.6	2.8	3.3
Appropriation of profit				
Consolidated result	412.2	154.1	781.0	230.6
Profit carried forward from the previous year	–	–	45.1	–
Minority interest in consolidated result	1.6	1.6	2.8	3.3
Dividend payment	–40.6	–	–40.6	–
Transfer from (+)/ to (–) other retained earnings	–410.6	–152.4	–778.2	–227.3
Unappropriated retained earnings of Salzgitter AG	–40.6	0.0	4.5	0.0
Earnings per share (in €) – basic	7.59	2.82	14.39	4.20
Earnings per share (in €) – diluted	–	–	–	–

STATEMENT OF COMPREHENSIVE INCOME

In € million	Q2 2022	H1 2022	Q2 2021	H1 2021
Consolidated result	412.2	781.0	154.1	230.6
Recycling				
Changes in value from currency translation	15.8	24.9	0.3	9.5
Changes in value from cash flow hedges	-4.1	102.1	15.8	5.8
Fair value change	-15.1	82.6	16.1	2.5
Recognition with effect on income	11.0	19.5	-0.2	3.3
Changes in the value of investments in companies accounted for using the equity method	2.0	14.6	-3.7	0.6
Fair value change	-3.0	7.9	-4.5	-4.5
Currency translation	6.1	7.8	-1.0	3.4
Deferred taxes	-1.1	-1.1	1.7	1.7
Deferred taxes on other changes without effect on income	0.0	0.0	0.3	-0.7
Subtotal	13.8	141.7	12.7	15.2
Non-recycling				
Remeasurements	347.4	551.3	-0.4	81.7
Remeasurement of pensions	430.9	696.0	-0.2	106.9
Deferred taxes	-83.4	-144.8	-0.2	-25.2
Changes in the value of investments in companies accounted for using the equity method	17.3	17.3	1.9	1.9
Fair value change	5.9	5.9	–	–
Remeasurement of pensions	11.4	11.4	1.9	1.9
Subtotal	364.7	568.6	1.5	83.6
Other comprehensive income	378.6	710.3	14.2	98.8
Total comprehensive income	790.7	1,491.2	168.3	329.4
Total comprehensive income due to Salzgitter AG shareholders	789.0	1,488.4	166.6	326.1
Total comprehensive income due to minority interest	1.7	2.8	1.6	3.3
	790.7	1,491.2	168.2	329.4

CONSOLIDATED BALANCE SHEET

Assets in € million	2022/06/30	2021/12/31
Non-current assets		
Intangible assets	213.9	216.5
Property, plant and equipment	2,066.7	2,051.4
Investment property	78.8	79.5
Financial assets	48.1	51.4
Investments in companies accounted for using the equity method	1,412.8	1,327.8
Trade receivables	9.8	8.3
Other receivables and other assets	15.4	21.6
Income tax assets	–	1.9
Deferred income tax assets	253.0	491.8
	4,098.6	4,250.2
Current assets		
Inventories	3,651.9	3,123.3
Trade receivables	1,917.8	1,452.8
Contract assets	415.4	323.0
Other receivables and other assets	383.3	296.7
Income tax assets	23.5	17.0
Securities	0.0	49.7
Cash and cash equivalents	684.6	741.8
	7,076.5	6,004.3
Assets held for sale	–	0.5
	7,076.5	6,004.7
	11,175.0	10,254.9

Equity and liabilities in € million	2022/06/30	2021/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings	4,500.5	3,170.3
Other reserves	151.2	82.0
Unappropriated retained earnings	4.5	45.1
	5,074.7	3,716.0
Treasury shares	−369.7	−369.7
	4,705.0	3,346.3
Minority interest	9.0	10.7
	4,714.0	3,357.0
Non-current liabilities		
Provisions for pensions and similar obligations	1,460.8	2,178.6
Deferred tax liabilities	146.6	147.1
Income tax liabilities	26.7	25.7
Other provisions	280.5	267.5
Financial liabilities	618.8	621.5
Other liabilities	5.4	6.6
	2,538.9	3,247.0
Current liabilities		
Other provisions	238.2	263.1
Financial liabilities	1,134.0	893.2
Trade payables	1,618.0	1,728.9
Contract liabilities	422.5	353.8
Income tax liabilities	65.1	36.1
Other liabilities	444.3	375.6
	3,922.2	3,650.7
	11,175.0	10,254.9

CASH FLOW STATEMENT

In € million	H1 2022	H1 2021
Earnings before taxes (EBT)	970.5	305.7
Depreciation write-downs (+) / write-ups (–) of non-current assets	138.3	149.5
Income tax paid (–) / refunded (+)	–57.2	–10.1
Other non-cash expenses (+)/ income (–)	3.3	10.9
Interest expenses	33.1	26.5
Gain (–) / loss (+) from the disposal of non-current assets	–5.8	0.8
Increase (–) / decrease (+) in inventories	–512.2	–238.4
Increase (–) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	–582.9	–535.8
Use of provisions affecting payments, excluding income tax provisions	–126.6	–94.0
Increase (+) / decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	23.2	607.0
Cash outflow / inflow from operating activities	–116.3	222.1
Cash inflow from the disposal of intangible assets, property, plant and equipment and investment property	10.8	4.3
Cash outflow for investments in intangible assets, property, plant and equipment and investment property	–142.8	–156.4
Cash inflow from investments of funds	50.0	–
Payments for financial investments	–0.1	–50.0
Cash inflow from the disposal of non-current assets	4.6	4.4
Cash outflow for investments in non-current assets	–0.9	–0.0
Cash outflow from investment activities	–78.4	–197.7
Payouts to company owners	–40.6	–
Deposits from taking out loans and other financial debts	343.0	4.3
Repayment of loans and other financial liabilities	–114.7	–76.1
Interest paid	–64.3	–33.7
Cash outflow / inflow from financing activities	123.4	–105.5
Cash and cash equivalents at the start of the period	741.8	621.4
Gains and losses from changes in foreign exchange rates	14.1	4.3
Payment-related changes in cash and cash equivalents	–71.3	–81.1
Cash and cash equivalents at the end of the period	684.6	544.6

STATEMENT OF CHANGES IN EQUITY

In € million	Subscribed capital	Capital reserve	Treasury shares	Retained earnings	Currency translation
As of 2020/12/31	161.6	257.0	–369.7	2,594.4	–33.9
Total comprehensive income	–	–	–	81.0	9.5
Basis adjustments	–	–	–	–	–
Dividend	–	–	–	–	–
Group transfers to(+)/ from(–) retained earnings	–	–	–	227.3	–
Other	–	–	–	0.2	–
As of 2021/06/30	161.6	257.0	–369.7	2,902.9	–24.5
As of 2021/12/31	161.6	257.0	–369.7	3,170.4	–16.5
Total comprehensive income	–	–	–	551.3	24.9
Basis adjustments	–	–	–	–	–
Dividend	–	–	–	–	–
Group transfers to(+)/ from(–) retained earnings	–	–	–	778.2	–
Other	–	–	–	0.5	–
As of 2022/06/30	161.6	257.0	–369.7	4,500.5	8.4

Other reserves from			Unappropriated retained earnings	Amount due to Salzgitter AG shareholders	Minority interest	Equity
Cash flow hedges	Available-for-sale financial assets	Investments accounted for using the equity method				
18.5	18.9	23.1	–	2,669.8	9.1	2,678.9
5.8	–	2.5	227.3	326.1	3.3	329.4
−6.6	–	–	–	−6.6	–	−6.6
–	–	–	–	–	−3.4	−3.4
–	–	–	−227.3	–	–	–
–	–	–	–	0.2	–	0.2
17.7	18.9	25.7	–	2,989.5	9.0	2,998.5
42.9	15.0	40.5	45.1	3,346.3	10.7	3,357.0
102.1	–	31.9	778.2	1,488.4	2.8	1,491.2
−89.6	–	–		−89.6		−89.6
–	–	–	−40.6	−40.6	−4.6	−45.1
–	–	–	−778.2	–		–
–	–	–		0.5		0.5
55.4	15.0	72.4	4.5	4,705.0	9.0	4,714.0

NOTES

SEGMENT REPORTING

In € million	Steel Production		Steel Processing		Trading	
	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
External sales	**2,327.6**	1,481.5	**1,012.2**	692.5	**2,541.9**	1,538.1
Sales to other segments	**852.7**	553.4	**517.5**	222.0	**43.7**	18.0
Sales to group companies that are not allocated to an operating segment	**2.7**	1.9	**126.5**	132.0	**0.0**	0.0
Segment sales	**3,183.0**	2,036.8	**1,656.2**	1,046.6	**2,585.7**	1,556.2
Interest income (consolidated)	**0.1**	0.1	**0.5**	0.4	**1.4**	1.2
Interest income from other segments	**–**	–	**–**	–	**–**	–
Interest income from group companies that are not allocated to an operating segment	**4.5**	0.6	**2.1**	3.2	**6.7**	5.6
Segment interest income	**4.6**	0.7	**2.6**	3.6	**8.1**	6.8
Interest expenses (consolidated)	**7.8**	5.9	**3.5**	3.4	**9.0**	4.7
Interest expenses to other segments	**–**	–	**–**	–	**–**	–
Interest expenses from group companies that are not allocated to an operating segment	**2.9**	2.0	**3.8**	2.4	**0.2**	0.1
Segment interest expenses	**10.7**	7.9	**7.3**	5.8	**9.3**	4.8
of which interest portion of allocations to pension provisions	**5.3**	4.7	**2.2**	2.0	**0.7**	0.6
Depreciation of property, plant and equipment and amortization of intangible assets	**72.8**	73.6	**26.1**	36.7	**7.9**	8.3
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	**72.8**	73.6	**26.1**	36.7	**7.9**	8.3
EBIT before depreciation and amortization (EBITDA)	**637.7**	200.8	**82.4**	–18.5	**258.1**	155.6
Earnings before interest and taxes (EBIT)	**564.9**	127.2	**56.3**	–55.2	**250.2**	147.4
Segment earnings before taxes	**558.8**	120.0	**51.6**	–57.4	**249.0**	149.3
of which resulting from investments in companies accounted for using the equity method	**–**	–	**–9.6**	–8.6	**–**	–
Investments in property, plant and equipment and intangible assets	**79.3**	80.2	**32.7**	51.9	**5.6**	5.5

Technology		Total segments		Industrial Participations / Consolidation		Group	
H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
670.4	639.3	6,552.1	4,351.4	84.5	84.1	6,636.5	4,435.5
0.6	0.3	1,414.4	793.8	549.8	393.2	1,964.2	1,186.9
–	–	129.3	134.0	–	–	129.3	134.0
671.0	639.5	8,095.8	5,279.1	634.3	477.3	8,730.0	5,756.4
1.1	0.7	3.1	2.4	0.7	1.1	3.8	3.5
–	–	–	–	7.3	5.4	7.3	5.4
1.6	0.8	14.9	10.2	–	–	14.9	10.2
2.7	1.6	18.0	12.6	8.0	6.2	26.0	18.8
1.2	1.2	21.5	15.2	11.5	11.4	33.1	26.5
–	–	–	–	14.9	10.2	14.9	10.2
0.4	0.5	7.3	5.1	–	–	7.3	5.1
1.6	1.7	28.9	20.3	26.4	21.6	55.3	41.8
0.7	0.7	9.0	8.0	4.9	4.4	13.9	12.4
13.8	13.0	120.6	131.6	18.0	18.3	138.7	149.9
13.8	13.0	120.6	131.6	18.0	18.3	138.7	149.9
31.9	45.6	1,010.1	383.6	128.4	95.0	1,138.5	478.6
18.1	32.6	889.5	252.0	110.4	76.7	999.8	328.7
19.1	32.5	878.5	244.3	92.0	61.4	970.5	305.7
–	–	−9.6	−8.6	84.3	91.0	74.7	82.5
11.3	9.7	128.9	147.3	21.1	13.0	150.0	160.4

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 June 30, 2022 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, 2021, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended June 30, 2022, notwithstanding the following exceptions.
3. In the context of the continuous monitoring of the economic and social framework conditions and the developments of the cash-generating units in the case of individual companies, the development observed in the cost of capital in the second quarter was identified as a triggering event for potential asset impairment. The calculations of fair value less costs to sell were carried out for this purpose, as before in accordance with the discounted cash flow method and assuming an after-tax interest rate of 8.77 % (2021: 7.41 %) for the Technology Business Unit and of 8.13 % (2021: 6.48 %) for the other business units. Taking account of updated guidance on earnings performance going forward, we have used these calculations as a basis to conclude that, for now, the fair value of the assets disclosed and of the participating investments reported at equity is still valid. The economic impact of the war between Russia and Ukraine has similarly been factored into our earnings guidance. With reference to the pertinent reporting in our interim report on the first half year, impairment testing is determined more by the increase in the cost of capital.
4. In calculating the fair value of defined benefit obligations as of June 30, 2022, an actuarial rate of 3.4 % was applied (December 31, 2021: 1.3 %). 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.
5. The recognition of the lease liabilities assigned to financial liabilities is calculated as the present value of the lease payments to be made. In subsequent measurement, the carrying amounts of the lease liability are compounded and reduced by the lease payments remitted with no effect on income. The usage rights reported in property, plant and equipment are recognized at the cost of acquisition less accumulated depreciation and amortization and, if appropriate, any necessary impairment.

In accordance with the accounting rules for leases (IFRS 16), the historical cost of acquisition of the usage rights and leasing liabilities is shown in the following:

In € million	2022/06/30	2021/12/31
Right of use of land, similar rights and buildings, including buildings on land owned by others	126.4	125.7
Right of use of plant equipment and machinery	56.9	48.4
Right of use of other equipment, plant and office equipment	27.5	25.2
Non-current assets	**210.8**	**199.2**
Right of use of land, similar rights and buildings, including buildings on land owned by others	34.3	29.1
Right of use of plant equipment and machinery	27.7	23.2
Right of use of other equipment, plant and office equipment	17.6	15.4
Depreciation / amortization	**79.6**	**67.7**
Lease liabilities	**136.0**	**136.3**

An amount of € 115.0 million is attributable to non-current lease liabilities. Moreover, depreciation and amortization stood at € 13.0 million, interest expenses at € 1.5 million, and cash outflow totaled € 14.3 million in the first six months of 2022.

6. A piece of land from Industrial Participations / Consolidation designated for sale back at the end of 2021 was sold in the first quarter of 2022.
7. With regard to the impact of the Ukraine war on the Salzgitter Group, we refer to our explanations, both in the section on the result of operations and in the forecasts, opportunities and risk report.

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 € 14.39 in the period under review. Dilution would occur if earnings per share were reduced through the issuance of potential shares from option and conversion rights. Such rights did not exist as of the balance sheet date.

RELATED PARTY DISCLOSURES

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

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

In € million	Sale of goods and services	Purchase of goods and services	Receivables	Liabilities
	01/01/-06/30/2022	01/01/-06/30/2022	2022/06/30	2022/06/30
Non-consolidated Group companies	16.0	15.6	16.4	17.7
Joint ventures	78.6	63.9	25.6	1.2
Joint operations	3.2	0.6	19.4	33.5
Associated companies	–	1.9	1.2	0.0
Other related parties	0.4	5.0	5.2	101.7

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.

RESPONSIBILITY STATEMENT

"We give our assurance that, to the best of our knowledge and in accordance with the accounting principles applicable to interim reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and that the course of business, including the business result and the position of the Group, are portrayed in such a way in the interim Group Management Report that a true and accurate picture is conveyed and that the significant opportunities and risks of the Group's future development over the remainder of the financial year are fairly described."

Salzgitter, August 2022

The Executive Board of Salzgitter AG

Groebler Becker Kieckbusch

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 difference of +/- one unit (€, % etc.) may occur in the tables.

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