H1

Interim Report
1st Half 2021

SALZGITTER AG
Stahl und Technologie

Table of Contents

The Salzgitter Group in Figures

		H1 2021	H1 2020	+/–
Crude steel production	**kt**	**3,377.6**	**2,952.7**	**424.9**
External sales	**€ m**	**4,435.5**	**3,631.0**	**804.5**
Strip Steel Business Unit	€ m	1,198.1	902.8	295.3
Plate/Section Steel Business Unit	€ m	445.5	363.2	82.3
Mannesmann Business Unit	€ m	530.4	494.5	35.9
Trading Business Unit	€ m	1,538.1	1,229.2	308.9
Technology Business Unit	€ m	639.3	574.6	64.7
Industrial Participations/Consolidation	€ m	84.1	66.7	17.5
EBIT before depreciation and amortization (EBITDA)	**€ m**	**478.6**	**49.7**	**428.9**
Earnings before interest and taxes (EBIT)	**€ m**	**328.7**	**–99.0**	**427.7**
Earnings before taxes (EBT)	**€ m**	**305.7**	**–127.8**	**433.5**
Strip Steel Business Unit	€ m	104.5	–69.2	173.7
Plate/Section Steel Business Unit	€ m	–26.9	–27.0	0.0
Mannesmann Business Unit	€ m	–15.5	–22.7	7.2
Trading Business Unit	€ m	149.3	–15.8	165.1
Technology Business Unit	€ m	32.5	–10.6	43.0
Industrial Participations/Consolidation	€ m	61.8	17.4	44.4
Consolidated result	**€ m**	**230.6**	**–144.7**	**375.3**
Earnings per share – basic	**€**	**4.20**	**–2.70**	**6.90**
Return on capital employed (ROCE)[1)]	**%**	**16.4**	**–6.3**	**22.7**
Cash flow from operating activities	**€ m**	**222.1**	**–121.5**	**343.6**
Investments[2)]	**€ m**	**160.4**	**209.9**	**–49.5**
Depreciation/amortization[2) 3)]	**€ m**	**–149.9**	**–148.7**	**–1.2**
Total assets	**€ m**	**9,000.7**	**8,124.4**	**876.3**
Non-current assets	**€ m**	**4,229.0**	**4,128.0**	**100.9**
Current assets	**€ m**	**4,771.7**	**3,996.3**	**775.4**
of which inventories	€ m	2,181.1	2,047.0	134.1
of which cash and cash equivalents	€ m	544.6	401.5	143.0
Equity	**€ m**	**2,998.5**	**2,795.5**	**203.0**
Liabilities	**€ m**	**6,002.2**	**5,328.9**	**673.3**
Non-current liabilities	€ m	3,340.2	3,564.2	–224.1
Current liabilities	€ m	2,662.0	1,764.7	897.4
of which due to banks[4)]	€ m	844.7	949.1	–104.4
Net financial position on the reporting date[5)]	**€ m**	**–422.5**	**–472.3**	**49.8**
Employees				
Personnel expenses	€ m	–871.2	–846.0	–25.2
Core workforce on the reporting date[6)]	Empl.	22,414	23,009	–595
Total workforce on the reporting date[7)]	Empl.	24,026	24,653	–627

Disclosure of financial data in compliance with IFRS
[1)] Annualized
[2)] Excluding financial assets, as from FY 2019 under initial application of IFRS 16 Leases
[3)] Scheduled and unscheduled write-downs
[4)] Current and non-current bank liabilities
[5)] Including investments, e.g. securities and structured investments
[6)] Excl. trainee contracts and excl. non-active age-related part-time work
[7)] Incl. trainee contracts and incl. non-active age-related part-time work

Profitability of the Group and its Business Units

Earnings Situation within the Group

		Q2 2021	Q2 2020	H1 2021	H1 2020
Crude steel production	kt	1,733.1	1,271.2	3,377.6	2,952.7
External sales	**€ m**	**2,341.4**	**1,522.7**	**4,435.5**	**3,631.0**
EBIT before depreciation and amortization (EBITDA)	€ m	275.8	–7.6	478.6	49.7
Earnings before interest and taxes (EBIT)	€ m	200.1	–82.1	328.7	–99.0
Earnings before taxes (EBT)	**€ m**	**188.4**	**–96.4**	**305.7**	**–127.8**
Consolidated result	**€ m**	**154.1**	**–101.0**	**230.6**	**–144.7**
Return on capital employed (ROCE)[1)]	**%**	**20.1**	**–10.0**	**16.4**	**–6.3**
Investments[2)]	€ m	81.3	115.0	160.4	209.9
Depreciation/amortization[2)]	€ m	–75.6	–74.6	–149.9	–148.7
Cash flow from operating activities	€ m	113.3	21.3	222.1	–121.5
Net financial position[3)]	**€ m**			**–422.5**	**–472.3**
Equity ratio	%			33.3	34.4

[1)] Annualized
[2)] Excluding financial assets, as from FY 2019 under initial application of IFRS 16 Leases
[3)] Including investments, e.g. securities and structured investments

In the first half of 2021, the Salzgitter Group generated the highest **pre-tax profit** (€ 305.7 million; H1 2020: € –127.8 million) since the exceptional financial years 2007 and 2008. The drivers of this result consisted of the dynamic uptrend in rolled steel prices over the course of the first six months, coupled with a sustained recovery in the market that had a particularly positive impact on the performance of the Strip Steel and Trading business units. The contribution from the participating investment in Aurubis AG (€ 91.0 million; H1 2020: € 34.0 million) was once again very gratifying. The Salzgitter Group's **external sales** rose to € 4,435.5 million in the first six months of the financial year 2021, significantly outperforming the year-earlier period that was determined by the COVID-19 pandemic (H1 2020: € 3,631.0 million. An **after-tax result** that stood at € 230.6 million (H1 2020: € –144.7 million) brings **earnings per share** to € 4.20 (H1 2020: € –2.70) and **return on capital employed** to 16.4% (H1 2020: –6.3%). The **equity ratio** remained at a very sound 33.3%. Despite the greater volume of business and higher prices for raw materials and finished products, the **net financial position** of € –422.5 million settled around the level of the year-end 2020 reporting date (€ –431.7 million). The value of the CO_2 allowances procured for the fourth period of the EU greenhouse gas emission trading scheme that commenced on January 1, 2021 meanwhile amount to almost one billion euros.

Special Items / EBT Business Units and Group

	EBT		Restructuring		Impairment/ Reversal of impairment		Other		EBT without special items	
In € million	**H1 2021**	**H1 2020**	**H1 2021**	**H1 2020**	**H1 2021**	**H1 2020**	**H1 2021**	**H1 2020**	**H1 2021**	**H1 2020**
Strip Steel	104.5	–69.2	–	–	–	–	–	–	104.5	–69.2
Plate/Section Steel	–26.9	–27.0	–	–	–	–	–	–	–26.9	–27.0
Mannesmann	–15.5	–22.7	–	–	–	–	–	–	–15.5	–22.7
Trading	149.3	–15.8	–	–	–	–	–	–	149.3	–15.8
Technology	32.5	–10.6	–	–	–	–	–	–	32.5	–10.6
Industrial Participations/ Consolidation	61.8	17.4	–	–	–	–	–	–	61.8	17.4
Group	**305.7**	**–127.8**	**–**	**–**	**–**	**–**	**–**	**–**	**305.7**	**–127.8**

Return on Capital Employed (ROCE)

In € million	**H1 2021**	**H1 2020**
EBT	305.7	–127.8
+ Interest expenses	26.5	32.7
– Interest expenses for pension provisions	12.4	16.2
= EBIT I	**319.8**	**–111.3**
Total assets	9,000.7	8,124.4
– Pension provisions	2,170.1	2,298.5
– Other provisions excluding provision for income taxes	501.4	527.5
– Liabilities excluding bonds, bank liabilities and notes payable, liabilities from finance leasing and forfaiting, derivatives	2,023.9	1,291.5
– Deferred tax claims	404.7	473.0
= Capital employed	**3,900.5**	**3,533.9**
in %		
ROCE	**16.4**	**–6.3**

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 16.4 % in the first half of 2021 (H1 2020: –6.3 %).

More detailed explanations on the derivation of ROCE are provided in the section on “Financial Control System” of the 2020 Annual Report.

Earnings before Interest and Taxes (EBIT) / Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

In € million	H1 2021	H1 2020
EBT	305.7	– 127.8
+ Interest expenses	26.5	32.7
– Interest income	3.5	3.9
= EBIT	**328.7**	**– 99.0**
+ Depreciation / amortization[1]	149.9	148.7
= EBITDA	**478.6**	**49.7**

[1] Depreciation / amortization of tangible, 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 an 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 remaining virtually stable, the marked increase in the pre-tax result of the first six months of 2021 is reflected in higher EBIT and EBITDA as well.

Strip Steel Business Unit

		Q2 2021	Q2 2020	H1 2021	H1 2020
Order intake	kt	1,047.7	640.9	2,235.3	1,834.0
Order backlog on reporting date	kt			1,061.5	779.4
Crude steel production	kt	1,067.2	815.2	2,099.3	1,884.3
Rolled steel production	kt	839.3	650.9	1,799.8	1,595.2
Shipments	kt	1,060.4	781.8	2,241.4	1,990.2
Segment sales[1)]	**€ m**	**801.9**	**489.7**	**1,587.0**	**1,237.9**
External sales	**€ m**	**591.7**	**336.6**	**1,198.1**	**902.8**
Earnings before taxes (EBT)	**€ m**	**61.4**	**–62.4**	**104.5**	**–69.2**

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

Development of the European steel market

The supply chain problems in the industrial arena that worsened over the course of the first half of 2021, and the resulting production cuts, in the automotive sector, for instance, have not yet been reflected in the order intake of the European steel industry. After last year's pandemic-induced plunge in demand, Europe's steel producers benefited from a powerful economic upswing in the reporting period. Not only has the steelworks' order intake increased significantly on the back of demand, but prices have also reached a record level. This was prompted by a temporary shortage on the European steel market that resulted from steelworks significantly cutting back on capacity, in conjunction with the liquidity-driven scaling back of inventories across the entire value chain during the first pandemic phase. This phenomenon occurred in numerous steel markets, triggering a concurrent upswing in prices and demand on a global scale. The world's crude steel output as well as the production of European steelworks have risen steadily since the start of the year, thereby achieving full capacity utilization again. The safeguards enacted for the protection of the EU steel market in the form of tariff quotas were extended in their current form in June 2021 for another three years. Consequently, drastic import leaps in the course of the economic recovery have been largely averted for the time being.

Procurement

Iron ore

In the first quarter of 2021, ore prices moved within a range of 150 and 180 USD/dmt CFR. The widening margins of Chinese steel manufacturers after the Chinese New Year, as well as strong global demand for steel kept demand for iron ore at a high level. These wider steel margins and greater capacity utilization prompted Chinese consumers to increasingly opt for higher grade fine ore and material such as pellets and lumps for direct use in furnaces in order to curb emissions. The iron ore price had already reached 166.90 USD/dmt CFR China in the first quarter of 2021, reflecting a year-on-year rise of 88%, with prices continuing their uptrend in the second quarter as well. In the period up until mid-May, the IODEX 62% Fe CFR China benchmark price for the spot market surged to 233.10 USD/dmt, marking the highest figure since the index was introduced in 2008. Along with Chinese demand for iron ore, global demand also remained unabatedly high. Frequent reports about possible increases in steel production in China and downtime or delays in iron ore mining kept prices at a very high level. In the second quarter of 2021, the ore price therefore posted 200.01 USD/dmt CFR China, up 115% compared with the year-earlier quarter. In order to mitigate the procurement linked risks, defined iron ore volumes are hedged to secure against price risks.

Coking coal

From mid-January 2021 onward, increased demand, in conjunction with low levels of free spot volumes due to Australian producers adjusting their production, initially caused prices to rise substantially to more than 160 USD/t FOB Australia. February brought notable price corrections again as, contrary to statements made by producers, high-grade coking coal FOB Australia proved to be sufficiently available. The price therefore dropped steadily to hover just above the 110 USD/t mark, remaining at this low level until the end of the first quarter. In the first quarter of 2021, prices averaged 127.14 USD/t FOB Australia, reflecting a drop of 18% compared with the previous year's quarter. As from the start of May, prices began to climb again and had reached 194 USD/t FOB Australia by the end of June. The significant price increase was largely driven by the import ban the Chinese government imposed on Australian coal introduced back in October 2020. As a result, Chinese consumers have to cover their unabated strong demand from other parts of the world. Compared with the FOB Australia benchmark price, this resulted in visibly higher prices for coal not originating from Australia. Consequently, consumers outside China were forced to cover their spot requirements in Australia. In contrast to the price rises seen at the start of the year, essentially determined by speculation, stronger physical demand existed this time around. In the second quarter, prices averaged 137.46 USD/t FOB Australia, reflecting growth of 16% compared with the previous year's quarter. We hedge defined coking coal volumes in order to mitigate the risks resulting from procurement.

Business development

In the first half of 2021, the **order intake** of the Strip Steel Business Unit significantly exceeded the pandemic burdened year-earlier level. **Orders on hand** also rose notably due to strong bookings. **Crude steel output** and **rolled steel production** settled significantly above the previous year's levels. In view of the sufficient volumes of slabs available within the group of companies, one blast furnace remained out of operation. Given an increase in **shipments** as well, and thanks to positive price momentum, **segment** and **external sales** were higher year on year. Boosted by shipments and selling prices, the Strip Steel Business Unit generated **earnings before taxes** of € 104.5 million (H1 2020: € –69.2 million).

Investments

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

Furthermore, the construction of a flexible hydrogen-fueled direct reduction plant was approved, and solid construction measures were initiated. The facilities were still at the engineering phase.

SALCOS® (SAlzgitter Low CO_2 Steelmaking)

Driving our SALCOS® concept forward, we are playing a pioneering role in decarbonizing the steel industry. The engineering approach of SALCOS® targets the direct avoidance of CO_2 emissions in the production process itself through using hydrogen to gradually replace the carbon necessary for steel production based on iron ore – initially by natural gas and subsequently by hydrogen at a later stage in direct reduction facilities to be built. Largely utilizing existing downstream production facilities deployed in producing crude steel, SALCOS® will enable the CO_2 emissions of the steelworks in Salzgitter to be reduced by 30% already before 2030. A reduction of over 95% can even be achieved by full implementation over the period up until 2050 the latest.

The "Wind Hydrogen (WindH_2) Salzgitter" project is enabling SZFG to gain operational experience in the vital field of "hydrogen from renewable energies" essential to SALCOS®. As part of the "Wind Hydrogen Salzgitter" project, we commissioned a 2.5 megawatt PEM electrolysis plant (PEM = Proton-Exchange Membrane) on the premises of SZFG in March 2021. The plant will fully cover the Salzgitter site's current hydrogen requirements for annealing processes. This is a key component on the path to hydrogen-based steel production.

In addition, Salzgitter AG has been cooperating with Sunfire GmbH and other partners in the EU “GrInHy” (= Green Industrial Hydrogen) research project – already since 2016. New approaches for producing hydrogen efficiently are being investigated with the aim of making a contribution to lowering CO_2 in steel production through SALCOS® in the future. At the end of 2020, the world’s most powerful high-temperature electrolyzer for producing energy-efficient hydrogen was taken into operation at SZFG as part of the successor “GrInHy2.0” project. In the course of the project, a high-temperature electrolyzer with rated electrical output of 720 kilowatts is to be deployed in an industrial context. By the end of 2022, the electrolyzer is to have been in operation for at least 13,000 hours, producing over 100 tons of green hydrogen.

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

Green strip steel now expanding the product range

Since the end of 2020, low CO_2 green steel slabs in a differentiated range of various dimensions and grades have been produced in Peiner Träger GmbH's mini mill for subsequent processing by SZFG into hot and cold strip. As the first European steel producer, Salzgitter AG obtained conformity statements in accordance with the VERIsteel standard of TÜV SÜD (German technical inspectorate). This method provides proof of product-specific CO_2 emissions in steel production and accompanies the decarbonization process. Accordingly, the steel production process is switching from the conventional blast furnace route to the electro-steel route, thereby achieving reductions of more than 75% in the CO_2 footprint of slabs and in excess of 66% in galvanized coils. These low CO_2 steel grades have met with strong interest from customers operating in a range of different sectors. Since the summer of 2021, Mercedes-Benz AG has already been supplied with CO_2-reduced steel in the form of cold-rolled strip and galvanized sheet steel for serial production. These steels are finding use in the structural and body parts of various car models.

Plate / Section Steel Business Unit

		Q2 2021	Q2 2020	H1 2021	H1 2020
Order intake [1]	kt	576.1	381.7	1,101.2	965.5
Order backlog[1] on reporting date	kt			485.1	274.2
Crude steel production	kt	297.8	237.2	568.0	532.5
Rolled steel production	kt	528.0	472.5	1,049.6	1,010.8
Shipments[1]	kt	514.2	486.0	1,041.4	1,017.1
Segment sales[2]	**€ m**	**469.5**	**340.9**	**884.1**	**726.7**
External sales	**€ m**	**231.1**	**168.7**	**445.5**	**363.2**
Earnings before taxes (EBT)	**€ m**	**– 5.9**	**– 22.8**	**– 26.9**	**– 27.0**

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

Market development
The **heavy plate market** had already improved by the beginning of the year and, by the start of the second quarter 2021, had picked up considerable momentum. During the spring, producers in northern Europe reported good capacity utilization, with delivery lead times right through to the autumn. This development was driven by sustained strong demand in the hot-rolled strip segment and the associated slab shortage, along with the very low inventory levels of the stockholding steel trade. Combined with the steep uptrend in the feedstock costs of iron ore, scrap and Black Sea slab, this scenario caused significant price surges, especially for standard grades. Due to various projects in the market, there were signs in the reporting period of the first movement of the international tubes business that was recently displaying weakness. The steel construction and wind industries remained sound. While, in the first months of 2021, lower levels of heavy plate imports from non-EU countries were still being reported compared with the previous year’s period, these imports began to regain their importance for the European market in the second quarter.

Low inventory levels, the significant increase in scrap prices, and the resulting speculation about further price hikes ensured satisfactory demand in Europe's **sections market**. The booking patterns of both the steel trade and consumers have changed: fueled by concerns about a lack of availability and prices rising further, large quantities were requested at very short notice. This trend accelerated as from mid-May, prompted by producers’ annual vacation in the summer, with above-average replenishment of inventories to ensure delivery capabilities also during plant downtime.

Procurement
Steel scrap
In the first quarter of 2021 the German steel scrap market was characterized by volatility. Following sharp increases from 70 €/t to almost 100 €/t, prices slipped by up to 36 €/t in February in response to Turkish consumers’ reticence. In March, prices had meanwhile risen again on the back of demand, but declined shortly afterwards again in response to the surprising retreat of the Turkish steelworks. Scrap prices remained relatively steady at the start of the second quarter before climbing by up to 34 €/t in May. The strong demand of German steel producers and growing scrap requirements from the deep sea market, accompanied by persistently poor availability of new steel scrap, pushed prices up notably in the following month as well.

Business development
In the first half of 2021, the **order intake** of the Plate/Section Steel Business Unit notably exceeded the year-earlier figure. **Orders on hand** were 75% higher than the low previous year's level. Owing to greater volumes at Peiner Träger GmbH (PTG), **crude steel output** and **rolled steel production** exceeded the level of the first six months of 2020. **Segment** and **external sales** were also significantly higher than in the previous year, with slight growth reported in **shipment tonnage**. This result was attributable to PTG and DEUMU Deutsche Erz und Metall-Union-Group (DMU Group) raising their sales both in terms of volume and prices. The business unit reported a **pre-tax result** of € –26.9 million (H1 2020: € –27.0 million). To the exception of Ilsenburger Grobblech GmbH (ILG) that did not repeat the previous year's results, due especially to lower rolled steel production, all companies exceeded the figures reported in the first six months of 2020.

Investments
The extensive investment launched under the "Salzgitter AG 2021" growth program in the "New heat treatment line" for ILG serves to expand the product portfolio and to reinforce the positioning in the higher-end grade segment. The facilities are currently being ramped up, with the last performance tests being run and customer plates being produced. Customer feedback is confirming the sound product quality.

Mannesmann Business Unit

		Q2 2021	Q2 2020	H1 2021	H1 2020
Order intake	€ m	468.2	178.3	880.9	497.8
Order backlog on reporting date	€ m			555.3	347.8
Crude steel production Hüttenwerke Krupp Mannesmann (30 %)	kt	368.1	218.8	710.2	535.9
Shipment tubes[1]	kt	95.6	77.8	192.4	213.2
Segment sales[2]	**€ m**	**418.2**	**286.0**	**799.4**	**692.3**
External sales	**€ m**	**273.8**	**198.6**	**530.4**	**494.5**
Earnings before taxes (EBT)	**€ m**	**– 8.0**	**– 18.1**	**– 15.5**	**– 22.7**

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

Market development
Large parts of the **steel tubes industry** benefited from the notable economic recovery in the first half of 2021 and the resulting increase in demand. The upswing that commenced at the start of the year in the seamless stainless steel tubes market continued in the second quarter: Dormant projects in the OCTG segment resumed, bolstered by the rising demand for oil and gas. The distribution business picked up again in Europe while US activities staged a sound recovery. Asia and China in particular consolidated their growth path in energy production and in petrochemical applications. The umbilicals market tracked this trend, and positive signs emanating from the aerospace industry were also on the rise. The markets for medium-diameter line pipes were heavily impacted by the drastic price hikes in input materials during the period under review. Along with delays in some cases, this caused major projects to be shelved or abandoned. By contrast, the project and stockholding business in Germany and Central Europe developed well, and slightly above-average business activity was also registered for standard and commercial tubes. While business in US was still subdued in the first half year, a lively inflow of inquiries was recorded from other international markets on the back of the meanwhile significantly higher oil price and demand. Rising energy prices, along with generally increased demand for steel tubes in the mechanical and plant engineering sector, with production and sales volumes of the automotive and supplier industries trending upwards again, also resulted in higher levels of bookings in the precision tubes market as well. No trend reversal in the project situation for large-diameter tubes has yet materialized; tenders remain deferred to a later date. Investors continued to prove reticent in the US regarding expanding the energy structure in the oil and gas areas.

Business development
The **order intake** of the Mannesmann Business Unit significantly exceeded the year-earlier level that was impacted by the pandemic. This result is due above all to satisfactory order activity again at the precision tubes group, with the segment of medium-diameter line pipes and the stainless steel tubes group also registering an increase in bookings. Consequently, the business unit's **orders on hand** also rose notably compared with the first half of 2020. Despite weaker **tubes shipments**, **segment** and **external sales** increased. The Mannesmann Business Unit significantly lifted its pre-tax result in comparison with the previous year especially due to the higher figures of the precision tubes group. The business unit delivered a **pre-tax loss** of € 15.5 million (H1 2020: € – 22.7 million).

Due to the lack of larger project bookings at the US companies, order intake and orders on hand of the EUROPIPE Group (EP Group) outside the consolidated group did not achieve the year-earlier figures that were determined by the "Baltic Pipe" contract. The US companies' tangibly lower shipment volumes brought sales to below the level of the first six months of 2020. Consequently, the at-equity contribution of the EP Group also underperformed the previous year's figure.

Investments

Ramping up the new Line 2 of the Mexican precision tubes company at the El Salto site progressed as scheduled. More customers have given their approval for serial production. The focus in the first quarter having been on the start to enlarging the dimension range at the Montbard location, with an implementation phase through to the end of 2022, activities of the stainless steel tubes group in the second quarter were concentrated on upgrading measures, especially at the locations of Issoudoun in France and Costa-Volpino in Italy.

Trading Business Unit

		Q2 2021	Q2 2020	H1 2021	H1 2020
Shipments	kt	921.7	746.9	1,809.6	1,724.4
Segment sales[1)]	**€ m**	**874.5**	**532.3**	**1,556.2**	**1,240.2**
External sales	**€ m**	**864.8**	**525.8**	**1,538.1**	**1,229.2**
Earnings before taxes (EBT)	**€ m**	**104.6**	**– 16.1**	**149.3**	**– 15.8**

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

Market development
The notable price uptrend across all product categories at year-end 2020 continued at an accelerated pace in the period under review. The demand situation in the stockholding steel trade improved further in the second quarter, which resulted in a significant year-on-year increase in shipments in the first six months of 2021. Protectionist trading measures in international trading continued to translate into slower order activity. Sea freight costs, coupled with a shortage of available freight capacities, have increased significantly since the end of the first quarter.

Business development
In the first half of 2021, the Trading Business Unit's **shipments** exceeded the year-earlier figure posted as greater volumes in the stockholding steel business and of the UES Group compensated for the downtrend in the shipments of international trading. In conjunction with higher prices, the increased volumes had a positive impact on **segment** and **external sales** that were considerably higher than the figures reported in the first half of 2020. **Profit before taxes** of € 149.3 million notably exceeded the previous year's figure (H1 2020: € – 15.8 million). This development was due in particular to price increases, along with favorable purchase prices in the stockholding business and at the UES Group. International trading also improved its result compared with the previous year.

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

Technology Business Unit

		Q2 2021	Q2 2020	H1 2021	H1 2020
Order intake	€ m	390.7	221.2	748.7	558.4
Order backlog on reporting date	€ m			819.6	618.2
Segment sales[1)]	**€ m**	**338.5**	**264.4**	**639.5**	**574.7**
External sales	**€ m**	**338.4**	**264.3**	**639.3**	**574.6**
Earnings before taxes (EBT)	**€ m**	**7.4**	**– 15.8**	**32.5**	**– 10.6**

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

Market development

According to the German Engineering Federation (VDMA), order intake increased encouragingly in the first half of 2021 compared with year-earlier period, boosted by the upswing in demand. Orders rose significantly, above all from abroad and in particular from non-euro countries. Domestic demand also edged up. The dynamic situation described was also reflected in the market for packaging machinery where order activity trended upwards.

Business development

In the first six months of 2021, the **order intake** of the Technology Business Unit rose by around one third compared with the previous year's figure, thereby tracking market developments. At the KHS Group, new orders in the first half notably exceeded the year-earlier period on the back of sustained healthy demand in the project business. The order intake of the Klöckner DESMA Elastomer Group (KDE Group) and of DESMA Schuhmaschinen GmbH (KDS) also developed well. **Orders on hand** of the business unit, as well as **segment** and **external sales** were considerably higher year on year. With support derived from the accounting profit achieved by selling the pouch business, the KHS Group's pre-tax result significantly outperformed the year-earlier figure. The KDE Group also generated a contribution to profit, while KDS reported a slightly negative pre-tax result for the period under review despite returning to positive territory again in the second quarter. All in all, the Technology Business Unit generated a **pre-tax profit** of € 32.5 million (H1 2020: € – 10.6 million).

The KHS Group continues to rigorously pursue the comprehensive "KHS Future" efficiency and growth program. With a focus on reducing costs and expanding the service business, the program has made a significant contribution to lifting the result and is aimed at promoting the development of the company in the future as well in the fiercely competitive and challenging market environment.

Investments

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

Industrial Participations/Consolidation

		Q2 2021	Q2 2020	H1 2021	H1 2020
Sales[1)]	**€ m**	**256.5**	**149.4**	**477.3**	**354.3**
External sales	**€ m**	**41.6**	**28.7**	**84.1**	**66.7**
Earnings before taxes (EBT)	**€ m**	**28.8**	**38.8**	**61.8**	**17.4**

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

Earnings before taxes (€ 61.8 million; H1 2020: € 17.4 million) include a contribution of € 91.0 million from the participating investment in Aurubis AG accounted for using the equity method (H1 2020: € 34.0 million). The results from the valuation of derivatives positions and net interest income from cash management of the consolidated group delivered a positive contribution (€ 2.5 million; H1 2020: € 5.7 million). The services companies that mainly operate on behalf of the Group generated a profit again. They were nevertheless unable to match the one-off proceeds from the disposal of a property that determined the year-earlier result.

Financial Position and Net Assets

Notes to the balance sheet

The **total assets** of the Salzgitter Group rose by € 763 million in the first half of 2021 compared with December 31, 2020.

Non-current assets dropped by € 16 million as against the last reporting date. The shares in the companies accounted for using the equity method increased considerably (€ +67 million). Investments in intangible assets and in property, plant and equipment (€ +160 million) almost matched the level of scheduled depreciation and amortization of fixed assets (€ –150 million) in the period under review. In addition, disposals of € 10 million were recorded. Deferred income tax assets declined in particular due to the lower level of pension provisions (€ –77 million) determined by a higher actuarial interest rate. **Current assets** rose by € 779 million in comparison with the corresponding reporting date. This was due in particular to the increase in trade receivables, including contract assets (€ +505 million) and the significantly higher level of inventories (€ +247 million). Moreover, current other receivables and assets also increased (€ +56 million), along with securities (€ +50 million), which was offset by a decline in cash and cash equivalents (€ –77 million).

On the **liabilities side**, pension provisions declined by € –129 million, with the actuarial rate of 1.4 % higher than at the end of the previous year (2020/12/31: 1.1 %). Equity also increased markedly on the back of the positive result (€ +320 million). With the growth in equity and higher total assets, the equity ratio continued to post a sound 33.3 %. Non-current liabilities were € –136 million lower overall than the comparable figure that, along with lower pension provisions, also reflected the decline in non-current financial liabilities (€ –12 million). Current liabilities rose by € 580 million. A considerable increase in trade payables, including contract liabilities (€ +537 million), along with higher other liabilities (€ +55 million) and provisions (€ +17 million) were reported compared with year-end 2020. This was offset, however, by lower current financial liabilities (€ –34 million).

At € –422 million, the **net financial position** settled around the level of the balance sheet date at year-end 2020 (€ –432 million). Cash investment, including securities (€ 628 million; 12/31/2020: € 659 million), was offset by liabilities of € 1,050 million (12/31/2020: € 1,091 million), of which € 845 million were owed to banks (12/31/2020: € 885 million). As before, assets and liabilities from leasing arrangements are not considered in the net financial position. The higher business volume on the balance sheet date is reflected by the significant rise in trade receivables and trade payables respectively that do not impact the net financial position until the payment date.

Net financial position

Net financial position= Investment of funds – Financial liabilities of net financial position

In € million	2021/06/30	2020/12/31
Cash and cash equivalents acc. to balance sheet	544.6	621.4
+ Certificates held for trading	0.0	0.0
+ Other investments of funds[1]	83.1	37.6
= Investments of funds	**627.7**	**659.0**
Financial liabilities acc. to balance sheet	1,191.4	1,237.7
– Liabilities from leasing agreements, from financing/ financial transactions and other	141.3	146.9
= Financial liabilities of net financial position	**1,050.1**	**1090.7**
Net financial position	**–422.5**	**–431.7**

[1] Securities, loans excl. valuation allowances (€ 80.1 million; previous year: € 34.6 million) and incl. other cash investments reported under other receivables and other assets (€ 3.0 million; previous year: € 3.0 million)

Notes to the cash flow statement

With a pre-tax profit of € 306 million, a positive **cash flow from operating activities** of € 222 million was reported (previous year: € –122 million). While the improved result had a positive influence on the operating cash flow, this was offset by the marked increase in working capital.

The **cash outflow from investing activities** of € –198 million (previous year: € –161 million) reflects the more restrictive approach to new investments against the backdrop of the progress of the two major strategic projects and mainly comprises disbursements for investments in intangible assets and property, plant, and equipment (€ –156 million; previous year: € –198 million). In addition, funds were invested in long-term cash investments (€ –50 million).

The repayments of loans and interest payments resulted in a negative **cash outflow from financing activity** (€ –106 million; previous year: € –13 million).

As a result of the negative overall cash flow, **cash and cash equivalents** (€ 545 million) decreased accordingly compared with December 31, 2020 (€ 621 million).

Employees

	2021/06/30	2020/12/31	Change
Core workforce[1)]	**22,414**	**22,604**	**–190**
Strip Steel Business Unit	5,980	5,999	–19
Plate/Section Steel Business Unit	2,245	2,272	–27
Mannesmann Business Unit	4,325	4,366	–41
Trading Business Unit	1,936	1,946	–10
Technology Business Unit	5,328	5,433	–105
Industrial Participations/ Consolidation	2,600	2,588	12
Apprentices, students, trainees	1,076	1,264	–188
Non-active age-related part-time employment	536	548	–12
Total workforce	**24,026**	**24,416**	**–390**

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

As of June 30, 2021, the **core workforce** of the Salzgitter Group numbered 22,414 employees, which is 190 people less than at the end of the financial year 2020.

A total of 169 trainees were hired during the reporting period, 124 of whom were given temporary contracts. A counter effect emanated above all from employees of the company reaching retirement age or going into non-active age-related part-time.

The **total workforce** stood at 24,026 persons.

The number of **temporary staff** outsourced stood at 1,003 on June 30, 2021, which is 215 persons more than on the previous year's reporting date.

Along with numerous measures to deal with the coronavirus pandemic and to safeguard health and prevent infection, we implemented a comprehensive monitoring system back in 2020 that has created transparency concerning infections across the entire Group. To cushion the impact of the pandemic and for the purpose of securing liquidity, parts of the Group continued to **work short-time,** although this option has clearly diminished compared with the high levels still posted in the summer of 2020. At the end of the reporting period, short time work affected 358 employees in the domestic Group entities, mainly in the companies of the Salzgitter Mannesmann Stahlservice GmbH, Salzgitter Europlatinen GmbH and DESMA Schuhmaschinen GmbH.

Forecast, Opportunities and Risk Report

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

Based on a high level of orders on hand, the **Strip Steel Business Unit** anticipates demand that will fully utilize capacity over the course of 2021 despite the ongoing pandemic situation, along with considerably improved, very high price levels compared with the previous year and in a multi-year comparison. On the raw materials front, significantly higher operating costs are forecast for iron ore and coking coal. In view of the sufficient volumes of slabs available within the group of companies, one blast furnace will remain out of operation until November. Supported by further additional effects from the "FitStructure 2.0" program of measures, we assume a significant increase in sales and a very gratifying pre-tax profit of more than € 300 million for the business unit.

In view of activities on the heavy plate market continuing their uptrend in the second quarter, we anticipate a stable, healthy demand over the remainder of the year in the **Plate / Section Steel Business Unit**, accompanied by rising heavy plate imports. The recently still weak international tubes business is showing the first signs of recovery in view of various different projects. Whether these developments can generally be interpreted as a trend reversal is currently not foreseeable. In the section steel business, we predict a volatile market environment that will fundamentally continue to focus on the short-term, although a somewhat longer-term capacity utilization of plants can currently be ensured. Thanks to the improved market situation and further efficiency gains from implementing "Fit Structure 2.0", we assume that the situation will gradually improve for the business unit over the course of the year. Consequently, we expect a notable increase in sales compared with the previous year and a return to the profit zone.

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

The **Trading Business Unit** anticipates business will continue to develop well for its companies, although the exceptionally good earnings situation of the first half year cannot be expected to repeat in these dimensions in the full year. We assume that selling price growth rates will slow and that prices will remain at a high level. Given rising inventory valuations, the very good profit level of the first half year, particularly in the stockholding steel trade, should therefore return to normal terrain as the end of the financial year approaches. Despite the ongoing difficult trading conditions experienced in international trading, shipment volumes are expected to rise. All in all, we expect the business unit to deliver considerably higher shipment and sales figures that should translate into earnings before taxes that are notably higher than in the previous year.

As a result of the higher level of incoming orders at the end of 2020 and order intake in the first six months of 2021 that exceeded the year-earlier period, the companies of the **Technology Business Unit** predict a sustained, healthy order situation in the second half of the year as well. In view of the rigorous expediting of the "KHS Future" program and the marketing and sales of new, innovative products, we predict improved profitability of the KHS Group, accompanied by considerable growth in order intake and sales. Gaining additional market shares in the standard business in particular should bolster this positive trajectory. The two DESMA specialist mechanical engineering companies expect the market to rebound, as well as discernible improvement in the earnings situation, also thanks to a program of cost cutting measures. Consequently, sales in the business unit as a whole are expected to be higher compared with the previous-year period, along with a significant increase in pre-tax profit that will derive additional, positive influence from non-recurrent effects.

Provided that the market continues its stable development in the second half of the year despite the latent COVID-19 crisis, we affirm our forecast for the financial year 2021 that was revised upward in June and anticipate the following for the **Salzgitter Group**:

- an increase in sales to more than € 9 billion,
- a pre-tax profit of between € 400 million and € 600 million, and
- a return on capital employed (ROCE) that is tangibly above the previous year's figure.

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

Risk management

At the time of reporting there were no risks that could endanger the Salzgitter Group as a going concern. With regard to the individual **opportunities and risks**, we make reference to the Annual Report 2020.

While the economic institutions predict growth rates of between three and four percent in the next two years, they nevertheless also refer to economic risks. The combination of materials shortages in the various sectors – particularly building materials and in the semiconductor industry – and concerns about renewed coronavirus restrictions could abruptly put the brakes on economic recovery and consequently also impact the steel industry.

Back in 2020 we had already initiated an extensive program of measures in response to the **COVID-19 pandemic** to secure the result and the liquidity. This program was designed to be deployed at short notice and in a targeted manner depending on economic developments. Despite the good state of the economy, we are operating in a phase of limited planning reliability. We nevertheless consider ourselves well equipped to master this situation of considerably greater challenges placed on opportunity and risk management. Our business policy, which takes due account of risks and is geared toward sustainability, and the sound strategic alignment of the Salzgitter Group form the basis for this assessment.

The development of prices in the sales and procurement markets, as well as of energy prices and exchange rates (above all, USD/EUR) is particularly important for the Salzgitter Group. The associated earnings effects for risks have been factored in for the companies in the current year to the extent foreseeable. In order to minimize further business risks, we monitor the relevant trends and take account of them in risk forecasts. This is also true of potential restrictions resulting from financial or political measures affecting international business.

Sectoral risks

In order to protect the EU steel market from redirections of steel imports in response to US special duties levied on steel, the EU Commission enacted safeguards in the form of tariff quotas in July 2018. In June 2021, the EU Member States decided to extend the safeguards in the current form by another three years. As a result, drastic increases in imports in the course of the economic recovery have been largely averted for the time being. The EU Commission has nevertheless provided for several conditional reviews that will scrutinize both the form of the measures taken and their existence. This being the case, the safeguards could already expire as early as summer 2022.

Along with the EU, many non-EU countries have responded with their own safeguard measures for steel products in view of to the US import duties introduced in 2018. These developments are a hindrance to exports and pose the threat of additional redirections into the EU market. Some Group companies – for instance in the Plate/Section Steel Business Unit in Canada – are also directly impacted by new safeguard measures such as anti-dumping duties.

The start of the second half of 2021 will see other risks arising from trading policies. Numerous safeguard measures were enforced in 2016 and 2017, particularly against China. These measures will either expire after five years or, upon application by the EU producers and analysis by the EU Commission, could be extended by another five years. There is a risk that the EU Commission may not extend the existing safeguard measures and exports from the countries affected would once more have unhindered access to the EU market.

Other risks arise from the attempts of importers to obviate the existing trade defense measures, thereby voiding their effectiveness. To counteract such practices, the flow of goods is being monitored on an ongoing basis and potential breaches are passed on via Eurofer, the European Steel Association, to the EU Commission and the EU anti-corruption authority OLAF.

With regard to retracting the US 232 measures on steel imports, negotiations between the US and the EU will take place over the course of the second half of the year. To date, there are no known indications of special duties being lifted in the US.

The US sanction policy continues to present risks for future business activity, also with regard to Russia and Iran. The US imposed new sanctions on Russia in response to the Nawalny case in March. Potential transactions are examined externally in advance.

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

Interim Financial Statements

I. Consolidated income statement

In € million	Q2 2021	Q2 2020	H1 2021	H1 2020
Sales	2,341.4	1,522.7	4,435.5	3,631.0
Increase/decrease in finished goods and work in process/other own work capitalized	106.4	–20.7	88.2	–57.2
Total operating performance	**2,447.8**	**1,502.0**	**4,523.7**	**3,573.8**
Other operating income	60.1	42.9	174.9	132.9
Cost of materials	1,592.7	994.6	2,925.8	2,373.3
Personnel expenses	446.9	407.0	871.2	846.0
Amortization and depreciation of intangible assets and property, plant and equipment	75.6	74.6	149.9	148.7
Other operating expenses	244.2	201.2	509.3	462.1
Result from impairment losses and reversal of impairment losses of financial assets	4.9	–6.5	3.5	–8.9
Income from shareholdings	0.6	2.1	0.6	2.1
Result from investments accounted for using the equity method	46.3	51.6	82.5	33.3
Finance income	1.6	1.5	3.5	3.9
Finance expenses	13.4	12.6	26.6	34.8
Earnings before taxes (EBT)	**188.4**	**–96.4**	**305.7**	**–127.8**
Income tax	34.3	4.6	75.1	16.9
Consolidated result	**154.1**	**–101.0**	**230.6**	**–144.7**
Amount due to Salzgitter AG shareholders	152.4	–101.4	227.3	–146.1
Minority interest	1.6	0.5	3.3	1.4
Appropriation of profit				
Consolidated result	154.1	–101.0	230.6	–144.7
Profit carried forward from the previous year	–	–	–	12.1
Minority interest in consolidated net result	1.6	0.5	3.3	1.4
Dividend payment	–	–	–	–
Transfer from (+)/to (–) other retained earnings	–152.4	101.4	–227.3	146.1
Unappropriated retained earnings of Salzgitter AG	**0.0**	**0.0**	**0.0**	**12.1**
Earnings per share (in €) – basic	**2.82**	**–1.88**	**4.20**	**–2.70**
Earnings per share (in €) – diluted	**–**	**–1.88**	**–**	**–2.70**

II. Statement of comprehensive income

In € million	Q2 2021	H1 2021	Q2 2020	H1 2020
Consolidated result	**154.1**	**230.6**	**–101.0**	**–144.7**
Recycling				
Changes in value from currency translation	0.3	9.5	–3.2	–16.7
Changes in value from cash flow hedges	15.8	5.8	5.0	–10.3
Fair value change	16.1	2.5	4.1	–11.6
Recognition with effect on income	–0.2	3.3	0.9	1.2
Deferred taxes	–		–	–
Changes in the value of investments in companies accounted for using the equity method	–3.7	0.6	–6.0	–3.2
Fair value change	–4.5	–4.5	–4.9	–4.9
Recognition with effect on income	–		–	–
Currency translation	–1.0	3.4	–1.4	1.4
Deferred taxes	1.7	1.7	0.3	0.3
Deferred taxes on other changes without effect on income	0.3	–0.7	–0.1	–0.3
Subtotal	12.7	15.2	–4.3	–30.5
Non-recycling				
Changes in equity instruments measured at fair value without effect on income	–	–	–	–
Fair value change	–	–	–	–
Deferred taxes	–	–	–	–
Remeasurements	–0.4	81.7	–82.3	27.9
Remeasurement of pensions	–0.2	106.9	–106.4	36.4
Deferred taxes	–0.2	–25.2	24.1	–8.4
Changes in the value of investments in companies accounted for using the equity method	1.9	1.9	10.9	10.9
Subtotal	1.5	83.6	–71.4	38.8
Other comprehensive income	**14.2**	**98.8**	**–75.7**	**8.3**
	–			
Total comprehensive income	**168.3**	**329.4**	**–176.6**	**–136.4**
Total comprehensive income due to Salzgitter AG shareholders	166.6	326.1	–177.1	–137.8
Total comprehensive income due to minority interest	1.6	3.3	0.5	1.4
	168.2	**329.4**	**–176.6**	**–136.4**

III. Consolidated balance sheet

Assets in € m	2021/06/30	2020/12/31
Non-current assets		
Intangible assets	215.0	223.1
Property, plant and equipment	2,209.0	2,200.5
Investment property	80.8	81.5
Financial assets	53.1	54.6
Investments in companies accounted for using the equity method	1,236.5	1,169.1
Trade receivables	9.4	11.0
Other receivables and other assets	18.3	22.3
Income tax assets	2.2	0.5
Deferred income tax assets	404.7	481.9
	4,229.0	**4,244.5**
Current assets		
Inventories	2,181.1	1,933.7
Trade receivables	1,416.0	923.9
Contract assets	313.3	300.2
Other receivables and other assets	244.2	188.3
Income tax assets	21.2	23.7
Securities	49.9	0.0
Cash and cash equivalents	544.6	621.4
	4,770.3	**3,991.2**
Assets available for sale	1.4	1.7
	4,771.7	**3,992.9**
	9,000.7	**8,237.4**

Equity and liabilities in € million	2021/06/30	2020/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings	2,902.9	2,594.5
Other reserves	37.7	26.4
Unappropriated retained earnings	0.0	0.0
	3,359.2	**3,039.5**
Treasury shares	–369.7	–369.7
	2,989.5	**2,669.8**
Minority interest	9.0	9.1
	2,998.5	**2,678.9**
Non-current liabilities		
Provisions for pensions and similar obligations	2,170.1	2,298.6
Deferred tax liabilities	73.6	73.9
Income tax liabilities	30.4	30.4
Other provisions	274.5	267.1
Financial liabilities	737.3	749.4
Other liabilities	54.3	57.1
	3,340.2	**3,476.4**
Current liabilities		
Other provisions	227.0	210.4
Financial liabilities	454.1	488.3
Trade payables	1,231.4	802.4
Contract liabilities	381.0	272.8
Income tax liabilities	10.9	5.5
Other liabilities	357.6	302.8
	2,662.0	**2,082.1**
	9,000.7	**8,237.4**

IV. Cash flow statement

In € million	H1 2021	H1 2020
Earnings before taxes (EBT)	305.7	– 127.8
Depreciation write-downs (+) / write-ups (–) of non-current assets	149.5	148.5
Income tax paid (–) / refunded (+)	– 10.1	– 5.1
Other non-cash expenses (+)/ income (–)	10.9	37.5
Interest expenses	26.5	32.7
Gain (–) / loss (+) from the disposal of non-current assets	0.8	– 12.1
Increase (–) / decrease (+) in inventories	– 238.4	189.9
Increase (–) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	– 535.8	– 0.1
Use of provisions affecting payments, excluding income tax provisions	– 94.0	– 110.2
Increase (+) / decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	607.0	– 275.0
Cash outflow / inflow from operating activities	**222.1**	**– 121.5**
Cash inflow from the disposal of intangible assets, property, plant and equipment and investment properties	4.3	23.2
Cash outflow for investments in intangible assets, property, plant and equipment and investment properties	– 156.4	– 198.3
Cash inflow from investments of funds	–	9.9
Payments for financial investments	– 50.0	–
Cash inflow from the disposal of non-current assets	4.4	5.7
Cash outflow for investments in non-current assets	– 0.0	– 1.7
Cash flow from investment activities	**– 197.7**	**– 161.1**
Payouts to company owners	–	–
Deposits from taking out loans and other financial debts	4.3	165.5
Repayment of loans and other financial liabilities	– 76.1	– 14.7
Interest paid	– 33.7	– 14.1
Cash outflow / inflow from financing activities	**– 105.5**	**– 12.5**
Cash and cash equivalents at the start of the period	621.4	700.5
Gains and losses from changes in foreign exchange rates	4.3	– 3.9
Payment-related changes in cash and cash equivalents	– 81.1	– 295.1
Cash and cash equivalents at the end of the period	**544.6**	**401.5**

V. Statement of changes in equity

In € million	Subscribed capital	Capital reserve	Treasury shares	Retained earnings	
					Currency translation
As of 2019/12/31	**161.6**	**257.0**	**–369.7**	**2,845.2**	**–1.1**
Total comprehensive income	–	–	–	27.6	–16.6
Basis adjustments	–	–	–	–	–
Dividend	–	–	–	–	–
Group transfers to(+)/from(–) retained earnings	–	–	–	–146.1	–
Other	–	–	–	–	–
As of 2020/06/30	**161.6**	**257.0**	**–369.7**	**2,726.6**	**–17.7**
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**

Other reserves from: Cash flow hedges	Other reserves from: Available-for-sale financial assets	Other reserves from: Investments accounted for using the equity method	Unappropriated retained earnings	Amount due to Salzgitter AG shareholders	Minority interest	Equity
1.1	**17.9**	**5.0**	**12.1**	**2,929.0**	**9.6**	**2,938.6**
−10.3	–	7.7	−146.1	−137.8	1.4	−136.4
−2.9	–	–	–	−2.9	–	−2.9
–	–	–	–	–	−3.8	−3.8
–	–	–	146.1	–	–	–
–	–	–	–	–	–	–
−12.1	**17.9**	**12.7**	**12.1**	**2,788.4**	**7.1**	**2,795.5**
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**

Notes

Segment Reporting

In € million	Strip Steel		Plate/Section Steel		Mannesmann	
	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
External sales	1,198.1	902.8	445.5	363.2	530.4	494.5
Sales to other segments	386.9	333.4	438.1	363.1	39.5	58.2
Sales to group companies that are not allocated to an operating segment	1.9	1.7	0.5	0.4	229.5	139.7
Segment sales	1,587.0	1,237.9	884.1	726.7	799.4	692.3
Interest income (consolidated)	0.0	0.1	0.0	0.0	0.4	0.5
Interest income from other segments	–	–	–	–	–	–
Interest income from group companies that are not allocated to an operating segment	0.2	0.0	2.2	3.1	1.4	1.5
Segment interest income	0.3	0.1	2.2	3.1	1.8	2.0
Interest expenses (consolidated)	5.4	5.7	1.1	0.5	2.9	3.2
Interest expenses to other segments	–	–	–	–	–	–
Interest expenses from group companies that are not allocated to an operating segment	1.7	7.3	0.6	1.7	2.4	3.7
Segment interest expenses	7.1	13.0	1.7	2.2	5.3	6.9
of which interest portion of allocations to pension provisions	4.2	5.4	1.0	1.2	1.5	1.9
Depreciation of property, plant and equipment and amortization of intangible assets	63.2	68.6	19.0	15.1	28.1	26.0
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	63.2	68.6	19.0	15.1	28.1	26.0
EBIT before depreciation and amortization (EBITDA)	174.6	12.4	–8.5	–12.7	16.1	8.1
Earnings before interest and taxes (EBIT)	111.4	–56.2	–27.5	–27.8	–12.0	–17.8
Segment earnings before taxes	104.5	–69.2	–26.9	–27.0	–15.5	–22.7
of which resulting from investments in companies accounted for using the equity method	–	–	–	–	–8.6	–0.7
Investments in property, plant and equipment and intangible assets	73.7	78.2	34.9	58.3	23.6	23.6

	Trading		Technology		Total segments		Industrial Participations/ Consolidation		Group
H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
1,538.1	1,229.2	639.3	574.6	4,351.4	3,564.3	84.1	66.7	4,435.5	3,631.0
18.0	11.0	0.3	0.2	882.9	765.9	393.2	287.6	1,276.1	1,053.5
0.0	0.0	–	–	231.9	141.7	–	–	231.9	141.7
1,556.2	1,240.2	639.5	574.7	5,466.2	4,471.9	477.3	354.3	5,943.5	4,826.2
1.2	0.7	0.7	0.5	2.4	1.7	1.1	2.2	3.5	3.9
–	–	–	–	–	–	5.4	13.9	5.4	13.9
5.6	3.3	0.8	0.0	10.2	8.0	–	–	10.2	8.0
6.8	4.0	1.6	0.5	12.6	9.7	6.5	16.1	19.1	25.8
4.7	6.7	1.2	1.7	15.3	17.9	11.3	14.8	26.5	32.7
–	–	–	–	–	–	10.2	8.0	10.2	8.0
0.1	0.2	0.5	1.0	5.4	13.9	–	–	5.4	13.9
4.8	6.9	1.7	2.7	20.7	31.7	21.5	22.8	42.1	54.5
0.6	0.8	0.7	1.0	8.1	10.3	4.4	6.0	12.4	16.2
8.3	7.9	13.0	12.9	131.6	130.4	18.3	18.3	149.9	148.7
8.3	7.9	13.0	12.9	131.6	130.4	18.3	18.3	149.9	148.7
155.6	–5.1	45.6	4.5	383.5	7.2	95.1	42.5	478.6	49.7
147.4	–12.9	32.6	–8.4	251.9	–123.2	76.8	24.2	328.7	–99.0
149.3	–15.8	32.5	–10.6	243.9	–145.2	61.8	17.4	305.7	–127.8
–	–	–	–	–8.6	–0.7	91.0	34.0	82.5	33.3
5.5	21.8	9.7	19.2	147.3	201.2	13.0	8.6	160.4	209.9

Principles of accounting and consolidation, balance sheet reporting and valuation methods

1. The consolidated financial report of Salzgitter AG, Salzgitter (SZAG), for the reporting period from January 1 to June 30, 2021, has been prepared as a condensed report with selected notes. The report has been drawn up, as before, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) in consideration of the requirements set out under IAS 34 for condensed interim reports.
2. In comparison with the annual financial statements as at December 31, 2020, no changes have been made in the accounting, valuation, calculation, and consolidation methods applied to the interim financial statement for the period ended June 30, 2021.
3. In calculating the fair value of defined benefit obligations as of June 30, 2021, an actuarial rate of 1.4% was applied (December 31, 2020: 1.1%). The resulting reduction in provisions for pensions and similar obligations is reported in other comprehensive income (pension revaluation) and incurs a corresponding increase in equity.
4. The recognition of the lease liabilities assigned to financial liabilities is calculated as the present value of the lease payments to be made. In subsequent measurement, the carrying amounts of the lease liability are compounded and reduced by the lease payments remitted with no effect on income. The usage rights reported in property, plant and equipment are recognized at the cost of acquisition less accumulated depreciation and amortization and, if appropriate, any necessary impairment.

In accordance with accounting standards applicable to leases (IFRS 16), the historical cost of acquisition of the leasing rights and liabilities are shown in the presentation below:

In € million	2021/06/30	2020/12/31
Right of use of land, similar rights and buildings, including buildings on land owned by others	118.9	119.4
Right of use of plant equipment and machinery	45.6	39.9
Right of use of other equipment, plant and office equipment	25.0	25.1
Non-current assets	**189.5**	**184.4**
Right of use of land, similar rights and buildings, including buildings on land owned by others	24.3	19.9
Right of use of plant equipment and machinery	20.7	16.4
Right of use of other equipment, plant and office equipment	16.6	14.6
Depreciation/amortization	**61.6**	**50.8**
Lease liabilities	**133.5**	**139.5**

An amount of € 108.6 million is attributable to non-current lease liabilities. Moreover, there were amounts of € 13.0 million in depreciation and amortization, € 1.5 million in interest expenses, as well as a cash outflow totaling € 14.4 million in the first six months of 2021.

5. Salzgitter AG's Executive Board and the Supervisory Board have decided to sell another property of the Trading Business Unit consisting of the land and the administration building on it situated in Hamburg. The sale is due for completion in Q3 2021.

Selected explanatory notes to the income statement

1. Sales by business segment are shown in the segment report.
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of SZAG, stood at € 4.20 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/-06/30/2021	01/01/-06/30/2021	2021/06/30	2021/06/30
Non-consolidated group companies	7.7	6.7	4.5	3.1
Joint ventures	7.1	0.9	1.1	0.2
Joint operations	2.9	0.5	27.9	32.9
Associated companies	–	0.9	–	0.7
Other related parties	0.3	0.9	5.2	100.0

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

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

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 2021

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 differences 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.

Editorial Details and Contact

Contact
SALZGITTER AG
Eisenhüttenstraße 99
38239 Salzgitter
Germany

Postal address
38223 Salzgitter
Germany

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

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

Publisher
SALZGITTER AG

Concept and Design
wirDesign Berlin Braunschweig

Editorial Office
SALZGITTER AG, Investor Relations

Translation
Baker & Company, Munich

This interim report was prepared with the support of the firesys editorial system.