INTERIM REPORT
FIRST HALF 2024

H1

SALZGITTER AG
People, Steel and Technology

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THE SALZGITTER GROUP IN FIGURES

		H1 2024	H1 2023[1]	+/-
Crude steel production	kt	3,328.7	3,135.5	193.2
External sales	€ m	5,243.2	5,835.7	-592.5
Steel Production Business Unit	€ m	1,815.5	1,964.5	-149.0
Steel Processing Business Unit	€ m	859.3	1,187.0	-327.7
Trading Business Unit	€ m	1,603.8	1,760.5	-156.7
Technology Business Unit	€ m	871.3	836.4	34.9
Industrial Participations / Consolidation	€ m	93.3	87.4	6.0
EBIT before depreciation and amortization (EBITDA)	€ m	233.6	429.3	-195.7
Steel Production Business Unit	€ m	101.2	194.5	-93.2
Steel Processing Business Unit	€ m	-37.0	181.4	-218.4
Trading Business Unit	€ m	16.6	12.4	4.2
Technology Business Unit	€ m	70.9	52.1	18.9
Industrial Participations / Consolidation	€ m	81.8	-11.0	92.8
Earnings before interest and taxes (EBIT)	€ m	69.7	270.8	-201.1
Earnings before taxes (EBT)	€ m	11.5	211.0	-199.5
Steel Production Business Unit	€ m	-22.0	83.5	-105.5
Steel Processing Business Unit	€ m	-72.5	138.9	-211.5
Trading Business Unit	€ m	-0.8	-5.0	4.3
Technology Business Unit	€ m	52.7	36.2	16.5
Industrial Participations / Consolidation	€ m	54.1	-42.6	96.7
Consolidated result	€ m	-18.6	160.2	-178.7
Earnings per share – basic	€	-0.40	2.91	-3.31
Return on capital employed (ROCE) [2]	%	1.9	7.9	-6.1
Cash flow from operating activities	€ m	-137.3	249.0	-386.3
Investments [3]	€ m	314.5	205.1	109.5
Depreciation / amortization [3, 4]	€ m	-163.9	-158.5	-5.5
Total assets	€ m	10,546.2	10,979.8	-433.6
Non-current assets	€ m	4,713.8	4,464.4	249.5
Current assets	€ m	5,832.3	6,515.4	-683.1
Equity	€ m	4,806.9	4,899.1	-92.2
Liabilities	€ m	5,739.3	6,080.7	-341.4
Non-current liabilities	€ m	2,358.7	2,705.6	-346.9
Current liabilities	€ m	3,380.6	3,375.1	5.5
of which due to banks [5]	€ m	696.6	713.4	-16.8
Net financial position on the reporting date [6]	€ m	-681.4	-624.4	-57.0
Employees				
Personnel expenses	€ m	-1,007.5	-945.3	-62.2
Core workforce on the reporting date [7]	Empl.	23,511	22,784	727
Total workforce on the reporting date [8]	Empl.	25,399	24,500	899

Disclosure of financial data in compliance with IFRS
[1] Year-earlier figures adjusted for Aurubis AG restatement.
[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, FINANCIAL POSITION AND NET ASSETS

PROFITABILITY OF THE GROUP

		Q2 2024	Q2 2023[1]	H1 2024	H1 2023[1]
Crude steel production	kt	1,650.0	1,551.0	3,328.7	3,135.5
External sales	€ m	2,565.3	2,853.2	5,243.2	5,835.7
EBIT before depreciation and amortization (EBITDA)	€ m	107.3	139.3	233.6	429.3
Earnings before interest and taxes (EBIT)	€ m	24.5	56.7	69.7	270.8
Earnings before taxes (EBT)	€ m	–5.7	27.3	11.5	211.0
Consolidated result	€ m	–33.5	19.7	–18.6	160.2
Return on capital employed (ROCE)[2]	%	1.1	3.1	1.9	7.9
Investments	€ m	206.2	85.7	314.5	205.1
Depreciation / amortization	€ m	–82.7	–82.6	–163.9	–158.5
Cash flow from operating activities	€ m	5.3	82.1	–137.3	249.0

[1] Year-earlier figures adjusted for Aurubis AG restatement.
[2] Annualized

Europe's downbeat economic trend, above all in Germany, placed a significant burden on the development of business in the steel-related business units. By contrast, the Technology Business Unit's very gratifying earnings and the contribution from the participating investment in Aurubis AG boosted the consolidated result. As a result of the prices of most rolled steel products trending down, the Salzgitter Group's **external sales** dropped to € 5.24 billion (H1 2023: € 5.84 billion). Also mainly due to selling prices, **EBITDA** (€ 233.6 million; H1 2023: € 429.3 million) and **earnings before taxes** (€ 11.5 million; H1 2023: € 211.0 million) declined. The result includes an after-tax contribution of € 70.6 million from Aurubis AG (H1 2023: € –2.4 million), an investment included at equity (IFRS accounting). The **after-tax result** came in at € –18.6 million (H1 2023: € 160.2 million), which brings basic **earnings per share** to € –0.40 (H1 2023: € 2.91). Return on capital employed (**ROCE**) stood at 1.9 % (H1 2023: 7.9 %). The **equity ratio** remained at a very sound 45.6 % (H1 2023: 44.8 %).

SPECIAL ITEMS

	EBT		Restructuring		Impairment / Reversal of impairment		Other		EBT without special items	
In € million	H1 2024	H1 2023[1]	H1 2024	H1 2023	H1 2024	H1 2023	H1 2024	H1 2023	H1 2024	H1 2023[1]
Steel Production	−22.0	83.5	–	–	–	–	–	–	−22.0	83.5
Steel Processing	−72.5	138.9	–	–	−20.0	–	–	–	−52.5	138.9
Trading	−0.8	−5.0	–	–	–	–	–	–	−0.8	−5.0
Technology	52.7	36.2	–	–	–	–	–	–	52.7	36.2
Industrial Participations / Consolidation	54.1	−42.6	–	–	–	–	–	–	54.1	−42.6
Group	11.5	211.0	–	–	−20.0	–	–	–	31.5	211.0

[1] Year-earlier figures adjusted for Aurubis AG restatement.

RETURN ON CAPITAL EMPLOYED (ROCE)

In € million	H1 2024	H1 2023[1]
EBT	11.5	211.0
+ Interest expenses	74.0	76.6
– Interest expenses for pension provisions	28.8	31.2
= EBIT I	56.7	256.4
Total assets	10,546.2	10,979.8
– Pension provisions	1,590.0	1,618.1
– Other provisions excluding provision for income taxes	427.6	525.3
– Trade payables, contract liabilities, other liabilities excluding notes payable, liabilities in connection with assets held for sale[2]	2,149.6	1,980.4
– Deferred tax claims	302.6	378.1
= Capital employed	6,076.3	6,477.8
in %		
ROCE	1.9	7.9

[1] Year-earlier figures adjusted for Aurubis AG restatement.
[2] Notes payable amounting to € 0.2 million (2023: € 1.5 million).

ROCE is an important financial performance indicator and an integral part of the internal system of management and control. ROCE posted 1.9 % in the first half of 2024 (H1 2023: 7.9 %). The significantly lower ROCE is attributable to a considerable decline in EBIT, while interest-bearing equity and debt have decreased slightly compared with the previous year's reporting date.

More detailed explanations on the derivation of ROCE are provided in the section on "Financial Control System" of the 2023 Annual Report.

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

In € million	H1 2024	H1 2023[1]
EBT	11.5	211.0
+ Interest expenses	74.0	76.6
– Interest income	15.8	16.7
= EBIT	69.7	270.8
+ Depreciation / amortization[2]	163.9	158.5
= EBITDA	233.6	429.3

[1] Year-earlier figures adjusted for Aurubis AG restatement.
[2] 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 an additional analysis and assessment of a company's results, as well as facilitating approximate 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. Measured against the year-earlier period, the downturn in sales and in material expenses that decreased to a lesser extent essentially fed into a considerable decline in EBIT.

BUSINESS UNIT PERFORMANCE

STEEL PRODUCTION BUSINESS UNIT

		Q2 2024	Q2 2023	H1 2024	H1 2023
Order intake[1]	kt	1,264.5	1,188.2	2,583.1	2,543.9
Order backlog on reporting date[1]	kt	1,092.1	1,005.3	1,092.1	1,005.3
Crude steel production	kt	1,327.9	1,241.4	2,692.4	2,515.1
Salzgitter Flachstahl	kt	1,086.5	1,027.9	2,190.8	2,055.1
Peiner Träger	kt	241.4	213.5	501.6	460.0
Rolled steel production	kt	1,063.0	1,091.5	2,247.2	2,215.7
Salzgitter Flachstahl	kt	839.9	894.0	1,796.9	1,803.3
Peiner Träger	kt	223.1	197.5	450.3	412.5
Shipments	kt	1,367.0	1,324.7	2,813.6	2,773.2
Segment sales[1]	€ m	1,202.1	1,278.9	2,473.7	2,692.5
External sales	€ m	883.5	925.7	1,815.5	1,964.5
EBIT before depreciation and amortization (EBITDA)	€ m	58.2	58.9	101.2	194.5
Earnings before interest and taxes (EBIT)	€ m	10.6	17.0	7.3	111.0
Earnings before taxes (EBT)	€ m	-4.2	3.7	-22.0	83.5

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

Along with the two steel producing companies of Salzgitter Flachstahl GmbH (SZFG) and Peiner Träger GmbH (PTG), 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 decarbonization program. Furthermore, the business unit includes the companies of Salzgitter Mannesmann Stahlservice GmbH (SMS) and Salzgitter Europlatinen GmbH (SZEP). The product range of the business unit comprises hot-rolled strip, galvanized and coated cold-rolled strip, sections and laser-welded tailored blanks, among other products.

MARKET DEVELOPMENT

Development on the European and on the German steel market in particular was determined by the general economic situation in the first half of 2024. The in any event merely modest global economy has proved to be a great deal more downbeat in the EU countries, especially in Germany. A weak construction sector combined with lackluster economic activity in virtually all key customer sectors for strip steel and section products kept demand at a low level. Following a recovery in the previous year, the automotive industry is seeing signs of vehicle production declining in Germany in 2024.

The resulting slack demand negatively impacted the price level in the **strip steel market**. Following an inventory-induced increase in prices at the start of the year, steel prices declined steadily over the course of the reporting period and had stabilized at a low level at the last count. Global surplus capacities resulting high imports into the EU market also upped the pressure on prices. China's exports into non-EU countries have filtered through into redirections of goods, ultimately distinctly raising the volumes available on the European market. This scenario weakened the market position of domestic steelworks further against the backdrop of slow demand, causing a downturn in demand for their products, while imports grew significantly compared to the year-earlier period.

The **sections market** was also negatively influenced by the general economic situation. Steel construction companies attempted to stop the gaps in their capacity utilization with orders destined for short-term delivery, a move that was, however, only partially successful due to the postponement of many large-scale projects. Compared with the previous year, demand dropped off again, triggering erratic market activity that was characterized by waves of ordering activity, which gave rise to great uncertainty. Section prices stabilized at a low level in this environment only toward the end of the first six months.

PROCUREMENT

IRON ORE

In the first three months of 2024, the iron ore price dropped steeply and, following its peak for the year so far at 144 USD / dmt at the start of January, was hovering just above 100 USD / dmt by the end of the first quarter. Having briefly dipped below the 100 USD / dmt threshold at the start of April, prices climbed to just over 120 USD / dmt in May before a correction set in at the end of the month. Iron ore prices moved within a range of between 100 and 110 USD / dmt over the remaining period under review. Iron ore requirements that dropped in line with Chinese demand for steel were also reflected in the increase in iron ore inventories in China's import harbors that, having posted almost 150 million tons at the end of June, were approaching capacity limits. Prices averaged 111.82 USD / dmt in the second quarter, up 0.8 % year on year.

COKING COAL

After having risen at the start of the reporting period, prices declined at the start of February to a level of 320 USD / t, also due to the generally weaker outlook for the steel market. Sluggish demand from key customers, such as India and Europe, resulted in a price correction that sent the benchmark price to just under 245 USD / t at the end of March. Prices stabilized at a level of between 230 – 240 USD / t over the course of the quarter. In response to isolated spot market shipments, the benchmark price partly exceeded the 250 USD / t mark in June. Expressed as an average, the price stood at 242.31 USD / t in the second quarter, down 0.2 % compared with the year-earlier period.

Depending on the situation in the market, the Salzgitter Group hedges limited volumes of iron ore and coking coal in order to mitigate the procurement risks.

STEEL SCRAP

At the start of the year, Germany's scrap market rebounded initially on the back of rising demand from many German steelworks. After a demand-induced end to the price uptrend at the start of March, the scrap price stabilized in the second quarter and remained largely steady. Only in June did the previously subdued deep sea market see a slight recovery. Stable demand then coincided with a sharp reduction in supply, which sent prices up.

BUSINESS DEVELOPMENT

The **order intake** of the Steel Production Business Unit remained at the year-earlier level. By contrast, **orders on hand** exceeded the previous year's period thanks to the notable increase in the section segment. **Crude steel output** topped the previous year's figure and **rolled steel production** remained around the level seen in 2023. While **shipments** stayed stable, **segment** and **external sales** dropped discernibly. Impacted by selling prices, sales in the sections business declined despite higher shipment volumes. Selling prices also slipped in the strip steel segment compared with the previous year. Accordingly, the Steel Production Business Unit generated **EBITDA** of € 101.2 million (H1 2023: € 194.5 million) and € –22.0 million in **earnings before taxes** (H1 2023: € +83.5 million). The earnings of PTG as well as those of SZFG did not repeat the previous year's figures due above all to lower selling prices. With the exception of SMS whose results improved compared with the first six months of 2023, all the other companies fell short of the previous year's figures.

INVESTMENTS

After complete upgrading lasting more than 100 days, Blast Furnace A in Salzgitter was fired back up again in December 2023 and recommissioned. The performance and availability tests were conducted on the blast furnace in the first half of 2024. In relining the blast furnace, the Salzgitter Group has completed an important operational step in securing the pig iron basis for the incremental transformation phase toward low carbon steel production in the context of SALCOS®.

SALCOS®

Our SALCOS® transformation program is aimed at fully converting the integrated steelworks of Salzgitter Flachstahl GmbH into low carbon crude steel production over the period up until 2033. At the present point in time, we are in the process of building a 100 MW electrolysis plant, a direct reduction plant (DRI plant) and an electric arc furnace (EAF). Following extensive work to clear the construction site, hundreds of bored piles were driven into the ground and the foundations laid. The facilities will now be built shortly on these foundations. At the end of 2026, and after having invested around € 2.3 billion for the conversion of crude steel production, we will be operating on the market with products produced via the SALCOS® route. In this first stage, SALCOS® will be supported by public funds of around € 700 million from the German government and € 300 million from the federal state. Together with funds approved of around € 1.3 billion from Salzgitter AG itself, financing the first development stage of SALCOS® has been secured.

By commissioning a new scrap shredder plant, we will be bolstering the expansion envisaged for scrap recycling activities in the context of SALCOS®. The total costs of constructing the plant on the integrated steelworks in Salzgitter in direct proximity to the SALCOS® facilities amount to almost € 30 million. The new plant will enable the processing of high quality scrap grades, thereby representing another component part of producing "green steel" in line with SALCOS®.

Having showcased its SALCOS® green steel brand at the Hanover Trade Fair 2024, which has created a clear identification of the Group's low carbon steel products, Salzgitter AG is already supporting its customers in the run-up to 2026 by offering low carbon steel products. A key component and brand promise consist of focused orientation toward the green steel categorization of the German Steel Federation's Low Emission Steel Standard (LESS). The Salzgitter Group exclusively offers physically significantly lower carbon green steel products in LESS category C and better under its SALCOS® brand name. Customers are already able to source various low carbon steel products produced via the Group's electric arc furnace route.

STEEL PROCESSING BUSINESS UNIT

		Q2 2024	Q2 2023	H1 2024	H1 2023
Order intake	€ m	448.7	521.1	911.2	1,223.6
Order backlog	€ m	700.1	867.6	700.1	867.6
Crude steel production	kt	322.2	309.6	636.3	620.4
Rolled steel production	kt	252.3	262.6	520.5	538.8
Shipments	kt	371.7	411.1	720.8	844.3
Segment sales[1]	€ m	688.5	841.6	1,375.2	1,708.9
External sales	€ m	423.2	625.0	859.3	1,187.0
EBIT before depreciation and amortization (EBITDA)	€ m	−36.1	81.3	−37.0	181.4
Earnings before interest and taxes (EBIT)	€ m	−49.6	61.5	−63.4	147.9
Earnings before taxes (EBT)	€ m	−54.5	57.2	−72.5	138.9

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

The companies producing steel tubes and pipes and the Salzgitter Group's heavy plate activities are combined under the **Steel Processing Business Unit**. The pipes and tubes portfolio covers a wide range of line pipe diameters, as well as precision steel tubes and stainless steel and nickel-based tubes. Two heavy plate mills also belong to the business unit. Along with standard grades, the Ilsenburg mill produces high-strength and sour-gas resistant plate. The competence of the mill operating out of Mülheim an der Ruhr resides above all in the production of line pipe plate for onshore and offshore pipelines in medium to large batch sizes. The business unit has its own supply of input material through its participation in Hüttenwerke Krupp Mannesmann GmbH (HKM).

HKM is included at 30 % on a proportionate basis in the consolidated financial statements. The 50 % stake held in the EUROPIPE Group is accounted for using the equity method.

Following the conclusion of a contract concerning the sale of the MST Group in February 2024, all that is required for the purchaser to complete the actual takeover is the approval from various authorities. We anticipate the final approval in September 2024. Contingent on this approval, the MST Group will be deconsolidated in the third or fourth quarter of 2024.

MARKET DEVELOPMENT

QUARTO PLATE

In tandem with developments on the strip steel market, the plate market staged an only slight recovery and continued its downtrend as the year progressed. Consequently, during the period under review the market prices for heavy plate reached a level last seen at the start of 2021. The pressure on the bulk market from re-rollers had a particularly strong impact on prices. Furthermore, non-sanctioned Russian semi-finished products at knockdown prices had a distorting effect on European price levels. The steel bridge building sector remained stable, while the wind energy market dropped marginally below the year-earlier level. The failure of larger volume orders to materialize for pipes and tubes required a stronger focus on the trading and merchant market. Although overall demand in the European market edged up in the first four months of the year, most of this demand was nevertheless covered by imports. South Korea, India, Japan, Indonesia and northern Macedonia once again supplied the lion's share of sheet volumes.

STEEL TUBES AND PIPES

In the steel tubes and pipes segment, the large-diameter pipes market was especially impacted by delays in the project business, accompanied by weaker demand for sheet and strip. The competition for the few projects in the market was fierce, with much greater volatility in awarding projects in recent months. This also applies to the international project business in the medium-diameter line pipe segment. A positive sign emanated from the EU safeguard measures as per July 1, 2024, that have been extended for another two years, which should significantly curtail larger volumes in the line pipe market. Similar to the strip steel market, the precision tubes market was also determined by subdued demand from core segments, i.e., from the automotive, energy and mechanical engineering sectors. Order intake in plant engineering continued its marked decline. In terms of stainless steel tubes, the lack of momentum in the core markets burdened business in the first half of 2024. In this case, high imports generated price pressure that, in turn, dampened demand in the stockholding steel trade.

BUSINESS DEVELOPMENT

Order intake and **orders on hand** of the Steel Processing Business Unit dropped off considerably in a year-on-year comparison. Both the heavy plate companies and the steel tubes producers sustained significant declines owing to the aforementioned weak economic momentum. Against the backdrop of tangibly lower **shipments**, **segment** and **external sales** also fell notably short of the previous year's figures. The business unit generated **EBITDA** of € –37.0 million (H1 2023: € 181.4 million) and € –72.5 million in **earnings before taxes** (H1 2023: € +138.9 million). Along with lower shipments, the pre-tax loss of the heavy plate segment reflects the downturn in selling prices compared with the previous year, along with the higher costs of input materials. All steel tubes producing companies, including the EUROPIPE Group accounted for using the equity method, delivered marked declines in earnings. The result includes precautionary impairment of € 20.0 million in the stainless steel tubes segment based on an updated purchase price estimate for the Salzgitter Mannesmann Stainless Tubes Group that is held for sale.

TRADING BUSINESS UNIT

		Q2 2024	Q2 2023	H1 2024	H1 2023
Shipments	kt	843.3	780.4	1,744.5	1,568.8
Segment sales[1]	€ m	775.9	850.2	1,621.5	1,774.1
External sales	€ m	767.4	842.2	1,603.8	1,760.5
EBIT before depreciation and amortization (EBITDA)	€ m	4.5	8.9	16.6	12.4
Earnings before interest and taxes (EBIT)	€ m	−0.3	4.7	7.2	3.7
Earnings before taxes (EBT)	€ m	−4.5	0.2	−0.8	−5.0

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

The **Trading Business Unit** comprises a network 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. 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 stockholding steel trade in Europe registered lackluster demand in the first half of 2024. Total shipments declined again compared with the previous year, demand having already dropped significantly in 2023. Selling prices in the stockholding steel trade ticked up briefly at the beginning of the year, only to subsequently decline notably as the year progressed. By contrast, shipments in the US performed well, although a marginal downtrend had set in by the end of the second quarter. The international trading business improved compared with the year-earlier period.

BUSINESS DEVELOPMENT

Thanks to significantly higher sales volumes in international trading, the **shipments** of the Trading Business Unit rose tangibly compared with the weak first half of 2023. In terms of the European stockholding steel trade, however, that contributes around half of the overall shipments, the very reticent demand in the market caused volumes to decline, a trend that intensified in the second quarter. The business unit’s **segment** and **external sales** fell short of the previous year’s period as selling prices slipped notably over the course of 2023 and continued to remain at a lower level. Greater price stability in the first six months of 2024 buffered the negative effects from inventories held in the stockholding steel trade. This is the main reason for the considerable improvement in **EBITDA** (€ 16.6 million; H1 2023: € 12.4 million) and **earnings before taxes** (€ –0.8 million; H1 2023: € –5.0 million). At the same time, shipment volumes dropping off in the second quarter more than eroded the earnings before taxes generated in the first quarter of the year.

TECHNOLOGY BUSINESS UNIT

		Q2 2024	Q2 2023	H1 2024	H1 2023
Order intake	€ m	410.8	566.8	777.6	1,150.6
Order backlog on reporting date	€ m	1,291.8	1,474.5	1,291.8	1,474.5
Segment sales[1]	**€ m**	**446.0**	**416.2**	**871.7**	**836.7**
External sales	**€ m**	**445.8**	**416.0**	**871.3**	**836.4**
EBIT before depreciation and amortization (EBITDA)	**€ m**	**32.7**	**24.8**	**70.9**	**52.1**
Earnings before interest and taxes (EBIT)	€ m	24.4	17.0	54.4	36.7
Earnings before taxes (EBT)	**€ m**	**23.2**	**16.5**	**52.7**	**36.2**

[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**. More than 90 % of sales is generated by the KHS Group that, as a plant engineering specialist, holds a leading global position in filling and packaging technology. The KHS Group is a full-line supplier featuring a product range that covers intralogistics and processing through to the filling and packaging of beverages. The Klöckner DESMA Elastomertechnik Group (KDE Group) manufactures injection molding machinery for rubber and silicon products, while DESMA Schuhmaschinen GmbH (KDS) provides special machinery for the shoe manufacturing industry.

MARKET DEVELOPMENT

The German Engineering Federation (VDMA) reported a steep decline in the German mechanical engineering's order intake in the first six months of 2024. Demand therefore continued the downtrend that had already set in by the second half of 2023. Slack demand from abroad is coinciding with a sustained and marked lack of investment in Germany.

BUSINESS DEVELOPMENT

Against the backdrop of weaker demand in the first half of 2024 and the general downtrend in the sector, the Technology Business Unit's **order intake** fell considerably short of the strong year-earlier level. The business unit's **orders on hand** nevertheless remained at a good level owing to the stable flow of orders at year-end 2023 while, however, declining notably year on year. The high level of orders on hand underpinned capacity utilization at the KHS Group and bolstered **segment** and **external sales** that improved marginally compared with the first six months of 2023. All in all, the Technology Business Unit lifted **EBITDA** to € 70.9 million (H1 2023: € 52.1 million) and **EBT** to € 52.7 million (H1 2023: 36.2 € million) in the first half of 2024. The positive development in earnings is especially due to the KHS Group that significantly exceeded its year-earlier result. The KDE Group and KDS also significantly outperformed the previous year's period.

The Technology Business Unit's efficiency and growth program consistently interacts and meshes with the Salzgitter Group's strategy. Extensive measures have contributed to the increase in sales and earnings achieved so far despite the fiercely competitive market environment, hallmarked by uncertainty. Along with continuously developing its production locations in Germany, the KHS Group's strategic focus is especially placed on expanding its international presence.

INDUSTRIAL PARTICIPATIONS / CONSOLIDATION

		Q2 2024	Q2 2023[1]	H1 2024	H1 2023[1]
Sales[2]	€ m	292.8	328.1	598.4	656.9
External sales	€ m	45.3	44.3	93.3	87.4
EBIT before depreciation and amortization (EBITDA)	€ m	48.0	–34.7	81.8	–11.0
Earnings before interest and taxes (EBIT)	€ m	39.4	–43.4	64.2	–28.5
Earnings before taxes (EBT)	€ m	34.3	–50.3	54.1	–42.6

[1] Year-earlier figures adjusted for Aurubis AG restatement
[2] Including sales with other business units in the Group

Industrial Participations / Consolidation comprises activities that are not directly allocated to a business unit. As a management holding company, Salzgitter AG (SZAG) does not have any operations of its own. Instead, it manages Salzgitter Mannesmann GmbH (SMG) and Salzgitter Klöckner-Werke GmbH (SKWG) under which the major companies of the Salzgitter Group are held. Aside from this, 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, declined notably compared with the first six months of 2023. **External sales** increased as against the year-earlier period. **EBITDA** (€ 81.8 million; H1 2023: € –11.0 million) includes a contribution of € 70.6 million from the participating investment in Aurubis AG accounted for using the equity method (H1 2023: € –2.4 million). At € 54.1 million, **earnings before taxes** significantly exceeded the previous year's figure (H1 2023: € –42.6 million). The results from the valuation of derivatives positions and net interest income from cash management of the consolidated group delivered a positive net contribution (€ 19.5 million; H1 2023: € –0.4 million). The result of this area of business also includes the negative operating result from holding services provided for the subsidiaries. The companies largely acting on behalf of the Group generated a positive pre-tax result (€ 3.8 million; H1 2023: € 3.7 million).

FINANCIAL POSITION AND NET ASSETS

NOTES TO THE BALANCE SHEET

The **total assets** of the Salzgitter Group rose by € 44 million in the first six months of 2024 compared with December 31, 2023.

Non-current assets advanced slightly compared with the last reporting date (€ +143 million). Investments in intangible assets and property, plant and equipment (€ +315 million) significantly exceeded the scheduled depreciation and amortization of fixed assets (€ –164 million) in the period under review. The shares in the companies accounted for using the equity method increased by € 30 million. Deferred tax assets (€ –23 million) declined principally as a result of the higher interest rate level and therefore lower pension provisions pursuant to IFRS. Moreover, non-current other receivables and assets decreased by € 12 million. **Current assets** fell marginally short of the year-earlier reporting date (€ –99 million). Trade receivables, including contract assets (€ +265 million) and inventories (€ +7 million) rose as opposed to financial assets that dropped notably (€ –359 million).

On the **liabilities side,** shareholders' equity remained virtually unchanged from the level seen on the previous year's reporting date (€ –28 million). Against the backdrop of a slight increase in total assets, the equity ratio continued to post a very sound 45.6 % (2023/12/31: 46.0 %). **Non-current liabilities** remained firtually unchanged compared with the year-earlier reporting date (€ +5 million). The decline in pension provisions (€ –78 million), largely due to the actuarial interest that has risen since the last reporting date, was offset by higher financial liabilities (€ 78 million). **Current liabilities** climbed by € 66 million. While current financial liabilities (€ +49 million), along with other liabilities (€ +42 million) increased, trade payables, including contract liabilities, and other provisions shed € –9 million and € –17 million respectively.

The **net financial position** (€ –681 million) dropped significantly compared with the reporting date at year-end 2023 (€ –214 million). Cash investment (€ 586 million; 2023/12/31: € 946 million) was offset by liabilities of € 1,268 million (2023/12/31: € 1,160 million), of which € 564 were owed to banks (2023/12/31: € 511 million). The Federal Republic of Germany and the Federal State of Lower Saxony have committed to providing funds for the SALCOS® transformation program that will be paid out depending on the investments implemented. An amount of € 220 million in total had been paid out from the funds by the reporting date. As before, assets and liabilities from leasing arrangements are not considered in the net financial position. The increase in receivables and in trade payables, including contract assets and liabilities, only impacts the net financial position when payments flow.

NET FINANCIAL POSITION

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

In € million	2024/06/30	2023/12/31
Cash and cash equivalents acc. to balance sheet	580.8	939.7
+ Certificates held for trading	–	–
+ Other investments of funds[1]	5.4	5.8
= Investments of funds	**586.2**	**945.5**
Financial liabilities acc. to balance sheet	1,427.5	1,300.8
– Liabilities from leasing agreements, from financing / financial transactions and other	159.7	141.0
= Financial liabilities of net financial position	**1,267.7**	**1,159.8**
Net financial position	**–681.5**	**–214.3**

[1] Securities, loans excl. valuation allowances (€ 1.8 million; 2023/12/31: € 2.2 million) and incl. other cash investments reported under other receivables and other assets (€ 3.6 million; 2023/12/31: € 3.6 million).

NOTES TO THE CASH FLOW STATEMENT

With a pre-tax profit of € 12 million, a negative **cash flow from operating activities** of € –137 million was reported (previous year: € +249 million). The considerably lower result compared with the previous year's period similarly affected the operating cash flow. At the same time, the increase in working capital had a negative impact on the operating cash flow.

The **cash outflow from investing activities** stood at € –264 million (previous year: € –241 million). Disbursements for capital expenditure on intangible assets and on property, plant and equipment (€ –285 million; previous year: € –261 million) are significantly higher than in the year before and, along with scheduled replacement investments, also include payouts of € 111 million for SALCOS®. An amount of € 19 million in public funding has so far been received in the financial year 2024 for the SALCOS® program, with a commensurate cash effect. Lower incoming payments from the disposal of other non-current assets have an additionally negative impact on the cash flow in a year-on-year comparison. A counter effect emanated from the lower level of disbursements for investments in other non-current assets.

We paid dividend of € 24 million to our shareholders. Proceeds from borrowing and other financial liabilities (€ 336 million) are offset by lower repayments of loans and other financial liabilities (€ 229 million) and interest payments (€ 38 million), resulting in a **cash inflow from financing activities** (€ 45 million; previous year's period: cash outflow of € 64 million).

As a result of the negative overall cash flow, **cash and cash equivalents** (€ 581 million) declined accordingly compared with December 31, 2023 (€ 940 million).

EMPLOYEES

	2024/06/30	2023/12/31	Change
Core workforce[1]	**23,511**	**23,138**	**373**
Steel Production Business Unit	**7,594**	7,430	164
Steel Processing Business Unit	**5,384**	5,317	67
Trading Business Unit	**1,948**	1,990	−42
Technology Business Unit	**5,857**	5,720	137
Industrial Participations / Consolidation	**2,728**	2,681	47
Apprentices, students, trainees	**1,238**	1,413	−175
Non-active age-related part-time employment	**650**	632	18
Total workforce	**25,399**	**25,183**	**216**

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

As of June 30, 2024, the **core workforce** of the Salzgitter Group numbered 23,511 employees, which is 373 persons more than at the end of the financial year 2023.

The increase of 155 employees recorded at Salzgitter Flachstahl GmbH in the first half of 2024 is due in particular to hiring trainees, additional personnel requirements in connection with the SALCOS® program, and the partial substitution of outsourced temporary employees by core workforce members. Other tangible personnel increases were reported at the KHS Group (+116) and Salzgitter Digital Solutions GmbH (+42) and are instrumental in realizing the expansion in business already planned and the ongoing digitalization of business processes. A total of 236 trainees were hired during the reporting period, 126 of whom were given temporary contracts. A counter trend emanated from employees reaching retirement through switching to the non-active age-related part-time or going into immediate retirement.

The **total workforce** amounted to 25,399 employees. The number of **temporary staff** outsourced came in at 1,116 on June 30, 2024, which is 72 persons below the number reported on previous year's reporting date. At the end of the period under review, 448 employees (H1 2023: 251) were working **short time** in the domestic Group companies, 397 of whom at Salzgitter Mannesmann Stahlhandel GmbH and 51 employees at Salzgitter Mannesmann Stainless Tubes Deutschland GmbH.

FORECAST, OPPORTUNITIES AND RISK REPORT

OUTLOOK

Compared with the previous year, the business units anticipate that business in the financial year 2024 will develop as follows:

The results of the companies forming part of the **Steel Production Business Unit** mirrored the ongoing sluggish economy in the first half of 2024, although sound demand was reported from automotive manufacturers and orders on hand remained at a healthy level. As a result of persistently hesitant demand from non-automotive segments, we anticipate shipments at a somewhat lower level in the strip steel business. Based on three-furnace operation, crude steel production is running at a slightly reduced rate. After a slight upturn in shipments in the first six months compared with the low volumes in the year-earlier period, we are assuming a stable shipment situation in terms of steel sections over the remainder of 2024. We expect selling prices to fall in both product segments – strip steel and sections – a development that will not be offset by an only slight decline in input costs. All in all, we therefore predict sales at the year-earlier level for the business unit (2023: € 3,528.0 million), EBITDA that will fall notably short year on year (2023: € 295.5 million), accompanied by earnings before taxes virtually at breakeven (2023: € 75.8 million).

With regards to the **Steel Processing Business Unit**, we predict that the economy will remain in the doldrums in the target markets: We expect heavy plate order intake to drop below the already weak year-earlier level, with prices under intense pressure. Pipe plate production is only likely to benefit at year-end from the delays in awarding projects for large-diameter pipes. As a result, better capacity utilization would also then materialize for the large-diameter pipe mills. We predict a significant downturn in volumes in the medium-diameter line pipe segment. In the precision tubes group, demand remains hesitant following on from the previous year. Lackluster market conditions are also set to persist for the stainless tubes group, the disposal of which is still subject to approval by the authorities. We predict a substantial year-on-year decline overall in sales for the business unit (2023: € 2,126.5 million). EBITDA (2023: € 227.4 million) and the pre-tax result (2023: € 144.7 million) are likely to fall notably short of the previous year and settle in negative territory.

A generally improved result is anticipated for the **Trading Business Unit** in 2024. This development will largely be a consequence of prices that are more stable compared with the year-earlier period, and therefore considerably less negative effects ensuing from inventories held in the stockholding steel trade. By contrast, shipments are expected to rise slightly in international trading in a year-on-year comparison. All in all, the following is forecast for the Trading Business Unit: a substantial downturn in sales (2023: € 3,313.0 million), EBITDA above the year-earlier level (2023: € 20.5 million) and earnings before taxes around breakeven (2023: € –13.6 million).

The **Technology Business Unit** is expected to put in a good performance in 2024 as well. With regard to the KHS Group in particular, we anticipate that business will continue to develop well based on the quality of the order backlog in the project business and the ongoing, focused growth in the service business, as in recent years. The two DESMA specialist mechanical engineering companies anticipate a sustained market recovery, and supported by cost-cutting programs, a pre-tax result that exceeds the year-earlier figure. We generally anticipate notable sales growth for the business unit (2023: € 1,647.4 million), as well as EBITDA (2023: € 114.9 million) and a pre-tax profit (2023: € 81.1 million) that both substantially exceed the year-earlier figures.

We expect the following for the **Salzgitter Group** in the financial year 2024:

/ sales in the region of € 10 billion,
/ EBITDA of between € 400 million and € 500 million,
/ a pre-tax result at breakeven, and
/ a return on capital employed (ROCE) that is tangibly below the year-earlier figure.

Potential one-off effects with an impact on earnings incurred by structural events through to the end of the year have not been taken into consideration.

Moreover, as in recent years, please note that opportunities and risks from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as exchange rate fluctuations, may considerably affect performance in the course of business in the financial year 2024. The resulting impact on performance may be within a substantial range, either to the positive or to the negative.

FORECAST FOR THE BUSINESS UNITS AND THE GROUP

			Financial Year 2023	Forecast for the Financial Year 2024
Steel Production	Sales	€ m	3,528.0	At year-earlier level
	EBITDA	€ m	295.5	Tangibly lower y / y
	EBT	€ m	75.8	Virtually at breakeven
Steel Processing	Sales	€ m	2,126.5	Significantly reduced sales
	EBITDA	€ m	227.4	Tangibly lower y / y; negative territory
	EBT	€ m	144.7	Tangibly lower y / y; negative territory
Trading	Sales	€ m	3,313.0	Significant downtrend
	EBITDA	€ m	20.5	Above previous year
	EBT	€ m	–13.6	At breakeven
Technology	Sales	€ m	1,647.4	Notable uptrend
	EBITDA	€ m	114.9	Clearly higher y / y
	EBT	€ m	81.1	Clearly higher y / y
Group	Sales	€ m	10,790.5	Around € 10 billion
	EBITDA	€ m	677.0	Between € 400 million and € 500 million
	EBT	€ m	238.4	At breakeven
	ROCE	%	5.6	Discernibly lower y / y

DENOMINATION	SALES, EBITDA AND EBT	DELTA ROCE
Stable, at year-earlier level:	Up to ± 2 %	± 1
Marginal, slight, somewhat:	± 2 % to < ± 5 %	1 to 5
Moderate, modest, more detailed description not available:	± 5 % to < ± 10	–
Tangible, considerable, notable, significant, visible:	Upward of 10 %	> ±5

RISK MANAGEMENT

At the time of reporting, we find ourselves still confronted by the impact of the Russia / Ukraine war and are facing volatility on the raw materials and energy markets, with the associated higher inflation rates. At present, and to the extent foreseeable, we have factored in the effects on our companies' earnings 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 2023.

GEOPOLITICAL RISKS
Salzgitter AG is a group with global operations and is therefore especially exposed to geopolitical impact. The most recent geopolitical events, such as the war in Ukraine, the conflict in the Middle East, and the terror attacks in the Red Sea may negatively impact Salzgitter AG's business model. Effects may also manifest on the sales markets, the commodities markets, the energy markets and on transport routes. The escalating number and acceleration of geopolitical risks continued in the first half of 2024.

Concerning the 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. An indirect impact is emanating from insufficiently drafted sanctions that allow introducing slab from Russia into the EU in significant volumes and at prices detrimental to the market (see also industry-specific risks). The decline in sales in the war-affected regions plays a minor role for Salzgitter AG. Furthermore, in the context of Russia / Ukraine, we inventorize all the Group's assets and investments, market-related risks pertaining to sales and procurement as well as outstanding receivables in these countries. As we do not anticipate any fundamental change in the medium term, we have significantly scaled back our business activities in these regions.

Against the backdrop of Hamas' terrorist attack on Israel and possibility of other parties entering the war, as well as most particularly Iran's attack on Israel, the situation in the Middle East is threatening to escalate, with a significant impact on energy prices, particularly on oil and gas, and renewed supply chain disruptions. Should the conflict in the Middle East spread, the negative consequences would filter through to the flow of goods and the oil market in particular. At the current point in time no notable effects on Salzgitter AG's business policy are discernible.

A further geopolitical risk is also inherent in the imminent US elections. Trump's return to the Oval Office may translate into a negative scenario with the US withdrawing its support for Ukraine and an escalation in trade policy measures against China and also against the EU. Flat-rate import and export duties or even exclusion from America's domestic market would hit export-oriented sectors in Europe hard. Such a scenario would also have a direct and detrimental impact on Salzgitter AG's business model given the high volumes of Germany's indirect steel imports into the US.

China's support of Russia combined with its repeated and growing threats regarding Taiwan have served to further exacerbate the tensions between "The West" and China. Furthermore, the Chinese central government, with its economic policy aligned to "dominance via subsidies" and the ensuing consequences, have put the US on higher alert – and meanwhile also Europe. The threat of blocks forming in global trade is already redirecting investment flows. Important customers in the steel industry, for instance, are relocating their value chains to the US and China, with the aim of circumventing trade defense measures. European industry's dependence on critical commodities originating from China that are difficult to substitute harbors yet another risk.

ECONOMIC RISKS
The aforementioned risks may negatively impact the short-term development of the global economy. This is compounded by further risks for the global economy, such as China's weak economic growth or imponderables regarding inflation in the advanced economies. These risks are framed by growing tensions regarding trade policies that constitute yet another risk for the global economy.

In the first six months of 2024, the outlook for global economic development improved slightly, albeit with expansion at a merely modest pace. Global growth stood at 2.7 % in 2023. In 2024, the German government's Council of Experts anticipates growth of 2.6 % in 2024, while predicting growth of 2.7 % in 2025. The OECD is somewhat more upbeat in its estimations. Expectations for 2024 and 2025 are half a percentage point higher (3.1 % and 3.2 % respectively) and therefore range at the upper end of the forecast table. The heterogeneous developments of sectors and regions are especially conspicuous.

Generally speaking, the services sector is performing better than industry. In terms of the various regions, economic development in the US continues to develop with surprising momentum given the country's pursuit of a restrictive monetary policy. In 2023, growth posted 2.5 %, is expected at 2.3 % in the current year and is estimated at 1.8 % in 2025 by the German government's Council of Experts. In 2023, China's economy, having posted growth of 5.4 %, remained below the trend level prior to the pandemic. The dent in the economy is explained by the crisis in the real estate sector, with the downtrend still unabated. The high level of uncertainty and increasingly unreliable projects are firstly putting the brakes on the construction industry, and secondly causing consumer buying reticence. Growth in 2024 and 2025 has been predicted at around 5.1 % and 4.7 % respectively. Europe's economy performed below average (2023: 0.9 %; 2024: 1.2 %). Europe's growth will only catch up with America's performance in 2025, achieving a level of 1.8 %.

The German economy is responsible for constraining growth in Europe. Last year value added contracted by 0.3 %. The German government's Council of Experts anticipates growth at 0.2 % in 2024 and at 0.9 % for 2025. The forecasts of various economic research institutes such as ifo, IfW or RWI are meanwhile a little more positive: growth of more than 1 % is anticipated for 2025. Salzgitter AG's key markets are developing below average benchmarked against the global economy. The already weak outlook is set against the backdrop of manifold imponderables, as indicated by the discrepancy in the forecast distribution. Moreover, the most recent lead indicators stand in contrast with forecasts marginally revised upward for Germany. In addition, the analyses described above are subject to the economic development of a host of risk factors.

Geopolitical turbulence is fueling great uncertainty and thus impacting inflation and economic growth. An intensification or escalation of the war against Ukraine or the conflict in the Middle East would have consequences for the energy markets and supply chains. A negative impact on Salzgitter AG's business activities would mainly arise from the uptrend in energy prices resuming. The exporting of steel-intensive goods could additionally be braked by fresh protectionist waves, after the presidential elections in the US, for instance. Against this backdrop of weaker economic prospects and the geopolitical imponderables, Salzgitter AG may face the risk of sustained weaker demand on Germany's core market.

Inflation poses a further risk. The disinflation process could come to a halt due to rising wages and new shocks hitting supply chains. This scenario could put the ECB under pressure, which would prompt it to halt the cycle of lowering interest rates. As regards Salzgitter AG's core markets, a delayed interest rate cut would be considered negative since little stimulus would be anticipated for the construction economy and consumer spending on cars or household appliances, for instance, would be more difficult to finance.

Germany's currently lackluster growth may prove to be a persistent, structural weakness. Rising wage levels in the country, accompanied by price hikes for imports, and for energy in particular, could cause a sustained deterioration in Germany's competitiveness. These circumstances could put a permanent damper on the demand for steel not only due to weaker exports, but also from steel producers relocating their production sites elsewhere, thereby exerting pressure on demand and steel prices.

China's sluggish growth represents a further risk. Ailing demand is presenting European exporters with challenges as China is a key sales market. At the same time, considerable export pressure is building up due to the massive subventions that have resulted in excess capacities in China in many parts of the country's industry. This has negative consequences for the steel industry's key customer sectors (conventional steel construction, vehicle and heavy machinery construction, wind turbines).

SECTORAL RISKS

Furthermore, China's weak economy is exerting a very negative impact on the global steel markets. Rising steel exports from China (almost 100 million tons in 2023), prompted by weak domestic demand, are indirectly translating into an increase in steel products imported into the EU market and consequently in declining price levels in Europe. While Chinese steel products in the EU are largely subject to anti-dumping measures, China exports its excess capacities to the Asian region. This in turn creates huge export pressure on countries with their own surplus capacities, such as Japan, Vietnam, South Korea, Taiwan and India, that export their surpluses into the EU market. In addition, Chinese producers have made considerable, subsidized, direct investments in steel capacities in regions of the ASEAN countries with the aim of sidestepping trade defense measures.

In June 2024, EU member states decided to extend the safeguard measures through to June 30, 2026. The necessity of this measure was substantiated by surplus capacities intensifying across the globe and structural distortions on the global steel market. Accordingly, the system of tariff quotas that has existed since 2019 will continue to be instrumental in stabilizing the EU steel market. However, July 2026 would see the maximum duration reached for implementing safeguard measures as prescribed under the law. The expiration of the safeguards entails the threat of another increase in imports across numerous product categories, especially hot strip, hot-dipped galvanized products, and large-diameter pipes.

Moreover, following the election in the US a reintroduction of Section 232 duties (minus tariff quotas) could pose a threat for European exporters into the US. Following unsuccessful negotiations to draw up a Global Sustainable Steel Agreement (GSSA) in the fall of 2023, the EU and the US have agreed to suspend duties and counter-duties through to March 2025. A reelection of Trump could exacerbate the risk of another escalation, including the continuation of the US Section 232 duties. The consequences would be further redirections of tonnage into the EU market and the loss of exports destined for the US that have been stabilizing since the introduction of the tariff quotas.

In 2022, the EU member states resolved to introduce import restrictions on Russian steel products. Accordingly, importing processed steel products of Russian origin into non-EU countries is prohibited as from October 2023. The sanctions that took effect from October 2023 have been softened insofar as obligations are concerned, which will increase the probability of circumvention. Furthermore, contrary to the decision from September 2023 with the twelfth package of sanctions in December 2023, the transition period for the import of Russian slab was extended from 2024 to 2028. As a result, Russian slab can be imported into the EU at low-cost conditions for another four years. These circumstances not only undermine the sanctions' effectiveness but also harbor the risk of inflicting significant damage on the heavy plate market as this is where the proportion of Russian slab is the highest and up to around 30 % of the players in the market either partly or fully take recourse to Russian slab.

In December 2022, the EU member states agreed on the introduction of a Carbon Border Adjustment Mechanism (CBAM) as a future Carbon Leakage Safeguard Instrument and as a replacement for free allowances in EU emissions trading. A transition phase commenced as from October 1, 2023, and, as from January 1, 2026, importers will need to factor in the cost of carbon similar to EU producers. Risks arise from the form that the new instrument will take, given that many detailed regulations will only be determined in the coming one and a half years and that these regulations will decide on how effective the instrument will be. This includes, for instance, regulations on circumventing the CBAM and on extending the CBAM to downstream sectors in steel processing, along with a solution to ease the burden of carbon costs on exports. Numerous further detailed regulations, such as on default values and control mechanisms, have not yet been defined or tested. Risks arise in this context, both from relocating the production of steel-intensive goods outside the EU and from the targeted redirection of lower carbon products in the EU market into export countries without genuine climate protection endeavors.

INTERIM REPORT

CONSOLIDATED INCOME STATEMENT

In € million	Q2 2024	Q2 2023[1]	H1 2024	H1 2023[1]
Sales	2,565.3	2,853.2	5,243.2	5,835.7
Increase / decrease in finished goods and work in process / other own work capitalized	64.6	–36.0	89.8	–76.2
Total operating performance	2,629.9	2,817.2	5,333.0	5,759.5
Other operating income	86.0	149.1	216.1	335.2
Cost of materials	1,787.3	1,928.3	3,651.4	3,887.8
Personnel expenses	506.5	480.1	1,007.5	945.3
Amortization and depreciation of intangible assets and property, plant and equipment	82.7	82.6	163.9	158.5
Other operating expenses	363.8	411.4	729.4	858.2
Result from impairment losses and reversal of impairment losses of financial assets	1.7	–3.2	1.6	–6.2
Income from shareholdings	0.3	1.2	0.3	1.2
Result from investments accounted for using the equity method[1]	46.8	–5.1	71.0	30.9
Finance income	7.1	8.7	15.8	16.7
Finance expenses	37.4	38.1	74.0	76.6
Earnings before taxes (EBT)	–5.7	27.3	11.5	211.0
Income tax	27.8	7.6	30.1	50.8
Consolidated result	–33.5	19.7	–18.6	160.2
Amount due to Salzgitter AG shareholders	–34.8	18.2	–21.9	157.3
Minority interest	1.2	1.5	3.3	2.9
Appropriation of profit				
Consolidated result	–33.5	19.7	–18.6	160.2
Profit carried forward from the previous year	–	–	27.1	60.1
Minority interest in consolidated result	1.2	1.5	3.3	2.9
Dividend payment	–24.3	–54.1	–24.3	–54.1
Transfer from (+)/ to (–) other retained earnings	34.7	–18.2	21.8	–157.3
Unappropriated retained earnings of Salzgitter AG	–24.4	–54.1	2.7	6.0
Earnings per share (in €) – basic	–0.64	0.34	–0.40	2.9
Earnings per share (in €) – diluted	–	–	–	–

[1] Year-earlier figures adjusted for Aurubis AG restatement.

STATEMENT OF COMPREHENSIVE INCOME

In € million	Q2 2024	H1 2024	Q2 2023[1]	H1 2023[1]
Consolidated result	–33.5	–18.6	19.7	160.2
Recycling				
Changes in value from currency translation	–1.0	4.9	1.4	–2.4
Changes in value from cash flow hedges	8.9	–20.5	–6.5	0.9
Fair value change	9.3	–21.4	–5.5	0.9
Recognition with effect on income	–0.4	0.9	–1.0	0.0
Changes in the value of investments in companies accounted for using the equity method	1.7	0.9	–12.9	–10.1
Fair value change	–3.3	–3.3	–9.3	–4.6
Recognition with effect on income	0.8		–	
Currency translation	3.1	3.1	–7.1	–8.8
Deferred taxes	1.2	1.2	3.6	3.4
Subtotal	9.6	–14.6	–17.9	–11.5
Non-recycling				
Remeasurements	32.6	48.2	9.3	–6.4
Remeasurement of pensions	43.0	63.7	12.0	–8.4
Deferred taxes	–10.4	–15.4	–2.8	1.9
Changes in the value of investments in companies accounted for using the equity method	–8.4	–8.4	–15.4	–13.3
Fair value change	–	–	–13.9	–11.8
Remeasurement of pensions	–12.4	–12.4	–0.9	–0.9
Currency translation	–	–	–	–
Deferred taxes	4.0	4.0	–0.5	–0.5
Subtotal	24.2	39.8	–6.1	–19.7
			–	
Other comprehensive income	25.2	25.2	–24.0	–31.2
Total comprehensive income	0.3	6.6	–4.3	129.0
Total comprehensive income due to Salzgitter AG shareholders	–0.9	3.3	–5.9	126.1
Total comprehensive income due to minority interest	1.2	3.3	1.5	2.8
	0.3	6.6	–4.3	129.0

[1] Year-earlier figures adjusted for Aurubis AG restatement.

CONSOLIDATED BALANCE SHEET

Assets in € million	2024/06/30	2023/12/31
Non-current assets		
Intangible assets	197.9	207.3
Property, plant and equipment	2,544.7	2,388.5
Investment property	75.9	76.6
Financial assets	28.7	29.0
Investments in companies accounted for using the equity method[1]	1,535.1	1,505.5
Trade receivables	2.7	2.6
Other receivables and other assets	16.7	28.9
Income tax assets	9.6	6.6
Deferred income tax assets	302.6	325.3
	4,713.8	4,570.4
Current assets		
Inventories	2,873.9	2,867.2
Trade receivables	1,458.9	1,221.5
Contract assets	399.3	372.0
Other receivables and other assets	232.2	231.4
Income tax assets	39.5	34.6
Securities	0.0	0.0
Cash and cash equivalents	580.8	939.7
	5,584.7	5,666.5
Assets held for sale	247.6	265.2
	5,832.3	5,931.7
	10,546.2	10,502.0

[1] For further information regarding the adjustment of the previous year's figures of Aurubis, we make reference to the section "Principles of Accounting".

Equity and liabilities in € million	2024/06/30	2023/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings[1]	4,686.9	4,660.4
Other reserves	62.0	90.5
Unappropriated retained earnings	2.7	27.1
	5,170.2	5,196.6
Treasury shares	−369.7	−369.7
	4,800.5	4,826.9
Minority interest	6.4	7.6
	4,806.9	4,834.5
Non-current liabilities		
Provisions for pensions and similar obligations	1,590.0	1,667.8
Deferred tax liabilities	101.9	98.4
Income tax liabilities	19.1	19.1
Other provisions	205.3	203.7
Financial liabilities	438.3	360.2
Other liabilities	4.0	4.1
	2,358.7	2,353.3
Current liabilities		
Other provisions	222.3	239.3
Financial liabilities	989.1	940.6
Trade payables	1,311.5	1,247.6
Contract liabilities	374.1	447.2
Income tax liabilities	23.3	26.0
Other liabilities	332.3	289.9
Liabilities associated with assets held for sale	128.0	123.7
	3,380.6	3,314.3
	10,546.2	10,502.0

[1] For further information regarding the adjustment of the previous year's figures of Aurubis, we make reference to the section "Principles of Accounting".

CASH FLOW STATEMENT

In € million	H1 2024	H1 2023[1]
Earnings before taxes (EBT)	11.5	211.0
Depreciation write-downs (+) / write-ups (-) of non-current assets	163.1	158.3
Income tax paid (-) / refunded (+)	-25.1	-57.4
Other non-cash expenses (+)/ income (-)	41.1	99.6
Interest expenses	73.7	76.6
Gain (-) / loss (+) from the disposal of non-current assets	1.8	8.5
Increase (-) / decrease (+) in inventories	-3.2	319.5
Increase (-) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-263.7	-255.3
Use of provisions affecting payments, excluding income tax provisions	-130.8	-122.9
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	-5.6	-188.8
Cash outflow / inflow from operating activities	-137.3	249.0
Cash inflow from the disposal of intangible assets, property, plant and equipment and investment property	1.1	0.8
Cash outflow for investments in intangible assets, property, plant and equipment and investment property	-284.9	-260.9
Cash inflow of subsidies for investments in intangible assets, property, plant and equipment	19.0	-
Payments for financial investments	-	-0.7
Cash inflow from the disposal of non-current assets	0.5	29.6
Cash outflow for investments in non-current assets	-0.1	-9.3
Cash outflow from investment activities	-264.4	-240.5
Payouts to company owners	-24.3	-54.1
Deposits from taking out loans and other financial debts	336.2	57.7
Repayment of loans and other financial liabilities	-228.6	-44.2
Interest paid	-37.9	-23.0
Cash outflow / inflow from financing activities	45.3	-63.5
Cash and cash equivalents at the start of the period	939.7	988.4
Gains and losses from changes in foreign exchange rates	-2.4	-5.8
Payment-related changes in cash and cash equivalents	-356.4	-54.9
Cash and cash equivalents at the end of the period	580.8	927.6

[1] Year-earlier figures adjusted for Aurubis AG restatement.

STATEMENT OF CHANGES IN EQUITY

In € million	Subscribed capital	Capital reserve	Treasury shares	Retained earnings	Currency translation
As of 2022/12/31	161.6	257.0	–369.7	4,585.7	–7.2
Total comprehensive income	–	–	–	–6.4	–2.3
Basis adjustments	–	–	–	–	–
Dividend	–	–	–	–	–
Group transfers to(+)/ from(–) retained earnings	–	–	–	189.0	–
Other	–	–	–	–4.2	–
As of 2023/06/30	161.6	257.0	–369.7	4,764.1	–9.6
As of 2023/12/31	161.6	257.0	–369.7	4,660.4	–14.8
Total comprehensive income	–	–	–	48.2	4.9
Basis adjustments	–	–	–	–	–
Dividend	–	–	–	–	–
Group transfers to(+)/ from(–) retained earnings	–	–	–	–21.8	–
Other	–	–	–	0.1	–
As of 2024/06/30	161.6	257.0	–369.7	4,686.9	–9.9

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				
21.5	15.5	115.7	60.1	4,840.2	10.2	4,850.4
0.9	–	–23.3	189.0	157.8	2.8	160.6
–19.0	–	–	–	–19.0	–	–19.0
–	–	–	–54.1	–54.1	–3.0	–57.1
–	–	–	–189.0	–		–
–	–	–		–4.2	–	–4.2
3.5	15.5	92.3	6.0	4,920.7	10.0	4,930.7
23.1	14.8	67.4	27.1	4,826.9	7.6	4,834.5
–20.5	–	–7.5	–21.9	3.3	3.3	6.6
–5.4	–	–	–	–5.4	–	–5.4
–	–	–	–24.3	–24.3	–4.5	–28.9
–	–	–	21.8	–	–	–
–	–	–	–	0.1	–	0.1
–2.8	14.8	60.0	2.7	4,800.5	6.4	4,806.9

NOTES

SEGMENT REPORTING

In € million	Steel Production		Steel Processing		Trading	
	H1 2024	H1 2023	H1 2024	H1 2023	H1 2024	H1 2023
External sales	1,815.5	1,964.5	859.3	1,187.0	1,603.8	1,760.5
Sales to other segments	656.5	724.4	346.3	411.3	17.7	13.6
Sales to group companies that are not allocated to an operating segment	1.7	3.6	169.7	110.6	–	0.0
Segment sales	2,473.7	2,692.5	1,375.2	1,708.9	1,621.5	1,774.1
Interest income (consolidated)	0.1	0.1	1.5	1.8	0.9	1.6
Interest income from other segments	–	–	–	–	–	–
Interest income from group companies that are not allocated to an operating segment	0.5	8.4	1.5	2.8	10.1	5.4
Segment interest income	0.6	8.6	3.1	4.6	11.0	6.9
Interest expenses (consolidated)	25.4	32.2	7.1	7.0	18.7	15.4
Interest expenses to other segments	–	–	–	–	–	–
Interest expenses to group companies that are not allocated to an operating segment	4.4	3.8	5.2	6.5	0.3	0.3
Segment interest expenses	29.9	36.1	12.2	13.6	19.0	15.7
of which interest portion of allocations to pension provisions	11.1	11.7	4.3	4.2	1.5	1.6
Depreciation of property, plant and equipment and amortization of intangible assets	94.0	83.4	26.4	33.5	9.4	8.6
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	94.0	83.4	26.4	33.5	9.4	8.6
Reversal of impairments of tangible and intangible assets (according to IAS 36)	–	–	0.8	–	–	–
EBIT before depreciation and amortization (EBITDA)	101.2	194.5	−37.0	181.4	16.6	12.4
Earnings before interest and taxes (EBIT)	7.3	111.0	−63.4	147.9	7.2	3.7
Segment earnings before taxes	−22.0	83.5	−72.5	138.9	−0.8	−5.0
of which resulting from investments in companies accounted for using the equity method	–	–	0.4	33.3	–	–
Investments in property, plant and equipment and intangible assets	217.6	138.0	33.3	28.4	11.1	12.6

Technology		Total segments		Industrial Participations / Consolidation		Group	
H1 2024	H1 2023	H1 2024	H1 2023	H1 2024	H1 2023[1]	H1 2024	H1 2023[1]
871.3	836.4	5,149.9	5,748.3	93.3	87.4	5,243.2	5,835.7
0.4	0.3	1,020.9	1,149.7	505.1	569.6	1,526.0	1,719.3
–	–	171.4	114.2	–	–	171.4	114.2
871.7	836.7	6,342.1	7,012.2	598.4	657.0	6,940.5	7,669.2
2.4	1.4	4.9	5.0	10.8	11.8	15.8	16.7
–	–	–	–	11.3	11.1	11.3	11.1
0.1	0.3	12.2	16.8	–	–	12.2	16.8
2.5	1.7	17.1	21.8	22.1	22.9	39.2	44.7
2.7	1.8	53.9	56.5	20.1	20.1	74.0	76.6
–	–	–	–	12.2	16.8	12.2	16.8
1.4	0.5	11.3	11.1	–	–	11.3	11.1
4.1	2.3	65.2	67.6	32.3	36.9	97.4	104.6
1.5	1.5	18.4	19.0	10.4	12.2	28.8	31.2
16.6	15.4	146.3	140.9	17.6	17.6	163.9	158.5
16.6	15.4	146.3	140.9	17.6	17.6	163.9	158.5
0.0	–	0.8	–	–	–	0.8	–
70.9	52.1	151.8	440.3	81.8	−11.0	233.6	429.3
54.4	36.7	5.5	299.4	64.2	−28.5	69.7	270.8
52.7	36.2	−42.6	253.6	54.1	−42.6	11.5	211.0
–	–	0.4	33.3	70.6	−2.4	71.0	30.9
34.4	13.4	296.5	192.4	18.0	12.6	314.5	205.1

[1] Year-earlier figures adjusted for Aurubis AG restatement.

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, 2024, 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, 2023, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the quarterly financial statements for the period ended June 30, 2024, notwithstanding the following exceptions.
3. In calculating the fair value of defined benefit obligations as of June 30, 2024, an actuarial rate of 3.8 % was applied (December 31, 2023: 3.5 %). The resulting reduction in provisions for pensions and similar obligations is reported in other comprehensive income (pension remeasurement) 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 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	2024/06/30	2023/12/31
Right of use of land, similar rights and buildings, including buildings on land owned by others	157.6	142.1
Right of use of plant equipment and machinery	62.0	54.7
Right of use of other equipment, plant and office equipment	34.8	27.1
Non-current assets	**254.3**	**223.9**
Right of use of land, similar rights and buildings, including buildings on land owned by others	48.8	42.8
Right of use of plant equipment and machinery	37.5	32.8
Right of use of other equipment, plant and office equipment	16.0	13.5
Depreciation / amortization	**102.3**	**89.2**
Lease liabilities	**159.5**	**140.7**

An amount of € 142.4 million is attributable to non-current lease liabilities. Moreover, depreciation and amortization stood at € 15.4 million, interest expenses at € 2.7 million, and cash outflow totaled € 16.2 million in the first six months of 2024.

5. Following the conclusion of a contract concerning the sale of the MST Group in February 2024, all that is needed for the purchaser to complete the actual takeover is the approval from various authorities. We anticipate the final approval in August or September. Contingent on this approval, the MST Group will be deconsolidated in the third or fourth calendar quarter of 2024. Until then, the assets and liabilities of the MST companies will continue to be disclosed under the "assets held for sale" item.
6. The selling price for the MST Group depends on a number of variable components. Compared with year-end 2023, the most recent valuations show that the purchase price assumptions made to date will not be met. In consideration of the current estimate, we assume a lower purchase price. With this in mind, and as a precautionary measure, we reduced the assets of the MST Group held for sale by another € 20 million through profit and loss in the second quarter of 2024.

7. By way of reporting by Aurubis AG, we were advised that the criminal activity reported by Aurubis in the second half of the calendar year 2023 had already begun at the start of 2023. Against this backdrop, Aurubis reduced the 2023 consolidated result over the respective period. In terms of Salzgitter AG's equity interest, a reduction of € 31.7 million is applicable to the first six calendar months of 2023. Salzgitter AG's consolidated EBT and the share of the companies accounted for using the equity method have been adjusted in the accounts presented for the 2023 previous year period.
8. With regard to the impact of the Russia-Ukraine war and the war in the Middle East on the Salzgitter Group, we refer to our explanations in the forecast, opportunities and risk report.
9. Based on a regular Annual Meeting of Shareholders held this year in May 2024, Salzgitter AG distributed the dividend proposed at a prior point in time of € 0.45 per share. Taking account of treasury shares not eligible for dividend, the payout amount totaled € 24.3 million.

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 € –0.40 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 other associated companies essentially comprises the majority interests and joint ventures of the Federal State of Lower Saxony as well as of Hanover-based GP Papenburg AG.

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/-06/30/2024	01/01/-06/30/2024	2024/06/30	2024/06/30
Non-consolidated Group companies	16.4	7.1	12.1	2.6
Joint ventures	35.6	14.0	7.0	6.6
Associated companies	0.1	4.5	0.0	0.6
Other related parties	1.1	55.5	3.4	95.0

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.

ASSURANCE FROM THE LEGAL REPRESENTATIVES

"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 2024

The Executive Board of Salzgitter AG

Gunnar Groebler Michael Kieckbusch Birgit Potrafki

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.

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