



SALZGITTER AG

# ANALYST CONFERENCE

March 15, 2024

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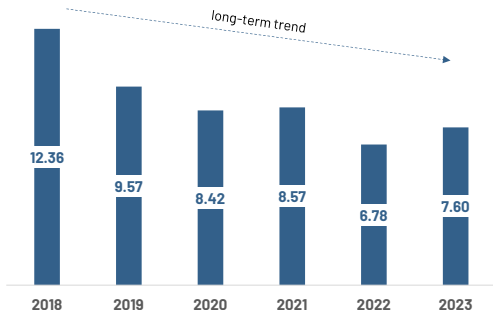


**SALZGITTER AG**  
People, Steel and Technology

# OCCUPATIONAL SAFETY

Salzgitter Group

## LOST TIME INJURY FREQUENCY (LTIF)<sup>1</sup>



<sup>1</sup> Work-related accidents per 1 million work hours from the first day off work and fatal work-related accidents; core workforce and training contracts. 2018-2020 recording for Germany only; as from 2022, group-wide recording.



### DEVELOPMENT OF THE LTIF

- / **Long-term trend is positive** despite fluctuations during the year
- / **Continuous efforts** to reduce accident rates
- / **Target** remains **0 accidents**



### FURTHER ACTION 2024

- / Development of a **Group-wide integrated occupational health and safety strategy** in the year 2024
- / More comprehensive consideration of accident incidents in 2024:
  - / **Integration of temporary workers into accident monitoring** (expansion of the LTIF to include temporary workers)
  - / **Greater involvement of contractor employees** (transfer of successful strategy to contractor management)

# KEY DATA ON FINANCIAL YEAR 2023

## Salzgitter Group

		<b>FY 2023</b>	FY 2022	Δ
Crude steel production	kt	<b>5,709</b>	6,109	-400
External sales <sup>1</sup>	€ million	<b>10,790</b>	12,553	-1,763
EBITDA	€ million	<b>677</b>	1,618	-941
Earnings before tax	€ million	<b>238</b>	1,245	-1,007
Earnings after tax	€ million	<b>204</b>	1,085	-881
Earnings per share (undiluted)	€	<b>3.7</b>	20.0	-16.3
ROCE	%	<b>5.6</b>	20.1	-14.5
Core workforce <sup>2</sup>		<b>23,138</b>	22,622	516

<sup>1</sup> only from entities within the Group of Consolidated Companies of Salzgitter Group

<sup>2</sup> per reporting date



Following record-year 2022: Satisfactory result in 2023 despite increasingly adverse market environment



# AGENDA

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01 Strategy implementation

02 Development of the business units and guidance

03 Financials

# 01 STRATEGY IMPLEMENTATION – HIGHLIGHTS

## Strategy implementation

### **SALCOS® - implementation fully under way**

- / Funding for Stage 1 secured
- / All main aggregates ordered
  - / Electric arc furnace: capacity 1.9 mt p.a.
  - / Direct reduction plant: capacity 2.1 mt p.a.
  - / Elektrolyser: installed electrical rating of 100 MW
- / Target: First deliveries to customers in the year 2026

### **PROFITABILITY**

- / Portfolio management advanced
  - / Acquisition of Harzer Schrott und Recycling GmbH
  - / Sale of Salzgitter Bauelemente, the American EUROPIPE plants as well as the participation in Borusan Mannesmann
  - / 2024: Sale of Mannesmann Stainless Tubes-Gruppe
- / Performance 2026: Target raised to € 200-250 million FYE

### **CIRCULAR ECONOMY - NEW SHREDDER IN SALZGITTER**

- / Reprocessing of post-consumer scrap into high quality scrap grades
- / Scrap grade 4 SALCOS® meets all necessary and defined properties for the SALCOS® production process
- / New construction of the shredder is essential to ensure the quantitative and qualitative scrap supply of the Group

### **GROWTH AND CUSTOMER-ORIENTED SOLUTIONS**

- / New heat treatment line at Ilsenburger Grobblech
  - / Broad spectrum of grades for diverse applications
  - / Market share gains
- / Marketing success of KHS
  - / High customer interest reflected in good order situation
  - / Strong presence in Asia

Additional milestones on the way to implement “Salzgitter AG 2030” reached

# 01 PARTNER ON THE PATH TO DECARBONIZATION

## Strategy implementation



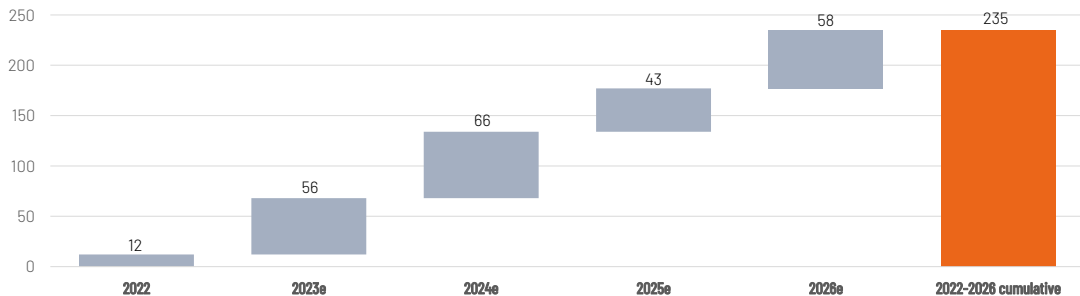
# 01 PROFITABILITY: EARNINGS IMPROVEMENT PROGRAM

Strategy implementation

**PERFORMANCE 2026**

Use potentials. Optimize processes.

**FULL-YEAR EFFECT (€ million)**



Target increased to € 200-250 million full-year-effect



# AGENDA

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01 Strategy implementation

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# 02 STEEL PRODUCTION

Economic Development of the business units

## KEY DATA

		<b>FY 2023</b>	FY 2022	$\Delta$
External sales	€ m	<b>3,528</b>	4,263	-735
Order bookings	kt	<b>4,892</b>	4,762	131
Order backlog <sup>1</sup>	kt	<b>1,162</b>	1,091	71
EBITDA	€ m	<b>295</b>	946	-651
EBT	€ m	<b>76</b>	791	-715
Core workforce <sup>1</sup>		<b>7,430</b>	7,369	61

<sup>1</sup> per reporting date

## REVIEW AND OUTLOOK

- / Significant decline of steel prices
- / General cost increases
- / Blast furnace relining in the second half of the financial year

## OUTLOOK

- / Recovery expected for the second half of 2024
- / Strip steel demand allows for full capacity utilization
- / Sections: subdued demand from the construction sector
- / Challenging pricing environment

Declining results due to lower selling prices as well as general cost increases

# 02 STEEL PROCESSING

Economic Development of the business units

## KEY DATA

		<b>FY 2023</b>	FY 2022	$\Delta$
External sales	€ m	<b>2,127</b>	2,106	21
Order bookings	€ m	<b>2,220</b>	2,751	-531
Order backlog <sup>1</sup>	€ m	<b>872</b>	1,023	-151
EBITDA	€ m	<b>227</b>	173	54
EBT	€ m	<b>145</b>	86	58
Core workforce <sup>1</sup>		<b>5,317</b>	5,341	-24

<sup>1</sup> per reporting date

Pre-tax profit increased due to good results in plate and the line pipe segment

## REVIEW AND OUTLOOK

- / Plate: Marked increase of sales prices at the start of the year, followed by decrease until the end of the third quarter, then stable at year-end.
- / Steel tubes: high demand for large-diameter pipes of EUROPIPE Group; continuing low automobile production impacts precision tubes product segment

## OUTLOOK

- / Plate: Normalizing market environment, satisfying utilization
- / Steel tubes: improved utilization of the large-diameter plants at earliest in the second half of the year; market for precision tubes remains challenging

# 02 TRADING

## Economic Development of the business units

### KEY DATA

		<b>FY 2023</b>	FY 2022	$\Delta$
External sales	€ m	<b>3,313</b>	4,581	-1,268
Shipments	kt	<b>3,167</b>	3,606	-439
EBITDA	€ m	<b>20</b>	268	-247
EBT	€ m	<b>-14</b>	243	-257
Core workforce <sup>1</sup>		<b>1,990</b>	1,975	15

<sup>1</sup> per reporting date

Declining result due to lower revenues in stockholding steel trade

### REVIEW AND OUTLOOK

- / Restrained demand development
- / Severe pressure on margins in stockholding steel trading
- / Good business development in international trading

### OUTLOOK

- / Return to profitability
- / Stockholding steel trade with margin improvement

# 02 TECHNOLOGY

## Economic Development of the business units

### KEY DATA

		<b>FY 2023</b>	FY 2022	$\Delta$
External sales	€ m	<b>1,647</b>	1,430	217
Order bookings	€ m	<b>1,952</b>	1,738	214
Order backlog <sup>1</sup>	€ m	<b>1,443</b>	1,207	236
EBITDA	€ m	<b>115</b>	77	38
EBT	€ m	<b>81</b>	48	33
Core workforce <sup>1</sup>		<b>5,720</b>	5,329	391

<sup>1</sup> per reporting date

### REVIEW AND OUTLOOK

- / Order intake at record level despite opposite industry trend
- / Rigorous pursuit of the efficiency and growth program "KHS Future"
- / Outstanding result

### OUTLOOK

- / Qualitatively good order intake at KHS Group
- / DESMA companies anticipate market recovery
- / Result above the record earnings of 2023 envisioned

Strong growth in order intake and orders on hand, increase of sales and earnings

# 02 ECONOMIC CONDITIONS

## Guidance

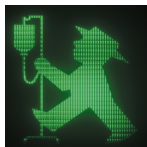


### **Global economy in recovery mode, but economic challenges remain:**

- / United States with robust economy, India with strongest growth, uncertainty regarding China.
- / Effects of the attacks in the Red Sea not yet noticeable in supply chains, risk of further escalation resulting in even higher prices.
- / Global trade likely to stagnate due to geopolitical tensions.

### **Germany not only has an economic problem, but also a growth problem:**

- / Steel processing sectors had largely negative growth prospects for roughly the past five years.
- / After the turnaround in interest rate policy, the construction industry has also ceased to be a growth driver.
- / Manifold structural reasons for this: Energy costs, shortage of skilled workers, investment behavior as well as excessive bureaucracy are impairing growth.



### **European steel market under pressure due to weak demand and high imports:**

- / Slump in demand for steel in 2023 due to weak call offs. Imports have also gained market share, particularly in the flat steel segment. Global overcapacity is weighing on the steel market.
- / Very weak development expected for the most important steel consuming sectors in 2024.
- / Steel demand to grow in 2024, albeit from a low level (base effect) and inventory effects.



# 02 MANAGEMENT GUIDANCE

## Guidance

**Provided that there is no further escalation in political and economic circumstances, we assume the following for the Salzgitter Group in the financial year 2024:**

/ sales of between € 10.5 billion and € 11.0 billion,

/ EBITDA of between € 700 million and € 750 million,

/ a pre-tax profit of between € 250 million and € 300 million,

/ a return on capital employed (ROCE) at the previous year's level.

### Legal Note and other remarks

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 business performance in the course of the financial year. The resulting impact on performance may be within a considerable range, either to the positive or to the negative.

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For computational reasons, rounding-off differences of +/- one unit (€, % etc.) may occur in the tables. This document is also available in German language. In the event of any discrepancy, the German version shall prevail.



## AGENDA

- 01 Strategy implementation
- 02 Development of the business units and guidance
- 03 Financials

# 01 INCOME STATEMENT

## Financials

Income Statement (€ million)	FY 2023	FY 2022	Δ
<b>Sales</b>	<b>10,790.5</b>	12,553.3	-1,762.8
Increase/decrease in finished goods and work in process/other own work capitalized	<b>-171.3</b>	249.9	-421.2
	<b>10,619.2</b>	12,803.2	-2,184.0
Other operating income	<b>671.8</b>	984.8	-313.0
Cost of materials	<b>7,246.0</b>	8,639.4	-1,393.4
Personnel expenses	<b>1,887.7</b>	1,883.4	4.3
Amortization and depreciation of intangible assets and property, plant and equipment	<b>321.5</b>	306.4	15.0
Other operating expenses	<b>1,584.4</b>	1,821.5	-237.1
Result from impairment losses and reversal of impairment losses of financial assets	<b>10.3</b>	-12.9	23.2
Income from shareholdings	<b>1.0</b>	2.6	-1.6
Result from investments accounted for using the equity method	<b>92.5</b>	184.6	-92.1
Finance income	<b>44.9</b>	12.7	32.2
Finance expenses	<b>161.6</b>	78.7	83.0
<b>Earnings before taxes (EBT)</b>	<b>238.4</b>	1,245.4	-1,007.0
Income tax	<b>34.3</b>	160.0	-125.7
<b>Consolidated result</b>	<b>204.1</b>	1,085.4	-881.3



# 01 CONSOLIDATED BALANCE SHEET

## Financials

Assets (€ million)	12/31/2023	12/31/2023	Δ
<b>Non-current assets</b>	<b>4,570.4</b>	4,510.0	60.4
Intangible assets, property, plant and equipment	<b>2,595.8</b>	2,416.5	179.3
Investment property	<b>76.6</b>	78.1	-1.4
Financial assets	<b>29.0</b>	38.3	-9.3
Investments accounted for using the equity method	<b>1,505.5</b>	1,565.3	-59.9
Trade receivables	<b>2.6</b>	3.5	-1.0
Other receivables and other assets	<b>28.9</b>	15.7	13.2
Income tax assets	<b>6.6</b>	0.0	6.6
Deferred income tax assets	<b>325.3</b>	392.6	-67.3
<b>Current assets</b>	<b>5,931.7</b>	6,593.3	-661.6
Inventories	<b>2,867.2</b>	3,474.3	-607.0
Trade receivables	<b>1,221.5</b>	1,543.8	-322.3
Contract assets	<b>372.0</b>	318.3	53.8
Other receivables and other assets	<b>231.4</b>	217.9	13.5
Income tax assets	<b>34.6</b>	23.6	11.0
Securities	<b>0.0</b>	0.0	0.0
Cash and cash equivalents	<b>939.7</b>	988.4	-48.7
Assets held for sale	<b>265.2</b>	27.1	238.0
<b>Balance sheet total</b>	<b>10,502.0</b>	11,103.3	-601.3

# 01 CONSOLIDATED BALANCE SHEET

## Financials

### Equity and liabilities (€ million)

	12/31/2023	12/31/2022	Δ
<b>Equity</b>	<b>4,834.5</b>	4,850.4	-15.9
Subscribed capital	161.6	161.6	0.0
Capital reserve	257.0	257.0	0.0
Retained earnings	4,750.9	4,731.2	19.7
Unappropriated retained earnings	27.1	60.1	-33.0
Treasury shares	-369.7	-369.7	0.0
Amount due to Salzgitter shareholders	4,826.9	4,840.2	-13.3
Minority Interest	7.6	10.2	-2.6
<b>Non-current liabilities</b>	<b>2,353.3</b>	2,704.3	-351.0
Provisions for pensions and similar obligations	1,667.8	1,618.8	49.0
Deferred tax liabilities	98.4	195.2	-96.8
Income tax liabilities	19.1	33.5	-14.4
Other provisions	203.7	272.3	-68.6
Financial liabilities	360.2	579.3	-219.1
Other liabilities	4.1	5.2	-1.2
<b>Current liabilities</b>	<b>3,314.2</b>	3,548.7	-234.5
Other provisions	239.3	246.2	-6.9
Financial liabilities	940.6	1,119.1	-178.5
Trade payables	1,247.6	1,331.8	-84.2
Liability contracts	447.2	412.3	34.9
Income tax liabilities	26.0	51.2	-25.2
Other liabilities	289.9	380.9	-91.0
Liabilities associated with assets held for sale	123.7	7.2	116.5
<b>Balance sheet total</b>	<b>10,502.0</b>	11,103.3	-601.3

# 01 CASH FLOW STATEMENT

Financials

(€ million)

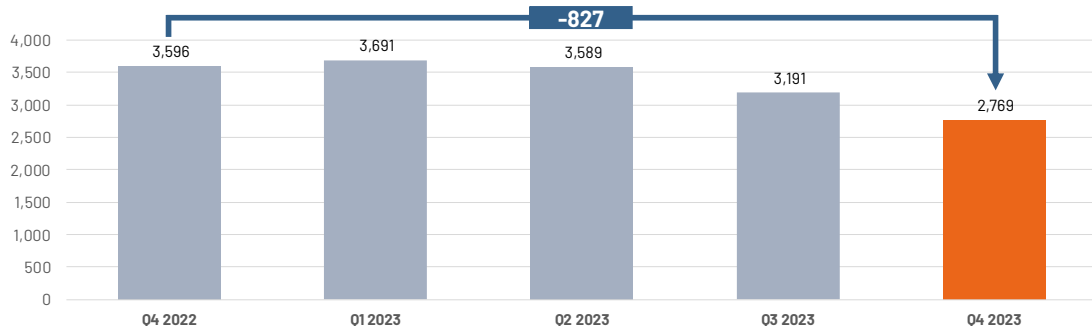
	<b>FY 2023</b>	FY 2022	$\Delta$
Cash and cash equivalents at the start of the period	<b>988.4</b>	741.8	246.6
Cash flow from operating activities	<b>892.0</b>	596.5	295.4
Cash flow from investment activities	<b>-430.5</b>	-367.7	-62.8
Cash flow from financial activities	<b>-498.3</b>	11.3	-509.6
Changes in cash	<b>-48.7</b>	246.5	-295.2
Cash and cash equivalents at the end of the period	<b>939.7</b>	988.4	-48.7

Reduction in working capital strengthens operating cash flow

# 03 WORKING CAPITAL – MARKED REDUCTION IN FY 2023

Financials

## WORKING CAPITAL (€ million)

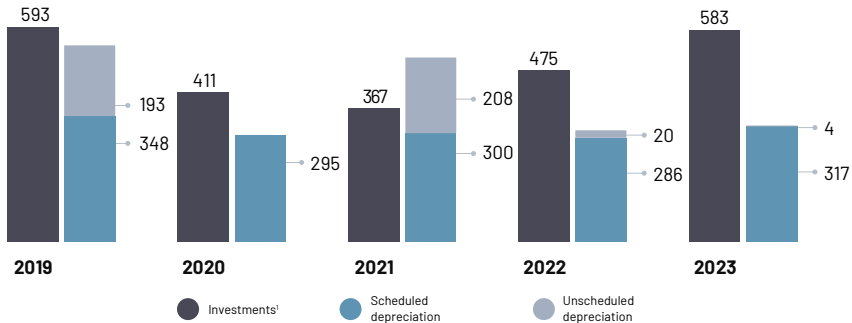


Marked reduction of the working capital over the course of the financial year 2023

# 03 INVESTMENTS AND DEPRECIATION

## Financials

(€ million)



<sup>1</sup>Property, plant and equipment and intangible assets, excluding financial assets

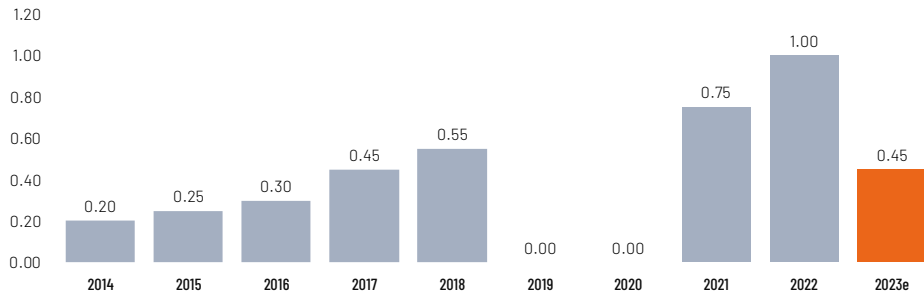
Focus on supplementary investments; € 102 million in net capex outflow for SALCOS® in 2023



# 03 DIVIDEND PROPOSAL

## Financials

### Dividend (€/share)



Shareholders participate in the company's success

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Salzgitter AG

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