

SALZGITTER AG

# ANALYST CONFERENCE

August 11, 2023

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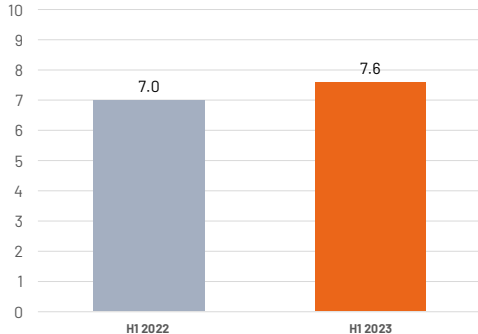


**SALZGITTER AG**  
People, Steel and Technology

# OCCUPATIONAL SAFETY

Salzgitter Group

## LOST TIME INJURY FREQUENCY<sup>1</sup>



<sup>1</sup> Data for Salzgitter Group, core workforce and training contracts

## CURRENT SITUATION

- / Slight increase, significant improvement of accident rates in the financial year 2022 not sustained
- / Occupational safety measures intensified
- / Practical Days For Safety and Health at Salzgitter Flachstahl and Health Campaign Day at Peiner Träger
- / Focus on contractor management

We will stay on the ball!

# KEY DATA ON FINANCIAL HALF YEAR 2023

Salzgitter Group

		H1 2023	H1 2022	Δ
Crude steel production	kt	<b>3,135</b>	3,339	-203
External sales <sup>1</sup>	€ million	<b>5,836</b>	6,637	-801
EBITDA	€ million	<b>461</b>	1,139	-678
Earnings before tax	€ million	<b>243</b>	971	-728
Earnings after tax	€ million	<b>192</b>	781	-589
Earnings per share (undiluted)	€	<b>3.5</b>	14.4	-10,9
ROCE	%	<b>8.9</b>	30.7	-21.8
Core workforce <sup>2</sup>		<b>22,784</b>	22,545	239

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

<sup>2</sup> per reporting date



Presentable results despite deteriorating economic development following record level in the previous year



## AGENDA

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- / 01 Strategy
- / 02 Economic development of the business units
- / 03 Financials
- / 04 Guidance

# 01 SALCOS® – ADDITIONAL MILESTONES REACHED

## Strategy

- / Official Notice of Funding for the funding by the Federal Republic of Germany and the State of Lower Saxony received in April 2023
  - / First funds received in July
- / Direct reduction plant ordered
  - / Contractor is a consortium comprising Tenova, Danieli and DSD Steel Group
  - / Together with the electric arc furnace, this means that the main production-relevant equipment has been ordered
- / Bidding phase for the electrolyzer will conclude by the end of August
- / Following the clearance of the site for the electric arc furnace, the first foundations are currently being laid
- / Around a quarter of the green electricity demand for 2026 has already being secured via Power Purchase Agreements



Consistent implementation of the first stage of SALCOS®

# 01 SALCOS®: PARTNERING FOR TRANSFORMATION

## Strategy

Customers



Energy,  
raw materials and  
technology

Additional strategic partnerships formed in the areas of distribution and energy

# 01 AWARDS

## Strategy

### First time evaluation of Salzgitter AG by ESG rating agency EcoVadis

- / Certification „Bronze“ with 55/100 points
- / The **respective industry averages were outperformed** in all four assessment categories, environment, labor and human rights, ethics, and sustainable procurement
- / KHS-Group achieves „Gold“ with 71/100 points in separate EcoVadis assessment



### Salzgitter AG receives „Bosch Global Supplier Award“

- / Out of some 35,000 suppliers, Bosch awarded prizes to a total of 46 suppliers
- / Salzgitter AG thus ranks as one of Bosch's best suppliers worldwide
- / Award in the "Raw Materials and Components" category in acknowledgement of "Superior quality and excellent performance as supplier" in cooperation with the Bosch subsidiary BSH Hausgeräte GmbH



Recognition of our performance is inspiration for the future

# 01 OPPORTUNITY: EXPANSION OF WIND POWER

## Strategy

### TARGETS OF THE EU

- / Climate neutrality by 2050
- / Offshore wind concept
  - / Construction of 450 GW in additional offshore wind energy capacity (currently 25 GW capacity)
  - / Linking of wind parks across national borders envisioned

### IMPLEMENTATION

- / Up to 21,250 wind power turbines with an output of 20 MW each
  - / Construction of 750 wind power turbines per year in a best-case scenario
- / Estimated investment requirements of € 790 billion
  - / thereof potentially up to € 80 billion from the "Power Up" program of the Green Deal

### IMPLICATIONS FOR THE STEEL INDUSTRY

- / Up to 2,500 t of steel per offshore wind power turbine necessary
- / This **corresponds to approx. 1.5 million t p.a. plate demand** for 750 wind power turbine per year
- / An associated high demand for low-CO<sub>2</sub> plate is anticipated



Significant potential for plate from Ilsenburg and Mülheim!





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# 02 STEEL PRODUCTION – POSITIVE RESULT

Economic development of the business units

## KEY DATA

		H1 2023	H1 2022	Δ
External sales	€ m	1,965	2,328	-363
Order bookings	kt	2,544	2,567	-23
Order backlog <sup>1</sup>	kt	1,005	1,069	-64
EBITDA	€ m	194	638	-443
EBT	€ m	84	559	-475
Core workforce <sup>1</sup>		7,350	7,342	8

<sup>1</sup> per reporting date

Declining results due to lower selling prices; decreasing raw material prices will impact with time delay

## REVIEW AND CURRENT SITUATION

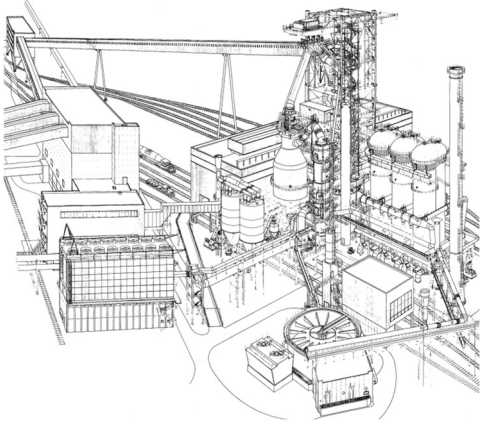
- / Slowing business momentum, subdued interest in demand from some end users
- / Declining spot market prices due to market weakness in China and increased import pressure from Asia into Europe
- / Correspondingly lower earnings

### Current situation

- / Energy cost situation eases
- / Strip steel business prepares for blast furnace relining
- / Demand for sections at a low level

# 03 RELINING OF BLAST FURNACE A

Economic development of the business units



- / Extent:
  - / Refit of the furnace vessel (refractory lining, cooling and wear parts) and casting bay
  - / Furnace throat: Replacement of the charge bunker and upgrade of the hydraulics
  - / Gas cleaning: Replacement of the scrubber and repair of the dust catcher
  - / Blast system: Repair of the cowpers and the hot blast system
  - / Overhaul of the tap hole machines
  - / Optimization of the burdening
  - / Refit of the electrical engineering
- / Schedule: Start on August 14, 2023, duration approx. 100 days
- / Slab supply is secured via stockpiling, recommissioning of Blast Furnace C and deliveries from HKM

Presumably final blast furnace relining at the Salzgitter site

# 02 STEEL PROCESSING – SUCCESSFUL LARGE DIAMETER BUSINESS

Economic development of the business units

## KEY DATA

		H1 2023	H1 2022	Δ
External sales	€ m	1,187	1,012	175
Order bookings	€ m	1,224	1,552	-329
Order backlog <sup>1</sup>	€ m	868	1,096	-228
EBITDA	€ m	181	82	99
EBT	€ m	139	52	87
Core workforce <sup>1</sup>		5,332	5,328	4

<sup>1</sup> per reporting date

Improvement compared to 2022 expected

## REVIEW AND CURRENT SITUATION

- / Plate: Rising demand at the start of the year, thereafter flattening of demand, plate prices stable at the 2022 yearend level also due to high inventory levels
- / Steel tubes: demand in the large-diameter pipes market calms; good inquiries at EUROPIPE Group, precision tubes segment negatively impacted by lower dynamic in the industrial and energy sector, medium diameter-line pipes with good development

### Current situation

- / Plate: order situation at a good level, good utilization expected
- / Steel tubes: Positive prospects for large-diameter pipes market; markets for stainless tubes remain challenging

# 02 TRADING – BREAK EVEN ACHIEVED

Economic development of the business units

## KEY DATA

		H1 2023	H1 2022	Δ
External sales	€ m	1,761	2,542	-781
Shipments	kt	1,569	2,001	-432
EBITDA	€ m	12	258	-246
EBT	€ m	-5	249	-254
Core workforce <sup>1</sup>		1,991	1,937	54

<sup>1</sup> per reporting date

Break even achieved despite declining selling prices in stock holding steel trading due to stable margins in international trading

## REVIEW AND CURRENT SITUATION

- / Steel demand at weak level
- / Declines of volumes and prices

### Current situation

- / Business development expected to be at normal compared with the exceptional level in the previous year
- / Moderate improvement of operating margins and a return to the profit zone expected

# 02 TECHNOLOGY – BRAVED CHALLENGING MARKET ENVIRONMENT

Economic development of the business units

## KEY DATA

		H1 2023	H1 2021	Δ
External sales	€ m	836	670	166
Order bookings	€ m	1,151	926	225
Order backlog <sup>1</sup>	€ m	1,474	1,151	323
EBITDA	€ m	52	32	20
EBT	€ m	36	19	17
Core workforce <sup>1</sup>		5,443	5,307	136

<sup>1</sup> per reporting date

Increase of sales and profits

## REVIEW AND CURRENT SITUATION

- / Very good order intake contrary to the overall development in the mechanical engineering sector
- / Resolute implementation of the efficiency and growth program "KHS Future"
- / Very satisfying development of sales and earnings

### Current situation

- / Significantly increase in sales and results through higher demand for new innovative products and growing after sales business expected
- / DESMA companies anticipate recovery of their markets



## AGENDA

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# 03 INCOME STATEMENT

## Financials

Income Statement (€ million)	H1 2023	H1 2022	Δ
<b>Sales</b>	<b>5,835.7</b>	6,636.5	-800.8
Increase/decrease in finished goods and work in process/other own work capitalized	-76.2	72.2	-148.4
	<b>5,759.5</b>	6,708.8	-949.2
Other operating income	<b>335.2</b>	512.3	-177.2
Cost of materials	<b>3,887.8</b>	4,341.9	-454.1
Personnel expenses	<b>945.3</b>	908.0	37.3
Amortization and depreciation of intangible assets and property, plant and equipment	<b>158.5</b>	138.7	19.8
Other operating expenses	<b>858.2</b>	912.6	-54.4
Result from impairment losses and reversal of impairment losses of financial assets	<b>-6.2</b>	2.3	-8.5
Income from shareholdings	<b>1.2</b>	2.7	-1.5
Result from investments accounted for using the equity method	<b>62.6</b>	74.7	-12.1
Finance income	<b>16.7</b>	4.0	12.7
Finance expenses	<b>76.6</b>	33.1	43.5
<b>Earnings before taxes (EBT)</b>	<b>242.6</b>	970.5	-727.9
Income tax	<b>50.8</b>	189.6	-138.8
<b>Consolidated result</b>	<b>191.8</b>	781.1	-589.3



# 03 CONSOLIDATED BALANCE SHEET

## Financials

Assets (€ million)	06/30/2023	12/31/2022	Δ
<b>Non-current assets</b>	<b>4,496.0</b>	4,510.0	-14.0
Intangible assets, property, plant and equipment	<b>2,457.4</b>	2,416.5	40.9
Investment property	<b>77.4</b>	78.1	-0.7
Financial assets	<b>34.5</b>	38.3	-3.8
Investments accounted for using the equity method	<b>1,527.5</b>	1,565.3	-37.8
Trade receivables	<b>3.1</b>	3.5	-0.4
Other receivables and other assets	<b>16.9</b>	15.7	1.2
Income tax assets	<b>1.1</b>	-	1.1
Deferred income tax assets	<b>378.1</b>	392.6	-14.5
<b>Current assets</b>	<b>6,515.4</b>	6,593.3	-77.9
Inventories	<b>3,154.2</b>	3,474.3	-320.1
Trade receivables	<b>1,660.4</b>	1,543.8	116.6
Contract assets	<b>363.5</b>	318.3	45.2
Other receivables and other assets	<b>326.1</b>	217.9	108.2
Income tax assets	<b>30.9</b>	23.6	7.3
Securities	<b>-</b>	-	-
Cash and cash equivalents	<b>927.6</b>	988.4	-60.8
Assets available for sale	<b>52.8</b>	27.1	25.7
<b>Balance sheet total</b>	<b>11,011.4</b>	11,103.3	-91.9

# 03 CONSOLIDATED BALANCE SHEET

## Financials

### Equity and liabilities (€ million)

	06/30/2023	12/31/2022	Δ
<b>Equity</b>	<b>4,930.7</b>	4,850.4	80.4
Subscribed capital	161.6	161.6	0.0
Capital reserve	257.0	257.0	0.0
Retained earnings	4,764.1	4,585.7	178.4
Other reserves	101.8	145.5	-43.7
Unappropriated retained earnings	6.0	60.1	-54.1
Treasury shares	-369.7	-369.7	0.0
Minority Interest	10.0	10.2	-0.2
<b>Non-current liabilities</b>	<b>2,705.6</b>	2,704.3	1.3
Provisions for pensions and similar obligations	1,618.1	1,618.8	-0.7
Deferred tax liabilities	197.3	195.2	2.1
Income tax liabilities	33.5	33.5	0.0
Other provisions	274.6	272.3	2.3
Financial liabilities	577.1	579.3	-2.2
Other liabilities	5.0	5.2	-0.2
<b>Current liabilities</b>	<b>3,375.1</b>	3,548.7	-173.6
Other provisions	250.8	246.2	4.6
Financial liabilities	1,123.3	1,119.1	4.2
Trade payables	1,171.4	1,331.8	-160.4
Liability contracts	420.8	412.3	8.5
Income tax liabilities	23.7	51.2	-27.5
Other liabilities	385.1	380.9	4.2
Liabilities associated with assets held for sale	-	7.2	-7.2
<b>Balance sheet total</b>	<b>11,011.4</b>	11,103.3	-91.9

# 03 CASH FLOW STATEMENT

## Financials

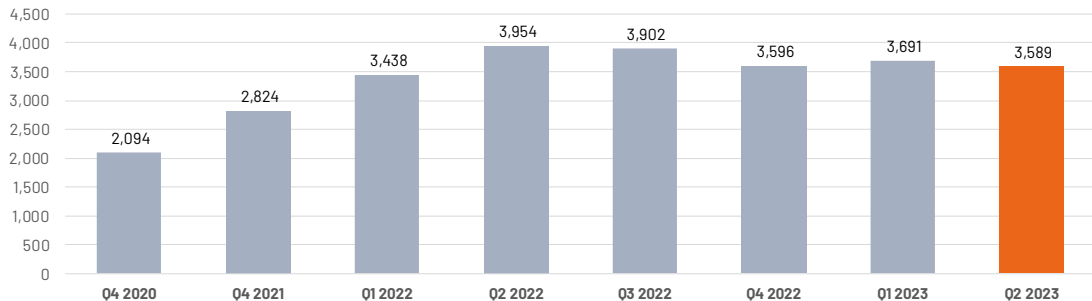
(€ million)	<b>H1 2023</b>	H1 2022	$\Delta$
Cash and cash equivalents at the start of the period	<b>988.4</b>	741.8	246.6
Cash flow from operating activities	<b>249.0</b>	-116.3	365.3
Cash flow from investment activities	<b>-240.5</b>	-78.4	-162.1
Cash flow from financial activities	<b>-63.5</b>	123.4	-186.9
Changes in cash	<b>-60.8</b>	-57.2	-3.6
Cash and cash equivalents at the end of the period	<b>927.6</b>	684.6	243.0

Active working capital management positively impacts the net cash position in annual comparison

# 03 WORKING CAPITAL

## Financials

### WORKING CAPITAL (€ million)

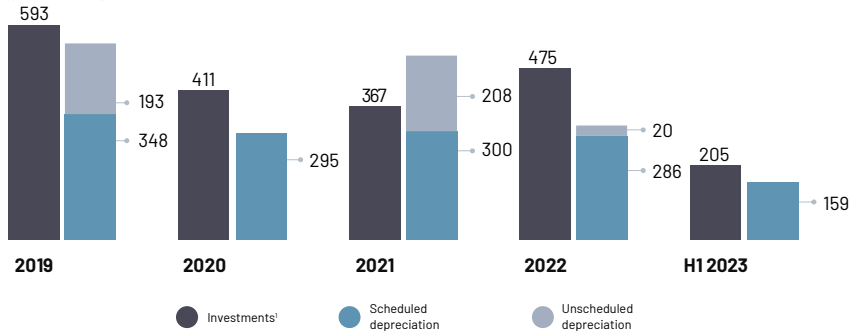


Working Capital peaked in Q2 2022 – further reduction expected in H2 2023

# 03 INVESTMENTS AND DEPRECIATION

## Financials

(€ million)



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

Focus on supplementary investments; € 85 million in capex outflow for SALCOS® in the first half of 2023



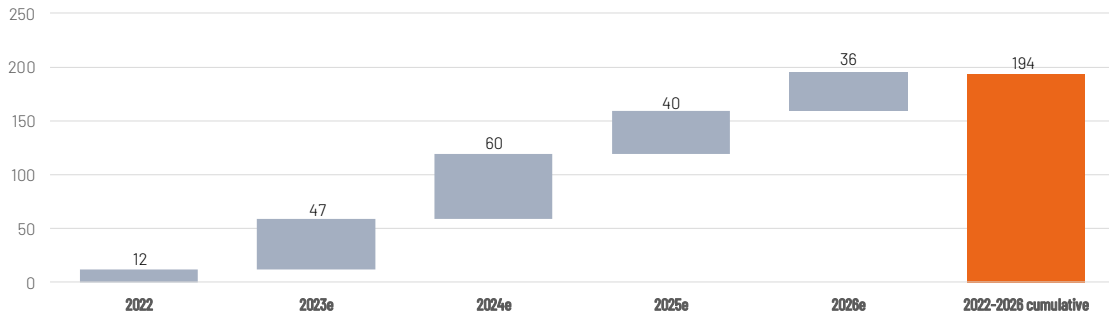
# 03 EARNINGS IMPROVEMENT THROUGH COST SAVINGS PROGRAM

Financials

**PERFORMANCE 2026**

Use potentials. Optimize processes.

**FULL-YEAR EFFECT (€ million)**



Nearly € 200 million in effects from measures identified



# AGENDA

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# 04 RAW MATERIAL AND ENERGY PRICES

## Guidance

### RAW MATERIAL PRICES (US\$/t)

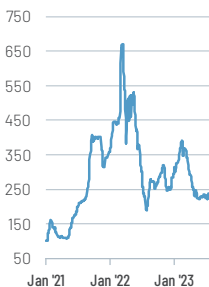
#### IRON ORE

(62% Fe CFR China, US\$/dmt)



#### COKING COAL

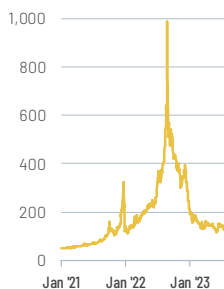
(FOB Australia, US\$/t)



### ENERGY PRICES (€/MWh)

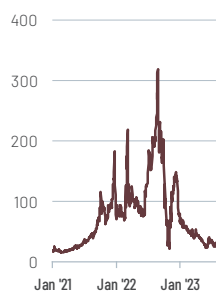
#### ELECTRICITY

(Futures market front year EEX, €/MWh)



#### NATURAL GAS

(Area THE, EEX Day-Ahead €/MWh Hs)



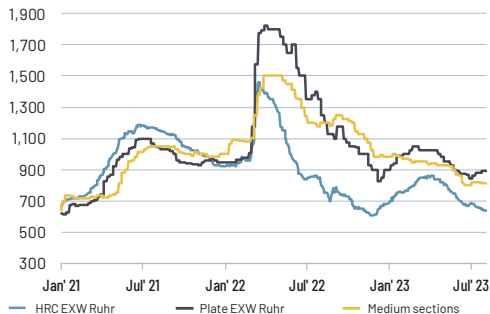
Raw material prices stabilize, energy prices recently returned to pre-war levels



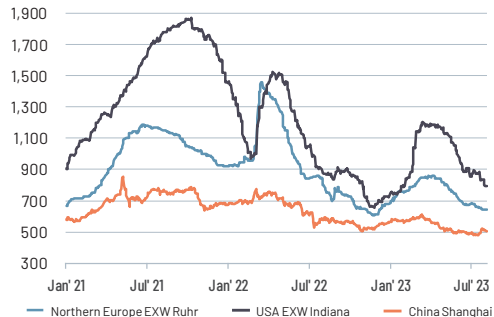
# 04 STEEL PRICES

## Guidance

### SPOT PRICES NORTHERN EUROPE (€/t)



### HOT-ROLLED COIL PRICES INTERNATIONAL (€/t)



European steel prices stable following marked consolidation, USA despite recent decline continue to remain at a higher level

# 04 MANAGEMENT GUIDANCE

## Guidance

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**Against the backdrop of an anticipated weaker second half of the year, coupled with a persistently politically and economically volatile environment, we continue to anticipate the following for the Salzgitter Group in the financial year 2023:**

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/ sales of between € 11.5 billion and € 12.0 billion,

/ EBITDA of between € 750 million and € 850 million,

/ a pre-tax profit of between € 300 million and € 400 million, and

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

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### 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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Salzgitter AG

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