

SALZGITTER GROUP

# ANALYST CONFERENCE

August 11, 2022

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**SALZGITTERAG**  
People, Steel and Technology

# HIGHLIGHTS FIRST HALF OF 2022 / GUIDANCE

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- / Highest operating result for a first half-year in the company's history
- / Own funds amounting to € 723 million for the realization of the first stage of the SALCOS® program approved
- / Further development of partnerships with customers, raw material and energy suppliers as well as plant manufacturers
- / Active contribution to overcoming the energy crisis by delivery of pipes for German LNG terminals
- / Guidance for 2022 confirmed



# AGENDA

01 Economic Development

02 Strategy

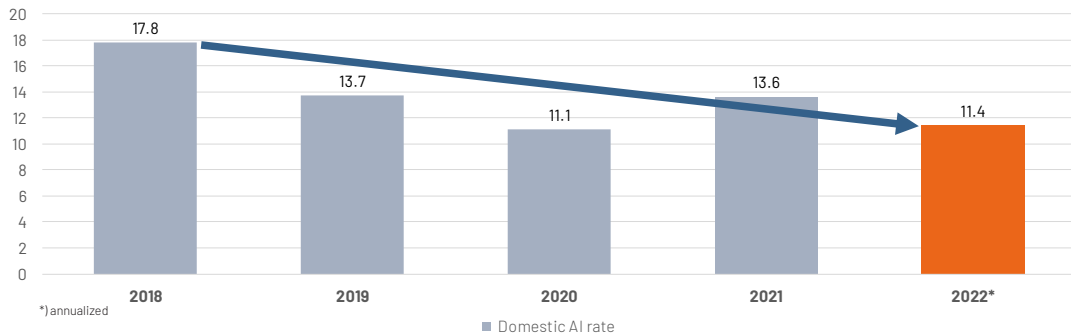
03 Financials

04 Guidance

# 01 OCCUPATIONAL SAFETY: GROUPWIDE GOAL IS ZERO ACCIDENTS

Economic Development

**ACCIDENT INCIDENCE RATE** (number of accidents with more than one day off work / number of employees \* 1,000)



We are on the right track

# 01 SHARPLY RISING RAW MATERIALS AND STEEL PRICES

Economic Development

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

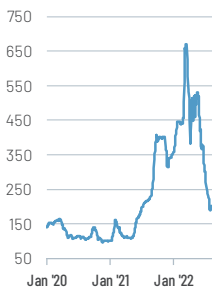
### IRON ORE

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

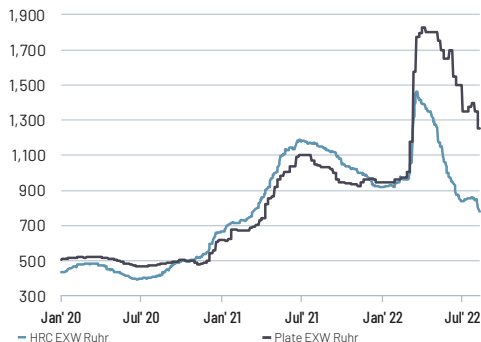


### COKING COAL

(FOB Australia, US\$/t)



## SPOT PRICES NORTHERN EUROPE (€/t)



Normalization of raw materials and steel prices, still positive margins

Source: Platts

# 01 ENERGY SUPPLY

## Economic Development

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- / Tense situation; further deterioration cannot be ruled out. However, the gas supply in Germany is stable at the moment
- / Extremely high and very volatile price levels for electricity and natural gas which currently do not lead to production cuts except for PTG as response to hourly electricity price peaks
- / Continuous monitoring of risks and action taking
  - / In part alternative operation with focus on energy savings to the detriment of other expenses (e.g. personnel)
- / Continuation of operations possible under reduced, continuous gas supply; no risk for the plants if gas supply is cut in a controlled manner

Salzgitter Group has taken proactive measures and is prepared for shortages

# 01 KEY DATA PER 2022/06/30

## Economic Development

		H1 2022	H1 2021	Δ	Q2 2022	Q1 2022
Crude steel production	kt	<b>3,338.8</b>	3,377.6	-38.7	1,626.3	1,712.6
External sales <sup>1</sup>	€ million	<b>6,636.5</b>	4,435.5	2,201.0	3,286.7	3,349.9
EBITDA	€ million	<b>1,138.5</b>	478.6	659.9	590.3	548.1
Earnings before tax	€ million	<b>970.5</b>	305.7	664.8	505.2	465.3
Earnings after tax	€ million	<b>781.0</b>	230.6	550.4	412.2	368.8
Earnings per share (undiluted)	€	<b>14.4</b>	4.2	10.2	7.6	6.8
ROCE	%	<b>30.7</b>	16.4	14.3	32.0	35.2
Core workforce <sup>2</sup>		<b>22,545</b>	22,414	131	22,545	22,492

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

<sup>2</sup> per reporting date

Salzgitter Group delivers outstanding profit for the first six months due to higher prices



# AGENDA

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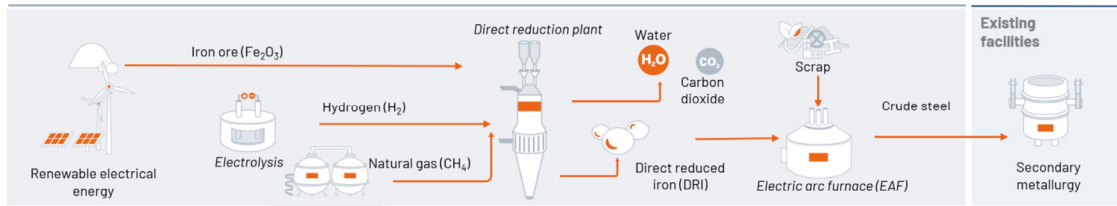
04 Guidance



## 02 SALCOS® FIRST STAGE: € 723 M OF OWN FUNDS APPROVED

### Strategy

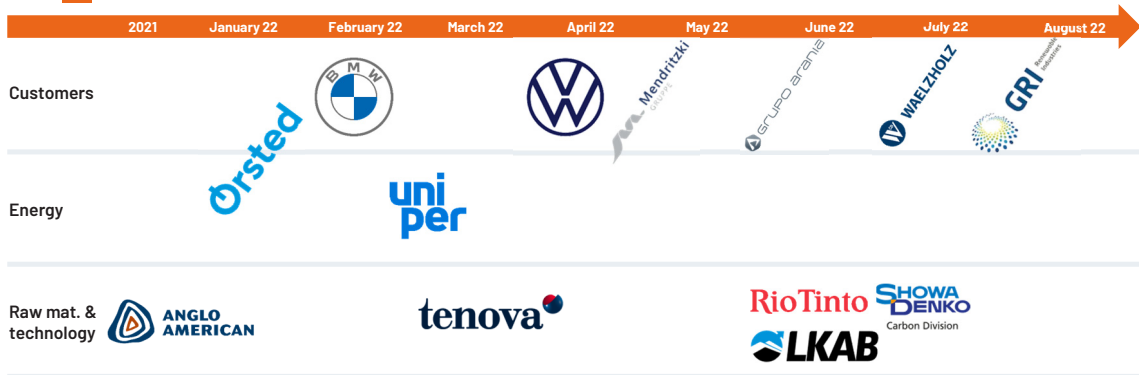
- / July 13, 2022: Salzgitter AG's Supervisory Board approves own funds amounting to € 723 million for the realization of the first stage of the SALCOS® transformation program
- / The early start of the measures allows to maintain the ambitious schedule
- / 30% of the current production volume to be produced via the SALCOS® route as from 2026
- / Funding requirements for Stage 1 around € 1.5-2.0 billion



Visualization: SALCOS® process chain

# 02 SALCOS®: PARTNERING FOR TRANSFORMATION

## Strategy



Additional strategic partnerships formed

# 02 ENERGY CRISIS - SALZGITTER AG AS PART OF THE SOLUTION

## Strategy

### WILHELMSHAVEN ANSCHLUSSLEITUNG (WAL)

- / Total length: 27 km + 200 m arched pre-tubes
- / Dimensions: 1,016 x 20.3 / 21.0 / 24.0 mm
- / Tonnage: 13,600 t
- / Delivery: By September 2022
- / Mannesmann Line Pipe delivers additional 800 t of pipes



### ETL 180 LNG-ANSCHLUSSLEITUNG BRUNSBÜTTEL

- / Total length : 57 km
- / Dimensions : 813 x 11.8 / 13.2 / 14.8 / 16.0 mm
- / Tonnage: 13,500 t
- / Delivery: By January 2023



Steel pipes from Salzgitter for Germany's future energy supply



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# 03 FINANCIALS OF THE FIRST HALF OF 2022 AT A GLANCE

## Financials

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- / Rolled steel product prices meanwhile running at a record level sent profit up by leaps and bounds for the Steel Production, Steel Processing and Trading business units
- / EBITDA increased to € 1,138.5 million, EBT even more than trebled to € 970.5 million
- / Gratifying contribution of the Aurubis participation
- / Increase in working capital in H1/2022 by € 1.130 million as a result of higher raw and input material prices as well as markedly higher trade payables; peak has been reached

# 03 INCOME STATEMENT

## Financials

Income Statement (€ million)	H1 2022	H1 2021	Δ
<b>Sales</b>	<b>6,636.5</b>	4,435.5	2,201.0
Increase/decrease in finished goods and work in process/other own work capitalized	<b>72.2</b>	88.2	-16.0
	<b>6,708.8</b>	4,523.7	2,185.1
Other operating income	<b>512.3</b>	174.9	337.4
Cost of materials	<b>4,341.9</b>	2,925.8	1,416.1
Personnel expenses	<b>908.0</b>	871.2	36.8
Amortization and depreciation of intangible assets and property, plant and equipment	<b>139</b>	150	-11
Other operating expenses	<b>912.6</b>	509.3	403.3
Result from impairment losses and reversal of impairment losses of financial assets	<b>2.3</b>	3.5	-1.1
Income from shareholdings	<b>2.7</b>	0.6	2.1
Result from investments accounted for using the equity method	<b>74.7</b>	82.5	-7.8
Finance income	<b>4.0</b>	3.5	0.5
Finance expenses	<b>33</b>	27	7
<b>Earnings before taxes (EBT)</b>	<b>970.5</b>	305.7	664.8
Income tax	<b>189.6</b>	75.1	114.5
<b>Consolidated result</b>	<b>781.0</b>	230.6	550.4

# 03 CONSOLIDATED BALANCE SHEET

## Financials

Assets (€ million)	30.06.2022	31.12.2021	Δ
<b>Non-current assets</b>	<b>4,098.6</b>	4,250.2	-151.6
Intangible assets, property, plant and equipment	<b>2,280.6</b>	2,267.9	12.7
Investment property	<b>78.8</b>	79.5	-0.7
Financial assets	<b>48.1</b>	51.4	-3.3
Investments accounted for using the equity method	<b>1,412.8</b>	1,327.8	85.0
Trade receivables	<b>9.8</b>	8.3	1.5
Other receivables and other assets	<b>15.4</b>	21.6	-6.2
Income tax assets	<b>0.0</b>	1.9	-1.9
Deferred income tax assets	<b>253.0</b>	491.8	-238.8
<b>Current assets</b>	<b>7,076.5</b>	6,004.8	1,071.7
Inventories	<b>3,651.9</b>	3,123.3	528.6
Trade receivables including contract assets	<b>2,333.2</b>	1,775.8	557.4
Other receivables and other assets	<b>383.3</b>	296.7	86.6
Income tax assets	<b>23.5</b>	17.0	6.5
Securities	<b>0.0</b>	49.7	-49.7
Cash and cash equivalents	<b>684.6</b>	741.8	-57.2
Assets available for sale	<b>0.0</b>	0.5	-0.5
<b>Balance sheet total</b>	<b>11,175.0</b>	10,254.9	920.1

# 03 CONSOLIDATED BALANCE SHEET

## Financials

### Equity and liabilities (€ million)

	30.06.2022	31.12.2021	Δ
<b>Equity</b>	<b>4,714.0</b>	3,357.0	1,357.0
<b>Non-current liabilities</b>	<b>2,538.9</b>	3,247.0	-708.1
Provisions for pensions and similar obligations	<b>1,460.8</b>	2,178.6	-717.8
Deferred tax liabilities	<b>146.6</b>	147.1	-0.5
Income tax liabilities	<b>26.7</b>	25.7	1.0
Other provisions	<b>280.5</b>	267.5	13.0
Financial liabilities	<b>618.8</b>	621.5	-2.7
Other liabilities	<b>5.4</b>	6.6	-1.2
<b>Current liabilities</b>	<b>3,922.2</b>	3,650.7	271.5
Other provisions	<b>238.2</b>	263.1	-24.9
Financial liabilities	<b>1,134.0</b>	893.2	240.8
Trade payables including contract assets	<b>2,040.5</b>	2,082.7	-42.2
Income tax liabilities	<b>65.1</b>	36.1	29.0
Other liabilities	<b>444.3</b>	375.6	68.7
<b>Balance sheet total</b>	<b>11,175.0</b>	10,254.9	920.2



# 03 DEVELOPMENT OF BUSINESS UNITS – STEEL PRODUCTION

## Financials

### KEY DATA

		<b>H1 2022</b>	H1 2021	Δ	Q2 2022	Q1 2022
External sales	€ m	<b>2,328</b>	1,481	846	1,123	1,204
Order bookings	kt	<b>2,567</b>	2,831	-264	980	1,587
Order backlog <sup>1</sup>	kt	<b>1,069</b>	1,268	-198	1,069	1,378
EBITDA	€ m	<b>638</b>	201	437	307	331
EBT	€ m	<b>559</b>	120	439	268	290
Core workforce <sup>1</sup>		<b>7,342</b>	7,162	180	7,342	7,271

<sup>1</sup> per reporting date

Record result of Salzgitter Flachstahl and outstanding earnings of Peiner Träger

### CURRENT SITUATION

- / Steel prices rose strongly after the start of the war due to anxiety of customers about the supply situation; marked decreases from April onwards due to slumping demand and high stock levels
- / Well-filled order books of many steel processing companies can only be worked off with difficulties as a result of high energy prices and impaired supply chains

# 03 DEVELOPMENT OF BUSINESS UNITS – STEEL PROCESSING

## Financials

### KEY DATA

		<b>H1 2022</b>	H1 2021	Δ	Q2 2022	Q1 2022
External sales	€ m	<b>1,012</b>	693	320	545	467
Order bookings	kt	<b>1,552</b>	1,043	509	764	789
Order backlog <sup>1</sup>	kt	<b>1,096</b>	780	316	1,096	1,045
EBITDA	€ m	<b>82</b>	-19	101	63	19
EBT	€ m	<b>52</b>	-57	109	47	4
Core workforce <sup>1</sup>		<b>5,328</b>	5,388	-60	5,328	5,340

<sup>1</sup> per reporting date

Turnaround is first and foremost attributable to the significantly improved results of the two heavy plate companies

### CURRENT SITUATION

- / Plate: Stabilization of the market; increased plate supply in Europe via re-rollers and imports; rising demand in construction and wind power industry
- / Steel tubes: Following a good start into the year, economic development is impaired by rising raw material costs and continuing bottlenecks in logistics; opportunities for additional orders for connecting pipelines of LNG terminals

# 03 DEVELOPMENT OF BUSINESS UNITS – TRADING

## Financials

### KEY DATA

		<b>H1 2022</b>	H1 2021	Δ	Q2 2022	Q1 2022
External sales	€ m	<b>2,542</b>	1,538	1,004	1,239	1,303
Shipments	kt	<b>2,001</b>	1,810	191	939	1,062
EBITDA	€ m	<b>258</b>	156	102	156	102
EBT	€ m	<b>249</b>	149	100	151	98
Core workforce <sup>1</sup>		<b>1,937</b>	1,936	1	1,937	1,935

<sup>1</sup> per reporting date

Exceptional result due to temporary record price levels in conjunction with lower inventory prices in the stockholding business

### CURRENT SITUATION

- / Demand cooled down towards the end of the second quarter following a historically good first half-year
- / Pressure on prices and wait-and-see approach of customer industries

# 03 DEVELOPMENT OF BUSINESS UNITS – TECHNOLOGY

## Financials

### KEY DATA

		<b>H1 2022</b>	H1 2021	$\Delta$	Q2 2022	Q1 2022
External sales	€ m	<b>670</b>	639	31	337	334
Order bookings	kt	<b>926</b>	749	177	407	519
Order backlog <sup>1</sup>	kt	<b>1,151</b>	820	332	1,151	1,075
EBITDA	€ m	<b>32</b>	46	-14	13	19
EBT	€ m	<b>19</b>	32	-13	6	13
Core workforce <sup>1</sup>		<b>5,307</b>	5,328	-21	5,307	5,323

<sup>1</sup> per reporting date

Increase of operating results, previous year positively impacted by a one-off effect (+ € 18.8 million)

### CURRENT SITUATION

- / German Engineering Federation (VDMA) expects economic recovery in the mechanical engineering and plant building business to continue unless there would be a sudden interruption of energy supply
- / Insufficient supply with parts due to the global supply chain issue proves to be a challenge

# 03 DEVELOPMENT OF INDUSTRIAL PARTICIPATIONS

## Financials

### KEY DATA

		<b>H1 2022</b>	H1 2021	Δ	Q2 2022	Q1 2022
Außenumsatz	Mio. €	<b>84</b>	84	0	42	42
EBITDA	Mio. €	<b>128</b>	95	33	51	77
EBT	Mio. €	<b>92</b>	61	31	33	59
Stammebelegschaft <sup>1</sup>		<b>2.631</b>	2.600	31	2.631	2.623

### CURRENT SITUATION

/ Industrial Participations / services companies with gratifying earnings contribution despite price increases of raw materials and energies as well as uncertainty in the supply chains

/ Solid business development expected for the second half

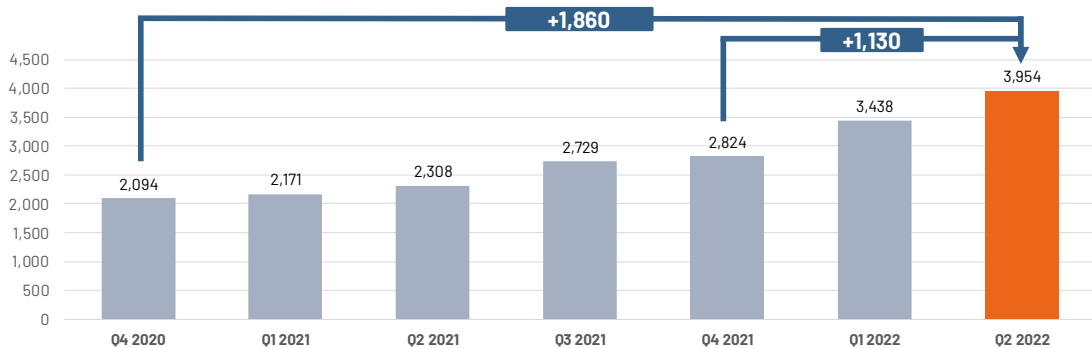
<sup>1</sup> per reporting date

Earnings include € 84.3 million contribution from the Aurubis participation

## 03 WORKING CAPITAL: SIGNIFICANT INCREASE SINCE END OF 2020

Financials

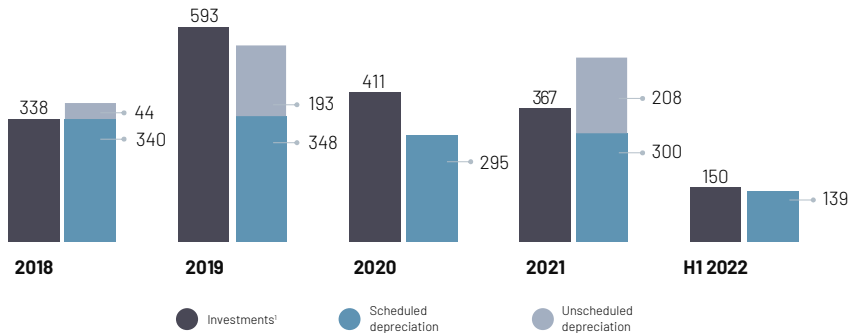
### WORKING CAPITAL (€ million)



Under consideration of current economic forecasts, Q2 2022 working capital marks the peak

# 03 INVESTMENTS AND DEPRECIATION

## Financials



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

Guidance H2 2022: First pre-payments for SALCOS®





# AGENDA

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# 04 SALZGITTER GROUP

## Guidance

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

/ sales in the region of € 13 billion,

/ EBITDA of between € 1.4 billion and 1.6 billion,

/ EBT of between € 1.0 billion and € 1.2 billion, and

/ a return on capital employed (ROCE) above the previous year's figure

### Legal Note and other remarks

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

We make explicit reference to the fact that imponderables, including changes in the cost of raw materials, precious metal prices and exchange rates, along with global trade policy measures and their possible impact may still exert a considerable influence over the course of the financial year.

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