

QUARTERLY STATEMENT  
3 MONTHS 2023

3M



**SALZGITTERAG**  
People, Steel and Technology

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## THE SALZGITTER GROUP IN FIGURES

		Q1 2023	Q1 2022	+/-
Crude steel production	kt	1,584.5	1,712.6	-128.1
External sales	€ m	2,982.5	3,349.9	-367.3
Steel Production Business Unit	€ m	1,038.8	1,204.4	-165.6
Steel Processing Business Unit	€ m	562.0	466.7	95.3
Trading Business Unit	€ m	918.2	1,302.7	-384.4
Technology Business Unit	€ m	420.4	333.7	86.7
Industrial Participations / Consolidation	€ m	43.1	42.3	0.7
EBIT before depreciation and amortization (EBITDA)	€ m	290.0	548.1	-258.1
Steel Production Business Unit	€ m	135.6	330.8	-195.3
Steel Processing Business Unit	€ m	100.1	19.4	80.7
Trading Business Unit	€ m	3.4	101.8	-98.4
Technology Business Unit	€ m	27.2	19.0	8.3
Industrial Participations / Consolidation	€ m	23.7	77.1	-53.4
Earnings before interest and taxes (EBIT)	€ m	214.2	478.8	-264.7
Earnings before taxes (EBT)	€ m	183.7	465.3	-281.6
Steel Production Business Unit	€ m	79.8	290.3	-210.5
Steel Processing Business Unit	€ m	81.7	4.4	77.3
Trading Business Unit	€ m	-5.2	98.1	-103.3
Technology Business Unit	€ m	19.6	13.1	6.5
Industrial Participations / Consolidation	€ m	7.7	59.4	-51.6
Consolidated result	€ m	140.5	368.8	-228.4
Earnings per share - basic	€	2.57	6.80	-4.22
Return on capital employed (ROCE) <sup>1</sup>	%	12.6	35.2	-22.6
Cash flow from operating activities	€ m	167.0	-15.2	182.2
Investments <sup>2</sup>	€ m	119.3	67.2	52.2
Depreciation / amortization <sup>2,3</sup>	€ m	-75.8	-69.3	-6.5
Total assets	€ m	11,186.9	10,764.8	422.1
Non-current assets	€ m	4,559.3	4,187.9	371.4
Current assets	€ m	6,627.6	6,576.9	50.7
Equity	€ m	4,968.8	4,011.1	957.7
Liabilities	€ m	6,218.0	6,753.7	-535.6
Non-current liabilities	€ m	2,711.3	2,972.1	-260.8
Current liabilities	€ m	3,506.8	3,781.6	-274.8
of which due to banks <sup>4</sup>	€ m	727.7	857.0	-129.3
Net financial position on the reporting date <sup>5</sup>	€ m	-498.1	-619.7	121.7
Employees				
Personnel expenses	€ m	-465.2	-447.2	-18.0
Core workforce on the reporting date <sup>6</sup>	Empl.	22,705	22,492	213
Total workforce on the reporting date <sup>7</sup>	Empl.	24,529	24,272	257

Disclosure of financial data in compliance with IFRS

<sup>1</sup> Annualized

<sup>2</sup> Excluding financial assets

<sup>3</sup> Scheduled and unscheduled write-downs

<sup>4</sup> Current and non-current bank liabilities

<sup>5</sup> Including investments, e.g. securities and structured investments

<sup>6</sup> Excl. trainee contracts and excl. non-active age-related part-time work

<sup>7</sup> Incl. trainee contracts and incl. non-active age-related part-time work

# PROFITABILITY, FINANCIAL POSITION AND NET ASSETS

## PROFITABILITY OF THE GROUP

		Q1 2023	Q1 2022
Crude steel production	kt	1,584.5	1,712.6
External sales	€ m	2,982.5	3,349.9
EBIT before depreciation and amortization (EBITDA)	€ m	290.0	548.1
Earnings before interest and taxes (EBIT)	€ m	214.2	478.8
Earnings before taxes (EBT)	€ m	183.7	465.3
Consolidated result	€ m	140.5	368.8
Return on capital employed (ROCE) <sup>1</sup>	%	12.6	35.2
Investments	€ m	119.3	67.2
Depreciation / amortization	€ m	-75.8	-69.3
Cash flow from operating activities	€ m	167.0	-15.2

<sup>1</sup> Annualized

In the first quarter of 2023 that was characterized by political and economic uncertainties, the **Salzgitter Group** achieved an encouraging start to the current financial year. The Salzgitter Group's **external sales** declined by 11 % to € 3.0 billion (Q1 2022: € 3.3 billion) due to the downturn in shipment volumes and the lower average selling prices of many rolled steel products compared with the year-earlier period. Nevertheless, a presentable result in the form of **EBITDA** of € 290 million (Q1 2022: € 548.1 million) and **earnings before taxes** of € 183.7 million (Q1 2022: € 465.3 million) were achieved. This was attributable in particular to the business units of Steel Production, Steel Processing and Technology. The result includes a contribution of € 29.3 million from Aurubis AG (Q1 2022: € 61.9 million), an investment included at equity (IFRS accounting). The **after-tax result** came in at € 140.5 million (Q1 2022: € 368.8 million), which brings basic earnings per share to € 2.57 (Q1 2022: € 6.80). The return on capital employed (**ROCE**) stood at 12.6 % (Q1 2022: 35.2 %). The equity ratio posts a very sound 44.4 % (Q1 2022: 37.3 %). Despite the high capex level, first and foremost from implementing the SALCOS<sup>®</sup> – Salzgitter Low CO2 Steelmaking transformation program, the **net financial position** grew by more than € 100 million compared with the year-earlier figure (€ -498.1 million; Q1 2022: € -619.7 million).

## SPECIAL ITEMS

In € million	EBT		Restructuring		Impairment/ Reversal of impairment		Other		EBT without special items	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
Steel Production	79.8	290.3	-	-	-	-	-	-	79.8	290.3
Steel Processing	81.7	4.4	-	-	-	-	-	-	81.7	4.4
Trading	-5.2	98.1	-	-	-	-	-	-	-5.2	98.1
Technology	19.6	13.1	-	-	-	-	-	-	19.6	13.1
Industrial Participations/ Consolidation	7.7	59.4	-	-	-	-	-	-	7.7	59.4
<b>Group</b>	<b>183.7</b>	<b>465.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183.7</b>	<b>465.3</b>

## BUSINESS DEVELOPMENT OF THE SEGMENTS

### STEEL PRODUCTION BUSINESS UNIT

		Q1 2023	Q1 2022
Order intake <sup>1</sup>	kt	1,355.7	1,586.7
Order backlog on reporting date <sup>1</sup>	kt	1,071.8	1,377.7
Crude steel production	kt	1,273.7	1,390.2
Salzgitter Flachstahl	kt	1,027.2	1,104.0
Peiner Träger	kt	246.5	286.1
Rolled steel production	kt	1,124.3	1,224.8
Salzgitter Flachstahl	kt	909.3	956.8
Peiner Träger	kt	215.0	268.0
Shipments	kt	1,448.6	1,505.2
Segment sales <sup>1</sup>	€ m	1,413.6	1,603.7
External sales	€ m	1,038.8	1,204.4
EBIT before depreciation and amortization (EBITDA)	€ m	135.6	330.8
Earnings before interest and taxes (EBIT)	€ m	94.0	294.4
Earnings before taxes (EBT)	€ m	79.8	290.3

<sup>1</sup> 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<sub>2</sub> Steelmaking** 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

After the subdued strip steel market outlook in the fourth quarter of 2022, business began to recover at the turn of the year. While the plants had partly previously reduced their capacities and had to acquire business in the low price segment to increase production capacity utilization, positive stimulus from demand served to stabilize the market situation. This trend reversal was also reflected in the spot market prices that increased during the entire first quarter, staging a clear recovery. In addition, the market benefited during the reporting period from the significant downturn in imports in the fourth quarter of 2022. The steel sector was nevertheless only able to reap limited benefit due to the mix of contract periods. In the reporting period, the stockholding steel trade focused on keeping inventories as low as possible in order to minimize the risk of devaluation in the event of prices tumbling again. This scenario resulted in rather more weak business from smaller volumes in this segment. Moreover, the requirements of some end consumers have not improved substantially. Consequently, a certain skepticism – ultimately attributable to continuing high inflation and the associated loss of buying power – prevails among market players with regard to the long-term sustainability of the recent uptrend. Furthermore, imports can be expected to rise again on the back of the recovery over the course of the year. The start of April 2023 marked a positive measure in that the EU Commission proposed an extension of the anti-dumping measures by another five years against imports of Chinese hot strip products. A vote in favor by the EU member states is anticipated through to the start of June.

At the beginning of the year, demand bounced back for a short time on the sections market as a consequence of the low inventories of the stockholding steel trade at the turn of the year. However, real demand generally remained weak in January and February. In particular, the investment propensity of small and medium-sized investors was absent as, given the higher costs and rising interest rates, they had adopted a wait-and-see approach. The price pressure on the stockholding steel trade increased over the course of the quarter. The necessary orders were initially not issued by the stockholding steel trade as there was a lack of clarity about how prices would develop. Order patterns only changed when it was foreseeable that there would be no further price reductions due to producers' increased costs as a consequence of the scrap price trend. Ongoing erratic demand can be expected due to the uncertain environment still prevailing in the construction sector.

## PROCUREMENT

### IRON ORE

As an annual average for 2022, iron ore prices declined by around a quarter to settle at 120.16 USD/dmt. The uptrend in ore prices ascertained in the fourth quarter of the previous year held steady in the first quarter of 2023. This was attributable to the hope that an imminent end to the coronavirus measures in China would trigger a substantial increase in steel production, which has so far not been confirmed. As a result, trading companies above all secured quantities in order to cover any requirements arising in this segment. In addition, Brazilian ore producers had to adjust planned export volumes as heavy rainfall in the mining regions impacted production. Accordingly, the index has consistently moved above the mark of 120 USD/dmt since the start of January. The price peaked at 133.10 USD/dmt on March 15, its highest level since June 2022. That prices have not risen more sharply is mainly attributable to the authorities curbing steel production in China and to weak demand. There were also various announcements by the Chinese authorities that the sharp increase in iron ore prices would be investigated and action taken against speculative investors. Compared with the year-earlier period, the index shed 11.4 % to 125.51 USD/dmt.

### COKING COAL

The average price of coking coal settled at 363.71 USD/t in 2022, 61.2 % above the year-earlier price. After the turn of the year, reports about heavy rainfall on Australia's east coast fanned consumer concerns about supply. In conjunction with the global acceleration in steel activities and the first imports of Australian coal from China since the autumn of 2020, this fed into prices steadily rising. By mid-February, the price had reached a level of 390.00 USD/t. The coking coal market then followed on with a significant downward correction as consumers had procured sufficient material. Compared with the previous year's period, the index dropped by 29.5 % to 343.91 USD/dmt.

The Salzgitter Group hedges defined iron ore and coking coal volumes in order to mitigate the procurement risks.

### STEEL SCRAP

In the first quarter of 2023, Germany's scrap market staged a recovery, and many German steelworks' demand for scrap began to rise again. Compared with the previous quarter, the German steel industry's situation improved considerably. Traders and consumers paring down inventories triggered a recovery in the demand for steel products, which varied depending on the region and the product. While, in many places, surpluses prevailed in the new scrap segment, the situation was quite the reverse with excess demand for volumes of old scrap, above all on the back of strong demand from the deep sea export market. Consequently, scrap prices increased in a range of between 51 and 62 €/t, depending on the region, grade, demand, and price basis.

## BUSINESS DEVELOPMENT

The **order intake** of the Steel Production Business Unit dropped significantly below the year-earlier level due above all due to lackluster developments in the sections business. **Orders on hand** as well as **crude** and **rolled steel production** did not match the previous year's figures either. In conjunction with somewhat lower shipments year on year, **segment** and **external sales** declined essentially due to notably reduced selling prices. The Steel Production Business Unit generated **EBITDA** of € 135.6 million (Q1 2022: € 330.8 million) and **earnings before taxes** of € 79.8 million (Q1 2022: € 290.3 million). SZFG was unable to repeat the record result of the first three months of 2022 mainly due to selling prices and because of the general cost increases caused by inflation. PTG's result marginally exceeded the year-earlier figure despite decreasing volumes and selling prices as the scrap and energy costs declined more sharply. The earnings contributions of the other companies of the business unit were lower than in the previous year.

## INVESTMENTS

With a view to securing the supply of pig iron, the relining of Blast Furnace A was approved by the Supervisory Board in the previous year and the main contract of the investment project was awarded. Emphasis was placed on preparatory work for the assembly project phase in the first quarter 2023.

Increased customer requirements for galvanized high-strength and ultra-high-strength steel grades are being accommodated through the new Hot Dip Galvanizing Line 3 in Salzgitter. Construction work on the facilities was completed in 2022. Hot Dip Galvanizing Line 3 is undergoing the project phase of live production accompanied by performance tests.

### SALCOS®

SALCOS® is aimed at converting the integrated steelworks into low-carbon crude steel production in three stages over the period up until 2033. As part of the first stage of development, an electrolyzer, a DRI plant and an electric arc furnace are to be built by the end of 2025. These facilities can be used to produce 1.9 million tons of low carbon crude steel a year, thereby replacing a blast furnace and a converter.

Through to the end of 2026, we will be investing approximately €2.3 billion in the transformation of primary steel production. Following the signing of an administrative agreement on September 15, 2022, through which the Federal Republic of Germany and the Federal State of Lower Saxony demonstrated their commitment to the Community support of SALCOS®, and the subsequent necessary approval of state aid by the EU Commission, funding approval was awarded on April 18, 2023. This funding approval serves to support SALCOS® in its first stage of development with funds of around € 700 million from the German government and € 300 million from the federal state. Together with the funds already approved of over one billion euros from Salzgitter AG itself, the first development stage of SALCOS® has been secured.

We have built a hydrogen-fueled direct reduction plant of significantly reduced scale, designed for flexible use with natural gas/hydrogen, on the Salzgitter site as a pilot facility for SALCOS®. Construction work on the facilities was completed in the first quarter of 2023. The direct reduction plant is currently undergoing functional testing.

The ramping up of scrap recycling activities envisaged under SALCOS® was expedited in the period under review through DMU's takeover of Must-Metalle-Container-Recycling GmbH. The recycling company based in Goslar in Germany's Harz region is specialized in scrap and metals trading. As part of the Salzgitter Group, the company will continue to operate independently under the new name of Harzer Schrott und Recycling GmbH.

**STEEL PROCESSING BUSINESS UNIT**

		Q1 2023	Q1 2022
Order intake	€ m	702.5	788.5
Order backlog	€ m	1,020.2	1,045.1
Crude steel production	kt	310.8	322.4
Rolled steel production	kt	276.2	291.4
Shipments	kt	433.1	419.4
Segment sales <sup>1</sup>	€ m	867.3	783.3
External sales	€ m	562.0	466.7
<b>EBIT before depreciation and amortization (EBITDA)</b>	<b>€ m</b>	<b>100.1</b>	<b>19.4</b>
Earnings before interest and taxes (EBIT)	€ m	86.4	6.6
<b>Earnings before taxes (EBT)</b>	<b>€ m</b>	<b>81.7</b>	<b>4.4</b>

<sup>1</sup> 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 reported at 30 % on a proportionate basis and is included accordingly in the order intake, sales and the result of the business unit but not in the figures for orders on hand and shipments. The participating investments in the EP Group and in Turkish pipes producer Borusan Mannesmann Boru Yatirim Holding A.S. (BMBYH; 23 %) are accounted for using the proportionate after-tax result (at-equity consolidation).

As part of our active portfolio management, the Berg Pipe Group based in the US was sold to Borusan Mannesmann Pipe U.S. on April 13, 2023. In line with the best-owner principle, this measure opens up the prospect of optimized strategic development opportunities for Berg Pipe and its employees under Borusan Mannesmann's leadership and management. Given at-equity accounting, the deal does not change the Salzgitter Group's sales, and its impact on the forecasted pre-tax result for 2023 is immaterial.

**MARKET DEVELOPMENT****QUARTO PLATE**

The ongoing war in Ukraine and high energy prices continued to fuel uncertainty with customers. Nevertheless, lively demand was recorded on the heavy plate market at the start of 2023. Demand was driven above all by an increase in requirements from almost all customer sectors, which resulted in good capacity utilization from orders placed with the west European plants and consequently eased price wars. This trend was supported by weak imports in the final quarter of 2022 and in the first weeks of 2023, following on from an initially sharp increase in imports, especially in the second and third quarter of 2022 in response to the outbreak of Russia's war of aggression. Demand proved to be moderately stable at the end of the first quarter. As a result, market prices for heavy plate moved steadily northward since the start of January before trending sideways in March. On April 19, based on a proposal put forward by the EU Commission, the EU member states resolved to extend the anti-dumping measures against Chinese imports of heavy plate by another five years. At the start of February 2023, the US International Trade Commission (ITC) renewed existing anti-dumping duties by another five years on German imports of heavy plate into the US and against another ten countries similarly by five years.

### STEEL TUBES AND PIPES

Due to the war in Ukraine, the number of projects to be awarded in 2022 grew significantly on the large-diameter pipe market. The changed geopolitical situation and the necessary diversification dictated by energy policies is giving rise to fresh requirements for pipeline systems in the field of natural gas, while the implementation of hydrogen and CO<sub>2</sub> pipelines is increasingly taking shape. While, in the previous year, tendering and awards mainly for connecting pipelines from the newly built LNG terminals took place at short notice, project tenders for natural gas pipelines destined for expanding Germany's grid were also reported in the period under review. Even though generally brisk inquiry activity was recorded, the market for medium-diameter line pipes proved to be unsettled due to overall uncertainty and the development of hot-rolled strip prices. Prompted by price expectations, the trading business adopted a reticent stance due to high inventory levels. To the exception of the automotive sector, the precision tubes market was characterized by rather more weak momentum. In the market for seamless stainless steel tubes, positive stimulus emanated from the aviation industry's boom and the gradual easing of the maintenance backlog in nuclear energy generation. In addition, an increased volume of orders in carbon capture and storage were booked. By contrast, the cold-formed business revealed the ongoing weakness in the stockholding steel trade. Only requirements in the small-diameter segment for heat exchangers and special applications in the chemicals industry showed stable demand.

### BUSINESS DEVELOPMENT

The **order intake** of the Steel Processing Business Unit dropped significantly below the level posted in the first quarter of 2022. In this context, the heavy plate companies were unable to match the high year-earlier level of incoming orders. Bookings in the precision tubes business from the industry and energy product segments declined notably. The upbeat development in order intake at the stainless steel group and in the large-diameter pipes business was unable to compensate for this downturn. **Orders on hand** also fell short of the figure posted in the first three months of 2022. **Shipments** rose largely on the back of higher volumes in the medium-diameter line pipe and heavy plate segments. In conjunction with the generally improved selling price level, **segment** and **external sales** increased considerably compared with the year-earlier period. The business unit generated **EBITDA** of € 100.1 million (Q1 2022: € 19.4 million) and € 81.7 million **in earnings before taxes** (Q1 2022: € 4.4 million), thereby significantly exceeding the previous year's figures. All companies contributed to this performance with tangibly higher results.

**TRADING BUSINESS UNIT**

		Q1 2023	Q1 2022
Shipments	kt	788.4	1,062.0
Segment sales <sup>1</sup>	€ m	923.9	1,326.1
External sales	€ m	918.2	1,302.7
EBIT before depreciation and amortization (EBITDA)	€ m	3.4	101.8
Earnings before interest and taxes (EBIT)	€ m	-0.9	97.8
Earnings before taxes (EBT)	€ m	-5.2	98.1

<sup>1</sup> Including sales with other business units in the Group

The **Trading Business Unit** comprises a well-developed organization 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 spanning the globe. 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**

After the selling prices had significantly declined during the second half of 2022 from their record high, they stabilized in the first months of the reporting period and edged up again at the end of the period. The demand for steel tended to be rather weak on the majority of the Trading Business Unit's key markets – only the US generated a high shipment volume, fueled by gratifying demand. Moreover, the increase in key rates also put a damper on international trading activities.

**BUSINESS DEVELOPMENT**

The **shipments** of the Trading Business Unit declined considerably due to the subdued demand trend. This situation impacted the stockholding steel trade, international trading and the UES Group in similar dimensions, which resulted in a significant downturn in **segment** and **external sales** associated with the lower price level. In connection with the still rather high inventory prices in the stockholding steel trade at the start of the quarter, substantial losses were booked that were also accompanied by a downturn in the business of international trading and of the UES Group as well. **EBITDA** (€ 3.4 million; Q1 2022: € 101.8 million), as well as **earnings before taxes** (€ -5.2 million; Q1 2022: € 98.1 million) therefore dropped notably below the outstanding year-earlier results.

**TECHNOLOGY BUSINESS UNIT**

		Q1 2023	Q1 2022
Order intake	€ m	583.8	518.6
Order backlog on reporting date	€ m	1,368.4	1,074.8
Segment sales <sup>1</sup>	€ m	420.5	334.0
External sales	€ m	420.4	333.7
<b>EBIT before depreciation and amortization (EBITDA)</b>	<b>€ m</b>	<b>27.2</b>	<b>19.0</b>
Earnings before interest and taxes (EBIT)	€ m	19.7	12.0
<b>Earnings before taxes (EBT)</b>	<b>€ m</b>	<b>19.6</b>	<b>13.1</b>

<sup>1</sup> Including sales with other business units in the Group

Three manufacturers of special machinery steeped in tradition are grouped within the **Technology Business Unit**. Around 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. Its product range 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) sells special machinery for the shoe industry. The two companies rank as market leaders in their respective segments.

**MARKET DEVELOPMENT**

According to the figures released by the German Engineering Federation (VDMA), the entire industry's order intake declined significantly in the first three months of 2023 compared with the year-earlier period, with the negative trend that commenced at the end of 2022 ongoing. Orders from abroad were more strongly affected than domestic order intake. Order intake in the packaging machinery business also remained considerably below the previous year's level.

**BUSINESS DEVELOPMENT**

Running counter to the aforementioned trend in the sector, the **order intake** of the Technology Business Unit was appreciably higher year on year. This performance was attributable to higher order intake at the KHS Group. The project business in particular was bolstered by sustained strong demand. While order intake of KDS remained virtually stable, the KDE Group did not quite repeat the year-earlier figure. The Technology Business Unit's **orders on hand** mirrored the positive development and achieved a new record level. In the reporting period, **segment** and **external sales** were 25 % higher than the level posted in the first three months of 2022. All in all, the Technology Business Unit generated **EBITDA** of € 27.2 million (Q1 2022: € 19.0 million) and **earnings before taxes** of € 19.6 million (Q1 2022: € 13.1 million), and therefore considerably outperformed the previous year's figures. Accordingly, the KHS Group more than doubled its earnings contribution. By contrast, KDE and KDS were unable to match the previous year's results.

The Technology Business Unit's efficiency and growth program consistently meshes with the Salzgitter Group's overall strategy. Extensive measures were able to contribute to the increase in revenue and profits 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. With a view to strengthening customer relationships, capital expenditure is aimed at expanding global production capacities for processing customer orders and at securing after sales business, for instance by ramping up training centers worldwide.

**INDUSTRIAL PARTICIPATIONS / CONSOLIDATION**

		Q1 2023	Q1 2022
Sales <sup>1</sup>	€ m	328.8	298.2
External sales	€ m	43.1	42.3
EBIT before depreciation and amortization (EBITDA)	€ m	23.7	77.1
Earnings before interest and taxes (EBIT)	€ m	14.9	68.0
Earnings before taxes (EBT)	€ m	7.7	59.4

<sup>1</sup> 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 does not have any operations of its own. Instead, it manages Salzgitter Mannesmann GmbH and Salzgitter Klöckner Werke GmbH 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, grew compared with the first three months of 2022. **External sales** rose marginally. **EBITDA** (€ 23.7 million; Q1 2022: € 77.1 million) includes a contribution of € 29.3 million from the participating investment in Aurubis AG accounted for using the equity method (Q1 2022: € 61.9 million). **Earnings before taxes** of € 7.7 million also dropped notably below the previous year's figure (Q1 2022: € 59.4 million). The results from the valuation of derivatives positions and net interest income from cash management of the consolidated group delivered a marginally positive net contribution (€ 1.2 million; Q1 2022: € -0.2 million). The companies largely operating on behalf of the Group delivered a positive pre-tax result but were nevertheless unable to match the profit contribution of the previous year that was substantially impacted by the sale of a property.

## FINANCIAL POSITION AND NET ASSETS

### NOTES TO THE BALANCE SHEET

The **total assets** of the Salzgitter Group rose by € 84 million in the first three months of 2023 compared with December 31, 2022.

**Non-current assets** climbed by € 49 million as against the last reporting date. The shares in the companies accounted for using the equity method increased slightly (€ +17 million). Investments in intangible assets and in property, plant and equipment (€ +119 million) significantly exceeded the level of scheduled depreciation and amortization of fixed assets (€ -76 million) in the period under review. Deferred tax assets (€ -8 million) decreased due to the utilization of deferred tax assets on tax loss carryforwards. **Current assets** grew only slightly compared with the last reporting date (€ +34 million). The tangible decline in inventories (€ -294 million) is offset by the notable increase in trade receivables, including contract assets (€ 284 million), as well as higher cash and cash equivalents (€ +38 million) and other receivables and assets (€ +28 million). The disposal of Salzgitter Bauelemente GmbH fully reduced assets held for sale.

On the **liabilities side** equity advanced slightly due in particular to the positive consolidated result (€ +118.4 million). Accompanied by total assets that were virtually unchanged, the equity ratio reached a very sound 44.4 % (2022/12/31: 43.7%). Overall, non-current financial liabilities remained roughly at the level of the year-earlier reporting date (€ +7 million). While pension provisions edged up (€ +15 million) marginally, non-current financial liabilities declined slightly (€ -12 million). Current liabilities decreased by € 42 million. The lower level of trade payables, including contract liabilities (€ -106 million), were offset by higher other liabilities (€ +61 million).

At € -498 million, the **net financial position** improved tangibly compared with the level of the balance sheet date at year-end 2022 (€ -553 million). Cash investment (€ 1,038 million; 2022/12/31: € 1,002 million) was offset by liabilities of € 1,536 million (2022/12/31: € 1,554 million), of which € 728 million were owed to banks (2022/12/31: € 756 million). As before, assets and liabilities from leasing arrangements are not considered in the net financial position. Higher trade receivables will impact the net financial position positively only when payment is made. Conversely, the lower level of inventories compared with the last reporting date has already positively impacted the net financial position.

### NOTES TO THE CASH FLOW STATEMENT

With a pre-tax profit of € 184 million, a positive **cash flow from operating activities** of € 167 million was reported (previous year: € -15 million). While the lower result exerted a less positive influence on the operating cash flow than in the year-earlier period, the increase in working capital was lower in the reporting period.

The **cash outflow from investing activities** amounts to € -100 million (previous year: € -49 million). Disbursements for capital expenditure on intangible assets and on property, plant and equipment (€ -118 million; previous year: € -61 million) are appreciably higher than in 2022 and also reflect capital expenditure on strategic projects, including payouts of € 34 million for SALCOS®. Higher income payments from the disposal of other non-current assets constituted a counter trend.

The repayment of loans and interest payments were offset by incoming payments at a low level from borrowing and other financial liabilities, resulting in an overall **cash outflow from financing activity** (€ -25 million; year-earlier period: cash outflow of € -15 million).

As a result of the positive overall cash flow, **cash and cash equivalents** (€ 1,026 million) increased accordingly compared with December 31, 2022 (€ 988 million).

## EMPLOYEES

	2023/03/31	2022/12/31	Change
<b>Core workforce<sup>1</sup></b>	<b>22,705</b>	<b>22,622</b>	<b>83</b>
Steel Production Business Unit	7,339	7,369	-30
Steel Processing Business Unit	5,358	5,341	17
Trading Business Unit	2,006	1,975	31
Technology Business Unit	5,380	5,329	51
Industrial Participations / Consolidation	2,622	2,608	14
Apprentices, students, trainees	1,156	1,313	-157
Non-active age-related part-time employment	669	635	34
<b>Total workforce</b>	<b>24,529</b>	<b>24,569</b>	<b>-40</b>

Rounding differences may occur due to pro-rata shareholdings.

<sup>1</sup> Excluding executive body members

As of March 31, 2023, the **core workforce** of the Salzgitter Group numbered 22,705 employees, which is 83 persons more than at the end of the financial year 2022. Taking account of the deconsolidation of Salzgitter Bauelemente GmbH, the increase in the workforce in continuing operations stood at +156 persons compared with the year-end status.

The growth in employee numbers is essentially attributable to the hiring of trainees in January 2023, as well as to setting about expanding the workforce as planned for 2023, particularly also in the KHS Group (+48). A total of 151 trainees were hired during the reporting period, 90 of whom were given temporary contracts. A counter trend emanated from reaching retirement through switching to the non-active age-related part-time or going into immediate retirement.

The **total workforce** stood at 24,529 persons. The number of **temporary staff** outsourced came in at 1,197 on March 31, 2023, which is 129 persons more than on the previous year's reporting date. At the end of the reporting period, 527 employees were working **short time** (March 31, 2022: 80) in the domestic Group companies, 190 of whom at Peiner Träger GmbH, 187 at Mannesmannröhren-Werk GmbH and 104 at Salzgitter Mannesmann Stahlservice GmbH.

# FORECAST, OPPORTUNITIES AND RISK REPORT

## OUTLOOK

Compared with the previous year, the business units anticipate that business in the financial year 2023 will develop as follows:

In a persistently volatile market environment that has tangibly deteriorated since the summer of 2022, the companies of the **Steel Production Business Unit** anticipate – despite current uncertainties – improving demand that is mainly attributable to the easing of supply chain problems in Europe's automotive industry. The cost of raw materials is expected to remain stable at a high level. Energy prices have eased tangibly since the early autumn of 2022, but will remain greatly influenced by political decisions. Lost production from the planned relining of Blast Furnace A is to be compensated through slab stockpiling, slab deliveries from companies within the Group, as well as by reactivating Blast Furnace C that has so far been out of operation. Inasmuch, we assume that capacity utilization in the strip steel business will be covered by demand again, with selling prices nevertheless remaining under pressure. Order intake at the start of 2023 and the good order backlog underpin this assumption. In the initial months, we anticipate still weak demand in the sections business that will recover over the course of the year 2023 and generally exceed the year earlier figure. Owing to the downtrend in average selling prices, we generally expect sales at a notably lower level (2022: € 4,262.7 million), as well as a positive EBITDA (2022: € 946.3 million) and a pre-tax result (2022: € 790.9 million) that will nevertheless both fall considerably short of the exceptional year-earlier period.

There are signs of a heterogeneous, but generally improved, development in the target markets of the **Steel Processing Business Unit** in 2023: With regard to heavy plate, we expect the outlook for market activity to brighten considerably, along with good capacity utilization. Pipe plate production is likely to benefit from the sound order booking situation for large-diameter pipes. Inasmuch, the large-diameter pipe mills are likely to see satisfactory capacity utilization in all the mills. We also predict an increase in volumes in the medium-diameter line pipe segment. The precision tubes group also anticipates higher volumes. Activities in the stainless steel tubes business are expected to pick up considerable momentum again in 2023. All in all, we forecast rising sales for the business unit (2022: € 2,105.9 million) and EBITDA that will significantly exceed that of the year-earlier period (2022: € 173.1 million). The pre-tax result is also expected to notably exceed the previous year's level (2022: € 86.2 million) that was burdened by impairment.

The business of the companies belonging to the **Trading Business Unit** is expected to develop satisfactorily at a normal level compared with the previous year's high level. Following a slight pre-tax loss in the first quarter, expectations are for a notable improvement in the operating margins and stronger demand, which should enable a clear return to the profit zone again in the remaining quarters of the financial year 2023. This development will be supported by inventory prices following at a time lag, in conjunction with the prediction of a slight uptrend in selling prices and based on demand returning to normal levels in the second half of the year. Overall, we anticipate lower sales (2022: € 4,580.9 million) as well as both EBITDA (2022: € 268.0 million) and earnings before taxes (2022: € 243.1 million) significantly below the year-earlier figures.

The **Technology Business Unit** started off the new year with very high capacity utilization on the back of the KHS Group's order book having reached a record level by the end of the financial year 2022. The sale of new, innovative products and growth in the service business is expected to boost the KHS Group's sales. 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. All in all, we anticipate notable sales growth for the business unit (2022: € 1,429.9 million) and a significant increase in EBITDA (2022: € 76.8 million) and in earnings before taxes (2022: € 48.0 million).

For the **Salzgitter Group** we anticipate the following in the financial year 2023:

- / 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.

#### FORECAST FOR THE BUSINESS UNITS AND THE GROUP

			Financial year 2022	Forecast Financial Year 2023
Steel Production	Sales	€ m	4,262.7	Significantly reduced
	EBITDA	€ m	946.3	Significantly lower y/y
	EBT	€ m	790.9	Significantly lower y/y
Steel Processing	Sales	€ m	2,105.9	Uptrend
	EBITDA	€ m	173.1	Significantly higher y/y
	EBT	€ m	86.2	Significantly higher y/y
Trading	Sales	€ m	4,580.9	Below previous year
	EBITDA	€ m	268.0	Notably lower y/y
	EBT	€ m	243.1	Notably lower y/y
Technology	Sales	€ m	1,429.9	Notable uptrend
	EBITDA	€ m	76.8	Significantly higher y/y
	EBT	€ m	48.0	Significantly higher y/y
Group	Sales	€ m	12,553.3	Between € 11.5 billion and € 12.0 billion
	EBITDA	€ m	1,618.2	Between € 750 million and € 850 million
	EBT	€ m	1,245.4	Between € 300 million and € 400 million
	ROCE	%	20.1	Tangibly lower y/y

#### DENOMINATION

Stable, at year-earlier level:  
 Marginal, slight, somewhat:  
 Moderate, modest, more detailed description not available:  
 Tangible, considerable, notable, clear, visible:

#### SALES, EBITDA AND EBT

Up to  $\pm 2\%$   
 $\pm 2\%$  to  $< \pm 5\%$   
 $\pm 5\%$  to  $< \pm 10\%$   
 Upward of  $\pm 10\%$

#### DELTA ROCE

$\pm 1$   
 1 to 5  
 -  
 $> \pm 5$

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 2023. The resulting impact on performance may be within a considerable range, either to the positive or to the negative.

## RISK MANAGEMENT

At the time of reporting, we find ourselves dealing with 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 earnings in the companies 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 2022.

At this year's Hanover Trade Fair, we took receipt of the decision on state funding for our SALCOS® transformation program from the Federal Republic of Germany and the Federal State of Lower Saxony regarding one billion euros for

the first stage of development. We currently assess a financial burden in excess of the investment volume updated in March 2023 as unlikely.

### **GEOPOLITICAL RISKS**

Russia launched its military attack on Ukraine on February 24, 2022. 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. Framework conditions shifting at short notice makes it impossible to reliably quantify the consequences. In terms of supply reliability, alternative suppliers have been found and we anticipate deliveries in line with requirements. The decline in sales in the war-affected regions of Russia and Ukraine is of minor significance for us.

Thanks to natural gas savings in the industry and by private households as well due to a relatively mild winter, there were no gas shortfalls. Furthermore, several LNG terminals have gone online in recent months, with the resulting improvement in the supply situation. Consequently, gas and electricity prices declined to a lower, but nevertheless still very high, level in a historical comparison. With a view to the coming winter, shortages can still not be entirely discounted, however.

The war in Ukraine – following on from the outbreak of the coronavirus pandemic – has once more illustrated the vulnerability of global supply chains and supply reliability to crises. What this generally means for the Salzgitter Group is that shipments and procurement risks are being subjected to even greater scrutiny in terms of their flexibility and substitutability. Such activities will not only encompass current situations alone, but also focus on further potential global crisis situations with their impact on Salzgitter AG's business.

An example of possible future crises is a further escalation of the conflict between the US and China. A significant change in the US's perception, also in the public at large, of China as a systemic rival manifested at the latest under the Trump administration. Special tariffs imposed on certain Chinese imports at an early stage in the period of office of ex-US President Trump triggered a spiral of trade policy measures by both parties. After almost two years in office, current presiding US President Biden has so far shown little aspiration to change the attitude toward China and to lift the tariffs of his predecessor.

China's support of Russia has served to exacerbate the tensions between "The West" and China. China's repeated threats regarding Taiwan have not contributed to de-escalating the situation. Consequently, a considerable risk remains of mutual sanctions being imposed at minimum or further trade barriers being set up that, in turn, could impact global supply chains and demand.

In the knowledge that the global supply chains are extremely vulnerable, conclusions can also be drawn about new developments for companies producing and selling mainly in Europe, such as Salzgitter AG. Re-localizing production chains, new infrastructure investment, along with the strategic privatization of local suppliers versus importers, could increase the need for local products in the medium term. The EU Commission's endeavors also mirror this development in scaling up local value added in key technologies, along with the extraction, processing and recycling of raw materials, within the framework of the Net-Zero Industry Act introduced in April 2023.

On top of this, significant turbulence occurred in the banking sector in the first quarter of 2023. The collapse of the Silicon Valley Bank, as well as UBS's takeover of struggling Credit Suisse, have resulted in parallels already being drawn with the 2007/2008 financial crisis. This risk has so far been rated as moderate. Financing costs could nevertheless increase, thereby significantly impacting on the real economy that continues to be exceptionally fragile.

### **ECONOMIC RISKS**

The extremely volatile price of input raw materials, energy and preliminary products resulting from the aforementioned developments have triggered the highest **inflation rates** in Germany since the 1970s. An inflation rate of 7.9% was estimated for 2022, with the general consensus predictions still running at 6% for 2023, and a more moderate version of 2.4% in 2024 at the earliest. The high inflation rates have led to significant interest rate hikes by the European Central Bank that have, in turn, fueled rising financing costs of the real economy and, in particular, of the private construction sector.

Germany's economic outlook for 2023 is commensurately weak. As of March, however, most economic research institutes assume stagnation (IMK: 0.0 %) through to marginal growth (IfW Kiel: 0.5%), and thus an avoidance of a recession. Private consumption and the construction economy that have so far not recovered from the high inflation and rising interest rates are proving to be a greater headache for the research institutes. According to the GfK, consumer sentiment continues to hug an unprecedentedly low level. Without a significant recovery in private demand, the demand for steel from the segments of vehicles or household appliances and building materials could be exposed to the long-term doldrums.

The prospects for the whole of Europe as well have meanwhile become more optimistic: Contrary to initial expectations, the eurozone economy did not contract in the fourth quarter of 2022. In 2023, the EU Commission anticipates growth at a somewhat higher level of 0.9 % as opposed to an originally predicted 0.3 %.

As a consequence of Russia's attack on Ukraine, electricity and gas procurement prices partly soared to new record highs in the past year. Although prices for consumers, despite the halt to Russian gas supplies, have meanwhile entered a significant downtrend, we are observing the situation with great attention and taking burdens emanating from this situation into account in our regular Group earnings forecasts.

### **SECTORAL RISKS**

In 2022, the EU member states resolved to introduce import restrictions on Russian steel products. As a result, importing semi-finished products are subject to restrictions in the medium term, and steel products of Russian origin processed in non-EU member states are also prohibited. Risks arise from the new sanctions to the extent that the long transition periods (through to autumn 2024) continue to facilitate Russian steel imports that are frequently offered at prices significantly below the customary market price level. Along with the sanctions, the EU also introduced an innovative "Melt and Pour" directive. This directive pursues the aim of not permitting steel "melted and poured" in Russia to be processed in non-EU countries and then subsequently exported into the EU. Owing to the complexity of the directive and the difficulty in its implementation, this risk continues to prevail and may lead to distortions in the market on the back of low prices for Russian steel products.

Since December 2022, the EU Commission has been investigating whether the safeguard measures should continue to run beyond July 2023, or should be prematurely terminated. An earlier end to the safeguard measures would negatively impact the European steel markets as the restrictions on imports would suddenly be lifted with very short, upfront notice, thereby potentially provoking irrational import patterns. Such a situation would have a correspondingly negative impact on EU producers' shipments and selling prices.

Furthermore, the reintroduction of Section 232 duties (excluding tariff quotas) in October 2023 is a threat looming for European exporters into the US. The background for this is the agreement between the EU and the US in October 2021 on the development of a "Global Sustainable Steel Agreement" (GSSA). In this context, the parties to the negotiations had set a deadline through to October 2023 for achieving an agreement that would introduce effective measures against non-market economy surplus capacity in the steel sector, promote the industry's decarbonization, and create green key markets. The various negotiation positions are currently still very far apart, which makes arriving at a consensus by October 2023 difficult. The loss of preferential market access to the US would considerably hamper exports again. In addition, export volumes (1-2 million tons on a pan-European basis) would be redirected back into the EU market and would cause supply-side pressure there.

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. The test phase is to commence as from October 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 as detailed regulations will only be determined in the coming two and a half years and these regulations will decide on how effective the instrument is. Material rules and regulations on product definition, certification and control mechanisms have therefore not yet been defined.

# INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

In € million	Q1 2023	Q1 2022
Sales	2,982.5	3,349.9
Increase / decrease in finished goods and work in process / other own work capitalized	-40.2	-10.5
<b>Total operating performance</b>	<b>2,942.3</b>	<b>3,339.3</b>
Other operating income	186.1	162.2
Cost of materials	1,959.5	2,193.8
Personnel expenses	465.2	447.2
Amortization and depreciation of intangible assets and property, plant and equipment	75.8	69.3
Other operating expenses	446.9	366.8
Result from impairment losses and reversal of impairment losses of financial assets	-2.9	-0.1
Income from shareholdings	-	-
Result from investments accounted for using the equity method	36.0	54.7
Finance income	8.0	1.9
Finance expenses	38.5	15.5
<b>Earnings before taxes (EBT)</b>	<b>183.7</b>	<b>465.3</b>
Income tax	43.2	96.5
<b>Consolidated result</b>	<b>140.5</b>	<b>368.8</b>
Amount due to Salzgitter AG shareholders	139.1	367.6
Minority interest	1.3	1.2
<b>Appropriation of profit</b>		
Consolidated result	140.5	368.8
Profit carried forward from the previous year	60.1	45.1
Minority interest in consolidated result	1.3	1.2
Dividend payment	-	-
Transfer from (+) / to (-) other retained earnings	-139.1	-367.6
<b>Unappropriated retained earnings of Salzgitter AG</b>	<b>60.1</b>	<b>45.1</b>
<b>Earnings per share (in €) - basic</b>	<b>2.57</b>	<b>6.80</b>
<b>Earnings per share (in €) - diluted</b>	<b>-</b>	<b>-</b>

**STATEMENT OF COMPREHENSIVE INCOME**

In € million	Q1 2023	Q1 2022
<b>Consolidated result</b>	<b>140.5</b>	<b>368.8</b>
<b>Recycling</b>		
Changes in value from currency translation	-3.8	9.1
Changes in value from cash flow hedges	7.4	106.2
Fair value change	6.4	97.7
Recognition with effect on income	1.0	8.4
Changes in the value of investments in companies accounted for using the equity method	2.8	12.6
Fair value change	4.7	10.9
Currency translation	-1.8	1.7
Deferred taxes	-0.2	-
Deferred taxes on other changes without effect on income	0.0	0.0
Subtotal	6.4	127.9
<b>Non-recycling</b>		
Remeasurements	-15.7	203.8
Remeasurement of pensions	-20.4	265.1
Deferred taxes	4.7	-61.3
Changes in the value of investments in companies accounted for using the equity method	2.1	-
Fair value change	2.1	-
Remeasurement of pensions	-0.0	-
Subtotal	-13.6	203.8
<b>Other comprehensive income</b>	<b>-7.2</b>	<b>331.7</b>
<b>Total comprehensive income</b>	<b>133.3</b>	<b>700.6</b>
Total comprehensive income due to Salzgitter AG shareholders	132.0	699.4
Total comprehensive income due to minority interest	1.3	1.2
	<b>133.3</b>	<b>700.6</b>

**CONSOLIDATED BALANCE SHEET**

Assets in € million	2023/03/31	2022/12/31
<b>Non-current assets</b>		
Intangible assets	204.5	205.5
Property, plant and equipment	2,251.1	2,211.0
Investment property	77.7	78.1
Financial assets	41.6	38.3
Investments in companies accounted for using the equity method	1,581.9	1,565.3
Trade receivables	3.4	3.5
Other receivables and other assets	14.3	15.7
Income tax assets	0.6	-
Deferred income tax assets	384.1	392.6
	<b>4,559.3</b>	<b>4,510.0</b>
<b>Current assets</b>		
Inventories	3,180.0	3,474.3
Trade receivables	1,780.2	1,543.8
Contract assets	365.7	318.3
Other receivables and other assets	246.0	217.9
Income tax assets	29.6	23.6
Securities	0.0	0.0
Cash and cash equivalents	1,026.0	988.4
	<b>6,627.6</b>	<b>6,566.3</b>
Assets held for sale	-	27.1
	<b>6,627.6</b>	<b>6,593.3</b>
	<b>11,186.9</b>	<b>11,103.3</b>

Equity and liabilities in € million	2023/03/31	2022/12/31
<b>Equity</b>		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings	4,706.0	4,585.7
Other reserves	142.4	145.5
Unappropriated retained earnings	60.1	60.1
	5,327.0	5,209.9
Treasury shares	-369.7	-369.7
	4,957.3	4,840.2
Minority interest	11.5	10.2
	4,968.8	4,850.4
<b>Non-current liabilities</b>		
Provisions for pensions and similar obligations	1,634.2	1,618.8
Deferred tax liabilities	196.9	195.2
Income tax liabilities	33.5	33.5
Other provisions	274.8	272.3
Financial liabilities	567.2	579.3
Other liabilities	4.7	5.2
	2,711.3	2,704.3
<b>Current liabilities</b>		
Other provisions	257.1	246.2
Financial liabilities	1,112.4	1,119.1
Trade payables	1,195.8	1,331.8
Contract liabilities	442.6	412.3
Income tax liabilities	57.4	51.2
Other liabilities	441.5	380.9
Liabilities associated with assets held for sale	0.0	7.2
	3,506.8	3,548.7
	11,186.9	11,103.3

**CASH FLOW STATEMENT**

In € million	Q1 2023	Q1 2022
Earnings before taxes (EBT)	183.7	465.3
Depreciation write-downs (+) / write-ups (-) of non-current assets	75.7	69.1
Income tax paid (-) / refunded (+)	-27.0	-16.6
Other non-cash expenses (+) / income (-)	52.5	3.4
Interest expenses	38.5	15.5
Gain (-) / loss (+) from the disposal of non-current assets	2.7	-7.8
Increase (-) / decrease (+) in inventories	292.2	35.7
Increase (-) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-335.8	-591.3
Use of provisions affecting payments, excluding income tax provisions	-54.3	-54.5
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	-61.3	66.0
<b>Cash outflow / inflow from operating activities</b>	<b>167.0</b>	<b>-15.2</b>
Cash inflow from the disposal of intangible assets, property, plant and equipment and investment property	0.7	10.6
Cash outflow for investments in intangible assets, property, plant and equipment and investment property	-117.9	-60.5
Cash inflow from investments of funds	-	-
Payments for financial investments	-0.6	0.0
Cash inflow from the disposal of non-current assets	27.2	2.3
Cash outflow for investments in non-current assets	-9.5	-0.8
<b>Cash outflow from investment activities</b>	<b>-100.2</b>	<b>-48.5</b>
Payouts to company owners	-	-
Deposits from taking out loans and other financial debts	2.0	4.2
Repayment of loans and other financial liabilities	-17.5	-11.2
Interest paid	-9.6	-7.8
<b>Cash outflow / inflow from financing activities</b>	<b>-25.2</b>	<b>-14.8</b>
Cash and cash equivalents at the start of the period	988.4	741.8
Cash and cash equivalents relating to changes in the consolidated group	-	-
Gains and losses from changes in foreign exchange rates	-4.0	4.9
Payment-related changes in cash and cash equivalents	41.6	-78.5
<b>Cash and cash equivalents at the end of the period</b>	<b>1,026.0</b>	<b>668.2</b>

# NOTES

## SEGMENT REPORTING

In € million	Steel Production		Steel Processing		Trading	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
External sales	1,038.8	1,204.4	561.9	466.7	918.2	1,302.7
Sales to other segments	372.7	397.9	238.5	250.9	5.6	23.4
Sales to group companies that are not allocated to an operating segment	2.1	1.4	66.8	65.8	0.0	0.0
Segment sales	1,413.6	1,603.7	867.3	783.3	923.9	1,326.1
Interest income (consolidated)	0.1	0.0	0.9	0.3	0.7	0.5
Interest income from other segments	-	-	-	-	-	-
Interest income from group companies that are not allocated to an operating segment	3.9	1.1	1.4	1.0	3.1	3.6
Segment interest income	4.0	1.2	2.4	1.3	3.8	4.0
Interest expenses (consolidated)	16.3	3.8	3.5	1.8	8.0	3.6
Interest expenses to other segments	-	-	-	-	-	-
Interest expenses from group companies that are not allocated to an operating segment	1.9	1.5	3.6	1.7	0.1	0.1
Segment interest expenses	18.2	5.3	7.1	3.5	8.1	3.8
of which interest portion of allocations to pension provisions	5.8	2.7	2.1	1.1	0.8	0.3
Depreciation of property, plant and equipment and amortization of intangible assets	41.5	36.5	13.7	12.8	4.3	4.0
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	41.5	36.5	13.7	12.8	4.3	4.0
EBIT before depreciation and amortization (EBITDA)	135.6	330.8	100.1	19.4	3.4	101.8
Earnings before interest and taxes (EBIT)	94.0	294.4	86.4	6.6	-0.9	97.8
Segment earnings before taxes	79.8	290.3	81.7	4.4	-5.2	98.1
of which resulting from investments in companies accounted for using the equity method	-	-	6.7	-7.2	-	-
Investments in property, plant and equipment and intangible assets	85.6	30.4	14.5	13.8	5.0	2.8

Technology		Total segments		Industrial Participations / Consolidation		Group	
Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
420.4	333.7	2,939.4	3,307.5	43.1	42.4	2,982.5	3,349.9
0.1	0.3	617.0	672.4	285.6	255.8	902.6	928.2
-	-	68.9	67.3	-	-	68.9	67.3
420.5	334.0	3,625.3	4,047.2	328.7	298.2	3,954.1	4,345.3
0.9	0.8	2.6	1.5	5.4	0.4	8.0	1.9
-	-	-	-	5.8	3.5	5.8	3.5
0.2	1.1	8.6	6.8	-	-	8.6	6.8
1.1	1.9	11.2	8.3	11.2	3.9	22.5	12.3
1.0	0.5	28.8	9.7	9.7	5.8	38.5	15.5
-	-	-	-	8.6	6.8	8.6	6.8
0.2	0.2	5.8	3.5	-	-	5.8	3.5
1.2	0.7	34.6	13.2	18.4	12.6	53.0	25.8
0.8	0.4	9.5	4.5	6.1	2.4	15.6	6.9
7.5	7.0	67.1	60.2	8.8	9.1	75.8	69.3
7.5	7.0	67.1	60.2	8.8	9.1	75.8	69.3
27.2	19.0	266.3	471.0	23.7	77.1	290.0	548.1
19.7	12.0	199.3	410.8	14.9	68.0	214.2	478.8
19.6	13.1	175.9	405.9	7.7	59.4	183.7	465.3
-	-	6.7	-7.2	29.3	61.9	36.0	54.7
6.3	5.0	111.4	52.0	8.0	15.2	119.3	67.2

## 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 March 31, 2023, 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, 2022, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the quarterly financial statements for the period ended March 31, 2023, notwithstanding the following exceptions.
3. In calculating the fair value of defined benefit obligations as of March 31, 2023, an actuarial rate of 4.0% was applied (December 31, 2022: 4.1%). The resulting increase in provisions for pensions and similar obligations are reported in other comprehensive income (pension remeasurement) and incurs a corresponding reduction 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	2023/03/31	2022/12/31
Right of use of land, similar rights and buildings, including buildings on land owned by others	138.6	136.1
Right of use of plant equipment and machinery	55.6	53.4
Right of use of other equipment, plant and office equipment	29.5	29.4
<b>Non-current assets</b>	<b>223.7</b>	<b>219.0</b>
Right of use of land, similar rights and buildings, including buildings on land owned by others	38.7	35.9
Right of use of plant equipment and machinery	28.2	25.9
Right of use of other equipment, plant and office equipment	19.3	18.7
<b>Depreciation / amortization</b>	<b>86.2</b>	<b>80.5</b>
<b>Lease liabilities</b>	<b>143.2</b>	<b>143.6</b>

An amount of € 121.2 million is attributable to non-current lease liabilities. Moreover, depreciation and amortization stood at € 6.7 million, interest expenses at € 0.8 million, and cash outflow totaled € 6.9 million in the first three months of 2023.

5. With regard to the impact of the Ukraine war on the Salzgitter Group, we refer to our explanations, both in the section on the result of operations and in the forecasts, opportunities and risk report.
6. Effective January 1, 2023, Salzgitter Bauelemente GmbH was sold to Falk Bouwsystemen B.V., Netherlands, and has been deconsolidated from the Salzgitter consolidated financial statements since that date.

## 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 € 2.57 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 comprises the majority interests and joint ventures of the Federal State of Lower Saxony.

The sale of goods and services essentially comprise deliveries of input material for the manufacture of large-diameter pipes. Their volumes are shown in the table below:

In € million	Sale of goods and services	Purchase of goods and services	Receivables	Liabilities
	2023/01/01-03/31	2023/01/01-03/31	2023/03/31	2023/03/31
Non-consolidated Group companies	7.1	9.8	10.2	13.8
Joint ventures	87.6	1.9	105.9	0.1
Associated companies	0.2	4.9	0.2	3.0
Other related parties	0.2	2.3	4.5	100.7

## 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.

## EVENTS AFTER THE BALANCE SHEET DATE

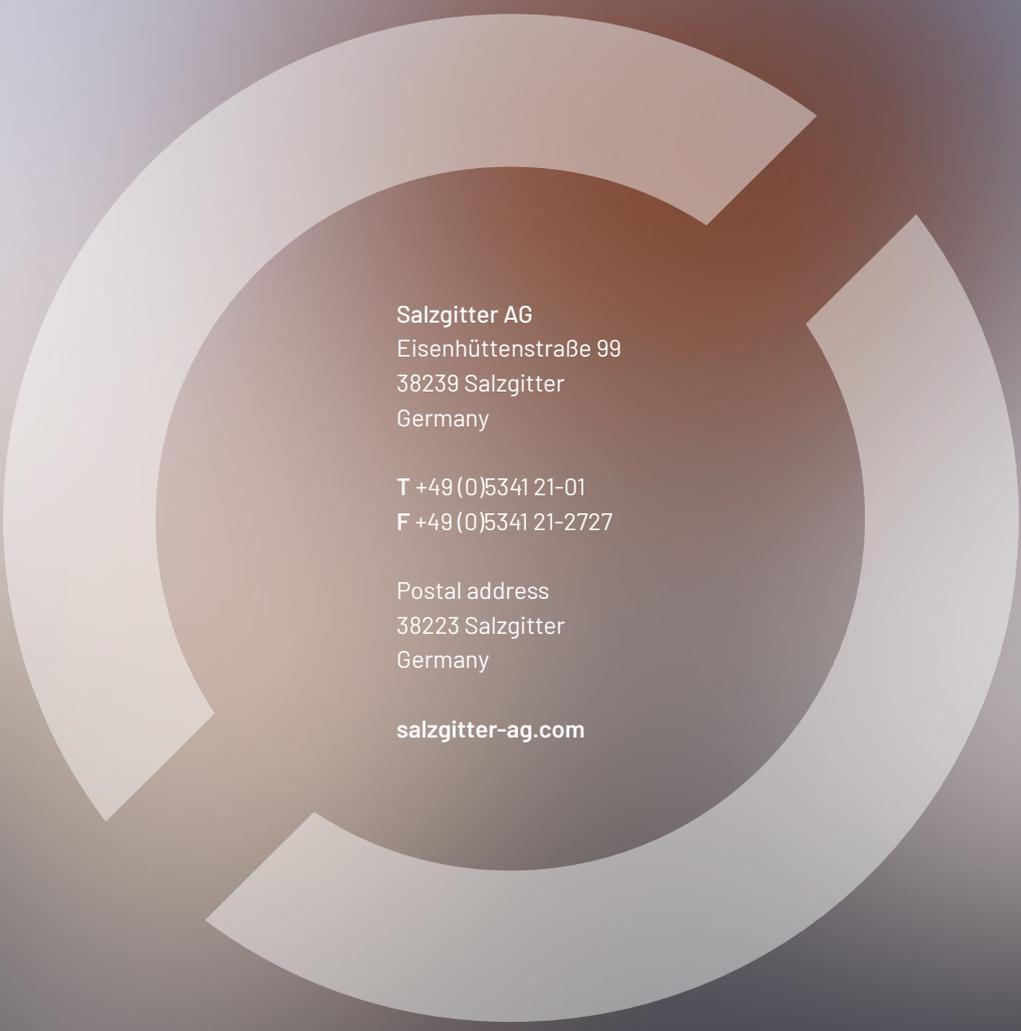
Effective April 13, 2023, BERG EUROPIPE Holding Corp., a subsidiary of EUROPIPE GmbH headquartered in the US, was sold together with its holdings Berg Pipe Panama City Corporation and Berg Pipe Mobile Corporation, both also based in the US, to BORUSAN MANNESMANN PIPE U.S., INC., Houston.

**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.

For computational reasons, rounding-off difference of +/- one unit (€, % etc.) may occur in the tables.

The Quarterly Statement of Salzgitter AG is also available in German. In the event of any discrepancy, the German version shall prevail.



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