

QUARTERLY STATEMENT  
9 MONTHS 2023

9M



**SALZGITTERAG**  
People, Steel and Technology

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## THE SALZGITTER GROUP IN FIGURES

		9M 2023	9M 2022	+/-
Crude steel production	kt	4,447.7	4,762.0	-314.3
External sales	€ m	8,405.7	9,765.3	-1,359.6
Steel Production Business Unit	€ m	2,806.3	3,368.2	-561.8
Steel Processing Business Unit	€ m	1,684.4	1,557.4	127.0
Trading Business Unit	€ m	2,557.3	3,656.1	-1,098.8
Technology Business Unit	€ m	1,231.3	1,052.5	178.7
Industrial Participations / Consolidation	€ m	126.4	131.1	-4.7
EBIT before depreciation and amortization (EBITDA)	€ m	576.0	1,396.8	-820.9
Steel Production Business Unit	€ m	268.2	781.2	-513.0
Steel Processing Business Unit	€ m	197.6	98.0	99.6
Trading Business Unit	€ m	19.5	289.3	-269.8
Technology Business Unit	€ m	79.8	48.1	31.6
Industrial Participations / Consolidation	€ m	11.0	180.2	-169.2
Earnings before interest and taxes (EBIT)	€ m	341.6	1,188.6	-847.0
Earnings before taxes (EBT)	€ m	254.3	1,145.3	-891.0
Steel Production Business Unit	€ m	106.9	666.7	-559.7
Steel Processing Business Unit	€ m	137.3	51.6	85.7
Trading Business Unit	€ m	-8.2	272.5	-280.7
Technology Business Unit	€ m	55.3	30.6	24.7
Industrial Participations / Consolidation	€ m	-37.0	124.0	-161.0
Consolidated result	€ m	193.7	945.8	-752.1
Earnings per share - basic	€	3.51	17.40	-13.89
Return on capital employed (ROCE) <sup>1</sup>	%	6.5	22.9	-16.4
Cash flow from operating activities	€ m	671.1	129.7	541.4
Investments <sup>2</sup>	€ m	443.3	298.2	145.1
Depreciation / amortization <sup>2,3</sup>	€ m	-234.0	-208.3	-25.7
Total assets	€ m	11,177.6	11,275.5	-97.9
Non-current assets	€ m	4,634.1	4,170.6	463.5
Current assets	€ m	6,543.5	7,104.9	-561.4
Equity	€ m	5,021.6	5,093.9	-72.3
Liabilities	€ m	6,156.0	6,181.6	-25.5
Non-current liabilities	€ m	2,556.2	2,253.8	302.4
Current liabilities	€ m	3,599.9	3,927.8	-327.9
of which due to banks <sup>4</sup>	€ m	697.7	763.8	-66.2
Net financial position on the reporting date <sup>5</sup>	€ m	-400.8	-802.4	401.6
Employees				
Personnel expenses	€ m	-1,421.3	-1,374.8	-46.5
Core workforce on the reporting date <sup>6</sup>	Empl.	23,005	22,645	360
Total workforce on the reporting date <sup>7</sup>	Empl.	25,110	24,636	474

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

		Q3 2023	Q3 2022	9M 2023	9M 2022
Crude steel production	kt	1,312.2	1,423.1	4,447.7	4,762.0
External sales	€ m	2,570.0	3,128.8	8,405.7	9,765.3
EBIT before depreciation and amortization (EBITDA)	€ m	115.0	258.4	576.0	1,396.8
Earnings before interest and taxes (EBIT)	€ m	39.1	188.8	341.6	1,188.6
Earnings before taxes (EBT)	€ m	11.6	174.7	254.3	1,145.3
Consolidated result	€ m	1.9	164.8	193.7	945.8
Return on capital employed (ROCE) <sup>1</sup>	%	2.1	10.8	6.5	22.9
Investments	€ m	238.2	148.3	443.3	298.2
Depreciation / amortization	€ m	-75.5	-69.6	-234.0	-208.3
Cash flow from operating activities	€ m	422.1	245.9	671.1	129.7

<sup>1</sup> Annualized

In the first nine months of the financial year, the Salzgitter Group generated a presentable result in an environment characterized by increasing economic challenges. This trend was mainly driven by the still satisfactory results of the Steel Production and Steel Processing business units in the first half year and the continuously outstanding performance of the Technology Business Unit. Compared with year-end 2022, the Salzgitter Group's **net financial debt** decreased by more than € 150 million despite the high level of investment. This achievement once more demonstrates the Salzgitter Group's robust balance sheet and sound financial position. The Salzgitter Group's **external sales** dropped to € 8.4 billion (9M 2022: € 9.8 billion) due to a downturn in shipment volumes and the lower average selling prices of many rolled steel products compared with the year-earlier period. **EBITDA** of € 576.0 million (9M 2022: € 1,396.8 million) and **earnings before taxes** of € 254.3 million (9M 2022: € 1,145.3 million) were generated. The result includes a contribution of € 20.0 million from the participating investment in Aurubis AG accounted for using the (IFRS) equity method (9M 2022: € 115.7 million). The **after-tax result** came in at € 193.7 million (9M 2022: € 945.8 million), which brings basic **earnings per share** to € 3.51 (9M 2022: € 17.4). Return on capital employed (ROCE) amounted to 6.5% (9M 2022: 22.9%). The **equity ratio** remained virtually stable at 44.9% (9M 2022: 45.2%).

## SPECIAL ITEMS

In € million	EBT		Restructuring		Impairment/ Reversal of impairment		Other		EBT without special items	
	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022
Steel Production	106.9	666.7	-	-	-	-	-	-	106.9	666.7
Steel Processing	137.3	51.6	-	-	-	-	-	-	137.3	51.6
Trading	-8.2	272.5	-	-	-	-	-	-	-8.2	272.5
Technology	55.3	30.6	-	-	-	-	-	-	55.3	30.6
Industrial Participations/ Consolidation	-37.0	124.0	-	-	-	-	-	-	-37.0	124.0
<b>Group</b>	<b>254.3</b>	<b>1,145.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254.3</b>	<b>1,145.3</b>

## BUSINESS UNIT PERFORMANCE

### STEEL PRODUCTION BUSINESS UNIT

		Q3 2023	Q3 2022	9M 2023	9M 2022
Order intake <sup>1</sup>	kt	1,105.5	1,076.8	3,649.5	3,643.7
Order backlog on reporting date <sup>1</sup>	kt	985.1	1,037.6	985.1	1,037.6
Crude steel production	kt	1,003.6	1,133.5	3,518.7	3,843.8
Salzgitter Flachstahl	kt	825.6	1,023.2	2,880.7	3,191.7
Peiner Träger	kt	178.0	110.4	638.0	652.1
Rolled steel production	kt	1,014.7	1,000.0	3,230.4	3,263.3
Salzgitter Flachstahl	kt	853.7	872.9	2,657.0	2,643.2
Peiner Träger	kt	161.0	127.1	573.4	620.1
Shipments	kt	1,205.4	1,196.7	3,978.6	4,069.9
Segment sales <sup>1</sup>	€ m	1,131.2	1,401.2	3,823.7	4,584.2
External sales	€ m	841.8	1,040.6	2,806.3	3,368.2
EBIT before depreciation and amortization (EBITDA)	€ m	73.7	143.5	268.2	781.2
Earnings before interest and taxes (EBIT)	€ m	32.9	108.0	143.9	672.9
Earnings before taxes (EBT)	€ m	23.4	107.9	106.9	666.7

<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** decarbonization program. Furthermore, the business unit includes the companies of Salzgitter Mannesmann Stahlservice GmbH (SMS) and Salzgitter Europlatinen GmbH (SZEP). The product range of the business unit comprises hot-rolled strip, galvanized and coated cold-rolled strip, sections and laser-welded tailored blanks, among other products.

### MARKET DEVELOPMENT

Business on the **strip steel market** staged a recovery at the turn of the year. By the end of the first quarter, however, a trend reversal had already set in. Consequently, the discrepancy between European and Asian spot market prices put even greater import pressure on Germany's market, while sending prices down as from the second quarter. As a result of the import pressure and price undercutting, EU producers were forced to lower their prices in turn, which led to market prices converging. This development was driven by the ailing global economy, particularly in China whose steel exports into the regional Asian markets acted like a trigger for a chain reaction. The restrictive monetary policy of central banks also took effect, exerting correspondingly negative, but widely varying market influences on the individual steel processing sectors: The construction industry in particular took a hit from weak demand, pressured by higher interest rates and building costs. The stockholding steel trade opted to keep inventories at the lowest possible level due to the increase in the cost of financing warehousing. Other parts of the industry, such as appliance manufacturers, also reported declining demand. By contrast, automotive manufacturers' call-off behavior has proven stable so far this year, underpinned by a high level of orders on hand and order backlog that has been pared down thanks to an easing of the supply chain problems.

The **sections market** was determined by a slowdown in construction activities and weak real demand in the period under review. The high interest rates and building costs have caused reticence regarding construction investment, especially with small and mid-sized investors, and consequently led to a lack of projects in the market. The negative market trend became increasingly apparent as the year progressed, which resulted in prices tumbling at the end of the second quarter. In August, notably lower supply was reflected by plant shutdowns in the summer quarter and low inventory levels. As the plants gave way to price pressure in favor of capacity utilization, this did not manifest in an uptrend in selling prices, however.

## PROCUREMENT

### IRON ORE

The iron ore price reached its highest level in the reporting period of 133.10 USD/dmt at the end of the first quarter before plunging in April and subsequently dropping again in May to 97.35 USD/dmt, its lowest level since the end of November 2022. Hopes that the Chinese government might bolster the building industry more firmly in the future then sent the price up again, with the result that the end of the second quarter saw it fluctuating within a range of 110–115 USD/dmt. At the start of the third quarter, poor economic and export data from China brought prices under pressure. However, as from August, ore prices entered a significant uptrend on the back of measures taken by the Chinese government to reinvigorate the country's economy, breaking through the 120 USD/dmt mark in mid-September. In preparation for the holidays in China at the start of October, prices subsequently slipped somewhat again. The third quarter saw prices settle at an average of 114.04 USD/dmt, thereby exceeding the previous year's period by 10.4 %.

### COKING COAL

The coking coal price initially climbed to a level of 390 USD/t through to mid-February. The price then trended down sharply as customers had stocked up sufficiently on material and were anticipating a further drop in prices. At the start of the second quarter, the benchmark price declined to 230 USD/t and stabilized at this level. A steady uptrend resumed at the end of July as Indian and Chinese consumers in particular stocked up on the spot market. Moreover, reports of low Australian export figures and restrictions in Canadian and Australian mines stoked fears among consumers who accepted higher prices again under these circumstances. At the end of the period under review, the benchmark price posted 333 USD/t. The third quarter came in at 263.59 USD/t on average, up 5.5 % compared with the year-earlier period.

The Salzgitter Group hedges defined iron ore and coking coal volumes in order to mitigate the procurement risks, depending on the market situation.

### STEEL SCRAP

The start of the year brought a recovery on Germany's scrap market, and the demand of many German steel works increased. In the second quarter, a notable downtrend in prices in Germany set in due to the declining demand for steel scrap from Turkish mills that reported weak sales and falling selling prices for their finished products. Prices continued to drop in the third quarter as well, with declines of between 9 and 35 €/t, until September when prices rose again by up to 30 €/t on the back of the strong recovery in the demand for scrap from Asia.

## BUSINESS DEVELOPMENT

The **order intake** of the Steel Production Business Unit matched the year-earlier level. By contrast, **orders on hand** fell short of the previous year's period due to lower inventories at SZFG. While **rolled steel production** almost repeated the figure posted in the first nine months of 2022, **crude steel output** was lower, partly because of the relining of Blast Furnace A. The business unit's **shipments** dropped marginally below the year-earlier level due to PTG's weaker shipment volumes. The selling prices of strip steel products stabilized only temporarily in the second quarter following the price decline at the end of 2022 before dropping further in the summer. Selling price levels also entered a steep decline in the sections business, resulting in a notable reduction in the business unit's **segment and external sales**. The Steel Production Business Unit generated **EBITDA** of € 268.2 million (9M 2022: € 781.2 million) and € 106.9 million in **earnings before taxes** (9M 2022: € 666.7 million). SZFG was unable to repeat the record result of the first nine months of 2022 essentially due to selling prices as well as general cost increases. Moreover, the blast furnace relining since August burdened the result, partly due to procuring higher slab volumes. Despite the decline in scrap prices and lower energy costs, PTG's result came in below that of the previous year. The DMU Group as well as the other companies of the business unit were also unable to repeat the year-earlier results.

## INVESTMENTS

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 still undergoing the project phase of live production, accompanied by performance tests.

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. Work on relining the blast furnace began in August and is progressing according to plan.

## SALCOS®

SALCOS® is aimed at fully 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 direct reduced iron (DRI) plant and an electric arc furnace are to be built. All facility components have been awarded to plant engineering companies and are in the manufacturing and construction phase. Ultimately, in 2026, SZFG will be operating on the market with products produced via the SALCOS® route. The 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. In its first stage, SALCOS® will be supported by funds of around € 700 million from the German government and € 300 million from the federal state. Together with the funds of over one billion euros released by the company itself, funding of the first stage of SALCOS® has therefore been secured.

As a pilot facility for SALCOS®, we had already built a DRI plant on the Salzgitter site on a significantly reduced scale, designed for flexible use with natural gas/hydrogen. Construction work on the facilities was completed in the first quarter of 2023. The plant is currently in the process of warm commissioning.

The contract to build a DRI plant on an industrial scale on the premises of SZFG was awarded to a consortium consisting of Tenova, Danieli and the DSD Steel Group. The contract covers the engineering, delivery, assembly and the final commissioning of the plant. The new facilities constitute the largest plant unit as part of the first stage. The plant has an annual production capacity of a good two million tons of direct reduced iron.

At the end of the third quarter, the Salzgitter Group placed an order with the ANDRITZ technology group for one of Europe's largest green hydrogen production facilities. ANDRITZ sources the high-pressure alkaline electrolysis technology from Norwegian company HydrogenPro. The 100 MW electrolysis plant will be built on the premises of SZFG. As from 2026, the plant will generate around 9,000 tons of green hydrogen a year for use in green steel production. This marks the beginning of the industrial utilization of hydrogen within the context of SALCOS®.

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**

		Q3 2023	Q3 2022	9M 2023	9M 2022
Order intake	€ m	513.6	630.8	1,737.2	2,183.0
Order backlog	€ m	816.8	1,033.8	816.8	1,033.8
Crude steel production	kt	308.6	289.6	929.0	918.2
Rolled steel production	kt	234.5	236.9	773.4	824.1
Shipments	kt	322.4	387.1	1,166.7	1,220.7
Segment sales <sup>1</sup>	€ m	703.9	822.5	2,412.8	2,478.7
External sales	€ m	497.4	545.2	1,684.4	1,557.4
<b>EBIT before depreciation and amortization (EBITDA)</b>	€ m	16.2	15.6	197.6	98.0
Earnings before interest and taxes (EBIT)	€ m	2.2	1.8	150.1	58.1
<b>Earnings before taxes (EBT)</b>	€ m	-1.7	0.0	137.3	51.6

<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 50 % stake in the EUROPIPE Group and the 23 % participation in Turkish pipe manufacturer Borusan Mannesmann Boru Yatirim Holding A.S. are accounted for using the equity method.

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. The result from the deconsolidation was included via Europipe GmbH, a company accounted for using the equity method. The effect of the disposal on the 2023 pre-tax result is immaterial.

There are plans to sell the shares in Borusan Mannesmann Boru Yatirim Holding A.S., held by Salzgitter Mannesmann GmbH, to Borusan Holding A.S. Contractual agreement is subject to the proviso of approval still pending by the anti-trust authorities.

## MARKET DEVELOPMENT

### QUARTO PLATE

The start of the year saw western European plants with sound order book positions and demand rising across virtually all customer sectors. By the end of the first quarter, however, demand was already stagnating before slipping further, due to partly high customer inventory levels, and then persisting on a weak level in the summer quarter. Heavy plate market prices displayed a similar pattern: After a strong uptrend at the start of the year, followed by a sideways movement in March, prices began to drop again in mid-second quarter. At the beginning of June, they approximated the level observed at year-end 2022. Since then, prices have been moving sideways at a low level before dipping sharply at the end of the third quarter. At the outset of the second quarter, proceeding 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.

### STEEL TUBES AND PIPES

The realignment of the European energy market has triggered numerous projects, currently at the planning stage, aimed at securing the supply of natural gas and hydrogen and carbon disposal. Along with the targeted diversification of the gas supply from Russia and the associated conversion of the gas grid from east-west to north-south, as well as ramping up new import capacities that can also be harnessed for hydrogen, this affects the European hydrogen core network. This constellation gives rise to huge medium- and long-term market requirements for the EUROPIPE Group's large-diameter pipes. Demand for the tubes of Mannesmann Grobrohr GmbH (MGR) that was already weakening in the first half of the year dwindled further as the year progressed. Inquiry activity for medium-diameter line pipe proved initially stable at the start of the year, but market conditions were already increasingly deteriorating markedly over the course of the second quarter. The precision tubes market was characterized by weak economic momentum. Although, against the backdrop of the significant easing of supply chains in the automotive industry, notably more vehicles were produced in Europe in the third quarter compared with the previous year, output nevertheless remained substantially below pre-crisis levels. Order backlogs in plant and machinery engineering have also contracted considerably since the beginning of the year. Following a notable slowdown for seamless stainless steel tubes in the second quarter, market momentum remained ambivalent in the summer quarter as well. While the project business put in a strong performance, particularly in oil and gas, with significant order intake for OCTG pipes, demand from the stockholding steel trade remained extremely weak and devoid of stimulus. By contrast, incoming orders for cold-drawn pipes from the aerospace industry continued to progress encouragingly well.

## BUSINESS DEVELOPMENT

**Order intake** and **orders on hand** of the Steel Processing Business Unit entered a marked decline in a year-on-year comparison as the companies were unable to match the year-earlier figures, with the exception of the stainless steel group. **Shipments** of the business unit fell somewhat short of the year-earlier period. In this context, the increase in the medium-diameter line pipe segment was unable to compensate for the downtrend sustained by the heavy plate companies and precision and stainless steel tubes. **Segment sales** were lower year on year, especially attributable to the decline at the heavy plate companies, as opposed to **external sales** that increased. The Steel Processing Business Unit generated **EBITDA** of €197.6 million (9M 2022: €98.0 million) and **earnings before taxes** of €137.3 million (9M 2022: €51.6 million), thereby substantially outperforming the previous year's figures. Only ILG reported a decline in its result due to the downturn in sales in the context of higher input material costs and lower selling prices. All other companies, including the EUROPIPE Group accounted for using the equity method, contributed improved earnings.

**TRADING BUSINESS UNIT**

		Q3 2023	Q3 2022	9M 2023	9M 2022
Shipments	kt	791.7	860.3	2,360.5	2,861.0
Segment sales <sup>1</sup>	€ m	810.6	1,134.0	2,584.8	3,719.7
External sales	€ m	796.9	1,114.2	2,557.3	3,656.1
EBIT before depreciation and amortization (EBITDA)	€ m	7.1	31.2	19.5	289.3
Earnings before interest and taxes (EBIT)	€ m	2.8	26.9	6.5	277.1
Earnings before taxes (EBT)	€ m	-3.1	23.5	-8.2	272.5

<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**

Following a moderate recovery in selling prices in the first quarter of 2023, prices entered a downtrend over the remaining reporting period. Weak demand was recorded on the majority of the Trading Business Unit's key markets. Moreover, the global hikes in interest rates implemented by central banks put an additional damper on international trading.

**BUSINESS DEVELOPMENT**

Compared with the year-earlier period, the **shipments** of the Trading Business Unit dropped considerably below the year-earlier figure on the back of a lackluster demand trend in the stockholding steel trade and in international trading, as well as at the UES Group. Together with the lower price level, this development was reflected by a notable downturn in **segment** and **external sales**. Against the backdrop of average inventory prices declining with a time lag, the stockholding steel trade delivered a negative result that the stable margins in international trading and at the UES Group were unable to compensate. **EBITDA** (€ 19.5 million; 9M 2022: € 289.3 million), as well as **earnings before taxes** (€ -8.2 million; 9M 2022: € 272.5 million) therefore fell notably short of the outstanding year-earlier results.

**TECHNOLOGY BUSINESS UNIT**

		Q3 2023	Q3 2022	9M 2023	9M 2022
Order intake	€ m	436.1	453.1	1,586.7	1,378.7
Order backlog on reporting date	€ m	1,540.7	1,280.7	1,540.7	1,280.7
Segment sales <sup>1</sup>	€ m	395.1	382.3	1,231.8	1,053.3
External sales	€ m	394.9	382.1	1,231.3	1,052.5
<b>EBIT before depreciation and amortization (EBITDA)</b>	€ m	<b>27.7</b>	<b>16.3</b>	<b>79.8</b>	<b>48.1</b>
Earnings before interest and taxes (EBIT)	€ m	19.8	9.1	56.5	27.2
<b>Earnings before taxes (EBT)</b>	€ m	<b>19.1</b>	<b>11.4</b>	<b>55.3</b>	<b>30.6</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**. More than 90 % of sales is generated by the KHS Group that, as a plant engineering specialist, holds a leading global position in filling and packaging technology. The KHS Group is a full-line supplier featuring a product range that covers intralogistics and processing through to the filling and packaging of beverages. The Klöckner DESMA Elastomertechnik Group (KDE Group) manufactures injection molding machinery for rubber and silicon products, while DESMA Schuhmaschinen GmbH (KDS) provides special machinery for the shoe manufacturing industry. The two companies rank as market leaders in their respective segments.

**MARKET DEVELOPMENT**

According to the German Engineering Federation (VDMA), incoming orders dropped considerably below the year-earlier figures. This development was attributable to inflation in combination with central banks' restrictive monetary policy, the political and economic fallout from the war of aggression against Ukraine, and the debate about location conditions. In addition, the ongoing geopolitical tensions between the US and China fueled market players' uncertainty. The packaging machinery business was also unable to decouple from this scenario and performed considerably below the previous year.

**BUSINESS DEVELOPMENT**

Running counter to the industry-specific trend described above, the **order intake** of the Technology Business Unit notably exceeded that of the first nine months of 2022. Boosted above all by strong demand for the products and services of the KHS Group, a gratifying increase in incoming orders was achieved over the course of the year. The KDE Group contributed by lifting its order intake and KDS with stable order intake. In tandem with this upbeat development, the business unit's **orders on hand** were substantially higher than the year-earlier figure. **Segment** and **external sales** continued on their growth trajectory and settled at a tangibly higher level compared with the good 2022 figures. All in all, the Technology Business Unit delivered **EBITDA** of € 79.8 million (9M 2022: € 48.1 million) and € 55.3 million **in earnings before taxes** (9M 2022: € 30.6 million), thereby considerably outperforming the year-earlier period.

The Technology Business Unit's efficiency and growth program consistently meshes with the Salzgitter Group's strategy. Extensive measures have contributed 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**

		Q3 2023	Q3 2022	9M 2023	9M 2022
Sales <sup>1</sup>	€ m	318.1	318.3	974.9	952.6
External sales	€ m	39.0	46.6	126.4	131.1
EBIT before depreciation and amortization (EBITDA)	€ m	-9.7	51.8	11.0	180.2
Earnings before interest and taxes (EBIT)	€ m	-18.7	43.0	-15.6	153.3
Earnings before taxes (EBT)	€ m	-26.1	32.0	-37.0	124.0

<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 (SZAG) does not have any operations of its own. Instead, it manages Salzgitter Mannesmann GmbH (SMG) and Salzgitter Klöckner Werke GmbH (SKWG) under which the major companies of the Salzgitter Group are held. Aside from this, the results of companies operating primarily within the Group, as well as those of Group companies that support the core activities of the business units with their products and services, are recorded here.

**Sales** of Industrial Participations / Consolidation, which are based mainly on business in semi-finished products with subsidiaries and external parties, grew marginally compared with the first nine months of 2022. **External sales** decreased slightly as against the year-earlier period. **EBITDA** (€ 11.0 million; 9M 2023: € 180.2 million) includes a contribution of € 20.0 million from the participating investment in Aurubis AG accounted for using the equity method (9M 2022: € 115.7 million). **Earnings before taxes** of € -37.0 million therefore also dropped notably below the previous year's figure (9M 2022: € +124.0 million). The results from the valuation of derivatives positions and net interest income from cash management of the consolidated group delivered a negative contribution on balance (€ -5.6 million; 9M 2022: € +16.6 million). Moreover, the result of Industrial Participations / Consolidation includes SZAG's negative operating result (€ -23.3 million; previous year: € -27.0 million) which is regularly offset at the end of the year by income from investments within the Group. A similar effect emanates from periodic transfer pricing adjustments between SKWG – that handles HKM's input material procurement within the Group – and the subsidiaries that purchase the input material. The companies largely operating on behalf of the Group delivered a positive pre-tax result (€ 2.5 million) but were nevertheless unable to repeat the profit contribution of the previous year (€ 12.9 million) that was substantially impacted by the disposal of a piece of land.

## FINANCIAL POSITION AND NET ASSETS

### NOTES TO THE BALANCE SHEET

The **total assets** of the Salzgitter Group rose by € 74 million in the first nine months of 2023 compared with December 31, 2022.

**Non-current assets** increased slightly compared with the year's reporting date (€ +124 million). In this context, the shares in the companies accounted for using the equity method were marginally lower (€ -48 million). This decline was mainly attributable to reclassifying the shares in Borusan Mannesmann Boru Yatirim Holding A.S. under assets held for sale owing to the planned disposal of the shares. Investments in intangible assets and in property, plant and equipment (€ +443 million) significantly exceeded the level of scheduled depreciation and amortization of fixed assets (€ -234 million) in the period under review. Deferred tax assets (€ -38 million) decreased due to the utilization of deferred tax assets on tax loss carryforwards. **Current assets** remained at the level of the year-earlier reporting date (€ -50 million). The tangible drop in inventories (€ -414 million) is offset by the increase in trade receivables including contract assets (€ +56 million), as well other receivables and assets (€ +123 million). The financial assets increased by € 159 million. The sale of Salzgitter Bauelemente GmbH is offset by the initial disclosure of shares in Borusan Mannesmann Boru Yatirim Holding A.S. As a result, the assets held for sale have risen by € 26 million overall compared with the last reporting date.

On the **liabilities side**, equity advanced slightly due in particular to the positive consolidated result (€ +171 million). Against the backdrop of virtually stable total assets, the equity ratio came in at a very sound 44.9% (2022/12/31: 43.7%). Non-current liabilities were lower compared with the year-earlier reporting date (€ -148 million), which was mainly attributable to the fact that pension provisions had declined by € 113 million compared with the previous year's reporting date due to the higher actuarial interest rate. Other provisions (€ -5 million) and non-current financial liabilities (€ -14 million), along with tax liabilities (€ -15 million) also decreased. Current liabilities rose by € 51 million. Whereas trade payables, including contract liabilities (€ +46 million), along with other provisions (€ +15 million) exceeded the previous year's reporting date, the tax liabilities (€ -12 million) declined.

At € -401 million, the negative **net financial position** dropped discernibly compared with the level of the balance sheet date at year-end 2022 (€ -553 million). Cash investment (€ 1,156 million; 2022/12/31: € 1,002 million) was offset by liabilities of € 1,557 million (2022/12/31: € 1,554 million), of which € 698 million were owed to banks (2022/12/31: € 756 million). The Federal Republic of Germany and the Federal State of Lower Saxony have committed to providing funds for the SALCOS® transformation program that will be disbursed depending on the investments made. An amount of € 60 million of the funding had been paid by the reporting date. Further funds applied for (€ 47 million) are expected to be received in the near future. As before, assets and liabilities from leasing arrangements are not considered in the net financial position. Higher trade payables, including contract assets and liabilities, only impact the net financial position when payments flow.

### NOTES TO THE CASH FLOW STATEMENT

With a pre-tax profit of € 254 million, a positive **cash flow from operating activities** of € 671 million was reported (previous year: € 130 million). While, in comparison with the year-earlier period, the lower result had less of a positive effect on the operating cash flow, the lower level of working capital had a disproportionately positive impact on the operating cash flow.

The **cash outflow from investing activities** amounted to € -412 million (previous year: € -203 million). Disbursements for capital expenditure on intangible assets and on property, plant and equipment (€ -538 million; previous year: € -276 million) are significantly higher than in the year-earlier period and also reflect investments in strategic projects, including payouts of € 251 million for SALCOS®. As per the end of September 2023, an amount of € 60 million in funds for the SALCOS® program had been received, with a commensurate cash effect. Higher incoming payments from selling intangible assets and property, plant and equipment, as well as from non-current assets, are having a positive impact on the cash flow.

Disbursements made to our shareholders (dividend) and the repayment of loans and interest payments were offset by minor proceeds from borrowing and other financial liabilities, resulting in an overall **cash outflow from financing activity** (€ -95 million; year-earlier period: cash inflow of € 100 million).

As a result of the positive overall cash flow, **cash and cash equivalents** (€ 1,147 million) increased accordingly compared with December 31, 2022 (€ 988 million).

## EMPLOYEES

	2023/09/30	2022/12/31	Change
<b>Core workforce<sup>1</sup></b>	<b>23,005</b>	<b>22,622</b>	<b>383</b>
Steel Production Business Unit	7,398	7,369	29
Steel Processing Business Unit	5,298	5,341	-43
Trading Business Unit	1,991	1,975	16
Technology Business Unit	5,631	5,329	302
Industrial Participations / Consolidation	2,687	2,608	79
Apprentices, students, trainees	1,448	1,313	135
Non-active age-related part-time employment	657	635	22
<b>Total workforce</b>	<b>25,110</b>	<b>24,569</b>	<b>541</b>

Rounding differences may occur due to pro-rata shareholdings.

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

As of September 30, 2023, the **core workforce** of the Salzgitter Group numbered 23,005 employees, which is 383 persons more than at the end of the financial year 2022.

The growth in employee numbers is essentially attributable to the hiring of trainees as well as to setting about expanding the workforce as planned for 2023, particularly also in the KHS Group. Other noteworthy additions to the workforce compared with December 2022 were recorded at Salzgitter Flachstahl GmbH and Salzgitter Digital Solutions GmbH. A total of 245 trainees were hired during the reporting period, 142 of whom received temporary contracts. A counter trend emanated from employees reaching retirement through switching to the non-active age-related part-time or going into immediate retirement.

The initial consolidation of KHS subsidiary LFP Logistics for Filling and Packaging GmbH led to an increase in personnel of +193 persons. By contrast, the deconsolidation of KHS RUS 000 and KHS doo Beograd and the sale of Salzgitter Bauelemente GmbH resulted in a statistical reduction in the workforce. Upon adjustment to factor in the consolidation effects described above, and taking account of the sale of Salzgitter Bauelemente GmbH, the increase in employee numbers compared with year-end 2022 came in at +311 persons.

The **total workforce** amounted to 25,110 employees. The number of **temporary staff outsourced** stood at 1,184 on September 30, 2023, which is 113 persons more than on the previous year's reporting date. At the end of the reporting period, 274 employees (September 30, 2022: 396) were working **short time** in the domestic Group companies, 187 of whom at Peiner Träger 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:

As part of the **Steel Production Business Unit**, Salzgitter Flachstahl GmbH anticipates a continuously weak market environment in the closing quarter. With selling prices under pressure, the cost of raw materials will decline from a high level in the fourth quarter. The production loss from the relining of Blast Furnace A is largely compensated through slab stockpiling, slab deliveries from companies within the Group, as well as by the reactivation of Blast Furnace C that has so far been out of operation. The tight situation in the construction industry will be reflected accordingly in Peiner Träger GmbH's figures. Owing to the downtrend in average selling prices, we expect sales at a notably lower level for the business unit (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.

The **Steel Processing Business Unit** has so far recorded a heterogeneous, but generally improved trend in 2023, as expected: Compared with the previous year, quarto plate has seen a notable improvement in market activity and sound capacity utilization. The large-diameter pipe mills benefited most particularly from the good flow of incoming orders in 2022 that continues to secure satisfactory capacity utilization in all the mills. We anticipate an increase in volumes in the medium-diameter line pipe segment. Against the backdrop of a weaker order situation in the second half of the year, the precision tubes group expects volumes to remain unchanged from the year-earlier level. The stainless steel tubes business is confronted by a tight demand situation, while nevertheless benefiting notably from reduced energy costs. All in all, we forecast sales at the year-earlier level (2022: € 2,105.9 million) and EBITDA that will significantly outperform the previous year's figure (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.

A slowdown is expected in the business of the companies belonging to the **Trading Business Unit**. Following the marginal pre-tax loss in the first nine months of 2023, demand and operating margins are only expected to improve slightly through to the end of the year. Accordingly – and taking inventory valuations into account – breakeven is expected in the final quarter. All in all, we anticipate notably lower sales (2022: € 4,581 million), EBITDA discernibly below the year-earlier figure (2022: € 268 million), and earnings before taxes around breakeven (2022: € 243 million).

Based on a high level of orders on hand and also a high order intake in the current financial year, the **Technology Business Unit** is predicting a tangible year-on-year increase in the result. A notable increase in sales (2022: € 1,429.9 million) and much higher EBITDA (2022: € 76.8 million) and earnings before taxes (2022: € 48.0 million) are anticipated, as before, for the business unit. Regarding the KHS Group, the pleasing sales and earnings performance is expected to hold steady in the final quarter of 2023 as well. Strong demand for the KHS Group's new, innovative products and steady growth in the after-sales business underpin this positive guidance. The market for the two DESMA specialist mechanical engineering companies is expected to continue its recovery over the course of the year. This recovery is nevertheless not deemed sufficient for compensating the decline in the KDE Group's business seen so far and for a repeat of the year-earlier figure. KDS is expected to deliver a higher result compared with the previous year.

Against the backdrop of the sustained weak development of the German economy and the extremely volatile political and economic environment we anticipate the following for the Salzgitter Group in the financial year 2023:

- / sales around € 11 billion,
- / EBITDA of between € 650 million and € 700 million,
- / a pre-tax profit of between € 200 million and € 250 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	At year-earlier level
	EBITDA	€ m	173.1	Significantly higher y/y
	EBT	€ m	86.2	Tangibly higher y/y
Trading	Sales	€ m	4,580.9	Tangibly lower y/y
	EBITDA	€ m	268.0	Notably lower y/y
	EBT	€ m	243.1	Around breakeven
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	Around € 11 billion
	EBITDA	€ m	1,618.2	Between € 650 million and € 700 million
	EBT	€ m	1,245.4	Between € 200 million and € 250 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 past years, we make reference to the fact that criteria of the annual financial statements and opportunities and risks, including changes in the cost of raw materials, precious metal prices and exchange rates, may still have a considerable impact on the end of the financial year 2023.

**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 obtained the official notice from the Federal Republic of Germany and the Federal State of Lower Saxony on state funding for our SALCOS® transformation program in an amount just short of one billion euros for the first stage of development. We continue to 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.

As we do not anticipate any fundamental change in the medium term, we have scaled back our business activities in these regions. In this context, we are also deconsolidating our KHSRU subsidiary, effective September 30, 2023.

Against the backdrop of Hamas' terrorist attack on Israel and possibility of other parties entering the war, the situation in the Middle East is threatening to escalate, with a significant impact on energy prices, particularly on oil and gas, and renewed supply chain disruptions. At the current point in time, however, no notable effects on Salzgitter AG's business policy are discernible.

Natural gas savings in the industrial arena and by private households, as well as due to a relatively mild winter last year, have not resulted in any gas shortfalls. Moreover, several LNG terminals have gone online in recent months, which has improved the supply situation. Gas and electricity prices declined accordingly, while nevertheless remaining at a very high level by historical comparison. Looking ahead to the coming winter, shortages and another increase in electricity prices cannot be excluded, although the Bundesnetzagentur (German Federal Network Agency) considers the starting point for the winter 2023/24 to be considerably better than a year ago, and the gas caverns are already 95% full (source: Bundesnetzagentur). Companies and private consumers must continue to be prepared for fluctuating prices and high price levels.

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 not only encompass current situations alone, but also focus on potential global crisis situations with their impact on Salzgitter AG's business.

A further escalation of the conflict between the United States and China is an example of future possible crises. A significant shift 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. Tariffs imposed on certain Chinese imports enacted 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 three 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.

Indeed, the US has launched a subsidy program under its Inflation Reduction Act that is designed to redirect many investments into the country, thereby reducing its dependence on China. The conclusion as to what form collateral damage will take is that huge volumes of investment in the US are likely to make the transformation of Europe's industry more difficult as manufacturing capacities and plant engineering companies will find a better investment climate on the US market.

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. Furthermore, the Chinese central government, with its economic policy aligned to "dominance via subsidies" and the ensuing consequences, have put the US on higher alert – and meanwhile also Europe. With a view to the upcoming elections in the US, it is evident that neither the Democrats nor the Republicans will steer a course of appeasement with regard to China. Consequently, a considerable risk remains of mutual sanctions and/or tariffs being imposed at minimum or that further trade barriers could be set up that, in turn, could impact global supply chains and demand.

## ECONOMIC RISKS

The risks for the short-term global economic outlook are geared more to the downside. The negative supply shocks triggered by the pandemic and Russia's invasion of Ukraine are generally receding. How economies across the world will cope with persistently high inflation rates and rising interest rates remains unclear, however. The consequences include dwindling demand and a reluctance to invest, especially in Europe and Germany.

The price hikes are easing in many regions of the world but are still a long way off from the target rates set by the central banks. The inflation rate 2023 is estimated at 5.5% in the euro area and at 3.8% in the US. In the coming year, the OECD anticipates a decline to 3.0% in the euro area and 2.6% in the US. Forecasts suggest that the inflation rate's return to the target corridor as defined by monetary policy will be slow. Whether the tightening of monetary policy is sufficient or further interest rate hikes are necessary will be decisive.

Along with high inflation, weak global growth has been recorded: According to IMF forecasts, 2023 global economic growth came in at a mere 3.0%. Growth expected in 2024 is also 3.0%. The consequences of Russia's war of aggression are especially burdensome for the euro area where the forecast for 2023 stands at 0.9%. Growth is only expected to accelerate slightly to 1.5% in 2024. Other forecasts, such as that of the OECD, indicate even weaker growth.

The differences clearly illustrate the currently high levels of uncertainty involved in forecasting. Against this backdrop, a stronger-than-expected economic slowdown in China poses another key risk. Officially cited at 5.1% in 2023 and 4.6% in 2024, the growth prospects for China's economy are the lowest for more than 30 years, with the exception of the pandemic years. Persistent problems on the real estate market and the reluctance of private consumers are having a dampening effect. The central government's measures to support the economy do not appear to have taken effect so far. A weak Chinese economy would not only affect the global economy, but also the euro area in particular – and Germany first and foremost.

German foreign trade would be particularly hard hit by weak global economic growth. According to forecasts shared by the economic research institutes, Germany's economic output is set to decline marginally in 2023 (-0.6%) and will only moderately find its feet again in 2024 (+1.3%). While industry is still cushioned by a high order backlog, incoming orders are in a downtrend. The weak construction industry and domestic economy emanating from high inflation rates and rising interest rates have in particular placed a burden on the steel industry. Products for the construction industry and consumer-related areas such as household appliances have been impacted accordingly.

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

## SECTORAL RISKS

In 2022, the EU member states resolved to introduce import restrictions on Russian steel products. Accordingly, importing processed steel products of Russian origin into non-EU countries is prohibited as from October 2023. Russian semi-finished products may no longer be imported into the EU or processed in non-EU countries as from April (tube rounds) and October 2024 (slabs). Risks arise from the new sanctions insofar as Russia is exporting its steel products at prices that hugely undercut the regular market price level, thereby distorting other steel markets. The sanctions that will take effect from October 2023 have been softened insofar as obligations to provide evidence are concerned. Consequently, there are still risks that Russian steel will reach the EU market via detours.

In June 2023, EU member states decided to extend the safeguard measures through to the summer 2024. At the present point in time, prolonging the measures any further is unlikely. Consequently, it will then be possible to import steel products into the EU market from July 1, 2024 onward, which will likely drive additional import volumes up further.

Moreover, the reintroduction of Section 232 duties (minus tariff quotas) in the coming months is a threat looming for European exporters into the US. Consensus reached between the EU and the US in October 2021 on the development of a “Global Sustainable Steel Agreement” (GSSA) is the background for this. 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 partners to the negotiation were initially unable to reach an agreement at the end of October and have decided to extend the negotiations through to the end of the year. The negotiation positions are currently still very far apart. The loss of preferential market access to the US would considerably hamper exports again. Furthermore, there is the risk that, even if an agreement is reached, the regulations could be applied differently, resulting in continued redirection effects into the EU market.

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. A transition phase commenced as from October 1, 2023 and, as from January 1, 2026, importers will need to factor in the cost of carbon similar to EU producers. Risks arise from the form that the new instrument will take given that many detailed regulations will only be determined in the coming two and a half years and these regulations will decide on how effective the instrument will be. Consequently, material rules and regulations on product definition, certification, default values, and control mechanisms have not yet been defined or tested.

# INTERIM REPORT

## CONSOLIDATED INCOME STATEMENT

In € million	Q3 2023	Q3 2022	9M 2023	9M 2022
Sales	2,570.0	3,128.8	8,405.7	9,765.3
Increase / decrease in finished goods and work in process / other own work capitalized	-82.6	73.9	-158.8	146.1
<b>Total operating performance</b>	<b>2,487.4</b>	<b>3,202.6</b>	<b>8,246.9</b>	<b>9,911.4</b>
Other operating income	127.0	71.4	462.2	583.7
Cost of materials	1,695.4	2,311.2	5,583.2	6,653.0
Personnel expenses	476.0	466.8	1,421.3	1,374.8
Amortization and depreciation of intangible assets and property, plant and equipment	75.5	69.6	234.0	208.3
Other operating expenses	331.1	260.9	1,189.4	1,173.6
Result from impairment losses and reversal of impairment losses of financial assets	6.6	-7.5	0.5	-5.2
Income from shareholdings	0.0	0.0	1.2	2.7
Result from investments accounted for using the equity method	-3.9	30.8	58.6	105.5
Finance income	11.5	2.7	28.2	6.8
Finance expenses	38.9	16.8	115.6	49.8
<b>Earnings before taxes (EBT)</b>	<b>11.6</b>	<b>174.7</b>	<b>254.3</b>	<b>1,145.3</b>
Income tax	9.8	9.9	60.6	199.5
<b>Consolidated result</b>	<b>1.9</b>	<b>164.8</b>	<b>193.7</b>	<b>945.8</b>
Amount due to Salzgitter AG shareholders	1.1	163.1	190.0	941.3
Minority interest	0.8	1.7	3.7	4.5
<b>Appropriation of profit</b>				
Consolidated result	1.9	164.8	193.7	945.8
Profit carried forward from the previous year	-	-	60.1	45.1
Minority interest in consolidated result	0.8	1.7	3.7	4.5
Dividend payment	-	-	-54.1	-40.6
Transfer from (+) / to (-) other retained earnings	-1.0	-163.1	-190.0	-941.4
<b>Unappropriated retained earnings of Salzgitter AG</b>	<b>0.0</b>	<b>-0.0</b>	<b>6.0</b>	<b>4.5</b>
<b>Earnings per share (in €) - basic</b>	<b>0.02</b>	<b>3.01</b>	<b>3.51</b>	<b>17.40</b>
<b>Earnings per share (in €) - diluted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**STATEMENT OF COMPREHENSIVE INCOME**

In € million	Q3 2023	9M 2023	Q3 2022	9M 2022
<b>Consolidated result</b>	<b>1.9</b>	<b>193.7</b>	<b>164.8</b>	<b>945.8</b>
<b>Recycling</b>				
Changes in value from currency translation	3.3	1.0	11.7	36.6
Changes in value from cash flow hedges	18.6	19.5	-12.5	89.6
Fair value change	20.6	21.5	-14.9	67.7
Recognition with effect on income	-1.9	-1.9	2.4	21.9
Changes in the value of investments in companies accounted for using the equity method	-20.9	-31.0	12.4	27.1
Fair value change	-21.7	-26.3	4.7	12.6
Currency translation	0.4	-8.4	7.8	15.6
Deferred taxes	0.3	3.7	-0.1	-1.2
Deferred taxes on other changes without effect on income	0.0	0.0	-0.0	0.1
Subtotal	1.0	-10.5	11.6	153.3
<b>Non-recycling</b>				
Remeasurements	73.8	67.4	228.4	779.6
Remeasurement of pensions	96.0	87.6	256.9	952.9
Deferred taxes	-22.2	-20.3	-28.5	-173.3
Changes in the value of investments in companies accounted for using the equity method	14.8	1.5	-11.6	5.7
Fair value change	14.9	3.1	-11.6	-5.7
Remeasurement of pensions	-0.7	-1.6	0.0	11.4
Deferred taxes	0.5	-	-	-
Subtotal	88.6	68.9	216.8	785.3
<b>Other comprehensive income</b>	<b>89.6</b>	<b>58.4</b>	<b>228.3</b>	<b>938.6</b>
<b>Total comprehensive income</b>	<b>91.4</b>	<b>252.1</b>	<b>393.1</b>	<b>1,884.4</b>
Total comprehensive income due to Salzgitter AG shareholders	90.6	248.4	391.5	1,879.9
Total comprehensive income due to minority interest	0.8	3.7	1.7	4.5
	91.4	252.1	393.2	1,884.4

**CONSOLIDATED BALANCE SHEET**

Assets in € million	2023/09/30	2022/12/31
<b>Non-current assets</b>		
Intangible assets	204.5	205.5
Property, plant and equipment	2,414.5	2,211.0
Investment property	77.0	78.1
Financial assets	33.6	38.3
Investments in companies accounted for using the equity method	1,517.3	1,565.3
Trade receivables	2.7	3.5
Other receivables and other assets	21.6	15.7
Income tax assets	8.5	-
Deferred income tax assets	354.4	392.6
	<b>4,634.1</b>	<b>4,510.0</b>
<b>Current assets</b>		
Inventories	3,060.1	3,474.3
Trade receivables	1,543.0	1,543.8
Contract assets	375.5	318.3
Other receivables and other assets	341.3	217.9
Income tax assets	23.9	23.6
Securities	0.0	0.0
Cash and cash equivalents	1,147.0	988.4
	<b>6,490.7</b>	<b>6,566.3</b>
Assets held for sale	52.8	27.1
	<b>6,543.5</b>	<b>6,593.3</b>
	<b>11,177.6</b>	<b>11,103.3</b>

Equity and liabilities in € million	2023/09/30	2022/12/31
<b>Equity</b>		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings	4,837.4	4,585.7
Other reserves	118.6	145.5
Unappropriated retained earnings	6.0	60.1
	5,380.6	5,209.9
Treasury shares	-369.7	-369.7
	5,010.9	4,840.2
Minority interest	10.7	10.2
	5,021.6	4,850.4
<b>Non-current liabilities</b>		
Provisions for pensions and similar obligations	1,505.9	1,618.8
Deferred tax liabilities	197.1	195.2
Income tax liabilities	18.3	33.5
Other provisions	266.8	272.3
Financial liabilities	565.1	579.3
Other liabilities	3.0	5.2
	2,556.2	2,704.3
<b>Current liabilities</b>		
Other provisions	260.8	246.2
Financial liabilities	1,128.9	1,119.1
Trade payables	1,366.9	1,331.8
Contract liabilities	423.1	412.3
Income tax liabilities	39.7	51.2
Other liabilities	380.5	380.9
Liabilities associated with assets held for sale	-	7.2
	3,599.9	3,548.7
	11,177.6	11,103.3

**CASH FLOW STATEMENT**

In € million	9M 2023	9M 2022
Earnings before taxes (EBT)	254.3	1,145.3
Depreciation write-downs (+) / write-ups (-) of non-current assets	234.2	207.8
Income tax paid (-) / refunded (+)	-71.5	-74.5
Other non-cash expenses (+) / income (-)	75.0	-6.0
Interest expenses	115.6	49.8
Gain (-) / loss (+) from the disposal of non-current assets	11.3	-1.2
Increase (-) / decrease (+) in inventories	417.7	-438.2
Increase (-) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-190.8	-559.0
Use of provisions affecting payments, excluding income tax provisions	-177.4	-168.5
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	2.9	-25.7
<b>Cash outflow / inflow from operating activities</b>	<b>671.1</b>	<b>129.7</b>
Cash inflow from the disposal of intangible assets, property, plant and equipment and investment property	42.3	11.1
Cash outflow for investments in intangible assets, property, plant and equipment and investment property	-538.4	-275.8
Cash inflow from investments of funds	61.4	49.9
Payments for financial investments	-0.6	-
Cash inflow from the disposal of non-current assets	32.8	12.9
Cash outflow for investments in non-current assets	-9.8	-1.4
<b>Cash outflow from investment activities</b>	<b>-412.4</b>	<b>-203.3</b>
Payouts to company owners	-54.1	-40.6
Deposits from taking out loans and other financial debts	59.8	345.4
Repayment of loans and other financial liabilities	-65.1	-128.1
Interest paid	-35.7	-76.3
<b>Cash outflow / inflow from financing activities</b>	<b>-95.2</b>	<b>100.4</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	-0.1	0.3
Gains and losses from changes in foreign exchange rates	-4.9	24.7
Payment-related changes in cash and cash equivalents	163.5	26.7
<b>Cash and cash equivalents at the end of the period</b>	<b>1,147.0</b>	<b>793.5</b>

# NOTES

## SEGMENT REPORTING

In € million	Steel Production		Steel Processing		Trading	
	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022
External sales	2,807.8	3,368.2	1,684.4	1,557.4	2,557.3	3,656.1
Sales to other segments	1,011.2	1,211.9	546.5	766.9	27.4	63.5
Sales to group companies that are not allocated to an operating segment	4.7	4.1	182.0	154.4	0.1	0.1
Segment sales	3,823.7	4,584.2	2,412.8	2,478.7	2,584.8	3,719.7
Interest income (consolidated)	0.2	0.1	3.3	1.1	2.8	2.4
Interest income from other segments	-	0.0	-	-	-	-
Interest income from group companies that are not allocated to an operating segment	13.5	10.8	4.5	3.5	7.9	10.1
Segment interest income	13.7	11.0	7.8	4.7	10.7	12.5
Interest expenses (consolidated)	45.2	12.8	11.3	4.4	24.9	16.8
Interest expenses to other segments	-	-	-	-	-	0.0
Interest expenses to group companies that are not allocated to an operating segment	5.5	4.4	9.4	6.9	0.4	0.3
Segment interest expenses	50.7	17.2	20.7	11.2	25.4	17.1
of which interest portion of allocations to pension provisions	17.5	8.0	6.7	2.5	2.4	1.0
Depreciation of property, plant and equipment and amortization of intangible assets	124.2	108.3	47.5	39.9	13.0	12.2
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	124.2	108.3	47.5	39.9	13.0	12.2
Impairment of financial assets	-	-	-	-	-	-
EBIT before depreciation and amortization (EBITDA)	268.2	781.2	197.6	98.1	19.5	289.3
Earnings before interest and taxes (EBIT)	143.9	672.9	150.1	58.1	6.5	277.1
Segment earnings before taxes	106.9	666.7	137.3	51.6	-8.2	272.5
of which resulting from investments in companies accounted for using the equity method	-	-	38.6	-10.2	-	-
Investments in property, plant and equipment and intangible assets	339.7	179.5	45.4	51.9	21.8	22.2

Technology		Total segments		Industrial Participations / Consolidation		Group	
9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022
1,231.3	1,052.5	8,280.8	9,634.2	124.9	131.1	8,405.7	9,765.3
0.5	0.8	1,585.5	2,043.0	850.0	821.4	2,435.6	2,864.4
-	-	186.8	158.7	-	-	186.8	158.7
1,231.8	1,053.3	10,053.1	11,835.9	974.9	952.5	11,028.0	12,788.4
2.3	1.6	8.6	5.3	19.6	1.2	28.2	6.5
-	2.5	-	2.5	16.1	12.3	16.1	14.8
0.5	1.7	26.4	26.1	-	-	26.4	26.1
2.9	5.7	35.1	33.9	35.8	13.5	70.8	47.4
3.3	1.6	84.7	35.5	30.8	14.3	115.6	49.8
-	-	-	0.0	26.4	28.6	26.4	28.6
0.8	0.8	16.1	12.3	-	-	16.1	12.3
4.1	2.3	100.9	47.8	57.2	42.9	158.1	90.7
2.4	1.1	29.1	12.7	18.2	7.3	47.3	20.0
22.8	20.9	207.4	181.4	26.5	26.9	234.0	208.3
22.8	20.9	207.4	181.4	26.5	26.9	234.0	208.3
0.5	-	0.5	-	-	-	0.5	-
79.8	48.1	565.0	1,216.6	11.0	180.2	576.0	1,396.8
56.5	27.2	357.1	1,035.3	-15.6	153.3	341.6	1,188.6
55.3	30.6	291.3	1,021.3	-37.0	124.0	254.3	1,145.3
-	-	38.6	-10.2	20.0	115.7	58.6	105.5
18.2	17.9	425.2	271.5	18.1	26.7	443.3	298.2

## 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 September 30, 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 September 30, 2023, notwithstanding the following exceptions.
3. In calculating the fair value of defined benefit obligations as of September 30, 2023, an actuarial rate of 4.5 % was applied (December 31, 2022: 4.1%). The resulting reduction in provisions for pensions and similar obligations is reported in other comprehensive income (pension remeasurement) and incurs a corresponding increase in equity.
4. The recognition of the lease liabilities assigned to financial liabilities is calculated as the present value of the lease payments to be made. In subsequent valuation, 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	2023/09/30	2022/12/31
Right of use of land, similar rights and buildings, including buildings on land owned by others	140.1	136.1
Right of use of plant equipment and machinery	54.9	53.4
Right of use of other equipment, plant and office equipment	30.3	29.4
<b>Non-current assets</b>	<b>225.4</b>	<b>219.0</b>
Right of use of land, similar rights and buildings, including buildings on land owned by others	42.8	35.9
Right of use of plant equipment and machinery	30.5	25.9
Right of use of other equipment, plant and office equipment	20.6	18.7
<b>Depreciation / amortization</b>	<b>93.9</b>	<b>80.5</b>
<b>Lease liabilities</b>	<b>137.2</b>	<b>143.6</b>

An amount of € 119.4 million is attributable to non-current lease liabilities. Moreover, there were amounts of € 20.2 million in depreciation and amortization, € 2.5 million in interest expenses, as well as cash outflow totaling € 21.1 million in the first nine months of 2023.

5. With regard to the impact of the Russia-Ukraine war and the war in the Middle East on the Salzgitter Group, we refer to our explanations, both in the section on the result of operations and in the forecast, 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.
7. 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. The result from the deconsolidation was included via Europipe GmbH, a company accounted for using the equity method.
8. As far as exerting influence on our shareholding in Russia is concerned, we anticipate long-term restrictions, which is the reason why KHS RUS 000 was deconsolidated, effective August 31, 2023. Furthermore, KHS d.o.o. Beograd based in Serbia has no longer formed part of Salzgitter AG consolidation scope since September 1, 2023,

- due to operations having been restructured at that location. The impact of these deconsolidations on earnings before taxes, total assets and segment reporting was immaterial.
9. There are plans to sell the shares in Borusan Mannesmann Boru Yatirim Holding A.S., held by Salzgitter Mannesmann GmbH, to Borusan Holding A.S. As of the current reporting date, the contractual agreement remained subject to the proviso of approval still pending by the anti-trust authorities. The sale is expected to be brought over the line in the current financial year.
  10. The deconsolidation results for the issues addressed above will not be insignificant in their totality in relation to this year's pre-tax result of the Salzgitter Group. Otherwise the annual results of these participating investments were not decisive for the long-term profitability of the Salzgitter Group. The Salzgitter Group's success in the future in its current structural composition will therefore be similar.
  11. Based on a regular Annual Meeting of Shareholders held this year in May 2023, Salzgitter AG distributed the dividend proposed at a prior point in time of € 1.00 per share. Taking account of treasury shares not eligible for dividend, the payout amount totaled € 54.1 million.

## SELECTED EXPLANATORY NOTES TO THE INCOME STATEMENT

1. Sales by business segment are shown in the segment report.
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of SZAG, stood at € 3.51 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 as well as of Hanover-based GP Papenburg AG and its subsidiaries.

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

In € million	Sale of goods and services	Purchase of goods and services	Receivables	Liabilities
	01/01-2023/09/30	01/01-2023/09/30	2023/09/30	2023/09/30
Non-consolidated Group companies	16.6	22.6	13.5	14.8
Joint ventures	242.9	3.7	18.9	0.3
Associated companies	0.2	11.2	-	2.2
Other related parties	1.0	27.8	4.5	107.6

## INFORMATION PURSUANT TO SECTION 37W PARAGRAPH 5 OF THE GERMAN SECURITIES TRADING ACT (WPHG)

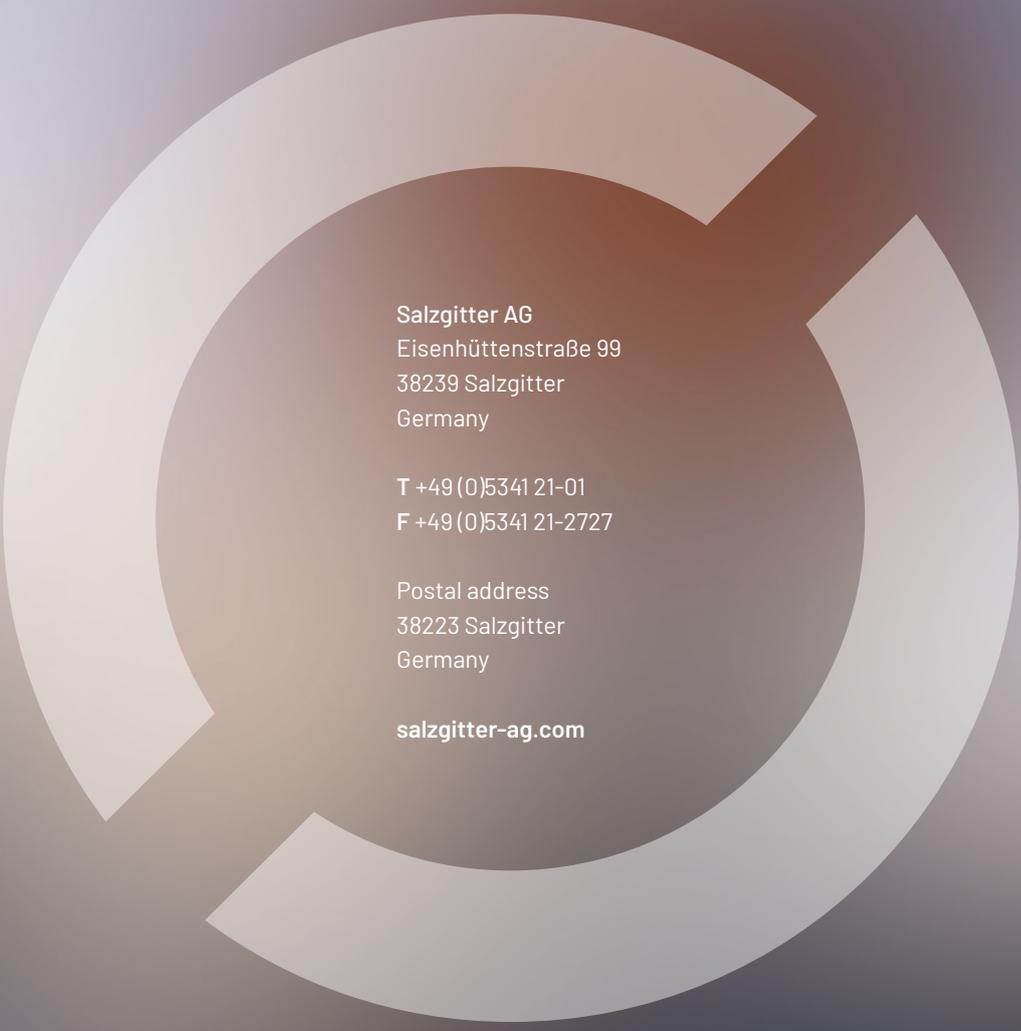
This set of interim financial statements and the interim report have not been the subject of an auditor's review.

**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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