

SALZGITTER GROUP

ANALYST CONFERENCE

March 27, 2023

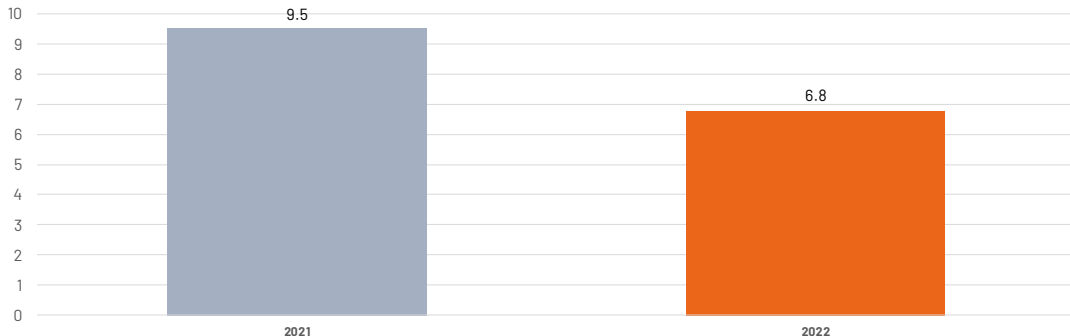


SALZGITTERAG
People, Steel and Technology

OCCUPATIONAL SAFETY – SIGNIFICANT IMPROVEMENT VS. 2021

Salzgitter Group

LOST TIME INJURY FREQUENCY (Work-related accidents per 1 million work hours from the first day off work)¹



¹ Data for Salzgitter Group, core workforce and training contracts, 2021 recording domestic only; as from 2022, recording domestic and international

We are on the right track – and aspire further improvement

KEY DATA ON FINANCIAL YEAR 2022

Salzgitter Group

		FY 2022	FY 2021	Δ	
Crude steel production	kt	6,109	6,749	-640	↘
External sales ¹	€ million	12,553	9,767	2,786	↗
EBITDA	€ million	1,618	1,262	357	↗
Earnings before tax	€ million	1,245	706	540	↗
Earnings after tax	€ million	1,085	586	499	↗
Earnings per share (undiluted)	€	20.0	10.7	9.3	↗
ROCE	%	20.1	16.2	3.9	↗
Core workforce ²		22,622	22,356	266	→

¹ only from entities within the Group of Consolidated Companies of Salzgitter Group

² per reporting date



2022 was one of the most successful years in the history of Salzgitter AG



AGENDA

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

01 STRATEGY "SALZGITTER AG 2030" LAUNCHED

Strategy

Strategy Launch
on February 2, 2022

CIRCULAR ECONOMY

- / Expansion of business in closed-loop flows of materials (Circular Economy) and securing of control points
- / Complete transformation to SALCOS® by 2033 at the latest
- / Alignment of the product portfolio towards growing circular / sustainable market segments

PROFITABILITY

- / Differentiation and margin expansion through process technology and innovation
- / Significant improvement of productivity and cost-effectiveness, e.g. via digitalization and automation
- / Active management of product portfolio and margins, supported through the digitalization of distribution






GROWTH & CUSTOMER-ORIENTED SOLUTIONS

- / Development of customer-oriented solutions in growth segments of the market while maintaining the balance of internal complexity
- / Establishment of new digital business areas and services

Goal: Together on the path to the strongest steel and technology group

01 STRATEGY SCORECARD – MAKING TARGETS MEASURABLE

Strategy

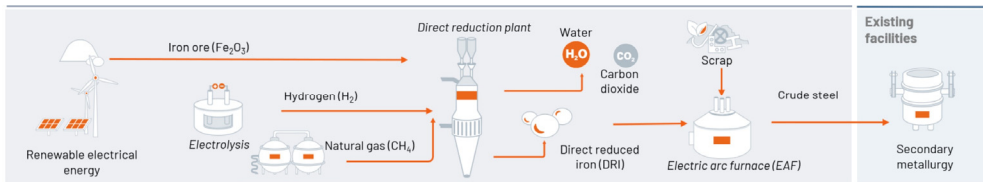
Strategic direction	KPI	Unit	Target 2025	Target 2030	Progress
 CIRCULAR ECONOMY	Expansion of scrap recycling	%	> 25	> 50	Scrap Strategy
		mt p. a.	2.5	3	
	CO ₂ reduction (Scope 1 & 2)	% CO ₂	> -30*	> -50	SALCOS® FID Stage 1
	Complete focus on low CO ₂ steel production	-	SALCOS® Stage 1	SALCOS® Stage 1-3 (2033)	
	Savings of 1 % of German emissions	mt p. a.	2.5	8 (2033)	
Electricity sourced exclusively from renewable sources	%	> 50	100	PPA acquisition	
 PROFITABILITY	ROCE	%	12	14	Performance 2026 / Strategic directions
	EBITDA Margin	%	8-10	> 10	
	Increase of additional profit improvement potential	€ million p. a.	>150 (2026)	-	
 GROWTH & CUSTOMER-ORIENTED SOLUTIONS	Growth in profitable business areas with a focus on circularity (gross sales)	€ billion	-	> 11	
	Dividend yield	%	> 2	> 2	
 CAPITAL MARKET	ESG-Rating	-	Top third industry	Top quartile industry	
	 EMPLOYEES	Accidents (LTIF)	% vs. 2021	-35	-50
Proportion of women in new non-tariff/management positions		%	25	30	

* Alignment of plant operation at -30 % CO₂ (comprises mainly SALCOS® Stage 1)

01 SALCOS® – ACCELERATED IMPLEMENTATION OF THE STRATEGY

Strategy

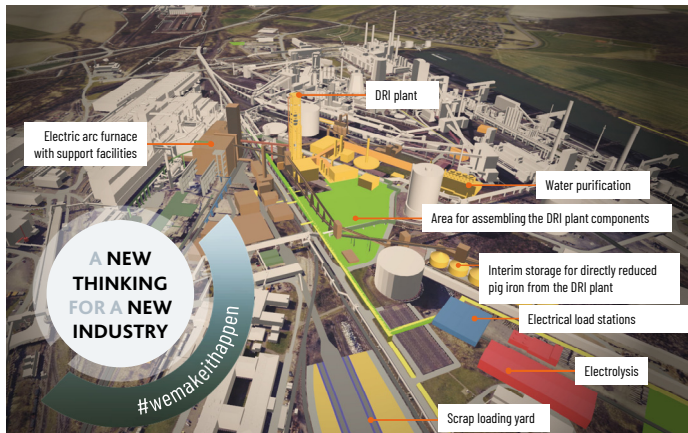
- / **Release of the total budget** for the first stage of SALCOS® by the Supervisory Board (March 23, 2023)
- / **Total investment volume** for the first stage of SALCOS® of € 2.2-2.4 billion
- / **Successful establishment of market premiums:** Model for securing volumes in all customer segments
- / **Carbon leakage protection assured** by the end of 2030 (thanks to EU agreement on CBAM / ETS)
Confirmation of the necessity for the accelerated decarbonization by 2030/33
- / **Strategy:** 30% of the current production volume to be produced via the SALCOS® route (as from 2026)



Climate protection and economic success can be combined!

01 SALCOS® – TRANSFORMATION HAS BEGUN

Strategy



Integration of new facilities into the existing steel works



Work on the construction site started

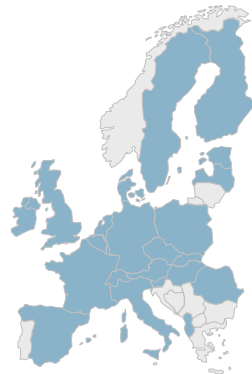


Electric arc furnace ordered, contract for the DRI plant will be awarded shortly

01 SALZGITTER AG – ENABLER OF THE ENERGY TRANSITION

Strategy

- / Transformation of the energy supply in the focus of political efforts in Europe
 - / Prerequisite: Partners from industry, policy makers, infrastructure and logistics work hand in hand
 - / LNG showcase projects: Wilhelmshaven Anschlussleitung and Anschlussleitung Brunsbüttel pipelines realized in under 12 months
- / Our line pipes are H2READY today – deliveries in numerous European countries
- / Construction of a new hydrogen laboratory for testing under H₂ atmosphere in Duisburg
 - / Pioneer in building hydrogen competence in the steel sector



■ Countries in which SZAG delivered line pipes in 2022

Excellence in the field of energy

01 PORTFOLIO MANAGEMENT – FIRST SUCCESSFUL STEPS

Strategy

- / Sale of Salzgitter Bauelemente GmbH to FALK Bouwsystemen (The Netherlands) per January 1, 2023
 - / Takeover allows for markedly better strategic growth options
- / Acquisition of Must GmbH per February 15, 2023
 - / Must is specialized in the trading of scrap and metals
 - / With the acquisition of must we represent the scrap recycling value chain in its entirety
- / Negotiations of EUROPIPE GmbH regarding a sale of Berg EUROPIPE Holding Corp. USA to Borusan Mannesmann Pipe US Inc.
 - / Non-binding letter of intent



Active portfolio management in the spirit of the best ownership principle

01 HDG LINE 3 – STRENGTHENING OF THE PREMIUM SEGMENT

Strategy

- / Capital expenditure ~ € 200 million
- / Annual capacity: 500,000 tons
- / Focus on high and highest strength steel grades
- / Strengthening of the premium segment for automotive and household appliances sectors
- / Very good customer response
- / Operational readiness achieved in October 2022



Qualitative growth in the Steel Production business unit



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02 STEEL PRODUCTION – MARKED INCREASE OF EARNINGS

Economic Development of the business units

KEY DATA

		FY 2022	FY 2021	Δ
External sales	€ m	4,263	3,127	1,136
Order bookings	kt	4,762	5,100	-338
Order backlog ¹	kt	1,091	1,232	-141
EBITDA	€ m	946	657	289
EBT	€ m	791	495	296
Core workforce ¹		7,369	7,158	211

¹ per reporting date

REVIEW AND CURRENT SITUATION

- / Sharp rise of steel prices following the start of the war; from mid-Q2 2022 onwards marked decrease due to declining demand
- / Partial compensation of the cost increases thanks to active hedging
- / Record result of Salzgitter Flachstahl GmbH

Current situation

- / Winter recession weaker than expected
- / Price recovery of strip steel products
- / Demand for sections still at a low level

Earnings improvement by 60% versus the already very pleasing previous year's result

02 STEEL PROCESSING – SUCCESSFUL PLATE BUSINESS

Economic Development of the business units

KEY DATA

		FY 2022	FY 2021	Δ
External sales	€ m	2,106	1,510	596
Order bookings	€ m	2,751	2,108	643
Order backlog ¹	€ m	1,023	851	173
EBITDA	€ m	173	-30	203
EBT	€ m	86	-309	395
Core workforce ¹		5,341	5,341	0

¹ per reporting date

Cautiously optimistic outlook for 2023

REVIEW AND CURRENT SITUATION

- / Plate: Demand and plate prices at record levels at the beginning of 2022; price decreases afterwards as a result of high inventory levels
- / Steel tubes: increased number of awarded projects in the large-diameter pipes market; precision tubes segment negatively impacted by lower car registrations

Current situation

- / Plate: brisk demand in Q1 2023; outlook significantly more positive than at the end of 2022
- / Steel tubes: Positive prospects for large-diameter pipes market; markets for precision and stainless tubes remain challenging

02 TRADING – VERY PLEASING RESULT

Economic Development of the business units

KEY DATA

		FY 2022	FY 2021	Δ
External sales	€ m	4,581	3,603	978
Shipments	kt	3,606	3,639	-34
EBITDA	€ m	268	363	-95
EBT	€ m	243	353	-109
Core workforce ¹		1,975	1,934	41

¹ per reporting date

Very gratifying result due to higher price level as well as margin and volume development in international trading

REVIEW AND CURRENT SITUATION

- / Historically strong H1 was followed by demand cooling off at the end of Q2 2022
- / Volumes and prices decreased until year-end

Current situation

- / Stockholding business with subdued start into the year due to demand and prices; purchase prices remain at a high level; normalization of margins expected over the course of 2023
- / Positive yearly outlook for international trading

02 TECHNOLOGY – BRAVED CHALLENGING MARKET ENVIRONMENT

Economic Development of the business units

KEY DATA

		FY 2022	FY 2021	Δ
External sales	€ m	1,430	1,360	69
Order bookings	€ m	1,738	1,548	189
Order backlog ¹	€ m	1,207	864	343
EBITDA	€ m	77	84	-7
EBT	€ m	48	59	-11
Core workforce ¹		5,329	5,298	31

¹ per reporting date

REVIEW AND CURRENT SITUATION

- / Record order intake of the business unit despite contrary trend of the industry
- / Resolute implementation of the efficiency and growth program "KHS Future"
- / Satisfying development of sales and earnings

Current situation

- / Orders on hand at the end of 2022 on record level
- / Exceptionally high utilization at the start of 2023
- / DESMA companies anticipate recovery of their markets
- / Record result for 2023 targeted

Operating result increased; previous year positively impacted by one-off effect (+ € 18.8 million)



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03 INCOME STATEMENT

Financials

Income Statement (€ million)	FY 2022	FY 2021	Δ
Sales	12,553.3	9,767.4	2,785.8
Increase/decrease in finished goods and work in process/other own work capitalized	249.9	522.9	-273.0
	12,803.2	10,290.4	2,512.8
Other operating income	984.8	548.5	436.3
Cost of materials	8,639.4	6,746.1	1,893.4
Personnel expenses	1,883.4	1,769.7	113.6
Amortization and depreciation of intangible assets and property, plant and equipment	306.4	508.4	-202.0
Other operating expenses	1,821.5	1,222.4	599.1
Result from impairment losses and reversal of impairment losses of financial assets	-12.9	1.8	-14.8
Income from shareholdings	2.6	0.0	2.6
Result from investments accounted for using the equity method	184.6	159.5	25.1
Finance income	12.7	15.3	-2.6
Finance expenses	78.7	63.0	15.7
Earnings before taxes (EBT)	1,245.4	705.7	539.6
Income tax	160.0	119.6	40.4
Consolidated result	1,085.4	586.1	499.3

03 CONSOLIDATED BALANCE SHEET

Financials

Assets (€ million)	12/31/2022	12/31/2021	Δ
Non-current assets	4,510.0	4,250.1	259.9
Intangible assets, property, plant and equipment	2,416.5	2,267.8	148.7
Investment property	78.1	79.5	-1.5
Financial assets	38.3	51.4	-13.1
Investments accounted for using the equity method	1,565.3	1,327.8	237.6
Trade receivables	3.5	8.3	-4.7
Other receivables and other assets	15.7	21.6	-5.9
Income tax assets	0.0	1.9	-1.9
Deferred income tax assets	392.6	491.8	-99.3
Current assets	6,593.3	6,004.7	588.6
Inventories	3,474.3	3,123.3	350.9
Trade receivables	1,543.8	1,452.8	91.0
Contract assets	318.3	323.0	-4.7
Other receivables and other assets	217.9	296.7	-78.8
Income tax assets	23.6	17.0	6.6
Securities	0.0	49.7	-49.7
Cash and cash equivalents	988.4	741.8	246.6
Assets held for sale	27.1	0.5	26.6
Balance sheet total	11,103.3	10,254.9	848.4

03 CONSOLIDATED BALANCE SHEET

Financials

Equity and liabilities (€ million)

	12/31/2022	12/31/2021	Δ
Equity	4,850.4	3,357.0	1,493.4
Subscribed capital	161.6	161.6	0.0
Capital reserve	257.0	257.0	0.0
Retained earnings	4,731.2	3,252.3	1,478.9
Unappropriated retained earnings	60.1	45.1	15.0
Treasury shares	-369.7	-369.7	0.0
Minority Interest	10.2	10.7	-0.5
Non-current liabilities	2,704.3	3,247.0	-542.7
Provisions for pensions and similar obligations	1,618.8	2,178.6	-559.9
Deferred tax liabilities	195.2	147.1	48.0
Income tax liabilities	33.5	25.7	7.8
Other provisions	272.3	267.5	4.8
Financial liabilities	579.3	621.5	-42.3
Other liabilities	5.2	6.6	-1.4
Current liabilities	3,548.7	3,650.7	-102.1
Other provisions	246.2	263.1	-17.0
Financial liabilities	1,119.1	893.2	225.8
Trade payables	1,331.8	1,728.9	-397.0
Liability contracts	412.3	353.8	58.5
Income tax liabilities	51.2	36.1	15.1
Other liabilities	380.9	375.6	5.2
Liabilities associated with assets held for sale	7.2	-	7.2
Balance sheet total	11,103.3	10,254.9	848.4

03 CASH FLOW STATEMENT

Financials

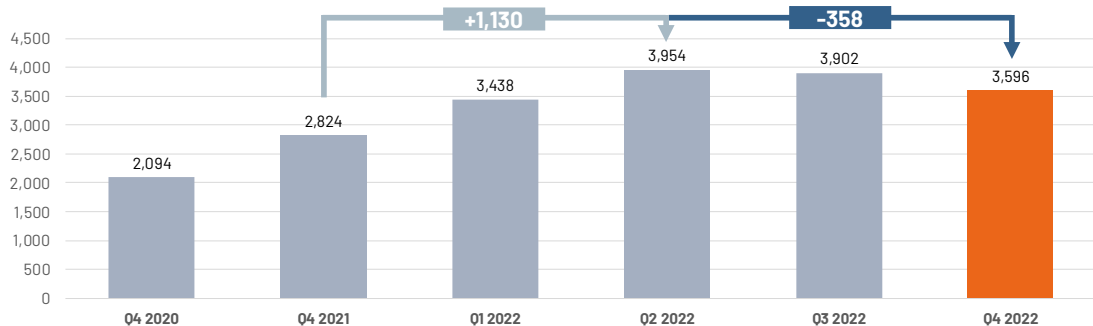
(€ million)	FY 2022	FY 2021	Δ
Cash and cash equivalents at the start of the period	741.8	621.4	120.4
Cash flow from operating activities	596.5	329.4	267.1
Cash flow from investment activities	-367.7	-366.6	-1.0
Cash flow from financial activities	11.3	146.3	-135.0
Changes in cash	246.6	120.4	126.1
Cash and cash equivalents at the end of the period	988.4	741.8	246.7

Significant increase of cash and cash equivalents despite higher working capital

03 WORKING CAPITAL – REDUCTION CONTINUES IN Q4 2022

Financials

WORKING CAPITAL (€ million)

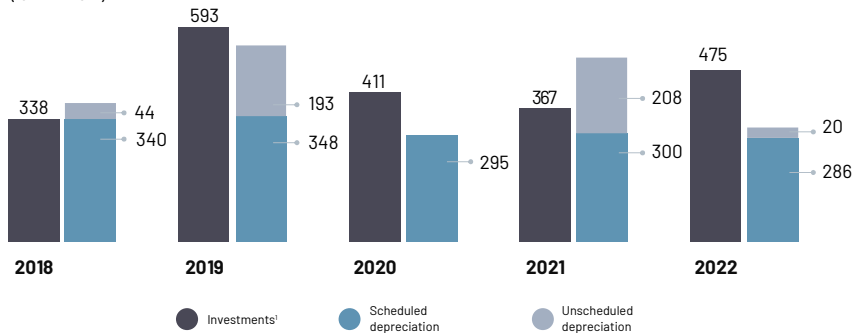


Working Capital peaks in Q2 2022 – reduction by € 358 million in the second half of 2022

03 INVESTMENTS AND DEPRECIATION

Financials

(€ million)



¹Property, plant and equipment and intangible assets, excluding financial assets

Focus on supplementary investments; € 96 million in capex outflow for SALCOS® in 2022



03 EARNINGS IMPROVEMENT THROUGH COST SAVINGS PROGRAM

Financials

PERFORMANCE 2026

Use potentials. Optimize processes.

FULL-YEAR EFFECT (€ million)

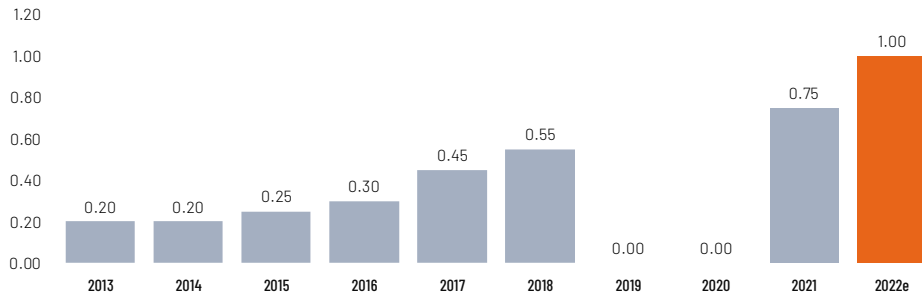


More than € 190 million in effects from measures identified

03 HIGHEST PROPOSED DIVIDEND SINCE 2008

Financials

Dividend (€/share)



Shareholders participate in the company's success



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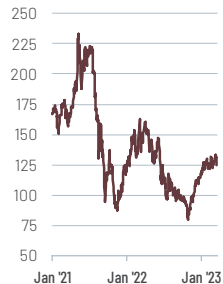
04 RAW MATERIAL AND ENERGY PRICES – REMAIN VOLATILE

Guidance

RAW MATERIAL PRICES (US\$/t)

IRON ORE

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



COKING COAL

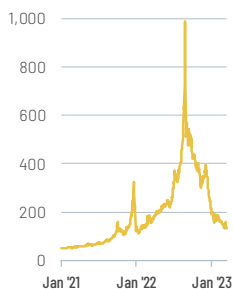
(FOB Australia, US\$/t)



ENERGY PRICES (€/MWh)

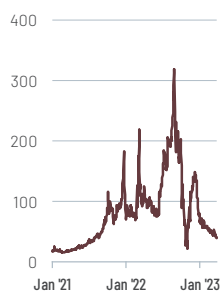
ELECTRICITY

(Futures market front year EEX, €/MWh)



NATURAL GAS

(Area THE, EEX Day-Ahead €/MWh Hs)

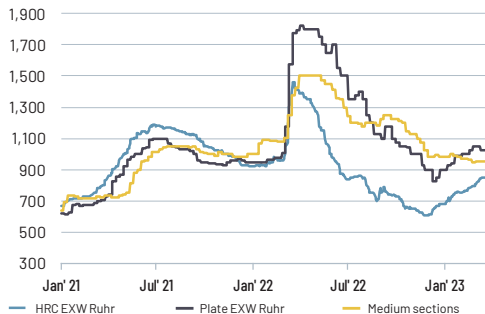


Raw material prices have passed their troughs, energy prices recently returned to pre-war levels

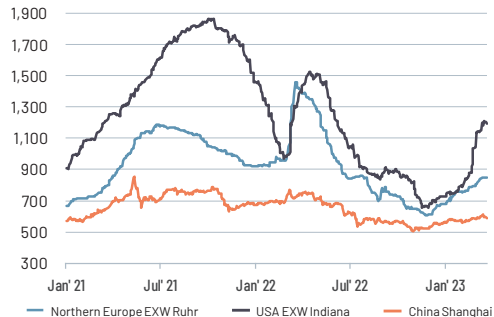
04 STEEL PRICES –WITH UPWARD TREND AGAIN

Guidance

SPOT PRICES NORTHERN EUROPE (€/t)



HOT-ROLLED COIL PRICES INTERNATIONAL (€/t)



Steel prices on the rise again following a marked contraction

04 MANAGEMENT GUIDANCE

Guidance

Against the backdrop of generally healthy demand at the start of the year, and assuming no further escalation in political and economic circumstances, we anticipate the following for the Salzgitter Group in the financial year 2023

/ sales in the region of € 13 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.

Legal Note and other remarks

As in recent years, please note that opportunities and risks from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as exchange rate fluctuations, may considerably affect business performance in the course of the financial year. The resulting impact on performance may be within a considerable range, either to the positive or to the negative.

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ANALYST CONFERENCE FY 2022 – AT A GLANCE

Recap

- ✓ New “Salzgitter AG 2030” strategy launched and records first successes
- ✓ SALCOS®: Accelerated implementation until 2033 adopted – own funds for the first stage released
- ✓ New hot-dip galvanizing line supports qualitative growth
- ✓ Second-best operating result in the history of the company – EBITDA € 1.6 billion and EBT € 1.2 billion
- ✓ Earnings per share of € 20.00
- ✓ Dividend proposal of € 1 per share – corresponds to dividend yield of 3.5%¹
- ✓ Solid Financial Year 2023 expected

¹ Based on the year-end closing price of 2022



00 DISCLAIMER

Salzgitter AG

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