QUARTERLY STATEMENT

9 Months 2022

9M

SALZGITTER AG

People, Steel and Technology

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THE SALZGITTER GROUP IN FIGURES

		9M 2022	9M 2021	+/-
Crude steel production	kt	4,762.0	5,071.2	-309.3
External sales	€ m	9,765.3	7,001.7	2,763.6
Steel Production Business Unit[1]	€ m	3,368.2	2,284.3	1,083.8
Steel Processing Business Unit[1]	€ m	1,557.4	1,069.0	488.4
Trading Business Unit	€ m	3,656.1	2,546.8	1,109.3
Technology Business Unit	€ m	1,052.5	979.5	73.0
Industrial Participations / Consolidation	€ m	131.1	122.1	8.9
EBIT before depreciation and amortization (EBITDA)	€ m	1,396.8	866.8	530.1
Earnings before interest and taxes (EBIT)	€ m	1,188.6	646.5	542.1
Earnings before taxes (EBT)	€ m	1,145.3	604.5	540.8
Steel Production Business Unit[1]	€ m	666.7	277.3	389.4
Steel Processing Business Unit[1]	€ m	51.6	-67.0	118.6
Trading Business Unit	€ m	272.5	282.4	-9.9
Technology Business Unit	€ m	30.6	40.9	-10.4
Industrial Participations / Consolidation[1]	€ m	124.0	70.9	53.0
Consolidated result	€ m	945.8	467.7	478.1
Earnings per share – basic	€	17.40	8.56	8.85
Return on capital employed (ROCE)[2]	%	22.9	20.0	2.9
Cash flow from operating activities	€ m	129.7	123.0	6.6
Investments[3]	€ m	298.2	258.5	39.7
Depreciation / amortization[3,4]	€ m	-208.3	-220.3	12.0
Total assets	€ m	11,275.5	9,542.2	1,733.3
Non-current assets	€ m	4,170.6	4,280.0	-109.4
Current assets	€ m	7,104.9	5,262.2	1,842.7
of which inventories	€ m	3,593.4	2,696.8	896.6
of which cash and cash equivalents	€ m	793.5	360.2	433.3
Equity	€ m	5,093.9	3,293.8	1,800.1
Liabilities	€ m	6,181.6	6,248.4	-66.8
Non-current liabilities	€ m	2,253.8	3,258.8	-1,005.0
Current liabilities	€ m	3,927.8	2,989.6	938.2
of which due to banks[5]	€ m	763.8	850.5	-86.6
Net financial position on the reporting date[6]	€ m	-802.4	-614.6	-187.8
Employees				
Personnel expenses	€ m	-1,374.8	-1,311.3	-63.6
Core workforce on the reporting date[7]	Empl.	22,645	22,411	234
Total workforce on the reporting date[8]	Empl.	24,636	24,338	298

Disclosure of financial data in compliance with IFRS
[1] Adjustment of the previous year's figures due to the new Group structure
[2] Annualized
[3] Excluding financial assets
[4] Scheduled and unscheduled write-downs
[5] Current and non-current bank liabilities
[6] Including investments, e.g. securities and structured investments
[7] Excl. trainee contracts and excl. non-active age-related part-time work
[8] Incl. trainee contracts and incl. non-active age-related part-time work

PROFITABILITY OF THE GROUP AND ITS BUSINESS UNITS

Due to the new Group structure, the 2021 key figures for the Steel Production and Steel Processing business units, as well as for Industrial Participations / Consolidation have been adjusted in the following.

PROFITABILITY OF THE GROUP

		Q3 2022	Q3 2021	9M 2022	9M 2021
Crude steel production	kt	1,423.1	1,693.7	4,762.0	5,071.2
External sales	€ m	3,128.8	2,566.2	9,765.3	7,001.7
EBIT before depreciation and amortization (EBITDA)	€ m	258.4	388.2	1,396.8	866.8
Earnings before interest and taxes (EBIT)	€ m	188.8	317.9	1,188.6	646.5
Earnings before taxes (EBT)	€ m	174.7	298.8	1,145.3	604.5
Consolidated result	€ m	164.8	237.0	945.8	467.7
Return on capital employed (ROCE)[1]	%	10.8	29.7	22.9	20.0
Investments	€ m	148.3	98.1	298.2	258.5
Depreciation / amortization	€ m	-69.6	-70.4	-208.3	-220.3
Cash flow from operating activities	€ m	245.9	-99.0	129.7	123.0

[1] Annualized

The **Salzgitter Group** delivered an excellent result with a pre-tax profit of € 1.1 billion in the first nine months of the financial year 2022 against the backdrop of an increasingly deteriorating economic environment. This performance was driven mainly by the Steel Production, Steel Processing and Trading business units that benefited from the prices of most rolled steel products having meanwhile risen to record levels. The Technology Business Unit and the industrial participations also reported gratifying results. In terms of our SALCOS® transformation program, we have also achieved important milestones. Upon the Supervisory Board's approval of € 723 million of the company's own funds and a first administrative agreement between the Federal State of Lower Saxony and the Federal Republic of Germany and the approval of the public funding by the EU-Commission in the context of sharing the efforts to promote the project, financing the first stage of SALCOS® has been virtually secured. Construction work on the project has commenced, and the first orders have been placed for the equipment and facilities.

The Salzgitter Group's **external sales** rose by around 40 % to € 9,765.3 million (9M 2021: € 7,001.7 million), above all on the back of prices. **Earnings before interest, tax, depreciation and amortization** (EBITDA) increased to € 1,396.8 million (9M 2021: € 866.8 million), and **earnings before taxes** (EBT) came in at € 1,145.3 million (9M 2021: € 604.5 million). This figure includes a contribution of € 115.7 million from the participating investment in Aurubis AG accounted for using the (IFRS) equity method (9M 2021: € 133.5 million). The **after-tax result** stood at € 945.8 million (9M 2021: € 467.7 million), which brings basic earnings per share to € 17.40 (9M 2021: € 8.56). Return on capital employed (ROCE) amounted to 22.9 % (9M 2021: 20.0 %).

SPECIAL ITEMS

	EBT		Restructuring		Impairment / Reversal of impairment		Other		EBT without special items	
In € million	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021
Steel Production[1]	666.7	277.3	–	–	–	–	–	–	666.7	277.3
Steel Processing[1]	51.6	−67.0	–	–	–	–	–	–	51.6	−67.0
Trading	272.5	282.4	–	–	–	–	–	–	272.5	282.4
Technology	30.6	40.9	–	–	–	–	–	–	30.6	40.9
Industrial Participations / Consolidation[1]	124.0	70.9	–	–	–	–	–	–	124.0	70.9
Group	1,145.3	604.5	–	–	–	–	–	–	1,145.3	604.5

[1] Adjustment of the previous year's figures due to the new Group structure

STEEL PRODUCTION BUSINESS UNIT

		Q3 2022	Q3 2021	9M 2022	9M 2021
Order intake	kt	**1,076.8**	956.3	**3,643.7**	3,787.5
Order backlog on reporting date	kt	**1,037.6**	1,051.6	**1,037.6**	1,051.6
Crude steel production	kt	**1,133.5**	1,345.3	**3,843.8**	4,012.6
Salzgitter Flachstahl	kt	**1,023.2**	1,116.6	**3,191.7**	3,215.9
Peiner Träger	kt	**110.4**	228.7	**652.1**	796.7
Rolled steel production	kt	**1,000.0**	1,209.3	**3,263.3**	3,565.0
Salzgitter Flachstahl	kt	**872.9**	983.8	**2,643.2**	2,783.6
Peiner Träger	kt	**127.1**	225.4	**620.1**	781.4
Shipments	kt	**1,196.7**	1,249.4	**4,069.9**	4,190.0
Segment sales[1]	€ m	**1,401.2**	**1,108.2**	**4,584.2**	**3,145.0**
External sales	€ m	**1,040.6**	**802.9**	**3,368.2**	**2,284.3**
EBIT before depreciation and amortization (EBITDA)	€ m	**143.5**	**197.5**	**781.2**	**398.3**
Earnings before interest and taxes (EBIT)	€ m	**108.0**	161.3	**672.9**	288.5
Earnings before taxes (EBT)	€ m	**107.9**	**157.4**	**666.7**	**277.3**

Adjustment of the previous year's figures (except for individual companies) due to the new Group structure
[1] 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_2–Steelmaking program. With the aim of massively reducing carbon emissions in steel production, we are incrementally switching the production of steel to a hydrogen-based route under SALCOS®. In contrast to the former process involving blast furnaces, hydrogen and green electricity will replace the carbon formerly required for producing steel (↗ https://salcos.salzgitter-ag.com/en/index.html). Salzgitter AG plans to have completed the technical transformation of the steelworks to accommodate the new procedure by the year 2033. This technology enables steel production's carbon footprint to be reduced by 95 %. Furthermore, the business unit includes the companies of Salzgitter Mannesmann Stahlservice GmbH (SMS), Salzgitter Bauelemente GmbH (SZBE) and Salzgitter Europlatinen GmbH (SZEP).

MARKET DEVELOPMENT

The trend on the steel market proved to be extremely dynamic in the first nine months. The start of the war in Ukraine caused a shortage of steel. Customer concerns about supplies, accompanied by the expectation of rising prices, spurred demand notably and triggered an above-average replenishment of inventories across the entire steel value chain, with the result that a price rally developed on the spot market. Prices initially rose to record heights and then resumed more normal levels as from April before settling below pre-war levels in September. The main factors driving this development consisted of healthy supplies in the European steel market, record imports and sluggish uptake, largely from the automotive industry whose value chain still remains disrupted due to the lack of input materials. Meanwhile, sentiment in the German economy darkened in the face of the worsening energy crisis and rising electricity and gas prices, which is also reflected in the lack of positive market signals in the steel industry. High inventory levels and the sharp increase in imports did not allow for any notable recovery in demand, with some European plants cutting their production capacities as a consequence. Moreover, inflation, driven by energy prices, led to the loss of purchasing power, stoking reticence in various steel consuming industries.

On the sections market, the construction projects awarded declined considerably in response to prices trending up sharply as from the second quarter and in view of uncertain economic development. This situation sent real demand into decline, and traders' stock levels increased notably on the back of producers' deliveries of order volumes. The months of July and August were therefore determined by historically weak demand experienced by producers. A reticent approach to ordering continued to prevail in September – particularly in the case of the stockholding steel trade – due to uncertainty about price trends. Only when it became evident that prices were set to rise because of the increase announced in energy costs was purchasing restraint abandoned.

PROCUREMENT

Salzgitter AG does not source iron ore, pellets or coking coal from Russia or Ukraine. The low volume of coal for injection that has been supplied by Russia to date was substituted through our procurement from alternative sources during the summer quarter. We hedge defined iron ore and coking coal volumes in order to mitigate the procurement risks.

IRON ORE

The Ukraine war did not incur any severe impact on iron ore prices in the reporting period as only small volumes of iron ore fines are exported from Russia and Ukraine. By contrast, a considerable shortage of high quality blast furnace pellets was observed on the iron ore pellet market, which has caused supply problems for a number of European steel companies. Premiums rose sharply as a result. High quality lump ore as a substitute for pellets and fines qualities that allow sinter production to be ramped up also recorded similar price hikes. At the start of the second quarter, prices softened again, due above all to developments in China. The termination of the first big wave of lockdown measures triggered an only short-lived rebound of the steel market and consequently also of the iron ore market, with the downtrend subsequently resuming in the third quarter. The Chinese government's adherence to its zero Covid strategy resulted in a series of lockdowns that placed an ongoing burden on the economy, with a wide range of construction projects not being able to be completed or initiated. The demand for steel declined accordingly. In conjunction with the economic outlook deteriorating on a global scale, iron ore prices slipped again. As a result, the third quarter that posted 103.31 USD/dmt dropped one third below the year-earlier period.

COKING COAL

Given the low level of availability of free spot volumes, FOB Australia prices began the year significantly above the 400 USD/t mark again, reaching new record highs virtually on a daily basis. The market situation changed abruptly upon Russia’s invasion of Ukraine. Buyers of Russian coal now engaged in procurement to cover their needs, prompted by uncertainty concerning supply in an already tense market environment. Against this backdrop, FOB Australia prices set a new record at 670.50 USD/t. After consumers had made their purchases at the end of March, a price correction set in with prices falling to just under 400 USD/t FOB Australia. Along with greater supplies of high quality coking coal, narrowing steel margins then prompted caution on the part of consumers, which pushed prices down at the end of July to below 200 USD/t. The prohibition on imports of Russian coal – not only restricted to PCI and coking coal but also decisively impacting Europe’s thermal coal imports – sent prices up again as from the start of August on the back of brisker buying activities from European power plant operators, among others. In this context, the tight market in respect of thermal coal also affected coking coal prices. Despite fears of a global recession, the price level therefore remained relatively steady at around 270 USD/t in September and was only influenced by individual spot market deals in one direction or the other. Compared with the same period in 2021, average prices in the third quarter dropped by 5.3 % to 249.75 USD/t.

STEEL SCRAP

In the first quarter, the war in Ukraine was responsible for significant price increases on Germany’s scrap market. At the start of the second quarter, moderate price hikes were initially recorded before the market tipped in May and June and scrap prices in Germany tumbled. The considerable decline was once again determined by Turkish scrap importers’ purchasing behavior: Contrary to market participants’ original expectations, they did not return to the market at the start of May. July saw scrap prices slip further, albeit at a slower pace, before bottoming out in August. At the end of the reporting period, no significant changes on Germany’s steel scrap market were reported compared with the month before. Despite the end of the summer vacation period, scrap supplies were low, and the demand for scrap also remained lackluster. German scrap consumers were therefore able to cover their low requirements largely at prices that were unchanged.

BUSINESS DEVELOPMENT

The **order intake**, **crude steel production** and **shipments** of the Steel Production Business Unit, with volumes remaining stable in the strip steel segment, fell marginally short of the year-earlier period due to the weaker performance of sections. **Rolled steel production** did not match the level of the first nine months of 2021, while **orders on hand** almost repeated the year-earlier figure. The significant price hikes for strip steel products and in the sections segment, accompanied by steel scrap price increases at DMU, led to a significant year-on-year growth in **segment** and **external sales**. The price uptrend slowed in the third quarter, however, and selling prices stagnated. The Steel Production Business Unit generated **EBITDA** of € 781.2 million (9M 2021: € 398.3 million) and **earnings before taxes** of € 666.7 million (9M 2021: € 277.3 million). SZFG delivered a record result and the other companies of the business unit with the exception of DMU also generated significantly higher contributions to earnings than in the previous year. Burdens emanated from the sharp increase in commodity prices, particularly coking coal, alloy agents and scrap, as well as energy.

INVESTMENTS

With a view to securing the supply of pig iron, the relining of SZFG's Blast Furnace A has been approved. The investment project's main contract has been awarded and preliminary work has commenced.

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 was completed in the period under review and the facilities are now at the operational readiness stage.

SALCOS®

A hydrogen-fueled direct reduction plant, designed for flexible use with natural gas/hydrogen, is being built on the Salzgitter site as a pilot facility for SALCOS®. Construction work on the facilities has finished. The direct reduction plant is currently undergoing functional testing.

On July 13, 2022, Salzgitter AG's Supervisory Board unanimously approved the release of company funds amounting to € 723 million for the first development stage of the SALCOS® program. Along with the funds it has furnished itself, Salzgitter AG is counting on substantial public start-up funding: An administrative agreement was signed by Minister President Stephan Weil and State Secretary Stefan Wenzel (BMWK) on September 15, 2022. Under this agreement, the Federal State of Lower Saxony and the Federal Republic of Germany have jointly committed to promoting SALCOS®. The EU Commission's requisite approval, declaring Salzgitter AG's application to be compatible with European law, has been available since October 5, 2022. Pending a positive, conclusive review and decision by the national funding authorities, Salzgitter AG now assumes that the Federal Republic of Germany and the Federal State of Lower Saxony will contribute up to € 700 million and up to € 300 million respectively to promoting SALCOS®.

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

STEEL PROCESSING BUSINESS UNIT

		Q3 2022	Q3 2021	9M 2022	9M 2021
Order intake	€ m	630.8	518.3	2,183.0	1,561.6
Order backlog	€ m	1,033.8	832.2	1,033.8	832.2
Crude steel production	kt	289.6	348.4	918.2	1,058.6
Rolled steel production	kt	236.9	226.0	824.1	719.6
Shipments	kt	387.1	335.8	1,220.7	1,011.6
Segment sales[1]	€ m	822.5	598.6	2,478.7	1,645.2
External sales	€ m	545.2	376.4	1,557.4	1,069.0
EBIT before depreciation and amortization (EBITDA)	€ m	15.6	6.0	98.0	-12.6
Earnings before interest and taxes (EBIT)	€ m	1.8	-8.4	58.1	-63.6
Earnings before taxes (EBT)	€ m	0.0	-9.6	51.6	-67.0

Adjustment of the previous year's figures due to the new Group structure
[1] Including sales with other business units in the Group

The **Steel Processing Business Unit** comprises the Salzgitter Group's steel tubes and pipes producing companies and heavy plate activities in the form of various medium-sized steel processing companies with similar core processes and operating value drivers. The tubes and pipes portfolio covers a wide range of line pipe diameters with the EUROPIPE Group (EP Group; 50 %), Mannesmann Line Pipe GmbH (MLP), as well as Mannesmann Grossrohr GmbH (MGR). The business unit also includes the precision steel tubes of the Mannesmann Precision Tubes Group (MPT Group) and the seamless stainless and nickel-based tubes of the Mannesmann Stainless Tubes Group (MST Group). The two heavy plate mills of Ilsenburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB) also form part of the business unit. Along with standard grades, Ilsenburg produces high strength and sour gas resistant plate. MGB's competence resides above all in the production of line pipe plate for on- and offshore pipelines in medium to large batch sizes. The business unit has its own supply of input material through its participation in Hüttenwerke Krupp Mannesmann GmbH (HKM).

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

MARKET DEVELOPMENT

QUARTO PLATE

Demand on the heavy plate market got off to a subdued start in 2022 but was subsequently boosted by projects in the wind energy industry and steel construction and, at the end of the first quarter, saw a sudden surge in demand due to the rapid shortfall of heavy plate caused by significantly reduced plate imports from Russia and the Ukraine. As a result, heavy plate prices rose by leaps and bounds as from March 2022, driven by customer concerns about supplies. Over the course of the second quarter, demand slowed against the backdrop of an increase in heavy plate supplies from southern European re-rollers and higher import volumes from other regions. Extending the anti-dumping measures against China that expired in March is currently being reviewed by the EU Commission. A decision is anticipated at the start of 2023 at the earliest. In any event, duties will remain in force until the review has been concluded. Moreover, prompted by Russia's invasion of Ukraine and the perceived unstable supply situation on the heavy plate market, the EU Commission decided to rescind the country-specific quotas for heavy plate in the safeguard regime in favor of a global quota, effective July 1, 2022. Consequently, countries such as India and South Korea are able to increase their imports. At the start of October, the EU member states imposed sanctions on the import of semi-finished products as part of the eighth package of sanctions against Russia that will, however, only fully enter into force as from October 2024. In the meantime, annual import quotas with an absolute cap apply based on the imports of 2021.

STEEL TUBES AND PIPES
Due to the significant hikes in the price of oil and gas, and the greater demand for gas pipelines boosted by the drive to diversify gas, the propensity of oil and gas groups to invest has picked up significant momentum. As a result, the number of line pipe projects to be awarded on the large-diameter pipe market rose notably in the reporting period. In the case of medium-diameter line pipes, temporarily strong demand triggered by the war in Ukraine was reported in Germany and Europe, with orders running at above-average levels. The price trends of hot-rolled strip fueled uncertainty among market participants. Given the high level of inventories, traders in particular as well as the project business remained reluctant to place orders. The precision tubes market was characterized by reduced vehicle production. After the first half year when requirements from industry and the energy sector held largely stable, the third quarter evidenced the first signs of a reticent attitude to call-off requirements. After a strong start to the year, turbulence on the raw materials markets, exacerbated by the energy crisis, caused demand to plunge on the market for seamless stainless steel tubes from March onward. As prices have partly more than doubled, major investment projects in particular have been postponed. The stockholding steel trade has also only been placing orders that were absolutely necessary since the end of the first quarter. Inquiry and contracting activities have meanwhile resumed in the project business, above all from the energy generating and producing market segments, as well as from the aviation sector.

BUSINESS DEVELOPMENT
Compared with the previous year's period, the Steel Processing Business Unit's **order intake** and **orders on hand** rose tangibly on the back of strong growth in the heavy plate and in the steel tubes segment. Only the stainless steel tubes group reported declines due to the market situation described above. Activity at the Mülheim heavy plate producer mainly reflected two pipeline projects with the EP Group, while ILG benefited from a friendlier market situation, also because of the lack of exports from eastern Europe, among other factors. After the large-diameter pipes business' success in acquiring further projects, along with the pipeline to connect the Wilhelmshaven LNG Terminal, demand returned to normal levels in the third quarter. In the precision tubes product segment, the tight supply chain situation negatively impacted bookings in the automotive business – the year-earlier figure was nevertheless exceeded on the back of higher selling prices. The generally improved order situation led to the business unit's **shipments** rising by around one fifth compared with the previous year's level. **Segment** and **external sales** advanced notably thanks to the price- and volume-induced increases in all companies compared with the first nine months of 2021. The business unit generated **EBITDA** of € 98.0 million (9M 2021: € –12.6 million), and **EBT** came in at € 51.6 million (9M 2021: € –67.0 million). The turnaround was determined by the significantly improved results of the two heavy plate companies. A counter effect emanated from the sharp increase in input materials and energy costs.

TRADING BUSINESS UNIT

		Q3 2022	Q3 2021	9M 2022	9M 2021
Shipments	kt	860.3	910.0	2,861.0	2,719.6
Segment sales[1]	**€ m**	**1,134.0**	**1,024.3**	**3,719.7**	**2,580.5**
External sales	**€ m**	**1,114.2**	**1,008.7**	**3,656.1**	**2,546.8**
EBIT before depreciation and amortization (EBITDA)	**€ m**	**31.2**	**135.1**	**289.3**	**290.7**
Earnings before interest and taxes (EBIT)	€ m	26.9	131.1	277.1	278.5
Earnings before taxes (EBT)	**€ m**	**23.5**	**133.1**	**272.5**	**282.4**

[1] 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

The demand for steel on the key sales markets of the European stockholding steel trade was determined by the impact of the war in Ukraine. Huge uncertainty regarding supplies drove sales volumes and selling prices up to heights notably above the level of the already upbeat start of the year. International trading reported a challenging situation in logistics, characterized by rising prices and dwindling capacities. Following the sharp increase, demand increasingly returned to more normal levels over the course of the second quarter – both volumes and prices declined and had stabilized at the last count.

BUSINESS DEVELOPMENT

Shipments of the Trading Business Unit grew moderately on the back of international trading's healthy tonnage compared with the previous year. By contrast, the shipments of the stockholding steel trade and sales of the UES Group, in decline since the second quarter, lost some momentum. The business unit's **segment** and **external sales** surged compared with the first nine months of 2021, which was also attributable to prices. A price uptrend during the first half year, in conjunction with lower inventory prices in the stockholding business and at the UES Group, along with the gratifying developments in volumes and margins in international trading, delivered very good **EBITDA** of € 289.3 million (9M 2021: € 290.7 million) and resulted in **earnings before taxes** of € 272.5 million (9M 2021: € 282.4 million).

TECHNOLOGY BUSINESS UNIT

		Q3 2022	Q3 2021	9M 2022	9M 2021
Order intake	€ m	453.1	410.6	1,378.7	1,159.3
Order backlog on reporting date	€ m	1,280.7	886.1	1,280.7	886.1
Segment sales[1]	€ m	382.3	340.5	1,053.3	980.0
External sales	€ m	382.1	340.3	1,052.5	979.5
EBIT before depreciation and amortization (EBITDA)	€ m	16.3	14.2	48.1	59.9
Earnings before interest and taxes (EBIT)	€ m	9.1	7.7	27.2	40.3
Earnings before taxes (EBT)	€ m	11.4	8.5	30.6	40.9

[1]Including sales with other business units in the Group

On September 30, 2022, the following companies were newly admitted to Salzgitter AG's group of consolidated companies, with retrospective effect as of January 1, 2022:

- KHS Eurasia LLC, Almaty
- KHS d.o.o. Beograd, Belgrade

Three manufacturers of special machinery steeped in tradition are grouped within the **Technology Business Unit**. Around 90 % of sales is generated by the KHS Group that, as a plant engineering specialist, holds a leading position in filling and packaging technology. The KHS Group is a full-line supplier. Its product range covers intralogistics and processing through to the filling and packaging of beverages. The Klöckner DESMA Elastomer Group (KDE Group) manufactures injection molding machinery for rubber and silicon products, while DESMA Schuhmaschinen GmbH (KDS) sells special machinery for the shoe industry. The two companies rank as market leaders in their respective segments.

MARKET DEVELOPMENT

Against the backdrop of manifold global challenges, the German Engineering Federation (VDMA) forecasts a slowdown in economic momentum. Overall, order intake in the first three quarters of the current financial year still remained unchanged compared with the year-earlier period. In past months, however, a negative trend has materialized, and the 2021 counterpart figures were not achieved. New orders placed for packaging machinery in the first half year still significantly exceeded the previous year's level, boosted by higher order intake from international customers. In tandem with the declining market trend, the moving 12-month average was already displaying a slight downturn in order activity in August 2022, however.

BUSINESS DEVELOPMENT

Over the past nine months of the current financial year, the Technology Business Unit's **order intake** achieved significant growth that continued to outperform the industry's trends. The KHS Group's performance exceeded the year-earlier level by one fifth. The project business in particular was bolstered by sustained strong demand. The KDE Group and KDS were also successful in lifting their order intake. The Technology Business Unit's **orders on hand** mirrored the development of order intake and continued to achieve record levels. **Segment** and **external sales** increased further in the third quarter of 2022, posting levels that were notably higher than in the year-earlier reporting period. All in all, the Technology Business Unit generated **EBITDA** of € 48.1 million (9M 2021: € 59.9 million) and **EBT** of € 30.6 million (9M 2021: € 40.9 million). The previous year's result was positively impacted by the disposal of KHS Group's pouch business (€ 18.8 million).

The KHS Group continues to rigorously pursue its comprehensive "KHS Future" efficiency and growth program. With a focus on reducing costs and expanding the service business, the program has already made a significant contribution to the higher result achieved and is aimed at promoting the development of the company in the future against the backdrop of a fiercely competitive and challenging market environment.

INDUSTRIAL PARTICIPATIONS / CONSOLIDATION

		Q3 2022	Q3 2021	9M 2022	9M 2021
Sales[1]	€ m	318.3	252.3	952.6	729.7
External sales	€ m	46.6	38.0	131.1	122.1
EBIT before depreciation and amortization (EBITDA)	€ m	51.8	35.5	180.2	130.5
Earnings before interest and taxes (EBIT)	€ m	43.0	26.1	153.3	102.8
Earnings before taxes (EBT)	€ m	32.0	9.5	124.0	70.9

Adjustment of the previous year's figures due to the new Group structure
[1] Including sales with other business units in the Group

Industrial Participations / Consolidation comprises activities that are not directly allocated to a business unit. As a management holding company, Salzgitter AG does not have any operations of its own. Instead, it manages Salzgitter Mannesmann GmbH and Salzgitter Klöckner Werke GmbH under which the major companies of the Salzgitter Group are held. In addition, the results of companies operating primarily within the Group, as well as those of Group companies that support the core activities of the business units with their products and services, are recorded here.

Sales in the Industrial Participations / Consolidation segment, which are based mainly on business in semi-finished products with subsidiaries and external parties, rose notably compared with the first nine months of 2021 due to increased economic activity. **External sales** increased tangibly. **EBITDA** (€ 180.2 million; 9M 2021: € 130.5 million) includes a contribution of € 115.7 million (9M 2021: € 133.5 million) from the participating investment in Aurubis AG accounted for using the equity method (IFRS accounting). **Earnings before taxes** of € 124.0 million also notably exceeded the previous year's figure (9M 2021: € 70.9 million). The results from the valuation of derivatives positions and net interest income from cash management of the consolidated group delivered a positive, significantly higher contribution on balance in comparison with the previous year (€ 16.6 million; 9M 2021: € –2.5 million). The profit contribution of the companies largely operating on behalf of the Group remained at the year-earlier level.

FINANCIAL POSITION AND NET ASSETS

NOTES TO THE BALANCE SHEET

The **total assets** of the Salzgitter Group rose by € 1,021 million in the first nine months of 2022 compared with December 31, 2021.

Non-current assets dropped by € 80 million as against the last reporting date. The shares in the companies accounted for using the equity method increased notably (€ +117 million). Investments in intangible assets and in property, plant and equipment (€ +298 million) significantly exceeded the level of scheduled depreciation and amortization of fixed assets (€ –208 million) in the period under review. Deferred tax assets (€ –265 million) declined as a result of the higher interest rate level and therefore lower pension provisions. **Current assets** rose sharply by € 1,100 million in comparison with the last reporting date. This was due in particular to the substantial increase in trade receivables, including contract assets (€ +547 million). As against the last balance sheet date, inventories also advanced notably (€ 470 million). The decline in securities held as current assets (€ –50 million) was offset by a marginal increase in cash and cash equivalents (€ +52 million) and significantly higher other receivables and assets (€ +74 million).

On the **liabilities side**, equity increased considerably (€ +1,737 million) on the back of the positive consolidated result, as well as the remeasurement of pension provisions due to the higher actuarial rate of 4.1 % (2021/12/31: 1.3 %). Accompanied by a similar increase in total assets, the equity ratio rose to a very sound 45.2 % (2021/12/31: 32.7 %). Non-current liabilities were € –993 million lower overall than the year-earlier figure, which reflected the lower pension provisions in particular. Current liabilities climbed by € 277 million. While trade payables, including contract liabilities (€ –63 million), did not fall far short of the levels on the last reporting date, current financial liabilities (€ +257 million) and other liabilities (€ +68 million) rose.

Due to the reporting-date related increase in working capital, the **net financial position** of € –802 million fell considerably short of the level posted on the balance sheet date at year-end 2021 (€ –544 million). Cash investment including securities (€ 809 million; 2021/12/31: € 820 million) was offset by liabilities of €1,612 million (2021/12/31: € 1,365 million), of which € 604 million were owed to banks (2021/12/31: € 688 million). As before, assets and liabilities from leasing arrangements are not considered in the net financial position. The higher business volume is evidenced by the significant rise in trade receivables on the balance sheet date that will impact the net financial position positively only when payment is made. Conversely, the higher level of inventories as of the reporting date was already adversely reflected. We therefore anticipate a significant improvement in the net financial position in the fourth quarter.

NOTES TO THE CASH FLOW STATEMENT

With a pre-tax profit of € 1,145 million, a positive **cash flow from operating activities** of € 130 million was reported (previous year: € +123 million). While the improved result had a positive influence on the operating cash flow, this was offset by the notable increase in working capital.

The **cash outflow from investing activities** of € –203 million (previous year: € –270 million) includes a cash investment payment (€ 50 million). Disbursements for capital expenditure on intangible assets and on property, plant and equipment (€ –276 million; previous year: € –247 million) are appreciably higher than in 2021 and also reflect the completion of strategic projects. Proceeds from the disposal of property, plant and equipment had a countereffect.

Payouts made to our shareholders (dividend) and the repayment of loans and interest payments were offset by borrowing and other financial liabilities, resulting in an overall **cash inflow from financing activity** (€ +100 million; year-earlier period: cash outflow of € –122 million).

As a result of the positive overall cash flow, **cash and cash equivalents** (€ 794 million) increased accordingly compared with December 31, 2021 (€ 742 million).

EMPLOYEES

	2022/09/30	2021/12/31	Change
Core workforce[1]	**22,645**	**22,356**	**289**
Steel Production Business Unit	**7,363**	7,158	205
Steel Processing Business Unit	**5,377**	5,341	36
Trading Business Unit	**1,947**	1,934	13
Technology Business Unit	**5,316**	5,298	18
Industrial Participations / Consolidation	**2,642**	2,625	17
Apprentices, students, trainees	**1,363**	1,310	53
Non-active age-related part-time employment	**628**	590	38
Total workforce	**24,636**	**24,255**	**381**

Rounding differences may occur due to pro-rata shareholdings.
[1] Excluding executive body members

As of September 30, 2022, the **core workforce** of the Salzgitter Group numbered 22,645 employees, which is 289 persons more than at the end of the financial year 2021. A major part of the increase in the workforce of + 153 persons was attributable to Salzgitter Flachstahl GmbH and was due to greater personnel requirements and the taking over of temporary employees outsourced. A total of 236 trainees were hired during the reporting period, 166 of whom were given temporary contracts. A countereffect emanated above all from members of the company going into non-active age-related part-time or reaching retirement age. The **total workforce** stood at 24,636 persons. The number of **temporary staff** outsourced stood at 1,071 on September 30, 2022, which is 75 persons more than on the previous year's reporting date. At the end of the reporting period, 396 employees were working **short time** in the domestic Group companies, 380 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 2022 will develop as follows:

As part of the **Steel Production Business Unit,** the strip steel segment continues to expect business to develop extremely well in 2022. Although disrupted supply chains caused production downtime in the automotive industry in the first six months, alternative customers were largely found. High inflation, especially the exorbitant increase in energy costs, are associated with a massive macroeconomic loss of purchasing power. Consequently, demand from the automotive industry cannot be expected to recover over the remainder of the year. Our order intake and orders on hand nevertheless display a healthy selling price level. On the raw materials front, lower costs for iron ore but significantly higher costs for coking coal are anticipated. In terms of strip steel products, we forecast a sound earnings level in the fourth quarter that will nevertheless be lower than in the first nine months of the year. As far as sections are concerned, we expect the earnings situation to remain healthy despite a tangibly weaker fourth quarter. All in all, we anticipate an increase in sales for the Steel Production Business Unit boosted by higher average selling prices, accompanied by EBITDA and a pre-tax profit that are significantly higher compared with the year-earlier period.

The companies of the **Steel Processing Business Unit** generally expect a marked improvement in the business situation. Positive effects from the commissioning of Ilsenburg's new heat treatment line, the production of feedstock for EUROPIPE's major contracts in the Mülheim mill, coupled with the advantageous market situation in the second quarter, are resulting in good capacity utilization for the companies producing heavy plate. The EUROPIPE Group's German plant and Mannesmann Grossrohr GmbH report better capacity utilization as a result of a vigorous large-diameter pipes market, also thanks to the contracts won to connect up two German LNG terminals. By contrast, the US EUROPIPE companies are characterized by unsatisfactory capacity utilization. The medium-diameter line pipes segment is benefiting from rising volumes and margins. The precision tubes companies expect margins to improve. Nevertheless, similar to the stainless steel tubes group, they are confronted by the ongoing reticence of market participants. All in all, we predict a notable increase in sales for the business unit compared with the previous year. Passing on steep energy price hikes is presenting all companies with challenges. Despite this, positive EBITDA is set to improve significantly. The pre-tax result will also mirror this upbeat trend that will be reinforced by the non-recurrence of the impairment carried out in the previous year.

Following a period of cooling that had already set in over the course of the third quarter, the **Trading Business Unit** expects margins and volumes to decline further in the seasonally weak final quarter. This situation will have a notable impact on stockholding steel trade and the UES Group in particular. International trading, however, will continue to benefit from its healthy level of orders on hand in the fourth quarter. Despite slightly lower shipment volumes, we generally predict a significant increase in sales revenues in the business unit, as well as, thanks to the exceptionally strong first half year, very good key earnings figures that will nevertheless fall short of the historically exceptional year-earlier period.

Based on the high level of orders on hand and good order intake, the **Technology Business Unit** predicts sales growth compared with the first nine months of 2021. Positive profit performance is expected to continue in the remaining quarter of the current financial year. Adjusted for the effect on earnings from the disposal of the pouch business (€ 18.8 million) in the financial year 2021, EBITDA and the pre-tax result are likely to exceed the year-earlier figures. This forecast is underpinned, on the one hand, by the ongoing strong demand for products of the companies that are part of the business unit, as well as, on the other, by the rigorous pursuit of the profitability and growth programs under way. Sustained supply and capacity bottlenecks on the procurement markets, compounded by geopolitical tensions, give rise to uncertainty for the anticipated development.

We continue to anticipate the following for the **Salzgitter Group** in the financial year 2022:

- sales in the region of € 13 billion,
- EBITDA of between € 1.4 billion and 1.6 billion,
- EBT of between € 1.0 billion and € 1.2 billion, and
- a return on capital employed (ROCE) above the previous year's figure.

This guidance is based on the assumption of the ongoing, unlimited availability of natural gas as a prerequisite for maintaining production. We make explicit reference to virtually unquantifiable risks in connection with the war in Ukraine, the impact of which has already triggered a notable economic downturn and energy prices rising by leaps and bounds. Moreover, 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 2022.

RISK MANAGEMENT

At the time of reporting, we find ourselves dealing with the impact of the Russia/Ukraine war, and are facing disruptions in global supply and logistics chains, as well as extreme volatility on the raw materials and energy markets, with the associated wave of 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 2021.

GEOPOLITICAL RISKS

Russia launched its military attack on Ukraine on February 24, 2022. With regard to 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. With regard to supply reliability, we are in contact with alternative suppliers, or have already identified them, and expect delivery in line with requirements to continue. The decline in sales in the war-affected regions of Russia and Ukraine is of minor significance for us.

The volumes of Russian natural gas supplied via Nord Stream have dropped to zero in recent months. At the political level, countermeasures, such as substituting coal-fired generation for gas, as well as further savings on gas in industry and in households were implemented. Furthermore, the construction of floating LNG terminals on the coast and ramping up imports from Norway and the Netherlands were initiated in order to significantly mitigate the medium-term dependence on Russian gas and to achieve independence. The measures initiated have resulted in higher levels in Germany's gas storage facilities than in previous years, and the risk of gas supply shortfalls has been reduced. The limited availability of natural gas can nevertheless not be excluded.

A stable **supply of natural gas** is fundamentally important for our Group. Appropriate monitoring is being carried out to keep a close eye on the situation across the Group. It should be noted that significant areas of our activities are less affected. Metallurgy for steel production at the Salzgitter site can be operated independently, while processing slabs into coils necessitates natural gas. Due to the district heating supply of nearby residential areas by Salzgitter Flachstahl GmbH, we expect – if it comes to it – to receive emergency supplies from the grid operator pursuant to Section 53a of Germany's energy industry law. Section production at the Peine site would also still be able to continue if natural gas supplies were limited, albeit at lower output volumes. Furthermore, we emphasize the fact that the companies of our Technology and Trading business units would not be directly impacted.

China's still volatile coronavirus infection rates, combined with its retention of its zero COVID-19 strategy, continues to have negative repercussions on the supply of various supply chains, especially in the manufacturing and automotive industries. The combination of ongoing, still stringent regulations and the so far ineffectual economic stimulus programs is likely to trigger a significant economic slowdown in China in the future as well. Consequently, the demand for steel in China can be expected to decline further, which, against the backdrop of minimal cuts to steel production at present, may quite possibly translate into a sharp increase in steel exports.

In the knowledge that the global supply chains are extremely vulnerable, conclusions can also be drawn about new developments for companies producing and selling mainly in Europe, such as Salzgitter AG. Re-localizing production chains, new infrastructure investment, along with the strategic privatization of local suppliers versus importers, could increase the need for local products in the medium term.

ECONOMIC RISKS

The extremely volatile price of input raw materials, energy and preliminary products resulting from the aforementioned developments have triggered the highest **inflation rates** in Germany since the 1970s. On March 30, 2022, the German government's Council of Experts lowered its economic forecast for 2022 from 4.6 percent to 1.8 percent, which was still based on the assumption of secure natural gas supplies.

To the extent foreseeable, the rise in the cost of energy and electricity as well as in gas has been factored into our forecasts. Uncertainties may nevertheless arise if our customers reduce the quantities purchased due to rising costs or if they find themselves in financial difficulty. The cap on gas prices as from January 1, 2023 currently under preparation for industry should have a positive impact. We are keeping a close eye on further developments.

In the meantime, the most recent economic forecasts of the research institutes (IFO, IW, IfW Kiel, IMK, RWI) in September estimate that Germany's economic growth in 2022 will be the region of a mere 1.1 % to 1.4 %. With a look to 2023, all institutes, along with the German Federal Ministry for Economic Affairs and Climate Action (BMWK), forecast a recession with the range of the economic downturn estimated at between – 0.4 % and as much as – 1.75 %, and thus still uncertain.

SECTORAL RISKS

The statements made in the Annual Report 2021 generally retain their validity. The following additional aspects are to be taken into account.

The imposing of **sanctions** against imports of finished steel products from **Russia and Belarus**, as well as the cessation of supplies from Ukraine have prompted some steel consumer associations to continue to press their demand that all trade safeguard measures be lifted. In order to address concerns about supply shortages, the EU Commission has distributed all Russian and Belarus import quotas among other countries within the EU safeguard system and slightly revised the safeguard measures as of July 1, 2022. Higher imports in sections and heavy plate products are already evident due to the changes.

Moreover, EU member states have decided on further sanctions against steel products from Russia. As a result, imports of semi-finished products are subject to restrictions in the medium term, and steel products of Russian origin processed in non-EU member states are also prohibited. Risks arise from the new sanctions to the extent that the long transition periods (partly through to autumn 2024) continue to facilitate Russian steel imports that are frequently offered at prices significantly below the customary market price level. At the same time, the new sanctions minimize the hitherto prevailing risk of circumvention.

Negotiations are meanwhile still underway on introducing a **Carbon Border Adjustment Mechanism (CBAM)** to prevent the risk of carbon leakage for the purpose of replacing the free CO_2 allowance allocation in the long term. A transition period with test phases, export discounts and stringent rules against obviating the measures are critical for creating an effective mechanism. An ineffective CBAM, accompanied by the discontinuation of free allotment, would incur negative consequences for the profitability of the EU steel industry compared with non-European competitors. The negotiations between the Council of Ministers, the EU Parliament and EU Commission are still ongoing in trilogue consultations.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

In € million	Q3 2022	Q3 2021	9M 2022	9M 2021
Sales	3,128.8	2,566.2	9,765.3	7,001.7
Increase / decrease in finished goods and work in process / other own work capitalized	73.9	199.3	146.1	287.5
Total operating performance	3,202.6	2,765.5	9,911.4	7,289.2
Other operating income	71.4	87.8	583.7	262.7
Cost of materials	2,311.2	1,807.1	6,653.0	4,732.9
Personnel expenses	466.8	440.0	1,374.8	1,311.3
Amortization and depreciation of intangible assets and property, plant and equipment	69.6	70.4	208.3	220.3
Other operating expenses	260.9	255.1	1,173.6	764.4
Result from impairment losses and reversal of impairment losses of financial assets	−7.5	0.2	−5.2	3.6
Income from shareholdings	0.0	0.0	2.7	0.6
Result from investments accounted for using the equity method	30.8	37.0	105.5	119.5
Finance income	2.7	1.9	6.8	5.4
Finance expenses	16.8	21.0	49.8	47.6
Earnings before taxes (EBT)	174.7	298.8	1,145.3	604.5
Income tax	9.9	61.8	199.5	136.9
Consolidated result	164.8	237.0	945.8	467.7
Amount due to Salzgitter AG shareholders	163.1	235.5	941.3	462.8
Minority interest	1.7	1.6	4.5	4.9
Appropriation of profit				
Consolidated result	164.8	237.0	945.8	467.7
Profit carried forward from the previous year	–	–	45.1	–
Minority interest in consolidated result	1.7	1.6	4.5	4.9
Dividend payment	–	–	−40.6	–
Transfer from (+)/ to (−) other retained earnings	−163.1	−235.5	−941.4	−462.8
Unappropriated retained earnings of Salzgitter AG	−0.0	−0.0	4.5	−0.0
Earnings per share (in €) – basic	3.01	4.35	17.40	8.56
Earnings per share (in €) – diluted	–	–	–	–

STATEMENT OF COMPREHENSIVE INCOME

In € million	Q3 2022	9M 2022	Q3 2021	9M 2021
Consolidated result	164.8	945.8	237.0	467.7
Recycling				
Changes in value from currency translation	11.7	36.6	2.8	12.3
Changes in value from cash flow hedges	–12.5	89.6	66.9	72.6
Fair value change	–14.9	67.7	65.1	67.6
Recognition with effect on income	2.4	21.9	1.7	5.0
Changes in the value of investments in companies accounted for using the equity method	12.4	27.1	1.2	1.7
Fair value change	4.7	12.6	–1.2	–5.7
Currency translation	7.8	15.6	2.3	5.6
Deferred taxes	–0.1	–1.2	0.1	1.8
Deferred taxes on other changes without effect on income	–0.0		2.7	2.0
Subtotal	11.6	153.3	73.5	88.7
Non-recycling				
Remeasurements	228.4	779.6	–1.0	80.7
Remeasurement of pensions	256.9	952.9	0.1	107.0
Deferred taxes	–28.5	–173.3	–1.1	–26.3
Changes in the value of investments in companies accounted for using the equity method	–11.6	5.7	–0.1	1.8
Fair value change	–11.6	–5.7	–	–
Remeasurement of pensions	0.0	11.4	–0.1	1.8
Subtotal	216.8	785.3	–1.2	82.5
Other comprehensive income	228.3	938.6	72.3	171.1
Total comprehensive income	393.1	1,884.4	309.4	638.8
Total comprehensive income due to Salzgitter AG shareholders	391.5	1,879.9	307.8	633.9
Total comprehensive income due to minority interest	1.7	4.5	1.6	4.9
	393.2	1,884.4	309.4	638.8

CONSOLIDATED BALANCE SHEET

Assets in € million	2022/09/30	2021/12/31
Non-current assets		
Intangible assets	216.2	216.5
Property, plant and equipment	2,148.1	2,051.4
Investment property	78.4	79.5
Financial assets	39.9	51.4
Investments in companies accounted for using the equity method	1,444.4	1,327.8
Trade receivables	5.4	8.3
Other receivables and other assets	11.2	21.6
Income tax assets	–	1.9
Deferred income tax assets	226.9	491.8
	4,170.6	4,250.2
Current assets		
Inventories	3,593.4	3,123.3
Trade receivables	1,954.0	1,452.8
Contract assets	369.0	323.0
Other receivables and other assets	370.3	296.7
Income tax assets	24.7	17.0
Securities	0.0	49.7
Cash and cash equivalents	793.5	741.8
	7,104.9	6,004.3
Assets held for sale	–	0.5
	7,104.9	6,004.7
	11,275.5	10,254.9

Equity and liabilities in € million	2022/09/30	2021/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.0	257.0
Retained earnings	4,892.6	3,170.3
Other reserves	137.3	82.0
Unappropriated retained earnings	4.5	45.1
	5,452.9	3,716.0
Treasury shares	–369.7	–369.7
	5,083.2	3,346.3
Minority interest	10.7	10.7
	5,093.9	3,357.0
Non-current liabilities		
Provisions for pensions and similar obligations	1,194.1	2,178.6
Deferred tax liabilities	146.5	147.1
Income tax liabilities	26.6	25.7
Other provisions	274.6	267.5
Financial liabilities	605.8	621.5
Other liabilities	6.1	6.6
	2,253.8	3,247.0
Current liabilities		
Other provisions	257.8	263.1
Financial liabilities	1,150.1	893.2
Trade payables	1,656.2	1,728.9
Contract liabilities	363.9	353.8
Income tax liabilities	55.8	36.1
Other liabilities	443.9	375.6
	3,927.8	3,650.7
	11,275.5	10,254.9

CASH FLOW STATEMENT

In € million	9M 2022	9M 2021
Earnings before taxes (EBT)	1,145.3	604.5
Depreciation write-downs (+) / write-ups (–) of non-current assets	207.8	219.6
Income tax paid (–) / refunded (+)	–74.5	–21.3
Other non-cash expenses (+)/ income (–)	–6.0	16.1
Interest expenses	49.8	47.5
Gain (–) / loss (+) from the disposal of non-current assets	–1.2	–13.3
Increase (–) / decrease (+) in inventories	–438.2	–752.1
Increase (–) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	–559.0	–640.9
Use of provisions affecting payments, excluding income tax provisions	–168.5	–135.7
Increase (+) / decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	–25.7	798.6
Cash outflow / inflow from operating activities	129.7	123.0
Cash inflow from the disposal of intangible assets, property, plant and equipment and investment property	11.1	21.2
Cash outflow for investments in intangible assets, property, plant and equipment and investment property	–275.8	–247.3
Cash inflow from investments of funds	49.9	–
Payments for financial investments	–	–50.2
Cash inflow from the disposal of non-current assets	12.9	6.6
Cash outflow for investments in non-current assets	–1.4	–0.0
Cash outflow from investment activities	–203.3	–269.8
Payouts to company owners	–40.6	–
Deposits from taking out loans and other financial liabilities	345.4	4.3
Repayment of loans and other financial liabilities	–128.1	–86.7
Interest paid	–76.3	–39.8
Cash outflow / inflow from financing activities	100.4	–122.2
Cash and cash equivalents at the start of the period	741.8	621.4
Cash and cash equivalents relating to changes in the consolidated group	0.3	–
Gains and losses from changes in foreign exchange rates	24.7	7.8
Payment-related changes in cash and cash equivalents	26.7	–268.9
Cash and cash equivalents at the end of the period	793.5	360.2

NOTES

SEGMENT REPORTING

In € million	Steel Production		Steel Processing		Trading	
	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021
External sales	3,368.2	2,284.3	1,557.4	1,068.9	3,656.1	2,546.8
Sales to other segments	1,211.9	858.0	766.9	377.1	63.5	33.6
Sales to Group companies that are not allocated to an operating segment	4.1	2.7	154.4	199.2	0.1	0.1
Segment sales	4,584.2	3,145.0	2,478.7	1,645.2	3,719.7	2,580.5
Interest income (consolidated)	0.1	0.1	1.1	0.8	2.4	1.6
Interest income from other segments	0.0	–	–	–	–	–
Interest income from Group companies that are not allocated to an operating segment	10.8	0.9	3.5	4.1	10.1	10.3
Segment interest income	11.0	1.0	4.7	4.8	12.5	12.0
Interest expenses (consolidated)	12.8	8.8	4.4	4.3	16.8	7.9
Interest expenses to other segments	–	–	–		0.0	–
Interest expenses from Group companies that are not allocated to an operating segment	4.4	3.4	6.9	3.9	0.3	0.1
Segment interest expenses	17.2	12.2	11.2	8.3	17.1	8.0
of which interest portion of allocations to pension provisions	8.0	7.0	2.5	2.2	1.0	1.0
Depreciation of property, plant and equipment and amortization of intangible assets	108.3	109.7	39.9	51.0	12.2	12.2
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	108.3	109.7	39.9	51.0	12.2	12.2
EBIT before depreciation and amortization (EBITDA)	781.2	398.3	98.1	−12.6	289.3	290.7
Earnings before interest and taxes (EBIT)	672.9	288.5	58.1	−63.6	277.1	278.5
Segment earnings before taxes	666.7	277.3	51.6	−67.0	272.5	282.4
of which resulting from investments in companies accounted for using the equity method	–	–	−10.2	−14.0	–	–
Investments in property, plant and equipment and intangible assets	179.5	135.3	51.9	74.1	22.2	7.6

Technology		Total segments		Industrial Participations / Consolidation		Group	
9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021
1,052.5	978.8	9,634.2	6,878.8	131.1	122.9	9,765.3	7,001.7
0.8	1.2	2,043.0	1,269.9	821.4	606.7	2,864.4	1,876.7
–	–	158.7	201.9	–	–	158.7	201.9
1,053.3	980.0	11,835.9	8,350.7	952.5	729.7	12,788.4	9,080.3
1.6	1.4	5.3	3.9	1.2	1.5	6.5	5.4
2.5	–	2.5	–	12.3	8.2	14.8	8.2
1.7	1.6	26.1	16.9	–	–	26.1	16.9
5.7	3.0	33.9	20.8	13.5	9.8	47.4	30.5
1.6	1.7	35.5	22.7	14.3	24.8	49.8	47.5
–	–	0.0	–	28.6	16.9	28.6	16.9
0.8	0.7	12.3	8.2	–	–	12.3	8.2
2.3	2.4	47.8	30.9	42.9	41.7	90.7	72.6
1.1	1.1	12.7	11.3	7.3	6.6	20.0	17.9
20.9	19.6	181.4	192.6	26.9	27.7	208.3	220.3
20.9	19.6	181.4	192.6	26.9	27.7	208.3	220.3
48.1	59.9	1,216.6	736.3	180.2	130.5	1,396.8	866.8
27.2	40.3	1,035.3	543.7	153.3	102.8	1,188.6	646.5
30.6	40.9	1,021.3	533.6	124.0	70.9	1,145.3	604.5
–	–	−10.2	−14.0	115.7	133.5	105.5	119.5
17.9	19.0	271.5	236.1	26.7	22.4	298.2	258.5

Adjustment of the previous year's figures of the Steel Production and Steel Processing business units, as well as Industrial Participations / Consolidation due to the new Group structure

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, 2022 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, 2021, 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, 2022, notwithstanding the following exceptions.
3. In the context of the continuous monitoring of the economic and social framework conditions and the developments of the cash-generating units in the case of individual companies, the deteriorating economic outlook, along with the rising cost of capital, were identified through to the end of September as a triggering event for potential asset impairment. The calculations of fair value less costs to sell were carried out as before in accordance with the discounted cash flow method and assuming an after-tax interest rate of 8.86 % (2021: 7.41 %) for the Technology Business Unit and of 8.59 % (2021: 6.48 %) for the other business units. Taking account of updated guidance on earnings performance going forward, we have used these calculations as a basis to conclude that, for now, the fair value of the assets disclosed and of the participating investments reported at equity is still valid. In addition to the climate change related developments already included in the 2021 consolidated financial statements, the economic impact of the war between Russia and Ukraine has also been factored into our earnings guidance most particularly since the spring. With reference to the pertinent reporting in our quarterly report, impairment testing is determined more by the increase in the cost of capital.
4. In calculating the fair value of defined benefit obligations as of September 30, 2022, an actuarial rate of 4.1 % was applied (December 31, 2021: 1.3 %). 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.
5. The recognition of the lease liabilities assigned to financial liabilities is calculated as the present value of the lease payments to be made. In subsequent measurement, the carrying amounts of the lease liability are compounded and reduced by the lease payments remitted with no effect on income. The usage rights reported in property, plant and equipment are recognized at the cost of acquisition less accumulated depreciation and amortization and, if appropriate, any necessary impairment.

In accordance with the accounting rules for leases (IFRS 16), the historical cost of acquisition of the usage rights and leasing liabilities is shown in the following:

In € million	2022/09/30	2021/12/31
Right of use of land, similar rights and buildings, including buildings on land owned by others	134.4	125.7
Right of use of plant equipment and machinery	58.8	48.4
Right of use of other equipment, plant and office equipment	27.7	25.2
Non-current assets	**220.9**	**199.2**
Right of use of land, similar rights and buildings, including buildings on land owned by others	33.3	29.1
Right of use of plant equipment and machinery	30.1	23.2
Right of use of other equipment, plant and office equipment	18.5	15.4
Depreciation / amortization	**81.9**	**67.7**
Lease liabilities	**143.9**	**136.3**

An amount of € 122.8 million is attributable to non-current lease liabilities. Moreover, there were amounts of € 19.5 million in depreciation and amortization, € 2.3 million in interest expenses, as well as cash outflow totaling € 21.4 million in the first nine months of 2022.

6. A piece of land from Industrial Participations / Consolidation designated for sale back at the end of 2021 was sold in the first quarter of 2022.
7. With regard to the impact of the Ukraine war on the Salzgitter Group, we refer to our explanations, both in the section on the result of operations and in the forecast, opportunities and risk report.

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 € 17.40 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 fully consolidated, relationships also exist with companies that must be designated as related companies in accordance with IAS 24. The category of joint operations exclusively comprises Duisburg-based Hüttenwerke Krupp Mannesmann GmbH. The category of other associated companies comprises the majority interests and joint ventures of the Federal State of Lower Saxony.

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

In € million	Sale of goods and services	Purchase of goods and services	Receivables	Liabilities
	01/01-09/30/2022	01/01-09/30/2022	2022/09/30	2022/09/30
Non-consolidated Group companies	27.5	21.1	23.1	15.4
Joint ventures	136.6	64.2	87.2	0.0
Associated companies	–	10.9	–	1.0
Other related parties				

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 Interim Report of Salzgitter AG is also available in German. In the event of any discrepancy, the German version shall prevail.