



Baader Investment Conference 2020

Prof. Dr.-Ing. Heinz Jörg Fuhrmann, Chairman of the Executive Board

Salzgitter, September 22, 2020

- 1** Key Data / Market Situation
- 2** Business Units
- 3** Strategy
- 4** Outlook

Management of the COVID-19 impacts

Protecting employee health

- Comprehensive risk-minimizing precautions and guidelines
- Creation of transparency regarding occurrences of infection in the whole Group and detailed continuous monitoring
- Assumption of social responsibility also at our foreign locations



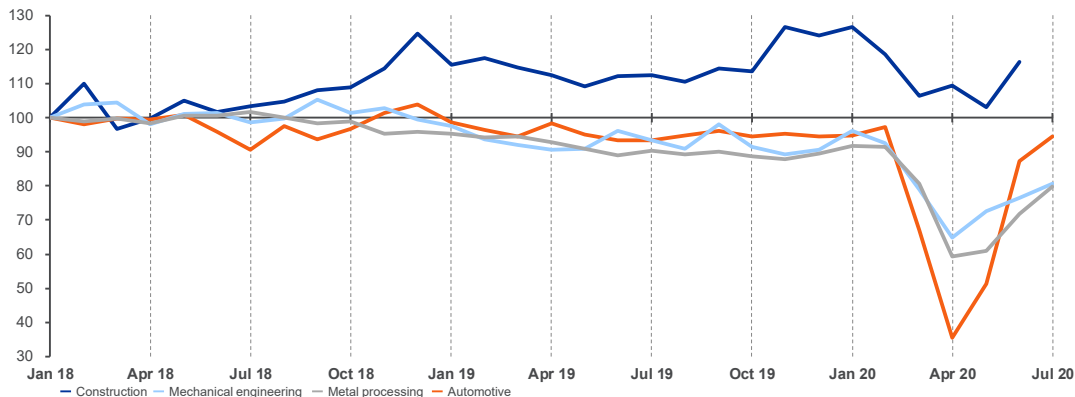
Ensuring operating ability

- Highest priority for liquidity management
- Temporary reduction of production
- Short-term work in many parts of the Group
- Saving without endangering the future: restrictive handling of new investments, but continuation of strategic investment projects

Through the crisis with consistency, transparency and stringent liquidity management!

Order intake of steel consumers

Order intake of selected branches of the German industrial sector (Jan. 2018 = 100)



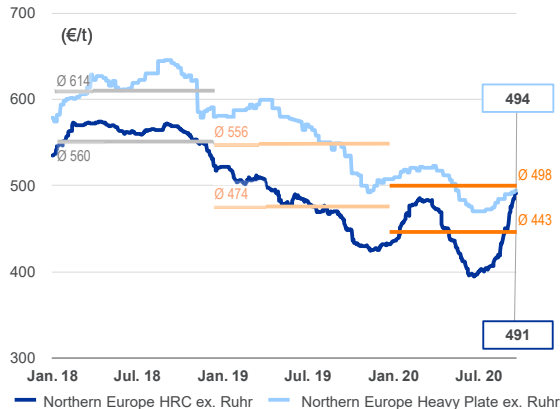
After dramatic slump of order intake due to the Corona crisis, stabilization tendencies since May

Raw materials and steel prices

Raw Materials



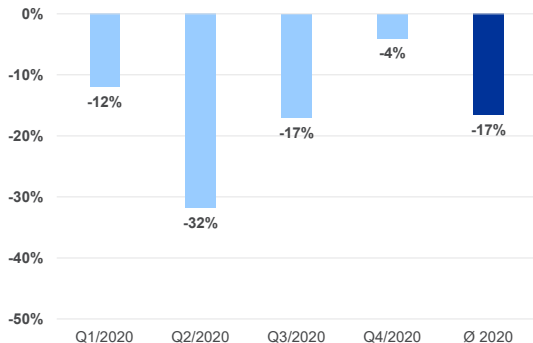
Hot rolled coil & Heavy Plate



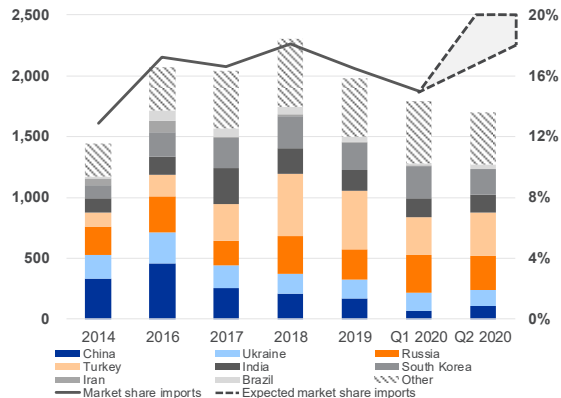
Diverging raw material price development – iron ore with recent surge while coking coal remained mostly stagnant; steel prices recover from the Corona pandemic troughs since late July 2020

EU steel imports

Forecast steel demand EU-28 2020 (versus previous year's quarter)



Rolled steel imports into the EU-28 (in t/month)



**The market share of steel imports is set to increase;
import volumes do not mirror the dramatic slump of steel demand from April onwards**

Key data per 2020/06/30

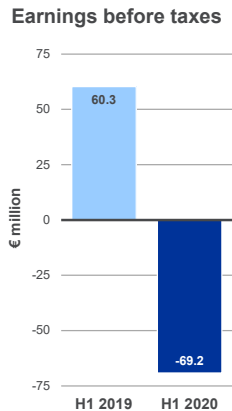
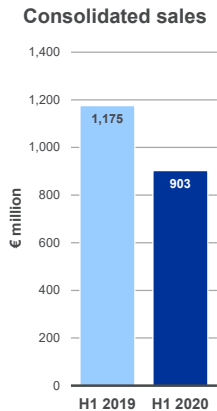
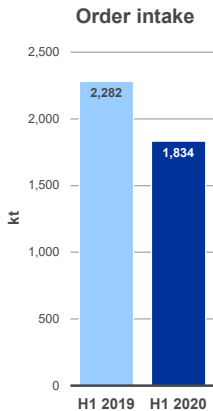
		H1 2020	H1 2019	Δ	Q2 2020	Q1 2020
Crude steel production	kt	2,952.7	3,412.1	-459.4	1,271.2	1,681.5
External sales ¹	€ million	3,631.0	4,526.2	-895.2	1,522.7	2,108.3
Earnings before tax	€ million	-127.8	145.3	-273.1	-96.4	-31.4
Earnings after tax	€ million	-144.7	96.4	-241.1	-101.0	-43.7
Earnings per share (undiluted)	€	-2.70	1.73	-4.43	-1.88	-0.83
ROCE	%	-6.3	7.9	-14.2	-10.0	-2.4
Core workforce ²		23,009	23,639	-630	23,009	23,308

¹ only from entities within the Group of Consolidated Companies of Salzgitter Group ² per reporting date

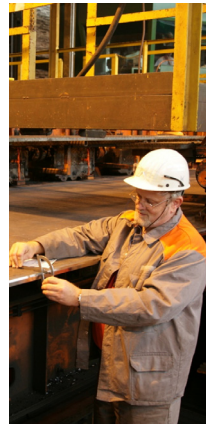
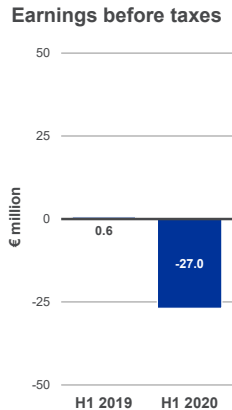
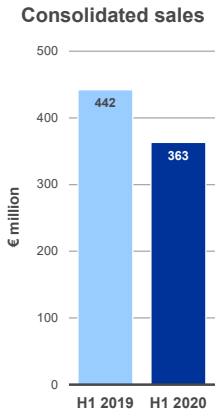
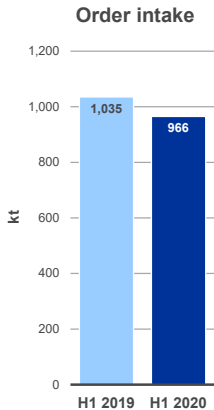
Salzgitter Group with decline of sales and earnings due to lower demand as a result of the corona pandemic



- 1 Key Data / Market Situation
- 2 Business Units
- 3 Strategy
- 4 Outlook

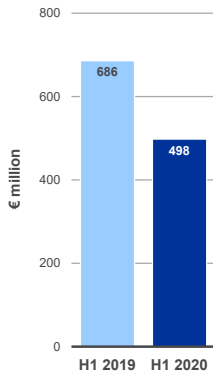


**Slump of order intake in the second half of March;
noticeably lower shipments drive decline in sales and pre-tax loss**

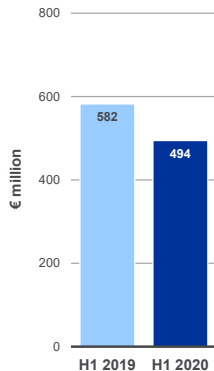


External sales below previous year's figures due to volumes and prices; insufficient earnings of the heavy plate companies caused the negative result of the business unit

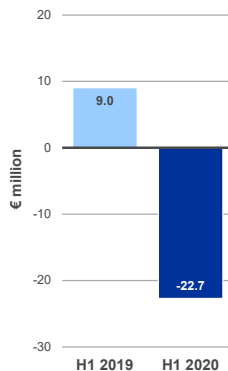
Order intake*



Consolidated sales*



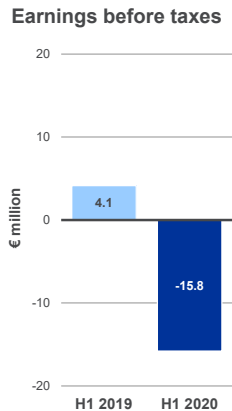
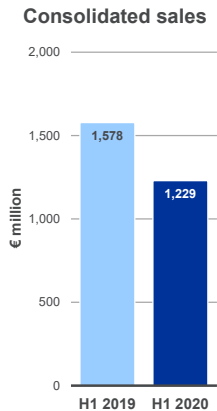
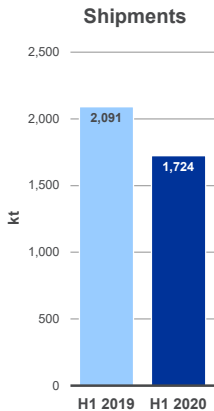
Earnings before taxes



* excluding EUROPIPE-Group

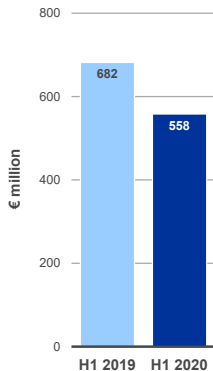


**Dramatic decline of the demand for steel tubes from the oil, gas and automotive sectors;
loss of the precision tubes segment defines the earnings of the business unit**

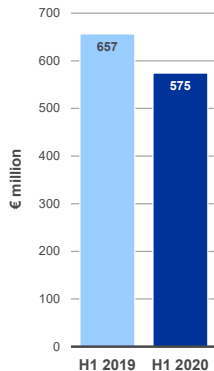


**Lower volumes especially in international trading;
decreased shipments and unsatisfactory pricing situation cause decline in external sales and loss before taxes**

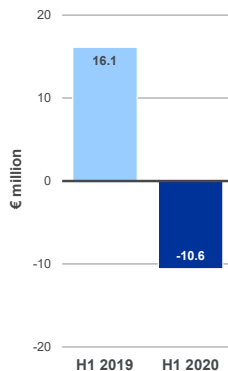
Order intake



Consolidated sales



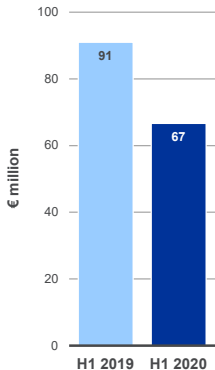
Earnings before taxes



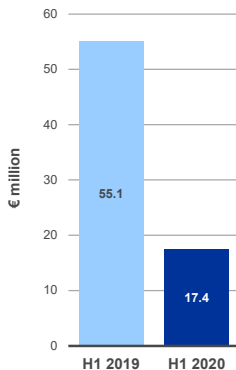
**Sharp decline in demand from customers as a result of the COVID-19 pandemic;
Pre-tax profit of KHS Group could not compensate the losses of the plastics machinery producers entirely**

Industrial Participations / Consolidation

Consolidated sales



Earnings before taxes



- Contribution Aurubis investment:
 H1 2019: € 56.4 m*
 H1 2020: € 34.0 m

* thereof € 27.8 million income from an accounting adjustment through profit and loss in connection with Aurubis AG shares acquired in the first six months of 2019 at an average price below the market value of the pro rata equity of the shares

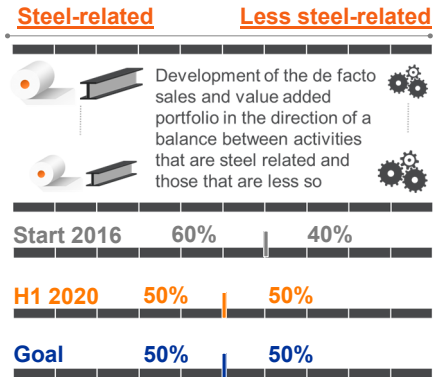


Profit before taxes includes € 34.0 million contribution from the participating investment in Aurubis AG accounted for using the equity method

- 1 Key Data / Market Situation
- 2 Business Units
- 3 Strategy
- 4 Outlook

“Salzgitter AG 2021” growth strategy – goals and stipulations

Goals



Stipulations

1. Qualitative Growth

Rolled steel production and **parts of the tubes production** can only **grow qualitatively**, not quantitatively.

2. Quantitative Growth

Quantitative growth is possible **exclusively in activities apart from steel** – especially in the **Technology Business Unit**.

3. External Growth

External growth on a larger scale is **not mandatorily necessary** for the development of the business units – can, **however**, be desirable.

Diversification strategy proves to be right especially now!

“Salzgitter AG 2021” growth strategy – implementation

1. Qualitative growth in steel-related areas

Ilseburger Grobblech GmbH: New heat treatment line

- Optimization of the product portfolio
- Commissioning: 2021



Salzgitter Flachstahl GmbH: Hot-Dip Galvanizing Line 3

- Strengthening of the premium segment for automotive customers
- Commissioning: 2022



2. Quantitative growth in less steel-related activities

DESMA Schuhmaschinen GmbH: “Factory of the Future”

- Capacity expansion
- Inauguration in July 2020



Mannesmann Precision Tubes: Expansion of the plant in Mexico

- Precision steel tubes for the USMCA area
- Commissioning: Q3 2019



3. External growth

Aurubis AG

- Increase of the participation to 29.99 %



KHS GmbH

- Cooperation with Ferrum AG for can seaming



Mannesmann Stainless Tubes

- Acquisition of the stainless steel tube producer SOTEP



Salzgitter Hydroforming GmbH

- Joint Venture with Baolong for the production of hydroformed components



Our path towards a low-CO₂, hydrogen-based steel production

We are in control...

CO₂- emission allowances acquired as a precaution

- Shortfall in CO₂ allowances has been compensated for the most part until 2030
- Current market value of the CO₂ allowances acquired for this purpose exceeds the figure accounted for in the balance sheet by around € 300 million*

...and pioneer at the same time

SALCOS

Steelmaking. Reinvented.

- Significant, gradual reduction of the CO₂ emissions of Salzgitter AG
- Target: Reduction of up to 95 % of the CO₂ emissions of Salzgitter Flachstahl until 2050

The Salzgitter Group acts decisively!

- ✓ CO₂ emission allowances for the Fourth Trading Period purchased as a precaution
- ✓ SALCOS® – technological concept for CO₂-reduced steel production

*) Per ad-hoc release from June 14, 2019; the difference between recorded value and market value per August 6, 2020 is higher than € 300 million

“Salzgitter Wind Hydrogen”

Important building block on the way towards climate-friendly steel production

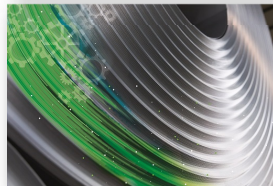
- Production of electricity via wind power and electrolytic hydrogen at the plant site
- Erection of seven wind turbines with an overall output of 30 megawatt on the grounds of Salzgitter Group
- Completion of all seven turbines is scheduled for the third quarter of 2020
- Construction of a 2.5 MW PEM electrolysis plant until end of 2020



First industrial sector coupling of “renewable power – hydrogen production – industrial consumption” at one location in Germany!

Expansion of the product range to include green strip steel

- Salzgitter AG will offer a range of green strip steel products in specified grades and dimensions before the end of 2020
- These products feature a CO₂ footprint of less than a quarter of that seen with previous steels
- In order to enable production, one of the two continuous casting lines at the Peine steelworks will be fitted out to cast slabs



Products in a defined range of steel grades with significantly reduced carbon footprint available in 2020!

Feasibility study for the direct reduction of iron ore at Wilhelmshaven agreed upon

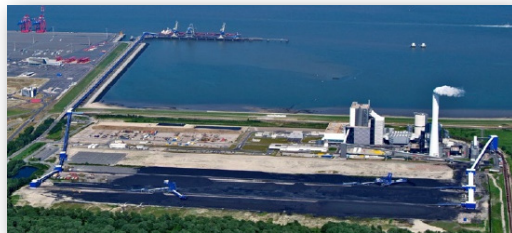
Study

- Construction of a direct reduction plant with an upstream hydrogen electrolyzer as well as
- Developing necessary infrastructure for supplying it with raw materials, natural gas and hydrogen at the deepwater port of Wilhelmshaven
- Results to be available by March 31, 2021 at the latest

Goal

- Production of 2 mt p.a. directly reduced iron for the processing into high-grade, environmentally compatible strip steel products in Salzgitter Flachstahl GmbH's integrated steelworks

Project partners

**Lower Saxony**

Another tangible step towards a low-CO₂ hydrogen-based steel production on the basis of SALCOS®

Update investment projects

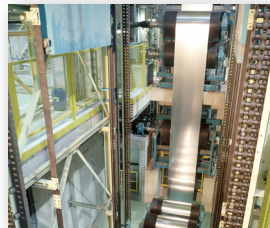
Ilseburger Grobblech: New heat treatment line

- Optimization of the product portfolio
- Expansion of the market position and volume expansion for higher value grade segments such as high strength and wear resistant, water tempered steel
- Commissioning: 2021
- *Current status: Installation of the plant*



Salzgitter Flachstahl: Hot-Dip Galvanizing Line 3

- Qualitative growth in the strip steel business
- Reinforcement of the market position in the automotive segment
- Strengthening of the premium segment for auto customers
- Commissioning: 2022
- *Current status: Construction of the building*



Sustainable strategy:
Realization of major investment projects also in less comfortable phases!

- 1 Key Data / Market Situation
- 2 Business Units
- 3 Strategy
- 4 Outlook

Salzgitter Group – Guidance

We anticipate that the second and third quarter will likely mark the bottoming out of the current crisis. At the same time, the strength and the timescale of a feasible macroeconomic recovery in the second half of the year are subject to great uncertainty. Against this backdrop, we anticipate the following for the Salzgitter Group in the current financial year 2020:

- a notable reduction in sales,
- a negative pre-tax result in the low to mid-triple digit million euro range and
- a return on capital employed (ROCE) that is tangibly below the previous year's figure.

Legal Note and other remarks

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

To the extent that this presentation contains statements oriented towards or related to the future, such statements are based on our current state of knowledge and the estimates based on such knowledge made by the management of Salzgitter AG. However, as is the case with any forecasts or prognosis, such statements are also subject to uncertainties and risks. Notwithstanding prevailing statutory provisions and capital market law in particular, we are not obligated to update this data. In particular, we shall not assume liability of any kind for knowledge and statements, as well as any acts resulting on the basis of such knowledge or statements that emanate directly or indirectly from the analysis of the data, content and correlations of this document. The information and data made available do not represent an encouragement or invitation to buy, sell or conduct any other type of trade in securities. Salzgitter AG shall neither assume liability for direct nor indirect damages, including lost profits, arising as a result of the utilization of the information or data contained in this document.

For computational reasons, rounding-off differences of +/- one unit (€, % etc.) may occur in the tables. This document is also available in German language. In the event of any discrepancy, the German version shall prevail.



Baader Investment Conference 2020

Prof. Dr.-Ing. Heinz Jörg Fuhrmann, Chairman of the Executive Board

Salzgitter, September 22, 2020