



Analyst Conference First Half 2018

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

Burkhard Becker, Chief Financial Officer

Frankfurt, August 13, 2018

Prof. Dr.-Ing. Heinz Jörg Fuhrmann

- 1** Key Data / Market Situation
- 2 Business Units
- 3** Group strategy SZAG 2021

Burkhard Becker

- 4 Financial Accounts First Half 2018
- 5** Guidance

Very pleasing first half of 2018

Market

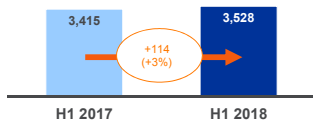
- Robust strip steel market
- Framework conditions of other product areas developed positively for the most part
- High uncertainty from trade policy measures impair planning capability and international projects
- Volatile raw material markets

Salzgitter Group

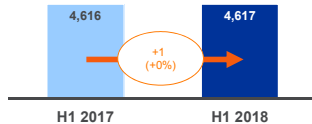
- Earnings doubled versus previous year's period
- € 43 million additional earnings improvement potential realized in the first half year
- Additional € 24 million in earnings contributions from growth programs

Key data per 2018/06/30

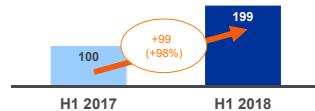
Crude steel production [kt]



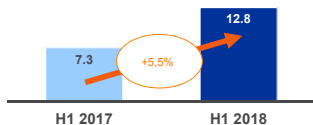
Consolidated sales [€ million]



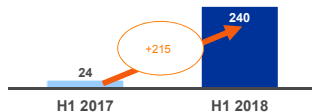
EBT [€ million]



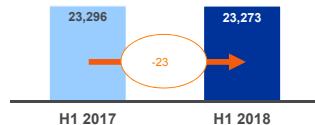
ROCE [%]



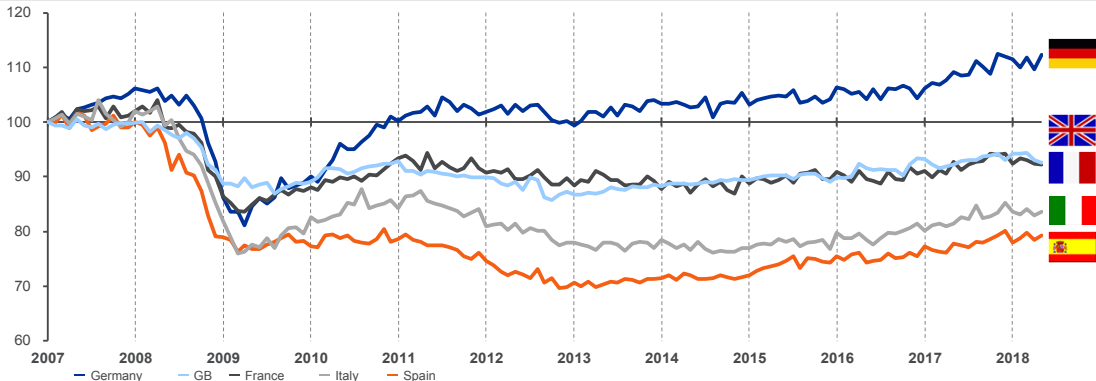
Net financial position [€ million]



Core workforce [per 06/30]



Industrial production in selected countries of the EU (Jan. 2007 = 100)

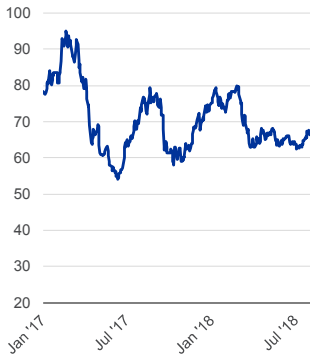


Source: Eurostat, own research, last figure from May 2018

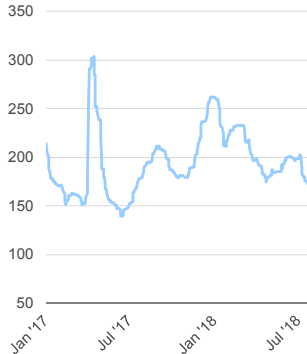
The trend of the previous years continues: Slightly improving EU industrial production, Germany remains strong

Raw materials

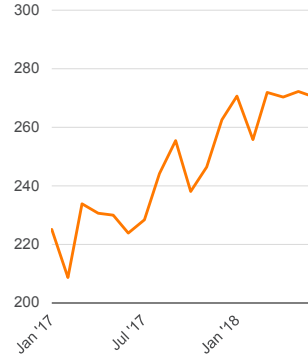
Iron ore
(62% Fe CFR China, US\$/dmt)



Coking coal
(FOB Australia, US\$/t)



Steel scrap
(grade 2/8, €/t)



Volatile raw material markets present risks, but also opportunities.

Update international steel trade

International measures affecting the European Union

- USA: Protective tariffs against numerous states cover almost all product groups
- March 26, 2018: Introduction of protective tariffs under the guise of national security (Section 232) in the U.S., since June 1, 2018 these also apply to imports from the EU
- Turkey: Safeguard investigation initiated

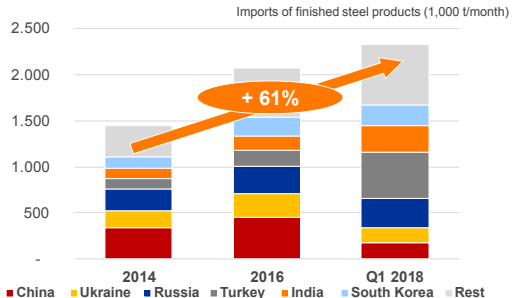


Donald J. Trump
@realDonaldTrump

We must protect our country and our workers. Our steel industry is in bad shape. IF YOU DON'T HAVE STEEL, YOU DON'T HAVE A COUNTRY!

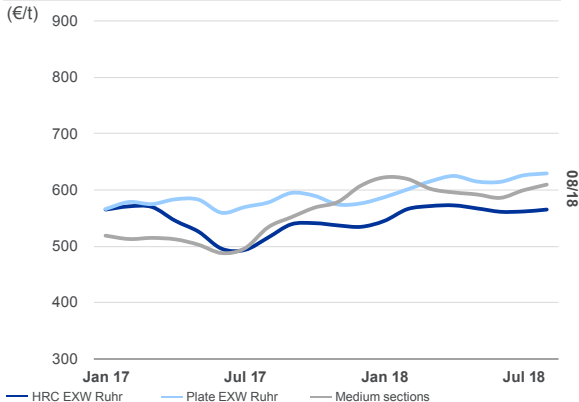
Reaction of the European Union

- June 1, 2018: WTO complaint filed against the Section 232 tariffs of the United States
- June 22, 2018: Rebalancing measures against certain "iconic" US products adopted
- July 19, 2018: Preliminary safeguard measures for a broad steel and tubes portfolio implemented

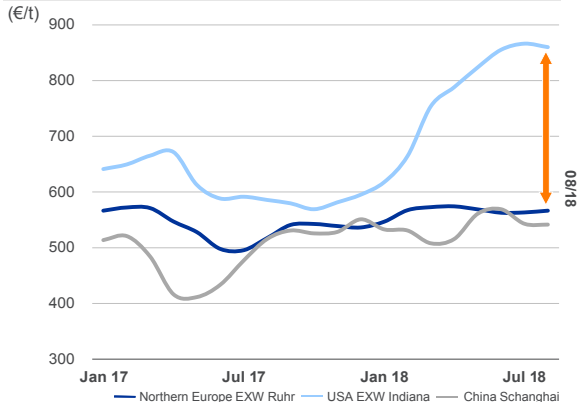


Steel prices

Spot prices Northern Europe



Hot-rolled coil prices international



Following a period of recent rises, steel prices are stabilizing at the moment; different trading policies result in enormous regional price variations

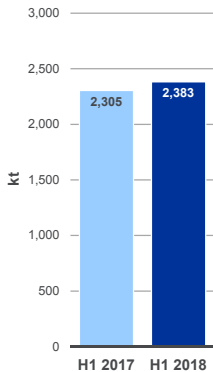
Prof. Dr.-Ing. Heinz Jörg Fuhrmann

- 1 Key Data / Market Situation
- 2 Business Units
- 3 Group strategy SZAG 2021

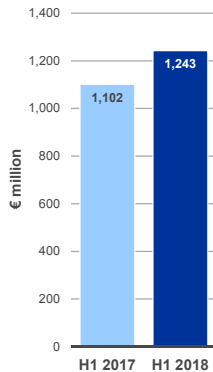
Burkhard Becker

- 4 Financial Accounts First Half 2018
- 5 Guidance

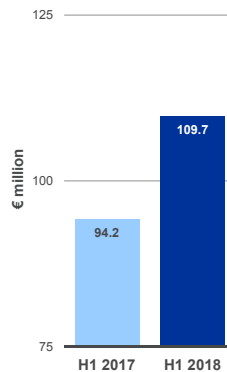
Order intake



Consolidated sales

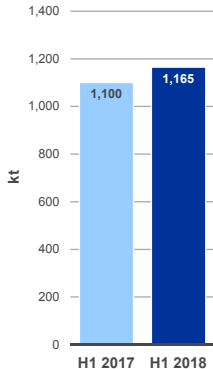


Earnings before taxes

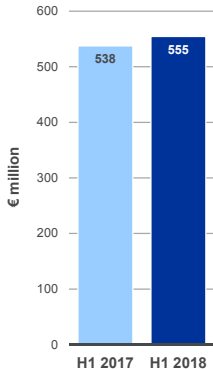


Increase of sales and profit before taxes was caused by sales price development

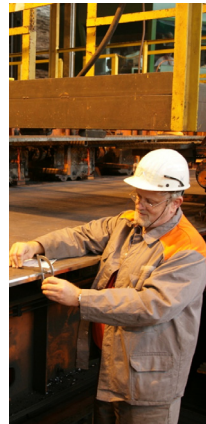
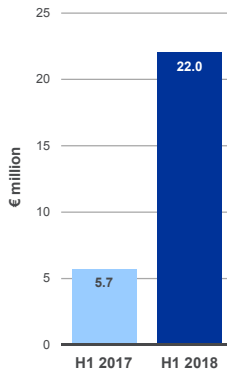
Order intake



Consolidated sales

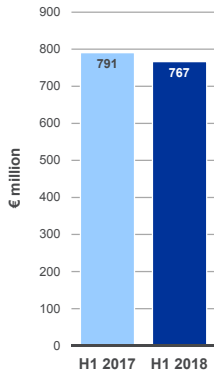


Earnings before taxes

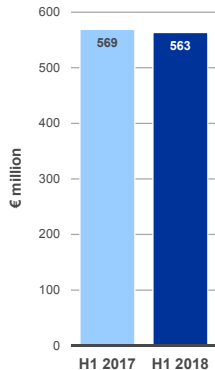


**PTG was main factor of earnings increase;
pre-tax result of heavy plate companies on previous year's level**

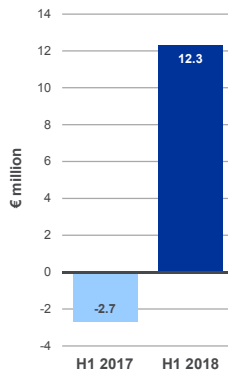
Order intake*



Consolidated sales*



Earnings before taxes

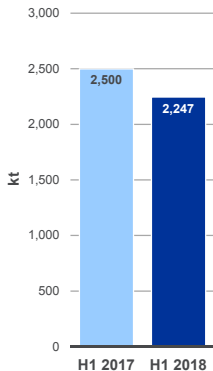


* excluding EUROPIPE-Group

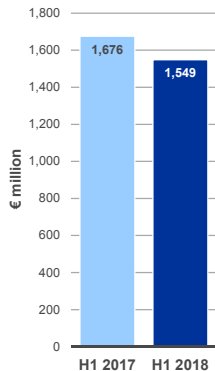


Marked earnings improvements of EUROPIPE, precision tubes group and Mannesmann Line Pipe result in turnaround

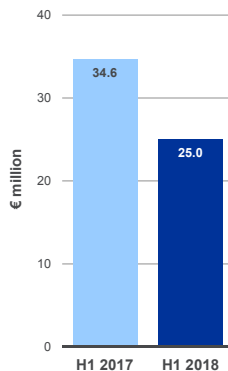
Shipments



Consolidated sales

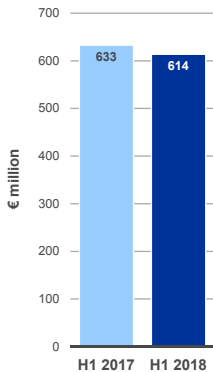


Earnings before taxes

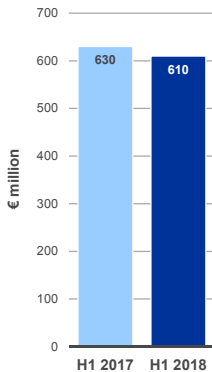


**Decreasing shipments in international trading due to trade policy framework conditions;
nonetheless very presentable result**

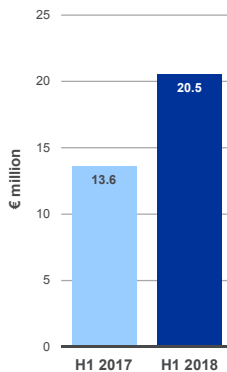
Order intake



Consolidated sales



Earnings before taxes



**Stable earnings contribution of KHS,
KDS and KDE with another profit increase**

Prof. Dr.-Ing. Heinz Jörg Fuhrmann

- 1 Key Data / Market Situation
- 2 Business Units
- 3 Group strategy SZAG 2021

Burkhard Becker

- 4 Financial Accounts First Half 2018
- 5 Guidance

Programs of measures I – what we have achieved so far

Restructuring

Salzgitter AG 2015 / FitStructure

- Extensive optimization measures in numerous Group companies

Growth

RH vacuum plant –
Salzgitter Flachstahl

- Product range development
- Capacity expansion of the secondary metallurgy

Coal injection plant –
Salzgitter Flachstahl

- Substitution of liquid reduction agents and external coke with pulverized coal that is noticeably more price efficient

eWorld
digital marketing platform –
Trading Business Unit

- Change of the strategic approach:
From commodity vendor to solutions provider
- Expansion of the product range (engineering services)

Acquisition SOTEP –
Mannesmann Business Unit

- Expansion of the market position for cold-finished seamless stainless tubes in the premium segment

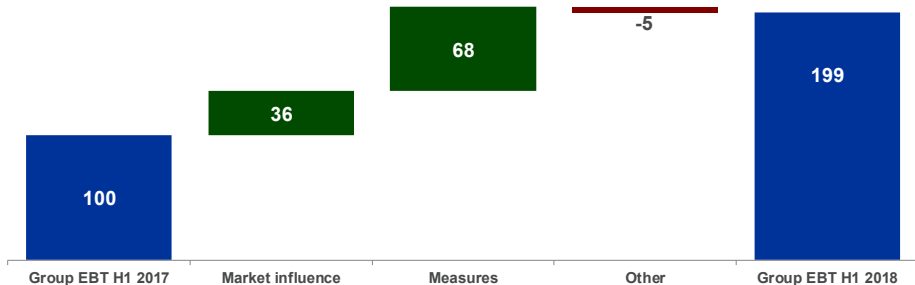


Around € 500 million in effects realized since 2012, thereof in sum € 68 million in the first half of 2018

Programs of measures II – what we have achieved over the course of the year

Reconciliation of earnings H1 2018 vs. H1 2017

€ million



Earnings improvement to a large extent result of internal measures

Programs of measures III – What we intend in the coming years

Restructuring – 2018-2021 additional € 140 million p.a. earnings improvement potential

FitStructure

- Focus on Mannesmann and Technology business units



Growth – around € 240 million p.a. additive earnings contribution

Strip Steel

- Growth in target segments by shifting steel grade portfolio towards hot-dip galvanized material

Plate / Section Steel

- Volume increase of higher quality grade such as wear-resistant and high-strength plate



Mannesmann

- Internationalization and extension of the value chain

Trading

- Expansion of the digitalization and pre-processing activities

Technology

- Participation in the market growth, expansion of the after-sales business



Focus on innovation and growth – the dynamism started in 2012 will be maintained

May 22, 2018: Acquisition of the French stainless steel tube producer SOTEP



MANNESMANN
STAINLESS TUBES and

A Member of the Salzgitter Group



Key data of the acquisition

Founding year	▪ 1980
Headquarters	▪ Issoudun, France
Sales (2017)	▪ > € 10 million
Employees	▪ 65
Products	▪ Cold-finished seamless stainless tubes in the premium segment
Customer groups	▪ Aerospace, power plant, as well as oil and gas industry



Landing gear



SAM 146 engine



Business Class seats



Airbus A320 ceo/neo



Sukhoi Superjet 100



Commercial aircraft

Mannesmann Stainless Tubes strengthens its market position

May 23, 2018: Salzgitter Group launches bidding platform e-AUCTION

e-AUCTION

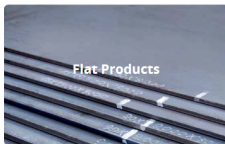
SALZGITTER MANNESMANN STAHLAUKTIONEN

LOGIN

ENGLISH

Current Auctions

Search for Auctions



All new auctions



All expiring auctions



All Buy It Now auctions

CONNECT

CONNECT



e-AUCTION

e-SHOP

Steel trading takes another step in the direction of digitalization

July 16, 2018: Insider information pursuant to Article 17 MAR



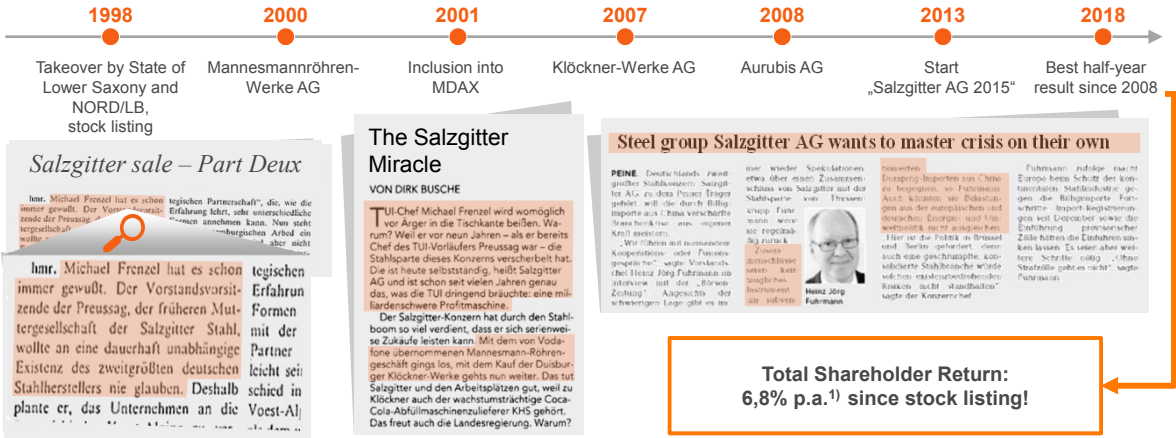
Today, the Executive Board of Salzgitter AG has decided to **submit an offer to acquire production facilities** in Dudelange (Luxembourg) and Liege (Belgium) in the context of the divestment process currently conducted by ArcelorMittal. The facilities in question are essentially **two cold rolling lines, as well as facilities for tinning, hot-dip galvanizing and the electrolytic galvanization of steel strip.**

Whether this will ultimately result in Salzgitter AG acquiring the production facilities is uncertain as the divestment procedure is a competitive process in which several bidders may bid. Any **execution of a binding purchase agreement is subject to several conditions.** [...] In addition, the transaction is also **contingent upon ArcelorMittal's acquisition of Ilva.**



Ongoing procedure – we are bound to confidentiality!

June 2, 2018 – 20th anniversary of the Salzgitter AG stock listing



20 years after the stock listing: Strong, successful and independent!

Prof. Dr.-Ing. Heinz Jörg Fuhrmann

- 1 Key Data / Market Situation
- 2 Business Units
- 3 Group strategy SZAG 2021

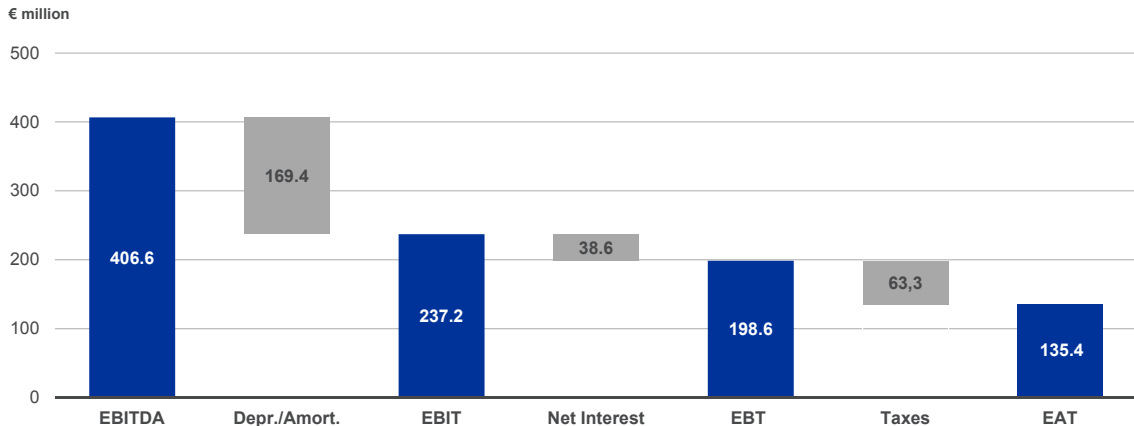
Burkhard Becker

- 4 Financial Accounts First Half 2018
- 5 Guidance

Best half-year result since 2008

- Profit before taxes almost doubled compared to the previous year
- „FitStructure“ and „SZAG 2021“ contribute nearly € 70 million additional profit improvement potential realized for the first time
- ROCE has reached 12.8 %
- Earnings per share climbed to € 2.45
- Increase net cash position (€ 240 million); equity ratio 36%
- Outlook for 2018 unchanged

Group Result



Depreciation and amortization around the previous year's level and similarly high interest income
 Improvement in EBT is reflected in an increase in EBIT and EBITDA

Income statement

Income Statement (€ million)	H1 2018	H1 2017
Sales	4,617.1	4,616.2
Increase/decrease in finished goods and work in process/other own work capitalized	29.7	37.9
	4,646.8	4,654.1
Other operating income	147.2	145.2
Cost of materials	3,013.9	3,086.9
Personnel expenses	862.3	841.3
Amortization and depreciation of intangible assets and property, plant and equipment	169.4	169.7
Other operating expenses	544.7	617.3
Income from shareholdings	4.8	5.6
Result from investments accounted for using the equity method	30.8	51.9
Finance income	6.7	10.3
Finance expenses	47.4	51.7
Earnings before taxes (EBT)	198.6	100.2
Income tax	63.3	35.6
Consolidated result	135.4	64.7

Consolidated balance sheet

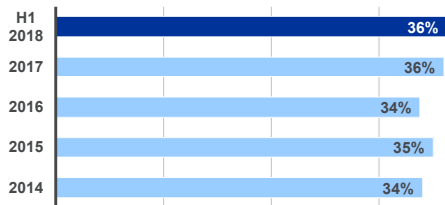
Assets (€ million)	2018/06/30	2017/12/31	Δ
Non-current assets	3,621.9	3,565.9	56.0
Intangible assets, property, plant and equipment	2,393.5	2,433.3	-39.8
Investment property	21.4	21.5	-0.1
Financial assets	94.9	84.1	10.8
Investments accounted for using the equity method	715.2	577.5	137.7
Trade receivables	21.6	25.6	-4.0
Other receivables and other assets	18.2	26.0	-7.8
Income tax assets	2.5	4.5	-2.0
Deferred income tax assets	354.7	393.2	-38.6
Current assets	4,859.8	4,751.8	107.9
Inventories	2,152.3	2,084.5	67.8
Trade receivables	1,488.1	1,492.2	-4.1
Contract assets	157.9	0.0	157.9
Other receivables and other assets	444.0	394.2	49.8
Income tax assets	19.4	24.9	-5.5
Securities	69.6	76.6	-7.0
Cash and cash equivalents	528.6	679.4	-150.8
Balance sheet total	8,481.7	8,317.8	163.9

Consolidated balance sheet

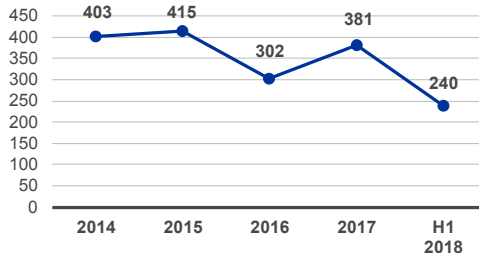
Equity and liabilities (€ million)	2018/06/30	2017/12/31	Δ
Equity	3,075.9	2,989.7	86.2
Subscribed capital	161.6	161.6	0.0
Capital reserve	257.0	257.0	0.0
Retained earnings	2,973.6	2,854.6	119.0
Other reserves	42.7	51.1	-8.4
Unappropriated retained earnings	2.8	27.1	-24.3
Treasury shares	-369.7	-369.7	0.0
Minority Interest	7.9	8.1	-0.2
Non-current liabilities	3,281.3	3,321.5	-40.2
Provisions for pensions and similar obligations	2,418.0	2,440.5	-22.5
Deferred tax liabilities	41.9	41.9	0.0
Income tax liabilities	88.1	97.6	-9.5
Other provisions	306.9	303.5	3.4
Financial liabilities	422.0	433.8	-11.8
Other liabilities	4.2	4.1	0.1
Current liabilities	2,124.5	2,006.5	118.0
Other provisions	228.5	232.3	-3.8
Financial liabilities	236.5	237.8	-1.3
Trade payables	1,134.1	1,169.0	-34.9
Liability contracts	94.5	0.0	94.5
Income tax liabilities	27.6	28.2	-0.6
Other liabilities	403.4	339.2	64.2
Balance sheet total	8,481.7	8,317.8	163.9

Balance Sheet – Figures

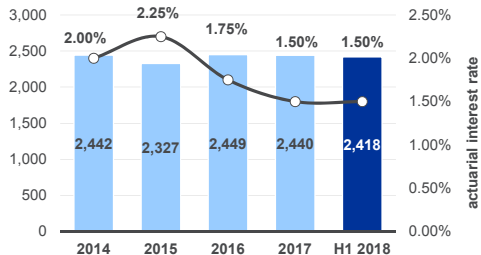
Equity ratio



Net financial position (€ million)

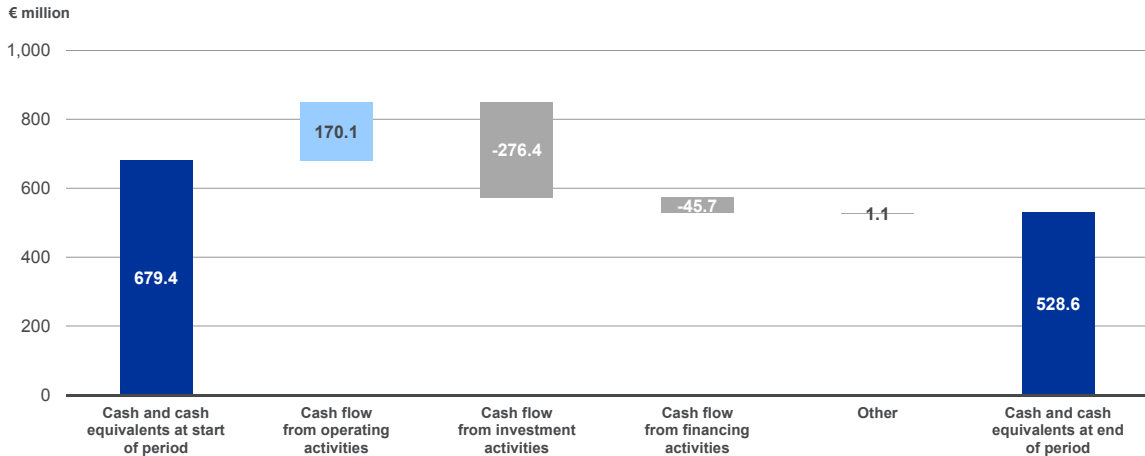


Pension provisions (€ million)



- Equity ratio stable on a solid level
- Decrease in net financial position especially due to investments in non-current assets
- Pension reserves virtually at the same level with an actuarial interest rate (1.50 %; Q1 2018 1.75%) unchanged from the balance sheet date

Cash flow statement



Higher cash flow from operating activities mainly owing to improved result

Prof. Dr.-Ing. Heinz Jörg Fuhrmann

- 1 Key Data / Market Situation
- 2 Business Units
- 3 Group strategy SZAG 2021

Burkhard Becker

- 4 Financial Accounts First Half 2018
- 5 Guidance

Business Units – Forecast 2018

Strip Steel

- market environment remains sensitive
- continuing robust demand and supporting effect of EU safeguard measures expected

Plate / Section Steel

- Plate: market environment still characterized by high levels of imports, signs of the situation brightening a little as the year progresses
- Section steel: volatile scrap prices and speculative buying patterns of customers
- Still largely sound capacity utilization predicted for all three locations

Mannesmann

- Large-diameter pipe mills: still temporarily well booked in Germany, order situation in North America improved
- Medium line pipes: Demand lower than year before, but at improved prices
- Precision tubes positive development, stainless tubes with marginal improvement

Trading

- other areas will not be able to fully compensate for the subdued activities in international trading
- earnings are increasingly returning to normal levels compared to the previous year that was impacted by the temporary widening of margins

Technology

- KHS Group: continuing fierce competitive pressure in the project business
- positive impact of the measures to raise efficiency
- KDS and KDE Group: positive prospects

Business Unit

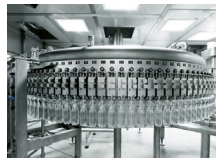
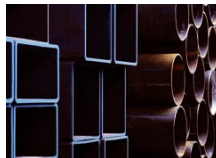
- significantly higher sales
- EBT at the level of the outstanding year-earlier result

- moderate sales growth
- significant reduction in pre-tax loss moving toward virtual breakeven level

- sales on previous year's level
- substantially improved, again positive pre-tax result

- slight downturn in sales
- gratifying pre-tax profit, nevertheless considerably below the previous year's outstanding figure

- Based on a high order backlog:
- moderate increase in sales
 - tangible increase in pre-tax profit



Salzgitter Group – Guidance from August 13, 2018

Against the backdrop of uncertainty from trade policies and their possible impact, Salzgitter AG is leaving its guidance for the financial year 2018 unchanged – notwithstanding the currently positive situation of our key sales markets – and continues to anticipate

- a marginal increase in sales to above € 9 billion,
- a pre-tax profit of between € 250 million and € 300 million and
- a return on capital employed that is stable compared with 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, may have a considerable impact over the course of the financial year 2018.

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.