



Baader Investment Conference

Markus Heidler, Head of Investor Relations

Munich, September 23, 2019



- 1** Salzgitter Group
- 2** Market Situation
- 3** Strategy
- 4** Financials and Guidance

Key data 2018

- External sales: € 9.3 billion
- EBT: € 347 million – best earnings of the past ten years
- Earnings improvement potential: € 150 million p.a. realized for the first time
- Total workforce: 25,363
- Crude steel production: 7 mt
- Trading volume: 4.5 mt

Global Presence

more than 150 subsidiaries and holdings all around the globe including growth markets like China and India

Steel and Technology

Strip Steel Business Unit

Strip products
Steel Service Center

Modern integrated steel mill;
Producer of high-quality steel grades

Plate / Section Steel Business Unit

Heavy plates
Sections

Three traditional and innovative producers of high-quality steel products

Technology Business Unit

Beverage filling and packaging systems
Special machinery

Mannesmann Business Unit

Line pipes
Precision tubes
Stainless tubes

Top or leading market positions

Trading Business Unit

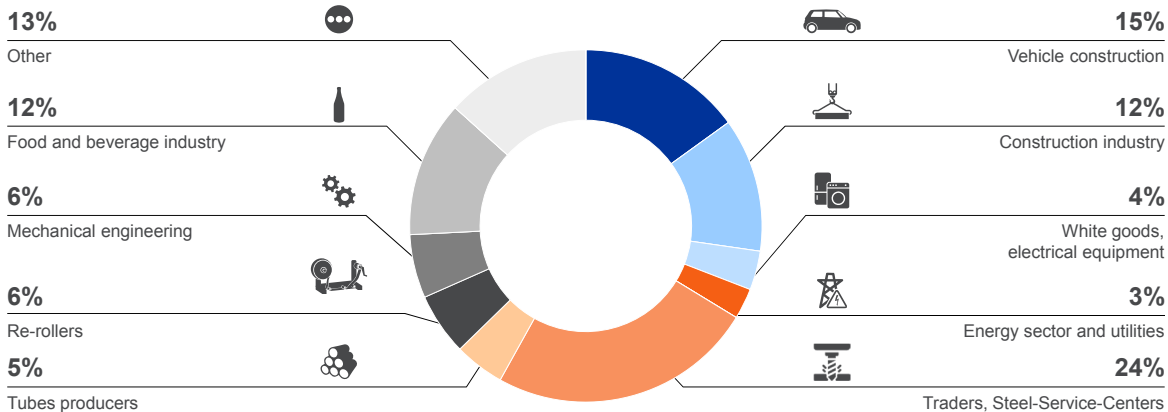
Stockholding trading
International trading

74 sites
in 30 countries

Among the top 3 producers of beverage filling and packaging machinery



External sales 2018 by customer industries



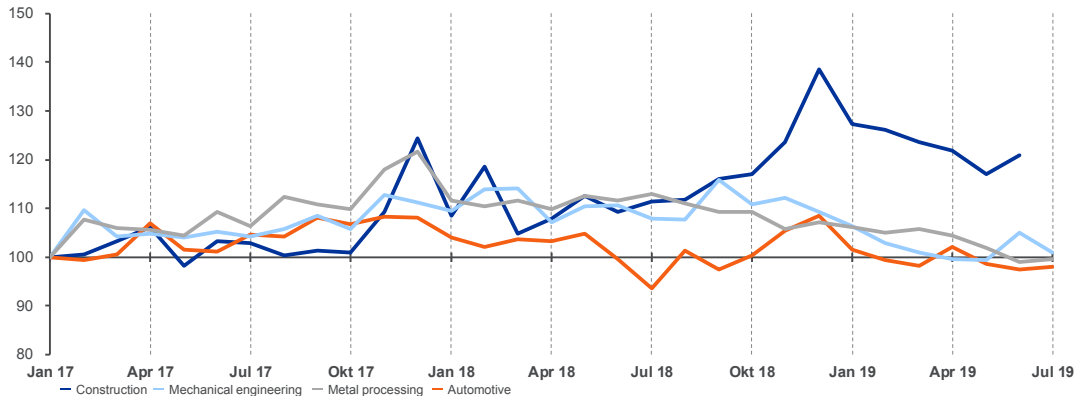
Broad customer base is an advantage at the moment!



- 1 Salzgitter Group
- 2 Market Situation
- 3 Strategy
- 4 Financials and Guidance

Order intake of steel consumers

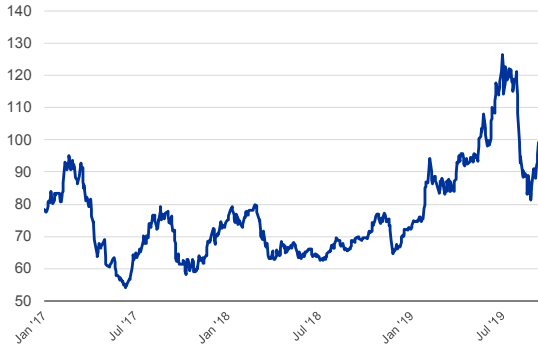
Order intake of selected branches of the German industrial sector (Jan. 2017 = 100)



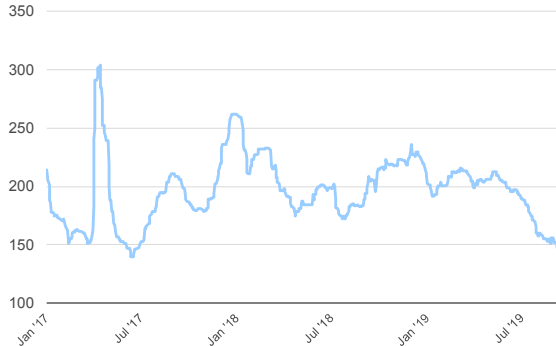
Challenging environment for some steel consumers at the moment – automotive and metal processing sectors show stabilization in July 2019

Raw materials prices

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

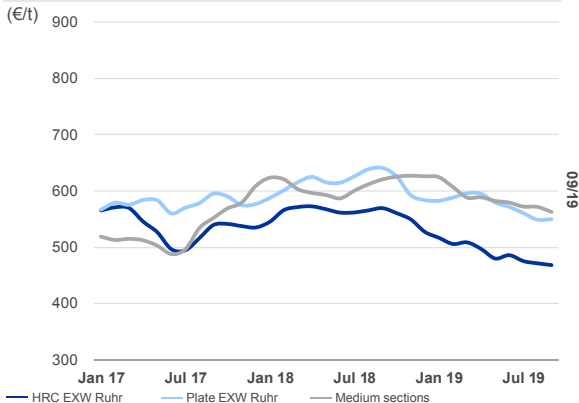


Coking coal
(FOB Australia, US\$/t)

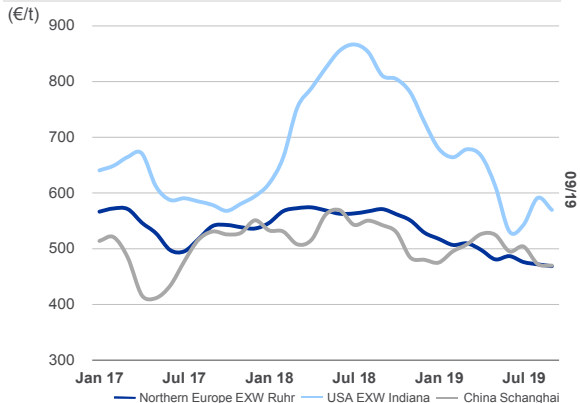


Iron ore: dramatic price surge in the first half-year; recently rapid decrease
Coking coal: global demand can be satisfied completely at the moment – with a corresponding effect on pricing

Spot prices Northern Europe

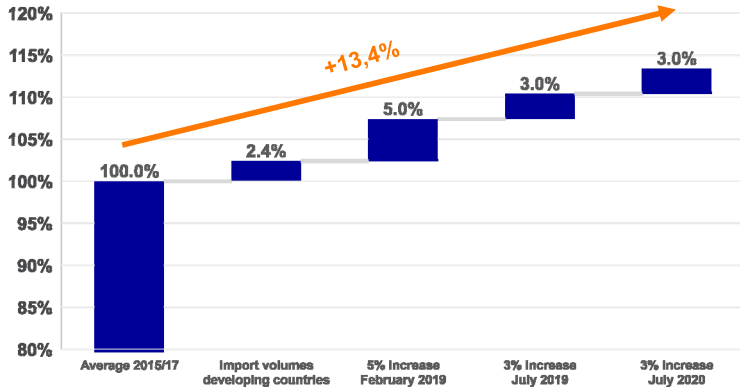


Hot-rolled coil prices international



Following periods of rises, steel prices were significantly decreasing since mid 2018 – trough reached recently

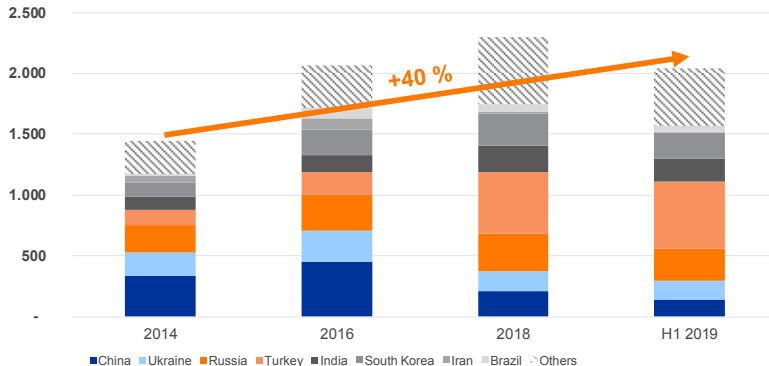
EU import quotas for steel products



- Safeguard quotas are already based on record levels of imports
- Developing countries are exempt from the measures even though their import volumes were included in the quota calculation
- Quota increases in February and July of 2019 as well as July 2020 do not reflect the actual market growth
- Imports of developing countries increase the record level even further

The majority of EU member states voted in favor of a proposal by the EU Commission which, despite decreasing demand for steel, only provides for a marginal adjustment of the quota increases in July 2019 and 2020 from +5 to +3% – a recalibration of quotas is necessary!

Import situation EU (in 1.000t/month)



Recent decrease of imports versus peak levels due to economic conditions and low steel prices in Europe rather than effectiveness of Safeguards



- 1 Salzgitter Group
- 2 Market Situation
- 3 Strategy
- 4 Financials and Guidance

Goals

Steel-relatedLess steel-related

Development of the de facto sales and value added portfolio in the direction of a balance between activities that are steel related and those that are less so



Stipulations

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

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

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

Status implementation

Development of the portfolio towards high- and highest-strength grades: to this end large-scale investments at ILG and SZFG

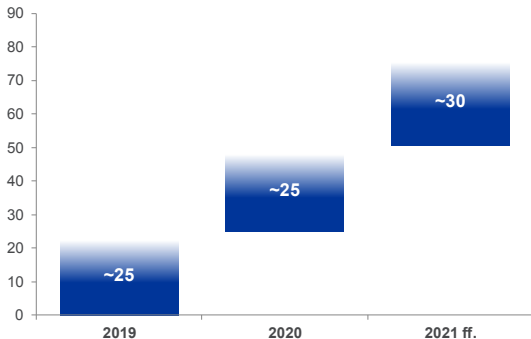
DESMA Achim “Factory of the Future”, Expansion precision tubes group in Mexico, KHS on track towards the best result since becoming part of Salzgitter Group

Acquisition SOTEP, Joint Venture Baolong Salzgitter Hydroforming, Increase of the Aurubis AG shareholding to 30%



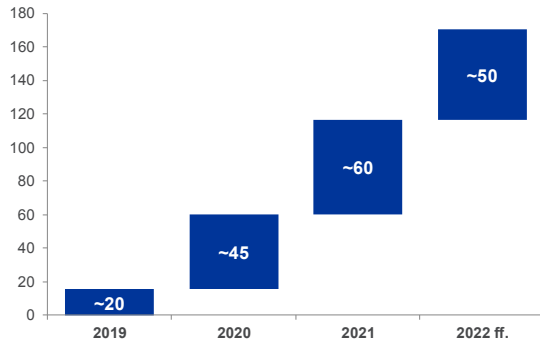
FitStructure SZAG

€ million earnings improvement potential



SZAG 2021 Growth Programs

€ million additional profit contribution

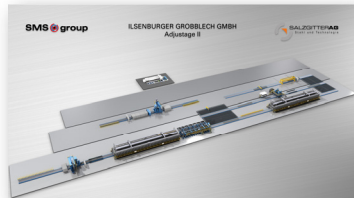


All in all around € 250 million in additional effects from optimization programs planned;
supplemental measures emanating from new stimulus in preparation

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

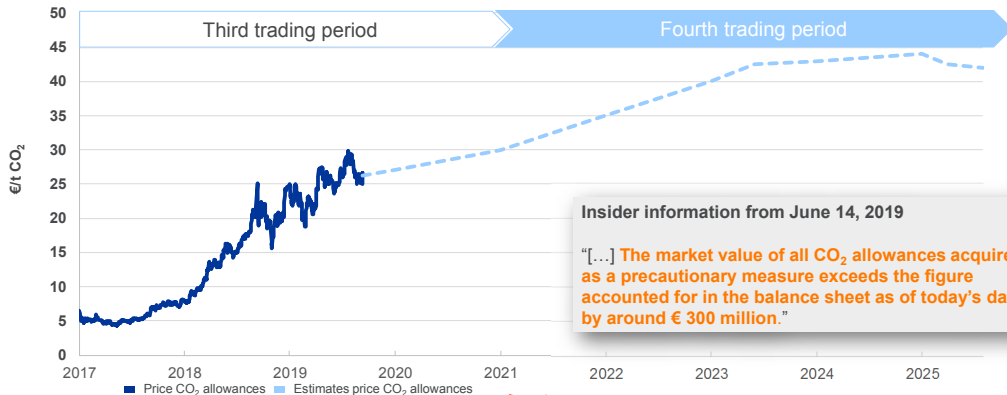


Salzgitter Flachstahl: Hot-Dip Galvanizing Line 3

- 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



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

Price forecast CO₂ allowances

Shortfall in CO₂ allowances has been compensated until 2030! for the most part at the subsidiaries of the Salzgitter Group by allowances purchased as a precautionary measure

SALCOS – Salzgitter Low CO₂ Steelmaking

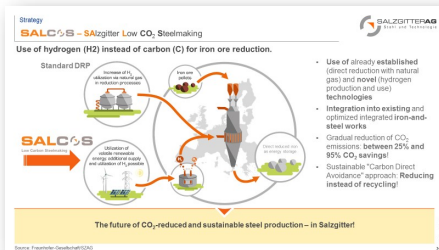
April 3, 2019

Memorandum of Understanding with Tenova on the mutual cooperation for the realization of SALCOS®



Currently

Discussions with relevant stakeholders about the creation of suitable framework conditions



We affirm our offer to politics and society to realize a low CO₂ steel production in the near future

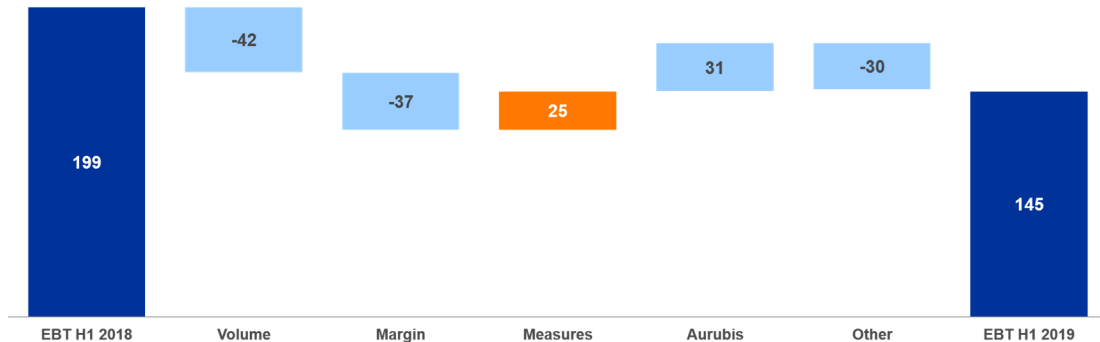


- 1 Salzgitter Group
- 2 Market Situation
- 3 Strategy
- 4 Financials and Guidance

		H1 2019	H1 2018	Δ	Q2 2019	Q1 2019
Crude steel production	kt	3,412.1	3,528.9	-116.8	1,672.3	1,739.8
External sales ¹	€ million	4,526.2	4,617.1	-90.9	2,232.4	2,293.8
Earnings before tax	€ million	145.3	198.6	-53.3	19.4	125.9
Earnings after tax	€ million	96.4	135.4	-38.9	-0.3	96.7
Earnings per share (undiluted)	€	1.73	2.45	-0.72	-0.03	1.76
ROCE	%	7.9	12.8	-4.9	2.8	14.1
Core workforce ²		23,639	23,273	366	23,639	23,683

Overall pleasing performance in light of the current environment

€ million



Partial compensation of significant market-driven burdens

Salzgitter AG affirmed its guidance for the financial year 2019 and anticipates:

- a slight decrease in sales compared with the previous year to above the € 9.0 billion mark,
- a pre-tax profit of between € 125 million and € 175 million 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.

Conclusion

- Ongoing political and economic volatility
- Challenges from trade and climate policy as well as high imports remain significant

BUT:

- Prices for many steel products appear to have stabilized
- Further cost optimization under way
- Climate policy risk is mitigated with precautionary purchase of allowances and SALCOS®
- Solid financial foundation



The glass is half-full!



Baader Investment Conference

Markus Heidler, Head of Investor Relations

Munich, September 23, 2019