



# 17<sup>th</sup> German Corporate Conference

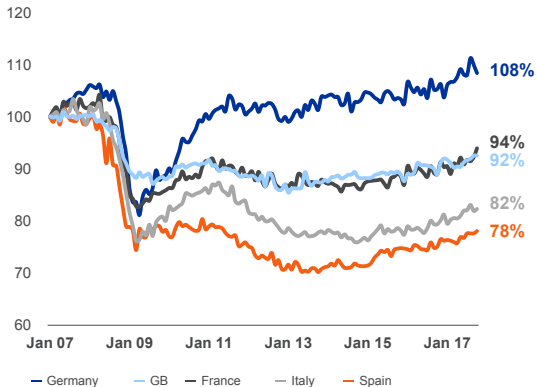
**Prof. Dr.-Ing. Heinz Jörg Fuhrmann**, Chairman of the Executive Board

Frankfurt, January 15, 2018

- 1** Market Situation
- 2** Financials
- 3** Strategy
- 4** Guidance

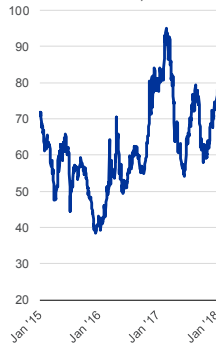
Industrial production

(Jan. 2007 = 100)

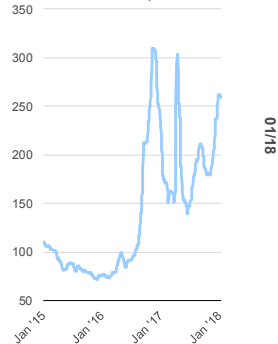


Raw materials

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

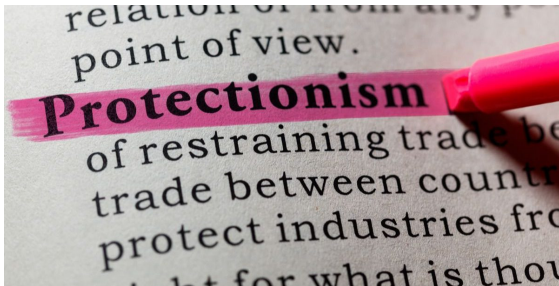


Coking coal  
(FOB Australia,  
US\$/t)



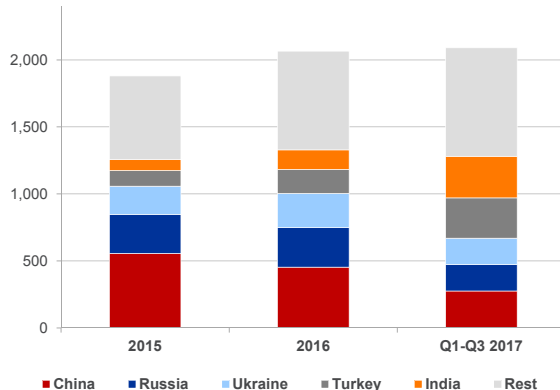
For the most part stagnating industrial production in the EU; raw material prices very volatile

International trade policy



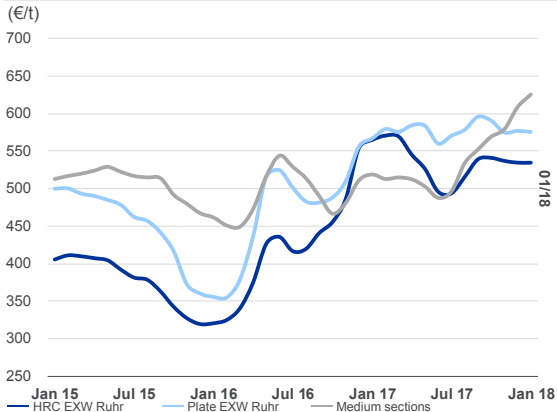
Steel imports into the EU-28

Import of finished steel products (1,000 t/month)

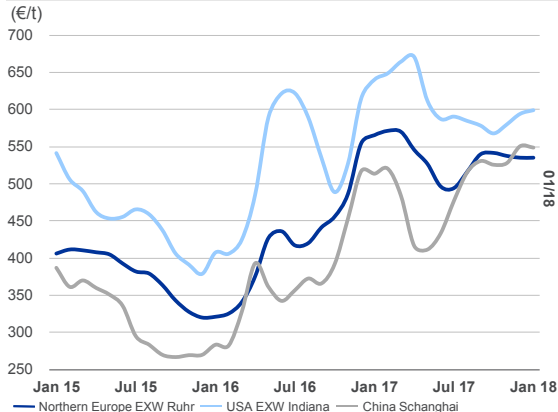


International trade policy dominated by protectionism;  
European AD-measures against China having impact – steel imports into the EU remain at a high level

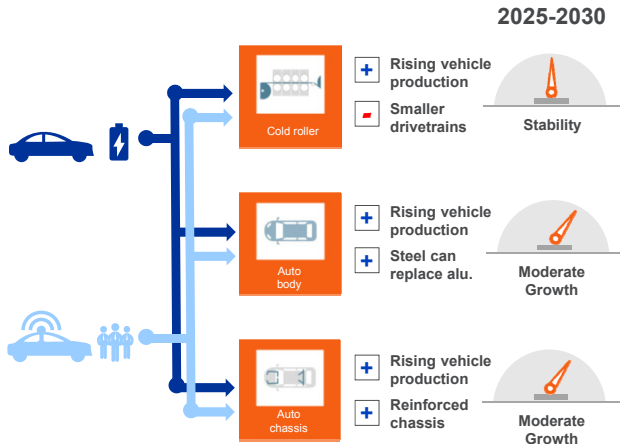
Spot prices Northern Europe



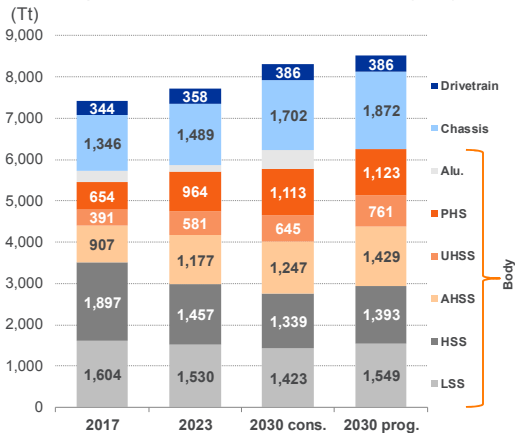
Hot-rolled coil prices international



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



Strip steel demand for SZFG-relevant OEM 2030 (EU28)



...is more opportunity than threat for Salzgitter Group!



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## Key data per 2017/09/30

		9M 2017	9M 2016	Δ	Q3 2017	Q2 2017	Q1 2017
Crude steel production	kt	5,151.0	5,171.6	-20.6	1,735.7	1,675.7	1,739.6
External sales <sup>1</sup>	€ million	6,813.2	5,860.5	952.8	2,197.1	2,262.3	2,353.9
Earnings before tax	€ million	174.5	21.1	153.3	74.2	23.1	77.1
Earnings after tax	€ million	112.6	14.6	98.1	48.0	15.9	48.7
Earnings per share (diluted)	€	2.01	0.21	1.80	0.87	0.27	0.87
ROCE	%	7.9	2.1	5.8	9.3	4.0	10.3
Core workforce <sup>2</sup>		23,276	23,356	-80	23,276	23,296	23,287

<sup>1</sup> only from entities within the Group of Consolidated Companies of Salzgitter Group <sup>2</sup> per reporting date

**Best result for a nine-month period since 2008**



## Earnings development of business units

		9M 2017	9M 2016	
Earnings before taxes	€ million	174.5	21.1	↑
Strip Steel	€ million	159.2	-27.4	↑
Plate / Section Steel	€ million	-18.7	-24.7	↑
Mannesmann	€ million	1.4	2.4	→
Trading	€ million	44.8	31.7	↑
Technology	€ million	17.8	17.1	→
Indust. Participation / Consolidation	€ million	-30.0	22.0	↓
thereof Aurubis investment*	€ million	-8.7	16.8	↓

**Salzgitter Group on course with third earnings increase in sequence**

\*) including € -80.0 million in valuation effects from the exchangeable bond (9M 2016: € -16.7 million)



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## Programs of measures

### Group Strategy SZAG 2021

#### Growth programs

- Organic growth in product areas with high contribution margins
- Develop potential through investments and R&D initiatives
- Expansion of the share of non-steel sales from currently 40% to 50%



2017 – 2021

**> € 200 million p.a.**

additional profit contributions

2017

2018

2019

2020

2021

#### FitStructure SZAG

- Focus on cost savings and efficiency enhancement
- Substantial part from heavy plate companies and Mannesmann Business Unit

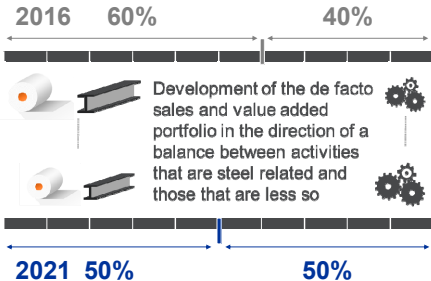


2017 – 2021

**Around € 170 million p.a.**

earnings improvement potential

## Goal:

Steel-relatedLess steel-related

## 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** for the **Technology Business Unit**, especially for product and technology expansion.

Strategic cornerstones for the development of the Group

## SZAG 2021 – example Hot-Dip Galvanizing Line 3

### Strategy SZAG 2021 – focus on growth

- Satisfaction of rising quality requirements by customers
- Reinforcement of the market position in the automotive segment
- Expansion of the galvanizing capacity

### FitStructure SZAG – cost cutting and efficiency improvement

- Shortening of retooling standstills due to greater specialization of the lines within the galvanizing shop along distinct product divisions

### Goal:

- Compensation of the market-induced lower demand for elo-galvanized steel
- Satisfaction of higher demand for high- and ultra high-strength hot-dip galvanized steels



Key component in the group's "Salzgitter AG 2021" strategy

## SZAG 2021 – example Precision Tubes

### Strategy SZAG 2021 – focus on growth

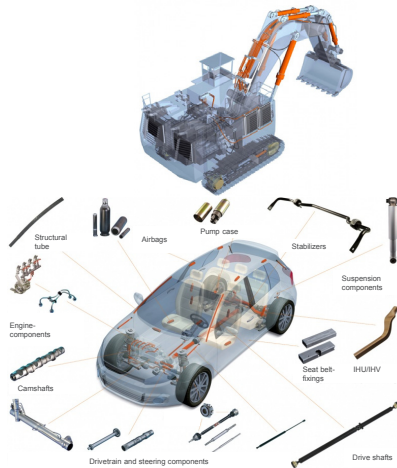
- Expansion of the plant in Mexico
- Construction of a production line for thick-walled tubes
- Upgrade of the existing finishing line

### FitStructure SZAG – cost cutting and efficiency improvement

- Realignment of Mannesmann Precision Tubes Group as a technology provider
- Program comprising 180 individual measures

### Goal: Sustainable pre-tax margin of 5% as of 2021

- Growth with profitable products
- Extension of the value chain
- Growth through internationalization



Key component in the group's "Salzgitter AG 2021" strategy



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## Salzgitter Group – Guidance from November 14, 2017

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We affirm our earnings forecast for the financial year 2017 that we raised on October 24, 2017 and anticipate:

- **an increase in sales to around € 9 billion,**
- **a pre-tax profit of between € 175 million and € 225 million, as well as**
- **a return on capital employed (ROCE) that discernibly exceeds the previous year's figure.**

### Legal Note and other remarks

We make reference to the fact that opportunities and risks from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as changes in the exchange rates, may still significantly affect performance in the course of the financial year 2017.

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.

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