



Analyst Conference First Half 2019

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

Burkhard Becker, Chief Financial Officer

Frankfurt, August 12, 2019

Prof. Dr.-Ing. Heinz Jörg Fuhrmann

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

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- 4 Financial Accounts First Half 2019
- 5** Guidance

Presentable development in a difficult environment

Market

- Weakening sales prices and continuing high import levels impact steel market
- Significant uncertainty from trade policy measures impair planning capability and international projects
- Volatile raw material markets with dramatic surge of iron ore prices in the first half-year

Salzgitter Group

- Pre-tax profit also in the second quarter
- All business units with positive earnings contribution
- KHS Group with marked rise in profits
- € 18 million additional earnings improvement potential and an additional € 7 million in earnings contributions from growth programs realized

Key data

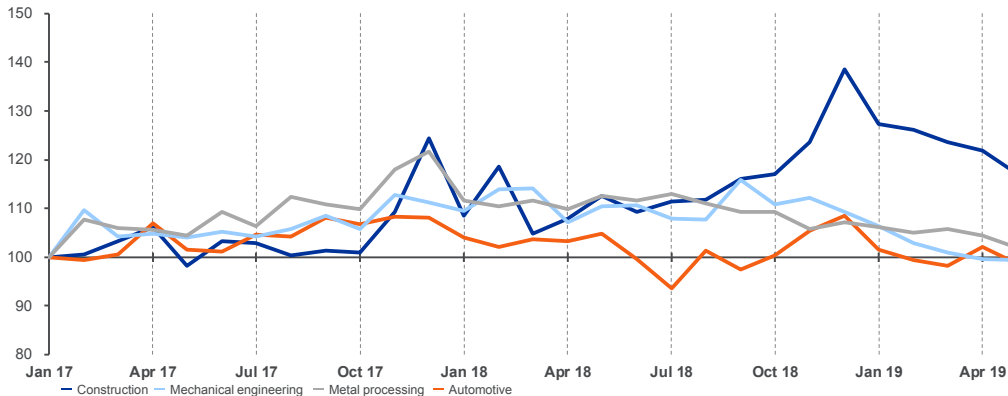
		H1 2019	H1 2018	Δ	Q2 2019	Q1 2019
Crude steel production	kt	3,412.1	3,528.9	-116.8	1,672.3	1,739.8
External sales ¹	€ million	4,526.2	4,617.1	-90.9	2,232.4	2,293.8
Earnings before tax	€ million	145.3	198.6	-53.3	19.4	125.9
Earnings after tax	€ million	96.4	135.4	-38.9	-0.3	96.7
Earnings per share (undiluted)	€	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

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

Order intake of steel consumers

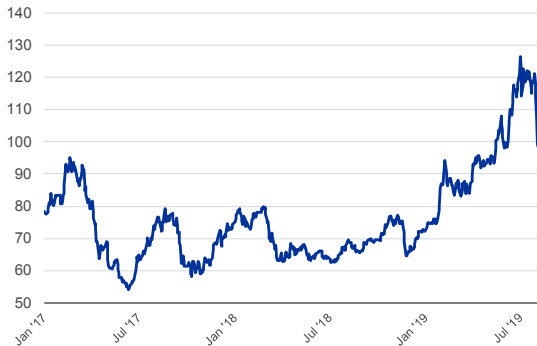
Order intake of selected branches of the German industrial sector (Jan. 2017 = 100)



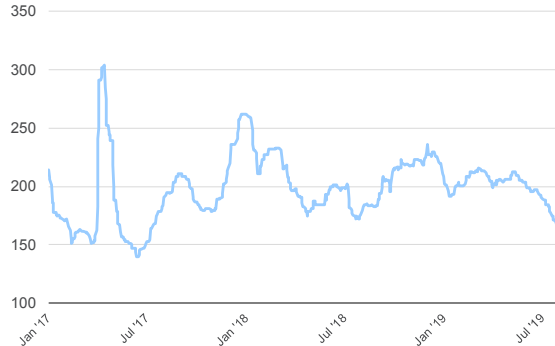
Challenging environment for some steel consumers at the moment

Raw materials prices

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



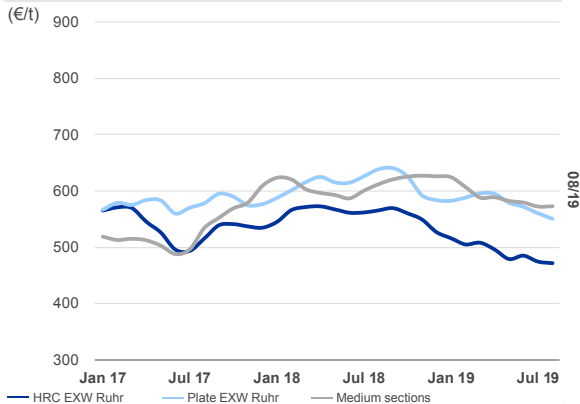
Coking coal
(FOB Australia, US\$/t)



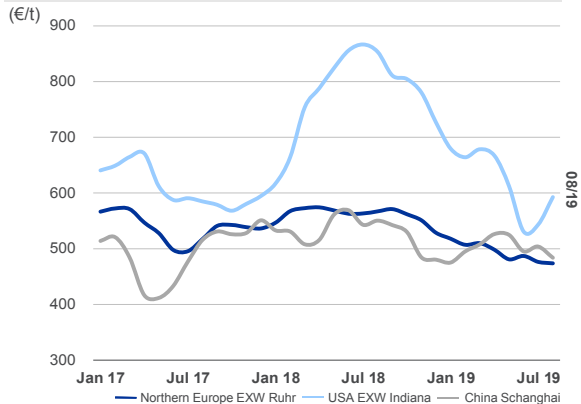
Iron ore: dramatic price surge in the first half-year; recently rapid decrease
Coking coal: global demand can be satisfied completely at the moment – with a corresponding effect on pricing

Steel prices

Spot prices Northern Europe

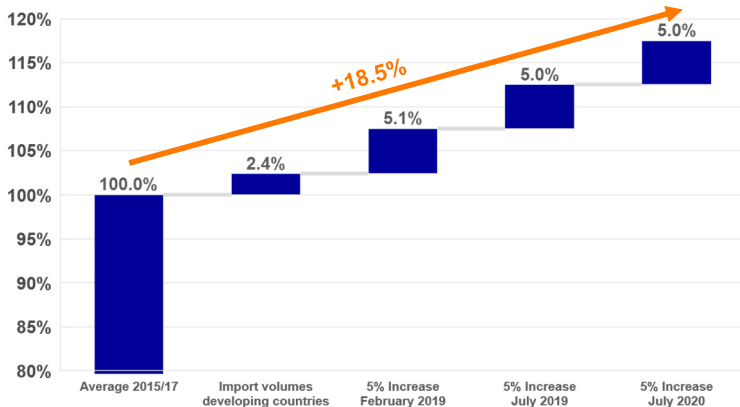


Hot-rolled coil prices international



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

Recalibration of quotas is necessary

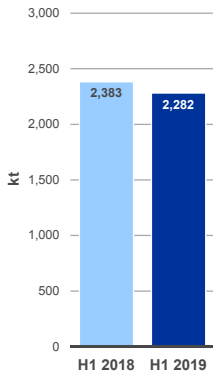
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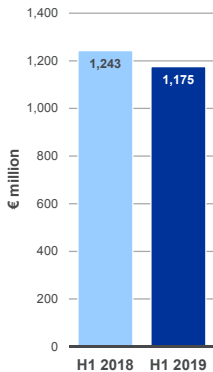
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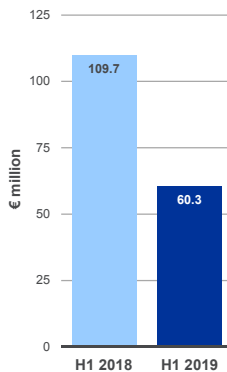
Order intake



Consolidated sales

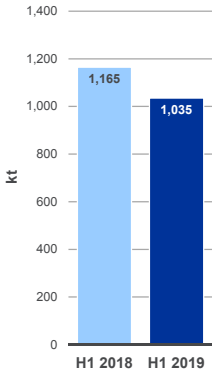


Earnings before taxes

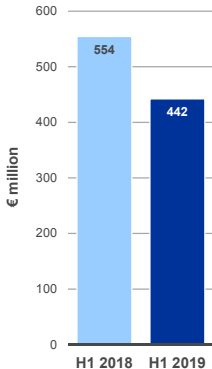


Decrease of earnings versus the outstanding previous-year's figure mainly due to raw material costs surge and decreasing selling prices for strip products

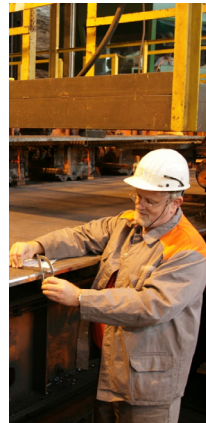
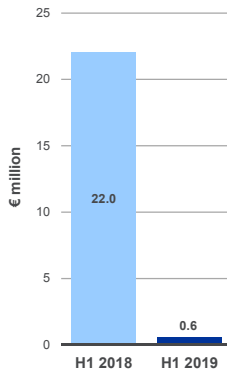
Order intake



Consolidated sales

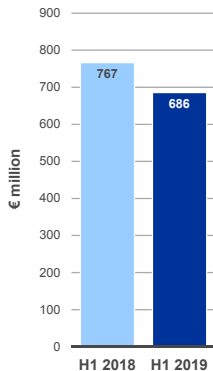


Earnings before taxes

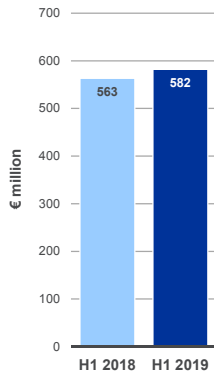


Profits of Peiner Träger and DEUMU compensated negative results of the plate companies

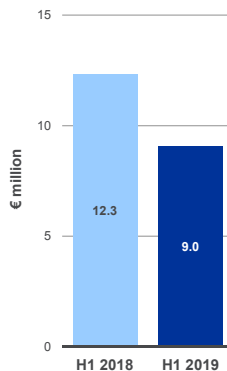
Order intake*



Consolidated sales*



Earnings before taxes

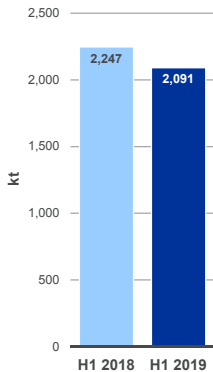


* excluding EUROPIPE-Group

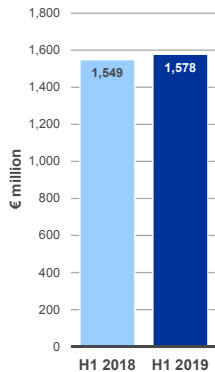


American EUROPIPE companies compensate effect of the underutilization in Germany; medium line pipes and stainless steel tubes group record earnings increase

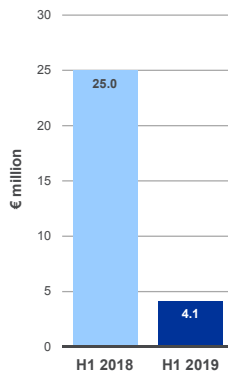
Shipments



Consolidated sales

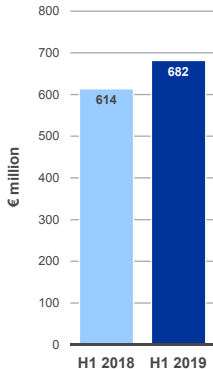


Earnings before taxes

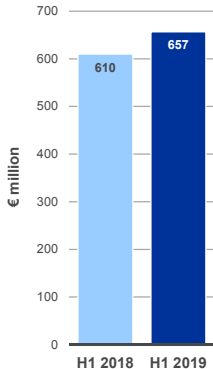


Positive result despite decreasing steel prices and protectionist measures

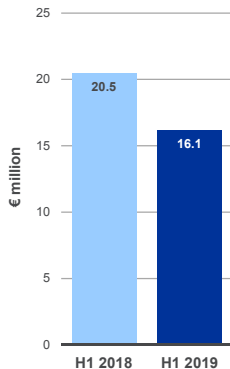
Order intake



Consolidated sales



Earnings before taxes



□ Earnings before special effects



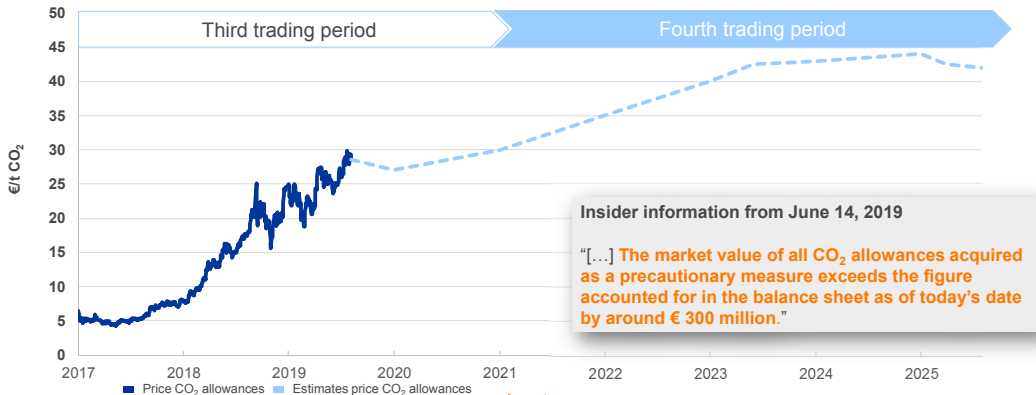
**Result of the special machinery companies below the record profits of the previous year;
KHS Group with significant earnings increase!**

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Price forecast CO₂ allowances

Medium-term shortfall in CO₂ allowances has been compensated for the most part at the subsidiaries of the Salzgitter Group by allowances purchased as a precautionary measure

SALCOS – Salzgitter Low CO₂ Steelmaking

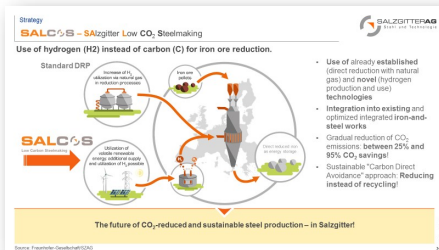
April 3, 2019

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

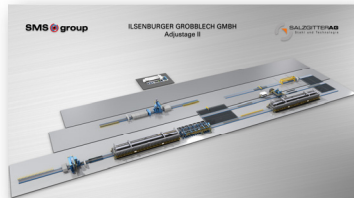


We affirm our offer to politics and society to realize a low CO₂ steel production in the near future

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: 2020



Salzgitter Flachstahl: Hot-Dip Galvanizing Line 3

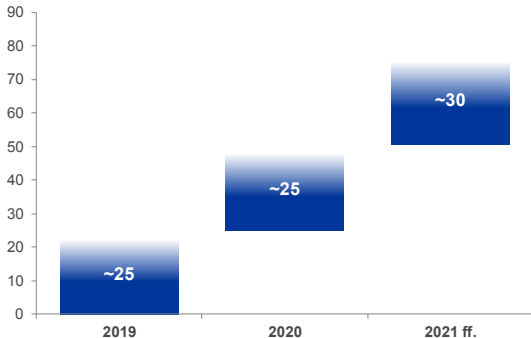
- Qualitative growth in the strip steel business
- Reinforcement of the market position in the automotive segment
- Strengthening of the premium segment for auto customers
- Commissioning: 2022



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

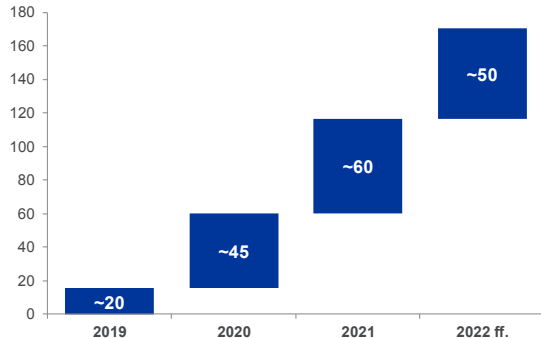
FitStructure SZAG

€ 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

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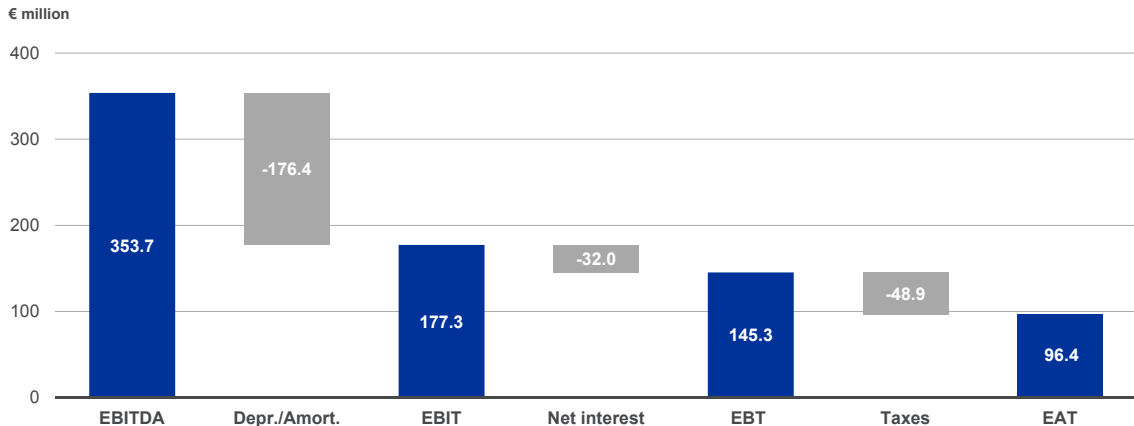
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Pleasing result and continuingly high financial solidity

- € 145.3 million pre-tax profit in the first half of 2019
- Second quarter also with positive earnings
- Programs of measures and Aurubis contribution counter market-driven burdens
- Still solid equity ration of 34.8% even after decrease of discount rate for pension provisions to 1.0%
- Decrease of net financial position to € -164.4 million mainly driven by
 - working capital buildup
 - increase of the shareholding in Aurubis to 30% minus one share
 - continuation of strategic investment projects
- Increase of the balance sheet sum by < € 300 million in the context of a successful placement of a bonded loan as well as initial application of IFRS 16 Leasing
- Earnings forecast confirmed

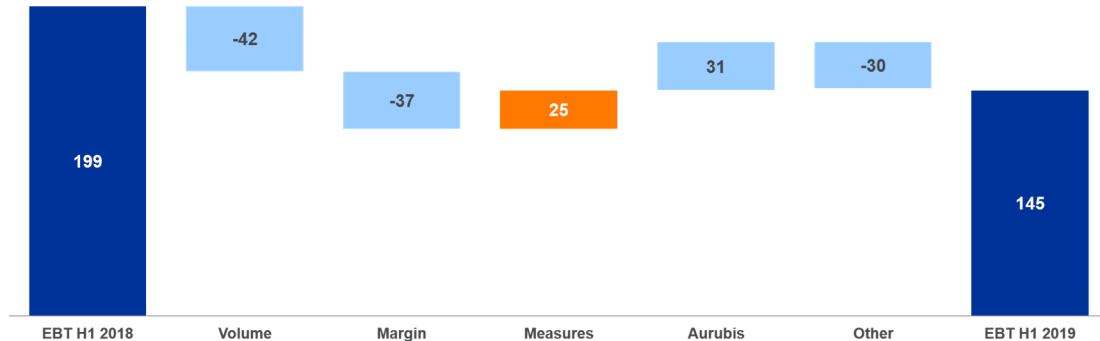
Group Result



Depreciation at the previous year's level;
 slightly higher tax rate due to revaluation of deferred tax assets on tax loss carryforward

Earnings bridge Group

€ million



Partial compensation of significant market-driven burdens

Income statement

Income Statement (€ million)	H1 2019	H1 2018	Δ
Sales	4,526.2	4,617.1	-90.9
Increase/decrease in finished goods and work in process/other own work capitalized	1.7	29.7	-28.0
	4,527.9	4,646.8	-118.9
Other operating income	97.0	147.2	-50.2
Cost of materials	2,938.1	3,013.9	-75.8
Personnel expenses	890.7	862.3	28.4
Amortization and depreciation of intangible assets and property, plant and equipment	176.4	169.4	7.0
Other operating expenses	501.5	544.7	-43.2
Income from shareholdings	1.4	4.8	-3.4
Result from investments accounted for using the equity method	55.1	30.8	24.2
Finance income	10.0	6.7	3.3
Finance expenses	39.2	47.4	-8.1
Earnings before taxes (EBT)	145.3	198.6	-53.3
Income tax	48.9	63.3	-14.4
Consolidated result	96.5	135.4	-38.9

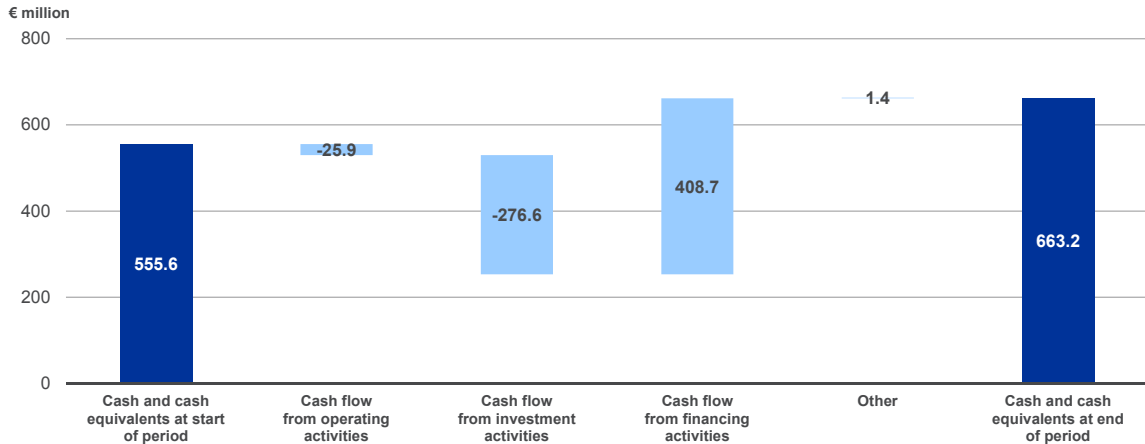
Consolidated balance sheet

Assets (€ million)	2019/06/30	2018/12/31	Δ
Non-current assets	4,118.8	3,835.9	282.9
Intangible assets, property, plant and equipment	2,457.2	2,339.9	117.2
Investment property	82.7	83.5	-0.7
Financial assets	71.6	75.6	-4.0
Investments accounted for using the equity method	1,011.8	888.3	123.6
Trade receivables	21.3	25.5	-4.2
Other receivables and other assets	25.4	24.0	1.4
Income tax assets	1.3	0.1	1.1
Deferred income tax assets	447.5	399.1	48.5
Current assets	5,150.3	4,921.0	229.3
Inventories	2,341.2	2,327.5	13.7
Trade receivables	1,421.5	1,367.2	54.4
Contract assets	182.9	175.2	7.8
Other receivables and other assets	441.5	403.7	37.9
Income tax assets	22.9	24.5	-1.6
Securities	70.2	67.4	2.7
Cash and cash equivalents	663.2	555.6	107.7
<i>Non-current assets held for sale</i>	6.9	0.0	6.9
Balance sheet total	9,269.2	8,756.9	512.2

Consolidated balance sheet

Equity and liabilities (€ million)	2019/06/30	2018/12/31	Δ
Equity	3,229.5	3,332.1	-102.6
Subscribed capital	161.6	161.6	0.0
Capital reserve	257.0	257.0	0.0
Retained earnings	3,096.3	3,181.0	-84.6
Other reserves	72.2	60.0	12.2
Unappropriated retained earnings	3.3	33.1	-29.8
Treasury shares	-369.7	-369.7	0.0
Minority Interest	8.8	9.1	-0.3
Non-current liabilities	3,796.8	3,035.7	761.1
Provisions for pensions and similar obligations	2,519.3	2,275.5	243.8
Deferred tax liabilities	67.6	67.6	0.0
Income tax liabilities	37.1	36.9	0.1
Other provisions	361.3	358.4	2.8
Financial liabilities	806.1	291.1	515.0
Other liabilities	5.5	6.1	-0.6
Current liabilities	2,243.0	2,389.2	-146.2
Other provisions	274.7	281.4	-6.7
Financial liabilities	492.2	426.9	65.4
Trade payables	1,002.2	1,130.2	-128.1
Liability contracts	179.2	250.2	-71.0
Income tax liabilities	6.6	37.0	-30.4
Other liabilities	288.0	263.4	24.6
Balance sheet total	9,269.2	8,756.9	512.3

Cash flow statement



Cash flow from investing activities contains € 96 million for the increase of the shareholding in Aurubis
 Cash flow from financing activities includes € 364 million from the issuance of a bonded loan

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Business Units – Forecast 2019

Strip Steel

- continuing high import pressure on the European steel market
- raw material costs, especially for iron ore, overall above 2018 despite foreseeable decline

Plate / Section Steel

- plate: persisting general weakness of the market
- impact from the low utilization of the large-diameter pipes segment
- section steel: satisfactory margins

Mannesmann

- large-diameter pipe mills: unsatisfactory capacity utilization in Germany; US companies booked partly well into 2020
- medium line pipes: normalization of the decent demand
- precision tubes: overall stable
- stainless tubes: slight improvement in the market

Trading

- prospects in international trading remain under pressure due to restrictive trading policies
- margin decrease in stockholding steel trade due to a stagnating or falling sales price trend, particularly at the start of the year

Technology

- KHS Group: selective order intake, expanding service business and additional positive effects from the measures introduced to enhance efficiency
- specialist mechanical engineering companies of the DESMA Group: earnings will return to normal levels

Business Unit

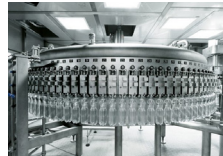
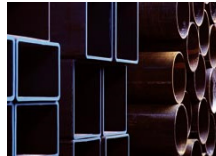
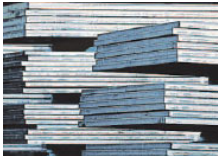
- stable sales
- tangibly lower profit before taxes due to margins

- sales somewhat below previous year
- pre-tax loss expected

- moderate downturn in sales
- positive pre-tax result

- discernible sales growth
- earnings before taxes gratifying but notably below the previous year

- moderate increase in sales
- notably lower pre-tax profit, result nonetheless above the average of the previous years



Salzgitter Group – Guidance

Salzgitter AG affirms 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.

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