



Analyst Conference First Half of 2021

Gunnar Groebler, Chairman of the Executive Board

Burkhard Becker, Chief Financial Officer

Frankfurt, August 11, 2021



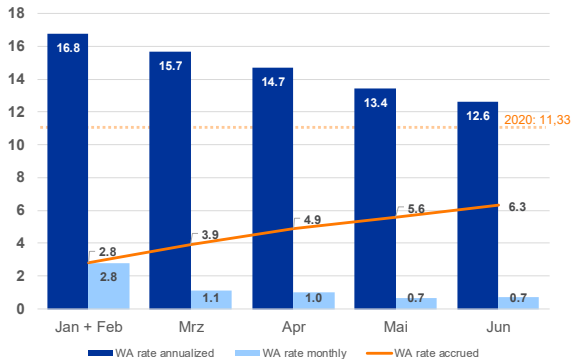
Gunnar Groebler

1 Sustainability and Strategy

Burkhard Becker

2 Economic Development and Financials

Occupational safety – work-related accident per person rate



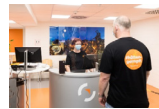
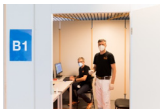
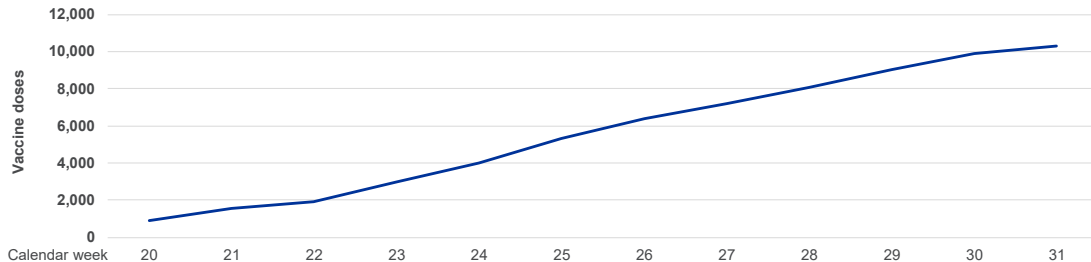
- Occupational safety is a high-ranking corporate target next to profitability, productivity and quality
- Reduction of injury rate through measures and campaigns to enhance workplace safety



Work-related accident per person rate = Number of accidents with more than one day off work / number of employees * 1,000

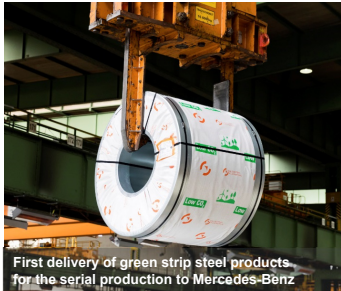
Groupwide goal of the occupational safety policy is: Zero Accidents

Vaccination campaign #hüttengeimpft



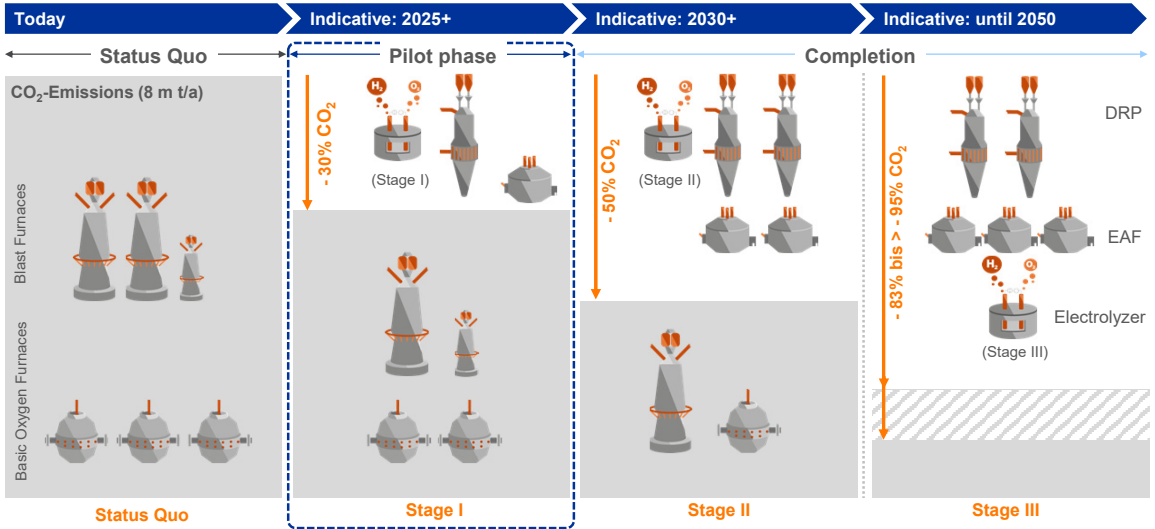
Salzgitter Group actively contributes to overcoming the COVID-19 pandemic – more than 10,000 doses of vaccine administered per calendar week 31!

Contribution towards decarbonization – highlights of the first half 2021



Strong focus on decarbonization continues in 2021

SALCOS® – Gradual conversion to a H₂-based steel production



Green steel – current environment

Marketable

- Already today **certified production and delivery of green steel**
- In addition, **strong interest from customers** underpinned with memoranda of understanding for green steel via the **hydrogen route**
- **Natural gas as bridge technology** allows for significant CO₂ reduction until green H₂ is available to the necessary extent

Fundable

- **Funding** for a major part of the capex requirements **applied for** via the EU and Federal/State programs, binding response by the end of 2021
- Acquired **CO₂ emission allowances** serve as additional **security**

Economically viable

- **Higher prices** for green steel in the short-term as a result of **added green value** and **supply shortage**
- In the medium- to long-term **higher competitiveness of green vs. gray steel** due to CO₂ regulations and rising prices

▶ We resolutely strive to realize our **ambition to produce green steel at the Salzgitter site by the end of 2025** in order to bolster our **strong competitive ability and clear commitment to the green transformation**

▼
We have very good preconditions for a successful transformation towards green steel

EU crude steel: Green vs. Gray

Expected main drivers

Green Steel

Short-term: Price premium in the EU due to supply shortage and added green value

Medium- to long-term: Price premium will diminish following an increase of the supply and a decrease of production costs as a result of the scale effect and level of maturity



Gray Steel

Medium- to long-term: significant additional burden as a result of decreasing EU allocation of CO₂-emission allowances and rising CO₂ prices

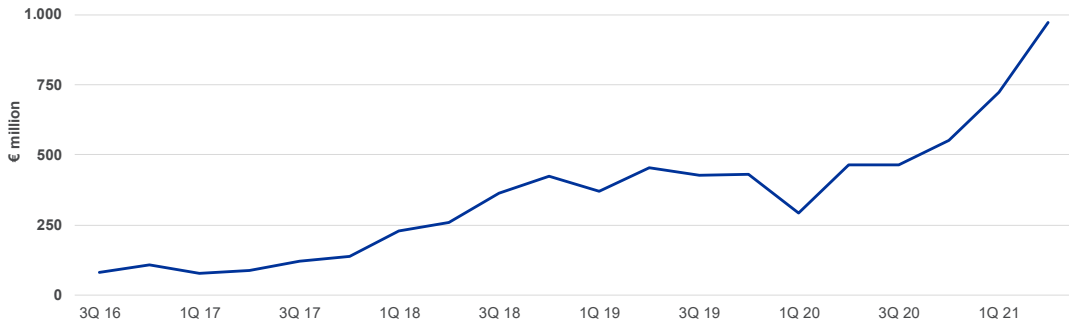
Long-term: Lower to no demand as a result of substitution effects from gray to green steel, high cost pressure as demand decreases



**Higher competitiveness for steel via direct reduction versus blast furnace route expected;
in the long run Gray Steel made in Europe will be obsolete!**

Value of the acquired CO₂ emission allowances

Market value CO₂ emission allowances



Acquired CO₂ emission allowances have reached a market value of almost € 1 billion!

Update: feasibility study for the direct reduction of iron ore at Wilhelmshaven

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 deep-water port of Wilhelmshaven

Status

- General feasibility of a 2 mt p.a. DRI plant affirmed
- Wilhelmshaven has good site conditions (deep-water port, access to renewable electricity, open spaces...)

Project partners



Lower Saxony



STADT
WILHELMS
HAVEN



uni
per

RHENUS
LOGISTICS



No “either/or decision” – SALCOS® will be expedited at the Salzgitter site;
we generally support Wilhelmshaven as green energy hub and location for a direct reduction plant

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: Trial operation, first deliveries to customers*



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: Installation of equipment*



Realization of major investment projects to grow in terms of quality progresses well!



FitStructure 2.0 (2019-)



Salzgitter AG 2021 (2016-2021)

Development of new Group strategy (H2 2021)

- FitStructure 2.0: Of a total of around € 300 m in **earnings improvement potential € 160 m realized** per June 30, 2021
- A **further € 100 m in additional earnings contribution** to be expected from Salzgitter AG 2021



New Group strategy (2022-)

2021

2022

Presentation of the new Group strategy expected for early 2022

Strategy review: key points

Strategy

Who and what do we want to be in 2025/2030?

Portfolio

What is the right business portfolio for our strategy?

Efficiency

How do we generate additional efficiency gains across the entire value chain?

Enabler

Management structures and instruments, organization of the Group, corporate culture



Review of the four main areas has started



Gunnar Groebler

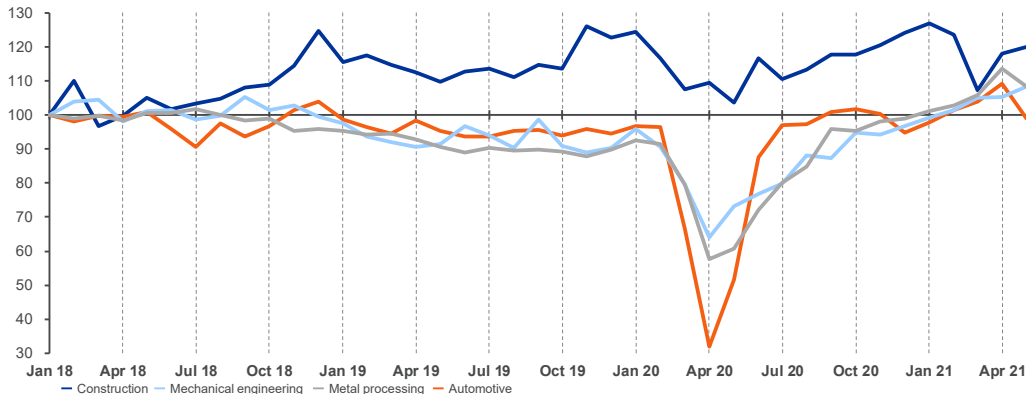
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Order intake of steel consumers

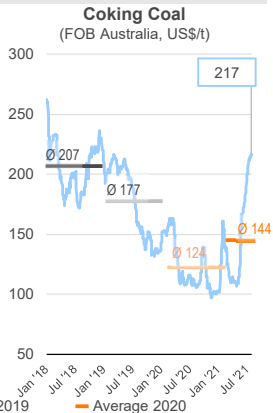
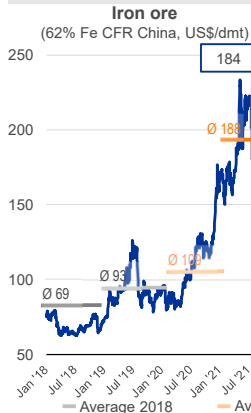
Order intake of selected branches of the German industrial sector (Jan. 2018 = 100)



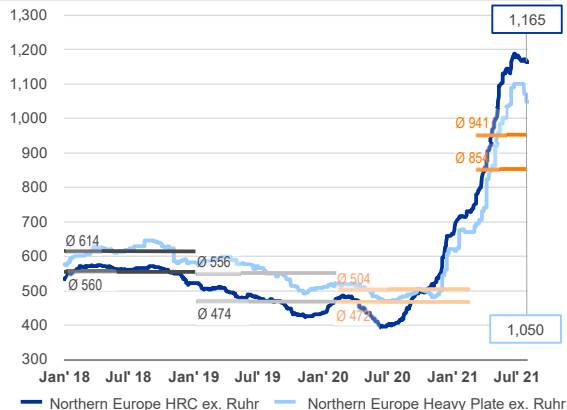
After dramatic slump of order intake during the COVID pandemic recovery to pre-crisis levels

Raw materials and steel prices

Raw Materials



Hot rolled coil & Heavy Plate



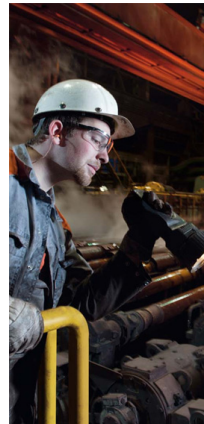
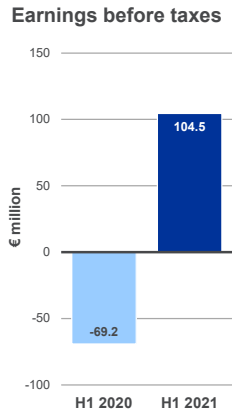
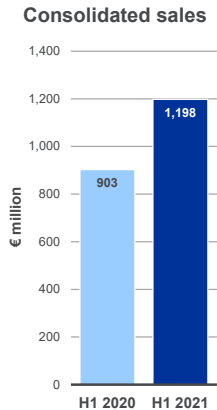
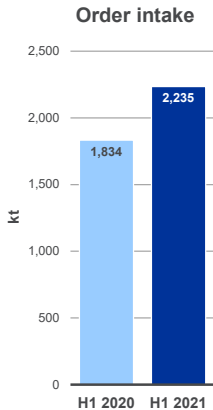
Diverging raw material price development – coking coal prices recently surged, iron ore prices decreased; steel prices stagnate at record levels following dynamic development

Key data

| | | H1 2021 | H1 2020 | Δ | Q2 2021 | Q1 2021 |
|--------------------------------|-----------|----------------|---------|-------|---------|---------|
| Crude steel production | kt | 3,377.6 | 2,952.7 | 424.9 | 1,733.1 | 1,644.5 |
| External sales ¹ | € million | 4,435.5 | 3,631.0 | 804.5 | 2,341.4 | 2,094.1 |
| Earnings before tax | € million | 305.7 | -127.8 | 433.5 | 188.4 | 117.3 |
| Earnings after tax | € million | 230.6 | -144.7 | 375.3 | 154.1 | 76.6 |
| Earnings per share (undiluted) | € | 4.20 | -2.70 | 6.90 | 2.82 | 1.38 |
| ROCE | % | 16.4 | -6.3 | 22.7 | 20.1 | 13.2 |
| Core workforce ² | | 22,414 | 23,009 | -595 | 22,414 | 22,475 |

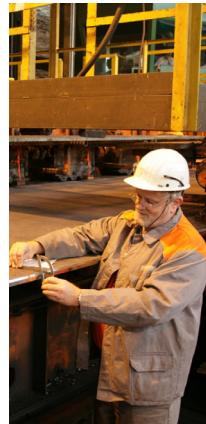
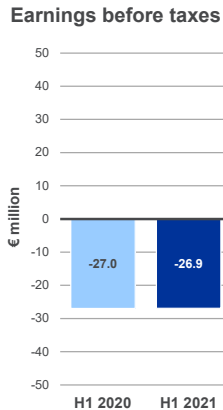
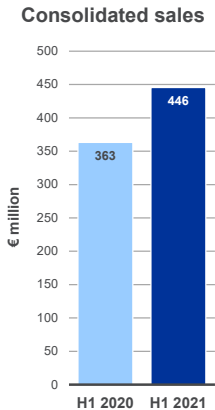
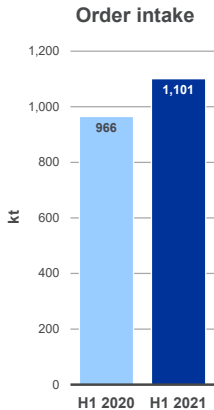
Salzgitter Group continues its upward trajectory, delivering a strong result in the second quarter

Strip Steel



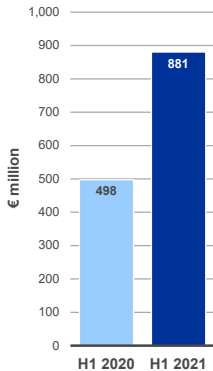
Outstanding profit contribution boosted by higher shipments and selling prices at record levels towards the end of the first half of 2021

Plate / Section Steel

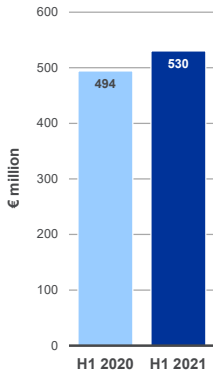


Gradual improvement of order activity and pricing over the course of the first half; sections with solid profit contribution; recovery of the plate companies lags due to late-cyclical nature of the business

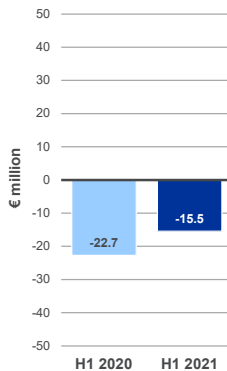
Order intake*



Consolidated sales*



Earnings before taxes

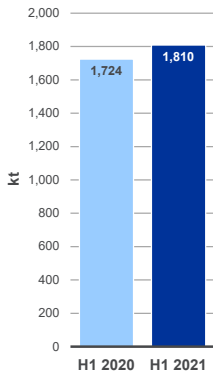


* excluding EUROPIPE-Group

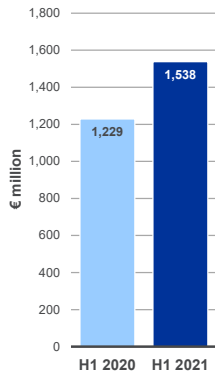


Improved business situation at the precision tubes group, medium-diameter line pipes and the stainless steel tubes group also registered an increase in bookings

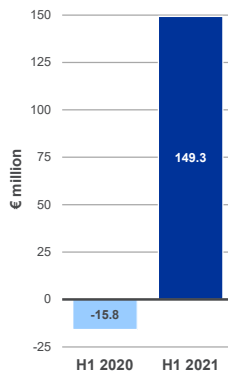
Shipments



Consolidated sales

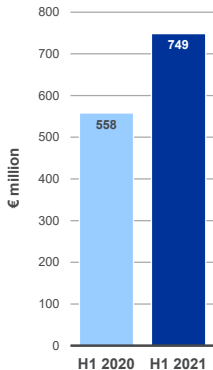


Earnings before taxes

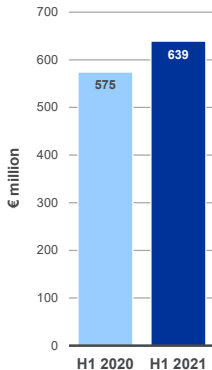


Very gratifying pre-tax profit as a result of the dynamic price development, along with favorable purchase prices in the stockholding business and at the UES Group

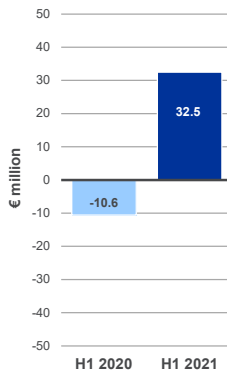
Order intake



Consolidated sales



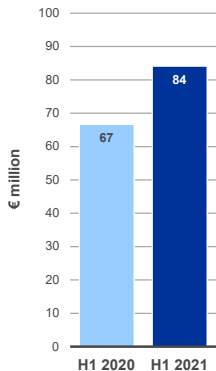
Earnings before taxes



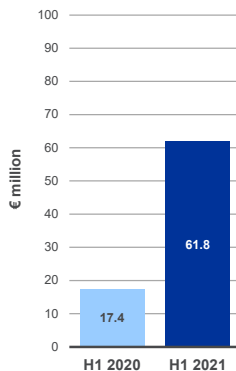
KHS Group's pre-tax result significantly outperformed the year-earlier figure also due to accounting profit achieved by selling the pouch business; KDE Group also with profit contribution, slightly negative result of KDS

Industrial Participations / Consolidation

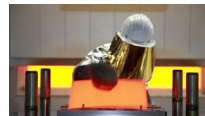
Consolidated sales



Earnings before taxes



Contribution Aurubis investment:
 H1 2021: € 34.0 m
 H1 2021: € 91.0 m



Pre-tax profit includes € 91.0 million contribution of Aurubis AG, an investment included at equity

Income statement

| Income Statement (€ million) | H1 2021 | H1 2020 | Δ |
|--|--------------|---------------|--------------|
| Sales | 4,435.5 | 3,631.0 | 804.5 |
| Increase/decrease in finished goods and work in process/other own work capitalized | 88.2 | -57.2 | 145.4 |
| | 4,523.7 | 3,573.8 | 949.9 |
| Other operating income | 174.9 | 132.9 | 42.0 |
| Cost of materials | 2,925.8 | 2,373.3 | 552.5 |
| Personnel expenses | 871.2 | 846.0 | 25.2 |
| Amortization and depreciation of intangible assets and property, plant and equipment | 149.9 | 148.7 | 1.2 |
| Other operating expenses | 509.3 | 462.1 | 47.3 |
| Result from impairment losses and reversal of impairment losses of financial assets | 3.5 | -8.9 | 12.4 |
| Income from shareholdings | 0.6 | 2.1 | -1.5 |
| Result from investments accounted for using the equity method | 82.5 | 33.3 | 49.2 |
| Finance income | 3.5 | 3.9 | -0.4 |
| Finance expenses | 26.6 | 34.8 | -8.1 |
| Earnings before taxes (EBT) | 305.7 | -127.8 | 433.5 |
| Income tax | 75.1 | 16.9 | 58.2 |
| Consolidated result | 230.6 | -144.7 | 375.3 |

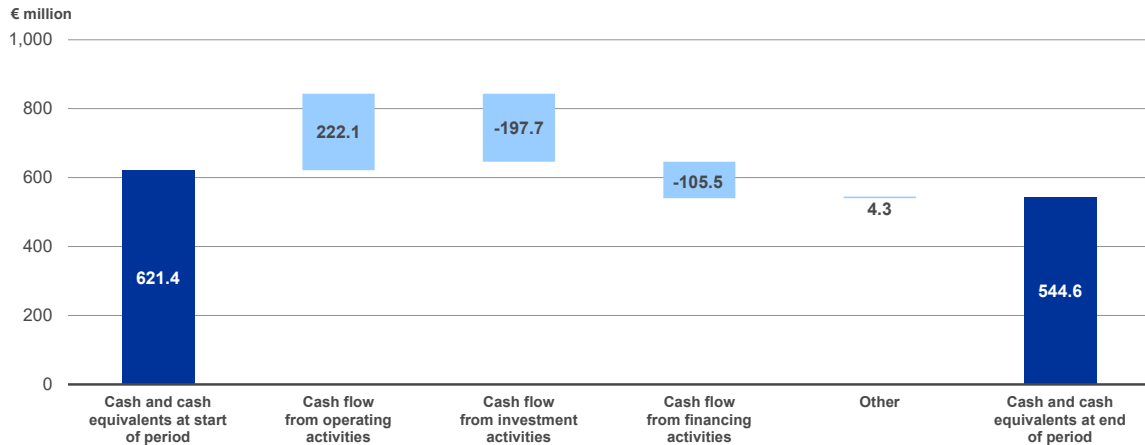
Consolidated balance sheet

| Assets (€ million) | 2021/06/30 | 2020/12/31 | Δ |
|---|----------------|----------------|--------------|
| Non-current assets | 4,229.0 | 4,244.5 | -15.5 |
| Intangible assets, property, plant and equipment | 2,424.0 | 2,423.6 | 0.4 |
| Investment property | 80.8 | 81.5 | -0.7 |
| Financial assets | 53.1 | 54.6 | -1.5 |
| Investments accounted for using the equity method | 1,236.5 | 1,169.1 | 67.4 |
| Trade receivables | 9.4 | 11.0 | -1.6 |
| Other receivables and other assets | 18.3 | 22.3 | -4.0 |
| Income tax assets | 2.2 | 0.5 | 1.7 |
| Deferred income tax assets | 404.7 | 481.9 | -77.2 |
| Current assets | 4,771.7 | 3,992.9 | 778.8 |
| Inventories | 2,181.1 | 1,933.7 | 247.4 |
| Trade receivables | 1,416.0 | 923.9 | 492.1 |
| Contract assets | 313.3 | 300.2 | 13.1 |
| Other receivables and other assets | 244.2 | 188.3 | 55.9 |
| Income tax assets | 21.2 | 23.7 | -2.5 |
| Securities | 49.9 | 0.0 | 49.9 |
| Cash and cash equivalents | 544.6 | 621.4 | -76.8 |
| Assets available for sale | 1.4 | 1.7 | -0.3 |
| Balance sheet total | 9,000.7 | 8,237.4 | 763.3 |

Consolidated balance sheet

| Equity and liabilities (€ million) | 2021/06/30 | 2020/12/31 | Δ |
|---|----------------|----------------|---------------|
| Equity | 2,998.5 | 2,678.9 | 319.6 |
| Subscribed capital | 161.6 | 161.6 | 0.0 |
| Capital reserve | 257.0 | 257.0 | 0.0 |
| Retained earnings | 2,902.9 | 2,594.5 | 308.4 |
| Other reserves | 37.7 | 26.4 | 11.3 |
| Unappropriated retained earnings | 0.0 | 0.0 | 0.0 |
| Treasury shares | -369.7 | -369.7 | 0.0 |
| Minority Interest | 9.0 | 9.1 | -0.1 |
| Non-current liabilities | 3,340.2 | 3,476.4 | -136.2 |
| Provisions for pensions and similar obligations | 2,170.1 | 2,298.6 | -128.5 |
| Deferred tax liabilities | 73.6 | 73.9 | -0.3 |
| Income tax liabilities | 30.4 | 30.4 | 0.0 |
| Other provisions | 274.5 | 267.1 | 7.4 |
| Financial liabilities | 737.3 | 749.4 | -12.1 |
| Other liabilities | 54.3 | 57.1 | -2.8 |
| Current liabilities | 2,662.0 | 2,082.1 | 579.9 |
| Other provisions | 227.0 | 210.4 | 16.6 |
| Financial liabilities | 454.1 | 488.3 | -34.2 |
| Trade payables | 1,231.4 | 802.4 | 429.0 |
| Liability contracts | 381.0 | 272.8 | 108.2 |
| Income tax liabilities | 10.9 | 5.5 | 5.4 |
| Other liabilities | 357.6 | 302.8 | 54.8 |
| Balance sheet total | 9,000.7 | 8,237.4 | 763.3 |

Cash flow statement



More than € 200 million cash flow from operating activities

Provided that the market continues its stable development in the second half of the year despite the latent COVID-19 crisis, we affirm our forecast for the financial year 2021 that was revised upward in June and anticipate the following for the Salzgitter Group:

- **an increase in sales to more than € 9 billion,**
- **a pre-tax profit of between € 400 million and € 600 million, as well as**
- **a return on capital employed (ROCE) that is tangibly above 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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