



# dbAccess Berlin Conference

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

Berlin, June 5, 2019



- 1** Salzgitter Group
- 2** Market Situation
- 3** Strategy

## 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

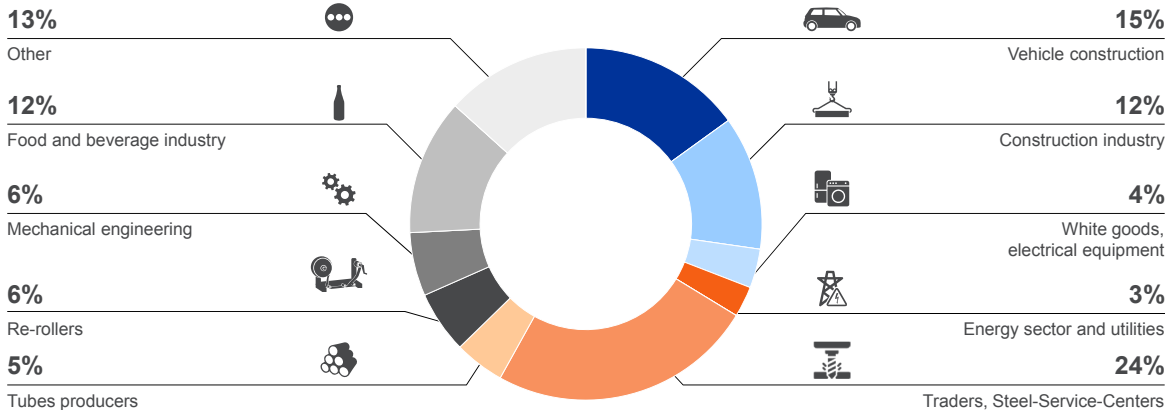
Stockholding trading  
International trading

74 sites  
in 30 countries

Among the top 3 producers of beverage filling and packaging machinery



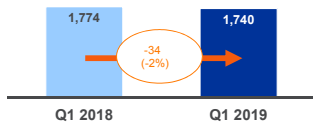
## External sales 2018 by customer industries



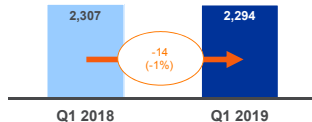
**Broad customer base**

## Key data per 2019/03/31

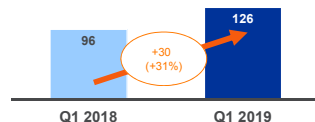
## Crude steel production [kt]



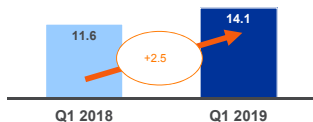
## Consolidated sales [€ million]



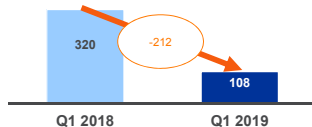
## EBT [€ million]



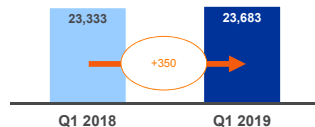
## ROCE [%]



## Net financial position [€ million]



## Core workforce



## Earnings development of business units

		Q1 2019	Q1 2018
Earnings before taxes	€ million	125.9	95.9
Strip Steel	€ million	46.3	62.5
Plate / Section Steel	€ million	1.7	9.3
Mannesmann	€ million	8.4	1.6
Trading	€ million	3.0	13.8
Technology	€ million	11.8	11.2
Industrial Participation / Consolidation	€ million	54.7	-2.4
thereof Aurubis investment*	€ million	50.2	7.5

**Salzgitter Group with successful start to the year**

## Salzgitter AG affirms its guidance for the financial year 2019. We continue to anticipate:

- a slight increase in sales to above the € 9.5 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.

Following a strong first quarter, we currently expect a pre-tax result rather more in the upper end of the aforementioned range. However, with reference to the unstable economic situation, not only in the EU, and the associated reduced forecasting reliability for the remainder of the financial year, we consider revising the forecast to be premature at present.

### 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.

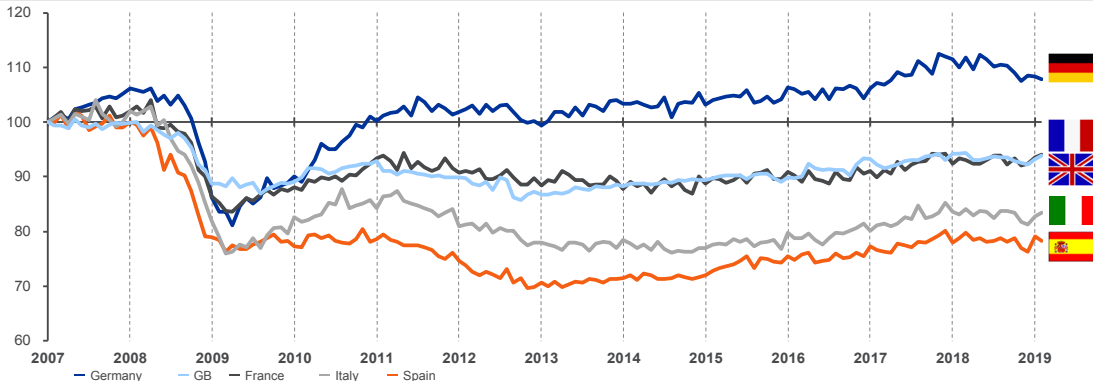


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## Environment: Economic development in the European Union

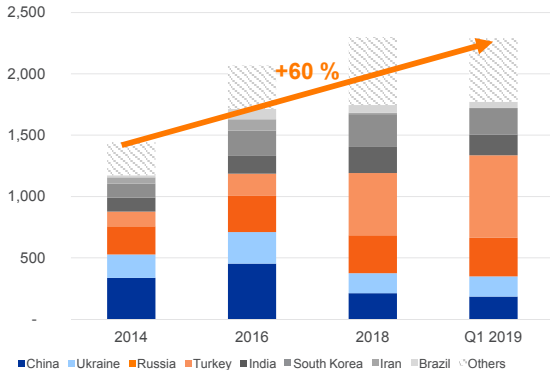
### Industrial production in selected countries of the EU (Jan. 2007 = 100)



The trend of the previous years continued: Slightly improving EU industrial production, Germany despite deterioration in the second half of 2018 remains relatively strong.

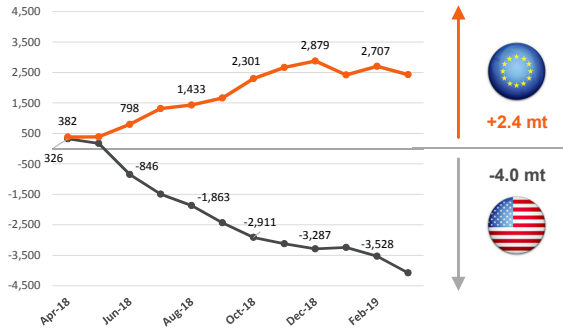
## EU: Steel imports as collateral damage

Import situation EU (in 1,000 t/month)

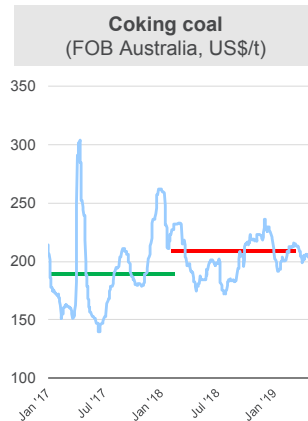
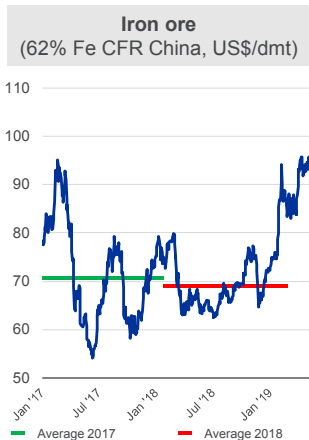


Diversions effects due to US tariffs (in 1,000 t/month)

Imports into the EU vs. USA in cumulative annual comparison 2018/2017

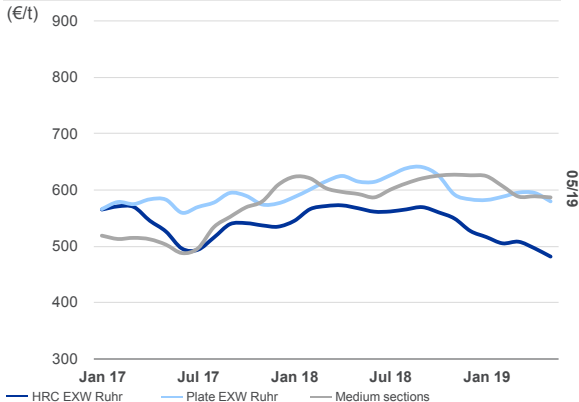


**EU import volumes as a result of diversions effects on record level. Softening of the Safeguard measures risk to further decrease their effectiveness.**

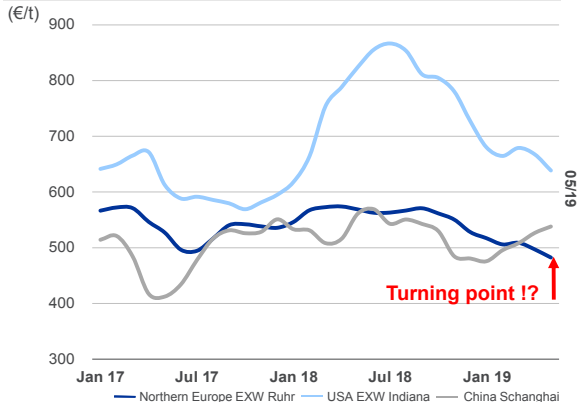


**Volatile raw materials markets harbor risks, but also opportunities;  
2019: price levels – especially for iron ore – expected to be above the average of 2018**

Spot prices Northern Europe



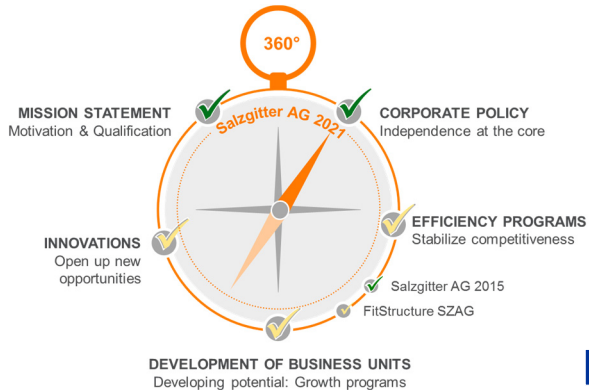
Hot-rolled coil prices international



...decline since mid-2018 with short interruptions following periods of rises;  
 disparate trading policies result in tremendous regional price differences.  
 Signs indicate towards infection point in the EU.



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### Structural measures 2012-2018

“Salzgitter AG 2015”

2012 – 2016

€ 260 million p.a.

Other programs  
(since end of 2016 combined  
under **FitStructure SZAG**)

€ 350 million p.a.

> € 600 million € p.a. earnings improvement potential realized



**Initial emphasis on restructuring and cost reduction measures**

## “Salzgitter AG 2021” growth strategy

### Goals

#### Steel-related

#### Less 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 large-scale investments ILG and SZFG

DESMA Achim “Factory of the Future”, Expansion precision tubes group in Mexico

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



## Investments into the development of the Group



**Salzgitter Flachstahl**  
**Construction of the pulverized coal injection plant**

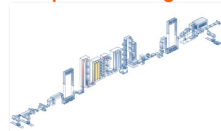


**Mannesmann Precision Tubes**  
**Expansion plant in Mexico**



**DESMA Schuhmaschinen**  
**„Factory of the Future“**

**Salzgitter Flachstahl**  
**Hot-Dip Galvanizing Line 3**



Commissioning 2015

2017

2019

2020

2022

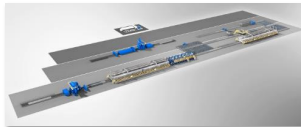


**SZ Mannesmann Handel**  
**Expansion of the cutting line at the Plochingen site**



**Salzgitter Flachstahl**  
**Construction of the RH vacuum degassing plant**

**Ilseburger Grobblech**  
**New heat treatment line**



**“Digital Roadmap 2022”**



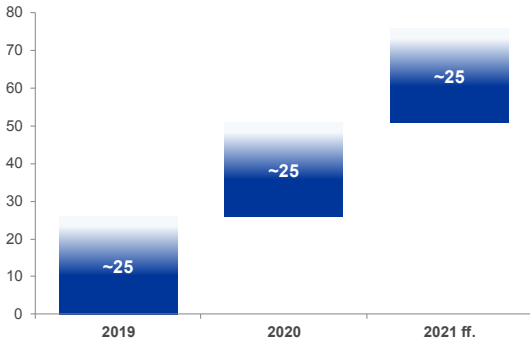
**We invest into the sustainability of our Group:  
 € 2.5 billion since 2012!**



## What we intend in the coming years – effects

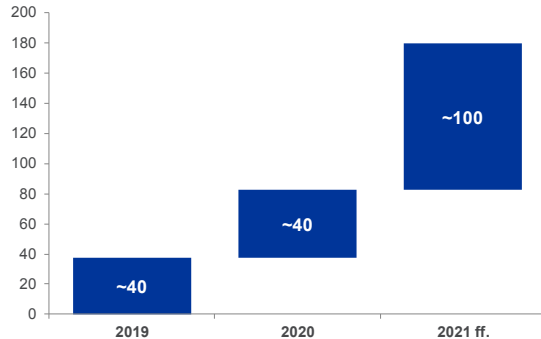
### FitStructure SZAG

€ million earnings improvement potential



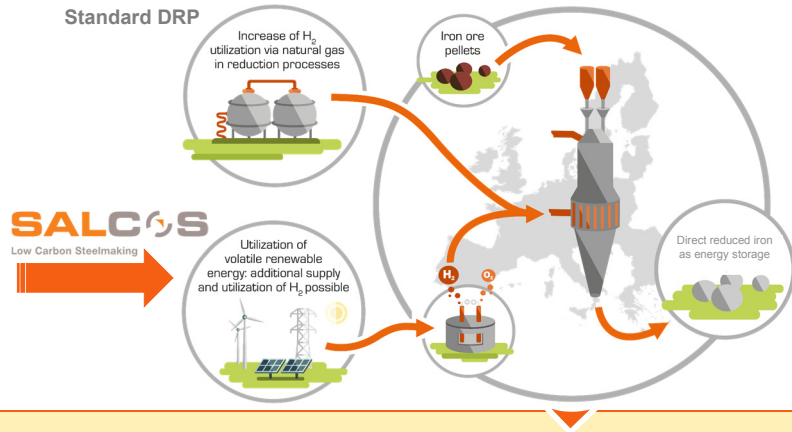
### SZAG 2021 Growth Programs

€ million additional profit contribution



All in all at least € 250 million in additional effects from programs of measures planned; the dynamism started in 2012 will be maintained – new initiative are in preparation to this end

## Use of hydrogen (H<sub>2</sub>) instead of carbon (C) for iron ore reduction.



- **Use of already established** (direct reduction with natural gas) and **novel** (hydrogen production and use) **technologies**
- **Integration into existing** and optimized integrated **iron-and-steel works**
- Gradual reduction of CO<sub>2</sub> emissions: **between 25% and 95% CO<sub>2</sub> savings!**
- Sustainable "Carbon Direct Avoidance" approach: **Reducing instead of recycling!**

**The future of CO<sub>2</sub>-reduced and sustainable steel production – in Salzgitter!**



**We are looking forward to  
the future –  
with competitive structures  
and processes!**



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