



Analyst Conference Financial Year 2017

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

Burkhard Becker, Chief Financial Officer

Frankfurt, March 19, 2018

Prof. Dr.-Ing. Heinz Jörg Fuhrmann

- 1** Key Data / Market Situation
- 2 Business Units
- 3** Group strategy SZAG 2021







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- 4 Annual Accounts Financial Year 2017
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2017 was without a doubt a successful year for the Salzgitter Group

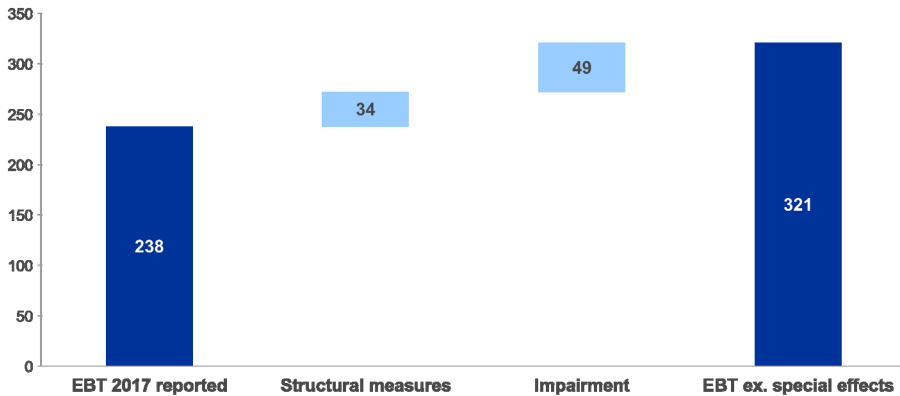
- highest pre-tax profit since the financial market crisis
- Around € 100 million additional earnings improvement potential realized
- SZAG 2021: core elements of growth strategy brought under way
- renewed increase of the share price by more than 40% over the course of the year

Key data per 2017/12/31

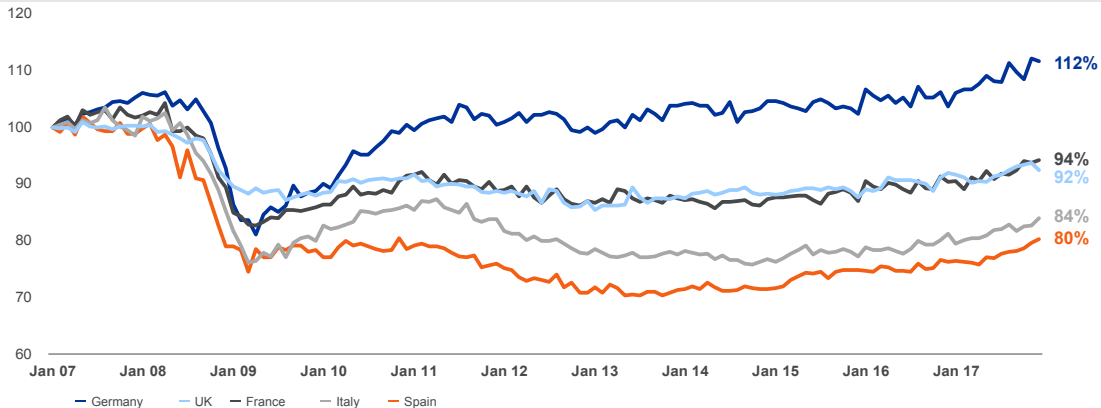
		FY 2017	FY 2016	
Crude steel production	kt	6,955.2	6,804.4	
Consolidated Sales	€ million	8,990.2	7,905.7	
Earnings before tax	€ million	238.0	53.2	
Earnings after tax	€ million	193.6	56.8	
Earnings per share (undiluted)	€	3.52	1.00	
ROCE	%	8.6	2.7	
Core workforce (12/31)		23,139	23,152	

Salzgitter Group closes the financial year 2017 with the highest pre-tax profit since the financial market crisis

Special effects



Pre-tax result excluding special effect 35 % higher than reported figure

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


Source: Eurostat, own research, last figure from December 2017

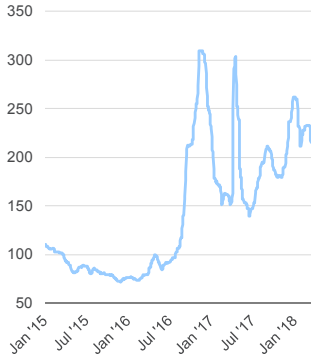
The trend of the previous year continues: Slightly improving EU industrial production, Germany remains strong

Environment II

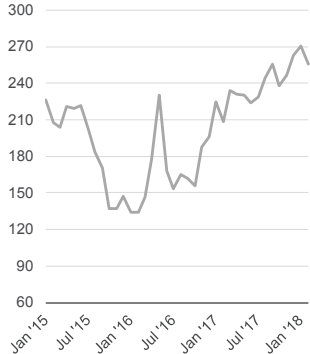
Iron ore
(62% Fe CFR China, US\$/dmt)



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

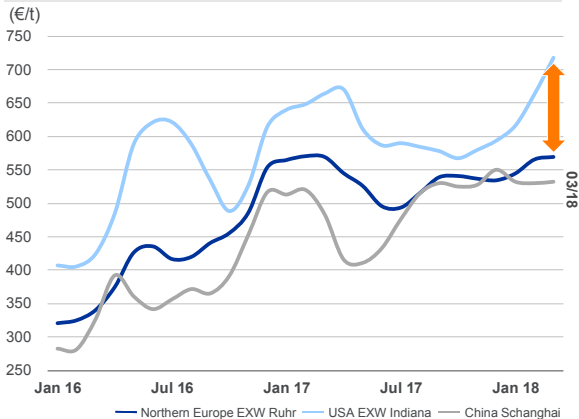


Steel scrap
(grade 2/8, €/t)



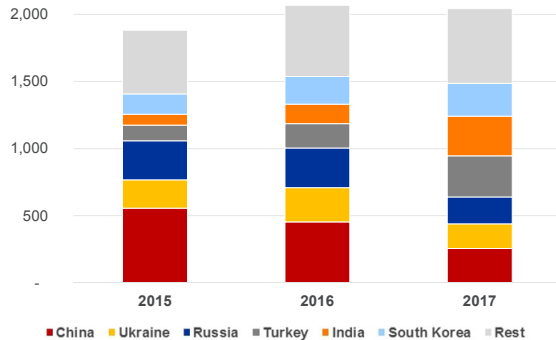
Volatile raw materials markets harbor risks, but also opportunities

International hot-rolled coil prices



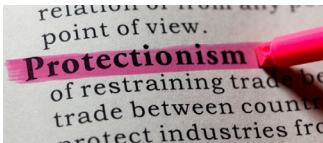
Steel imports into the EU-28

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



Global steel prices trend upwards with varying intensity – trading policies result in enormous price variations;
 steel imports into the EU remain near record level

International trade policy



- 40 % of all global trade defense measures concern steel products



Donald J. Trump 
@realDonaldTrump

We must protect our country and our workers. Our steel industry is in bad shape. IF YOU DON'T HAVE STEEL, YOU DON'T HAVE A COUNTRY!

Increasing protectionism



More than a symbol:

The steel sector is of paramount importance for industrial value chains!

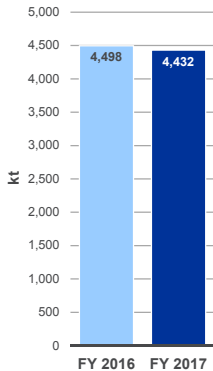
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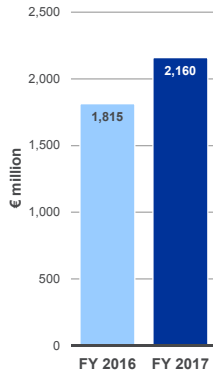
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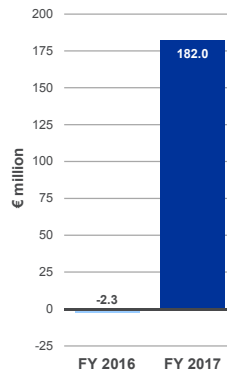
Order intake



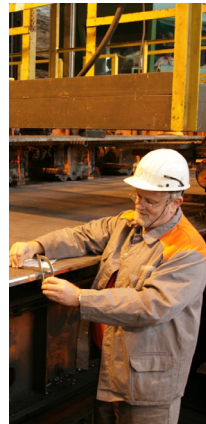
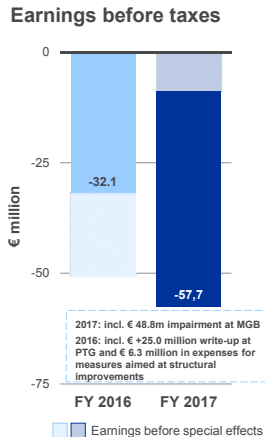
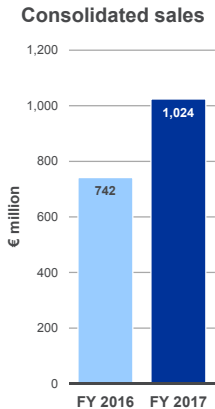
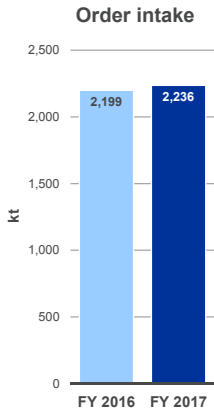
Consolidated sales



Earnings before taxes

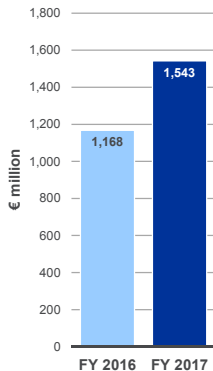


Presentable pre-tax profit thanks to revenue quality and positive effects from programs of measures

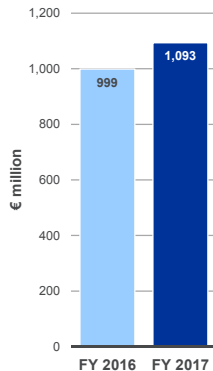


Noticeable improvement of the earnings before special effects

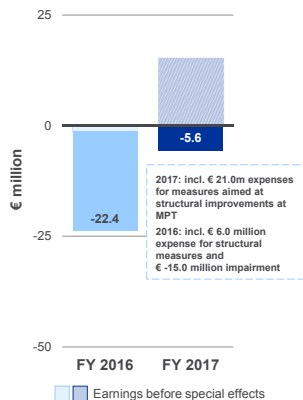
Order intake*



Consolidated sales*



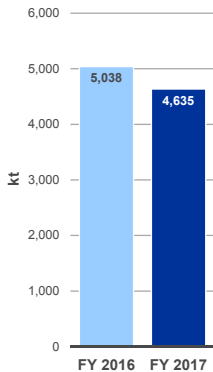
Earnings before taxes



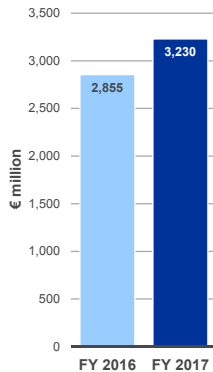
* excluding EUROPIPE-Group

Loss reduced – pre-tax earnings excluding expenses for structural measures positive

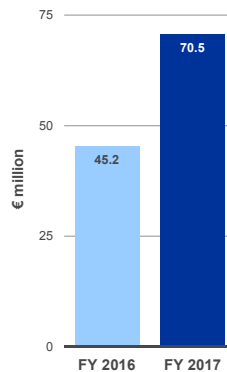
Shipments



Consolidated sales

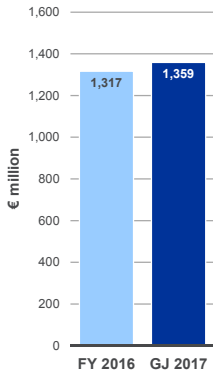


Earnings before taxes

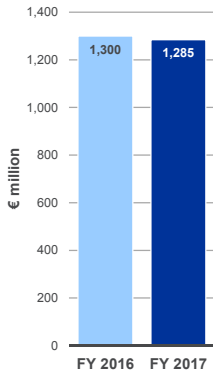


Highest pre-tax profit since 2012

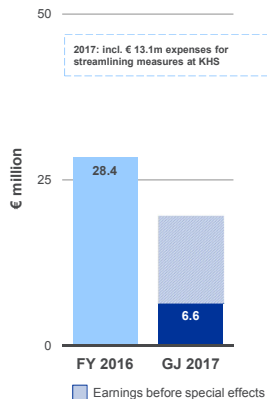
Order intake



Consolidated sales



Earnings before taxes

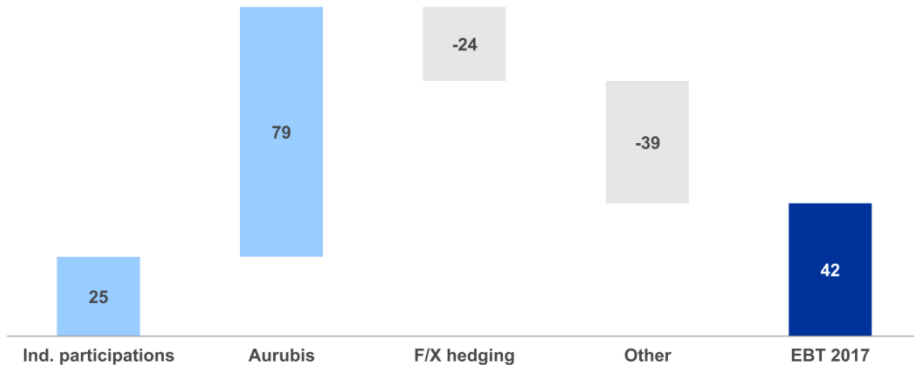


Heterogenous development within the segment:
earnings of KHS Group lower also due to restructuring expenses – KDS and KDE with profit surges

Industrial Participations / Consolidation

€ million

Derivation of pre-tax result 2017



Gratifying contribution from the service companies and the Aurubis investment

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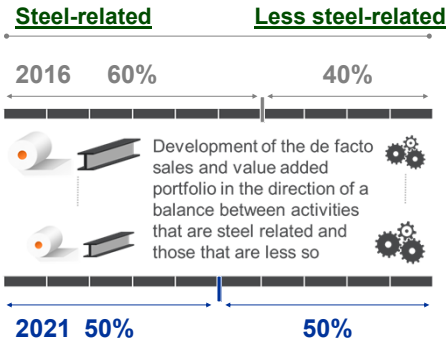
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“Salzgitter AG 2021” strategy...

Goal:



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.

...with emphasize on innovation and growth

Programs of measures I – what we have achieved so far

Restructuring

Salzgitter AG 2015 / FitStructure

- Extensive optimization measures in numerous Group companies

Growth

RH vacuum plant –
Salzgitter Flachstahl

- Product range development
- Capacity expansion of the secondary metallurgy

Coal injection plant –
Salzgitter Flachstahl

- Substitution of liquid reduction agents and external coke with pulverized coal that is noticeably more price efficient

eWorld
digital marketing platform –
Trading Business Unit

- Change of the strategic approach:
From commodity vendor to solutions provider
- Expansion of the product range (engineering services)



Around € 500 million in effects realized since 2012, thereof almost € 100 million in 2017

Programs of measures II – what we intend in the coming years

Restructuring

FitStructure

- Focus on Mannesmann and Technology business units

Growth

Hot-dip Galvanizing Line 3 – Salzgitter Flachstahl

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

New heat treatment line – Ilseburger Grobblech

- Optimization of the product portfolio
- Strengthening of the market position and volume expansion for higher value grade segments

Expansion of the plant in Mexico – Mannesmann Precision Tubes

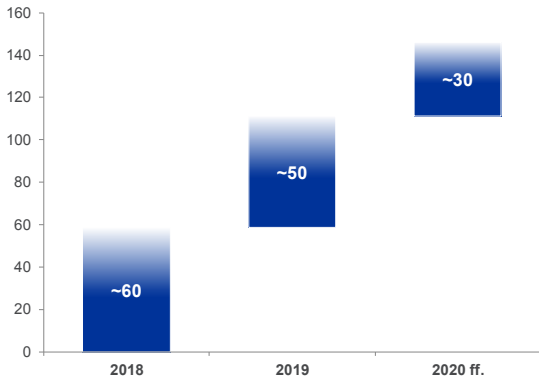
- Growth with profitable products
- Extension of the value chain
- Internationalization



Increased focus on growth programs without neglecting the groundwork

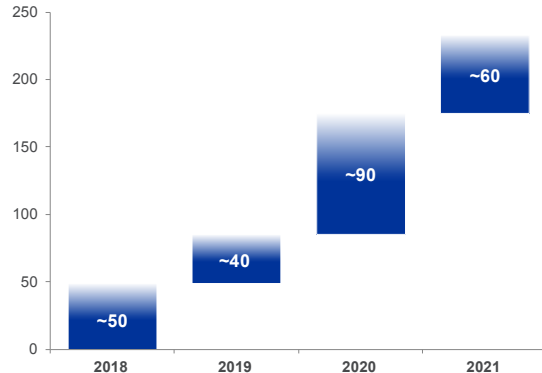
FitStructure SZAG

€ million earnings improvement potential



SZAG 2021 Growth Programs

€ million additional profit contribution



All in all more than € 350 million in additional effects planned – the dynamism started in 2012 will be maintained



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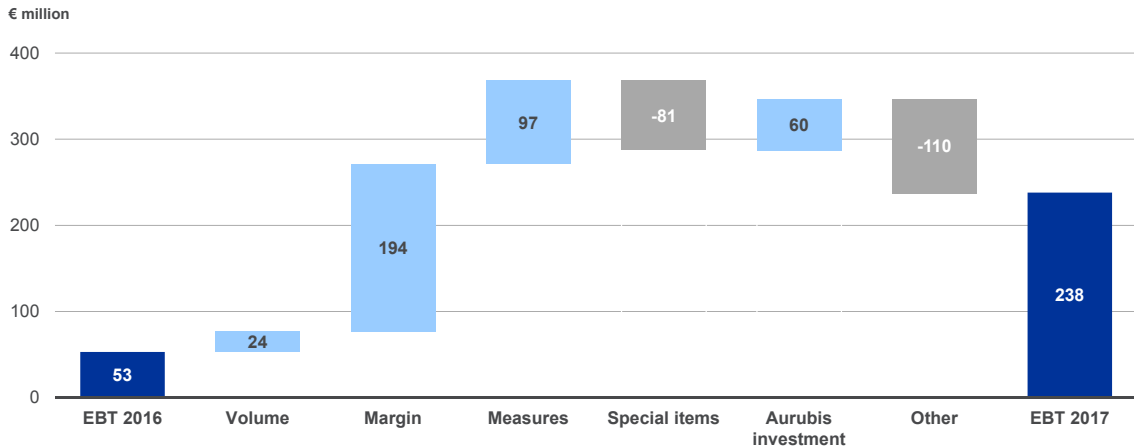
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Best Group result since 2008

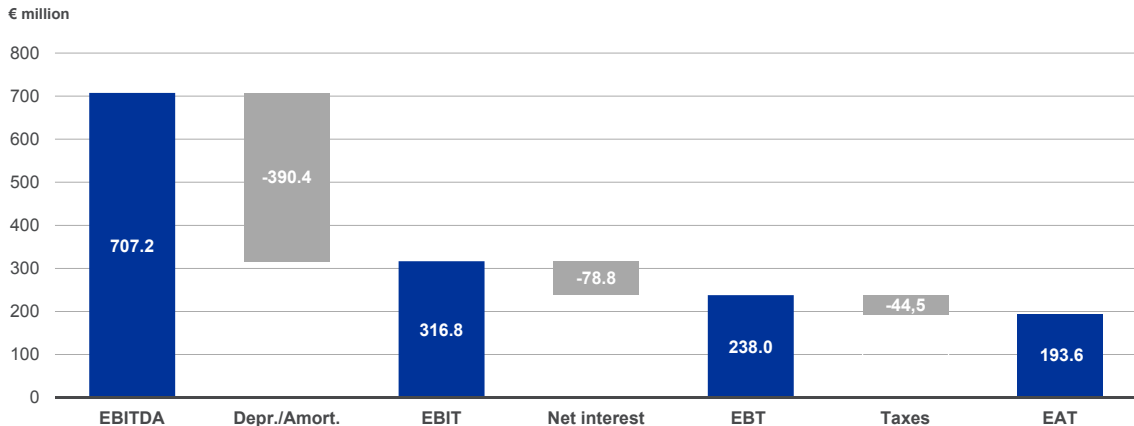
- Great success of measures also in 2017: „FitStructure“ and „Salzgitter AG 2021“ foundation of the gratifying earnings development
- Earnings per share climbed to € 3.52
- Increase net financial position to € 381 million; equity ratio 36%
- Outlook for 2018 promising
- Dividend proposal 2017 raised by 50% compared to the previous year (0.45 € per share)

Earnings bridge Group



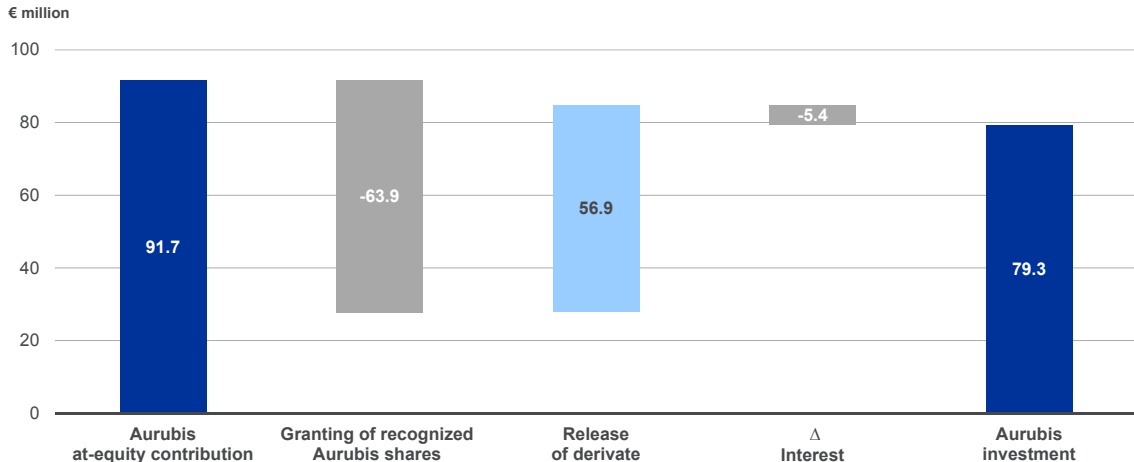
Margin development and again highly successful measures are key earnings drivers

Group Result



Lower Group tax rate (19%) due to remeasurement of capitalized benefits from loss carryforwards and tax-exempt income

Aurubis effect



Gratifying contribution from Aurubis participation
 2017 result impacted for the last time by the exchangeable bond redeemed in October

Income statement¹

Income Statement (€ million)	2017	2016
Sales	8,990.2	7,892.9
Increase/decrease in finished goods and work in process/other own work capitalized	179.1	-57.3
	9,169.3	7,835.6
Other operating income	396.3	314.9
Cost of materials	6,029.8	5,072.0
Personnel expenses	1,723.2	1,652.9
Amortization and depreciation of intangible assets and property, plant and equipment	390.4	357.1
Other operating expenses	1,214.5	1,028.0
Income from shareholdings	6.7	3.9
Result from investments accounted for using the equity method	101.7	63.3
Finance income	21.0	28.9
Finance expenses	99.5	95.1
Earnings before taxes (EBT)	237.6	41.4
Income tax	44.5	-3.6
Consolidated result from continued operations	193.2	45.0
Consolidated result from discontinued operations	0.4	11.8
Consolidated result	193.6	56.8

¹ All items of the income statement, including income taxes, only pertain to continuing operations in accordance with IFRS 5.

Dividend

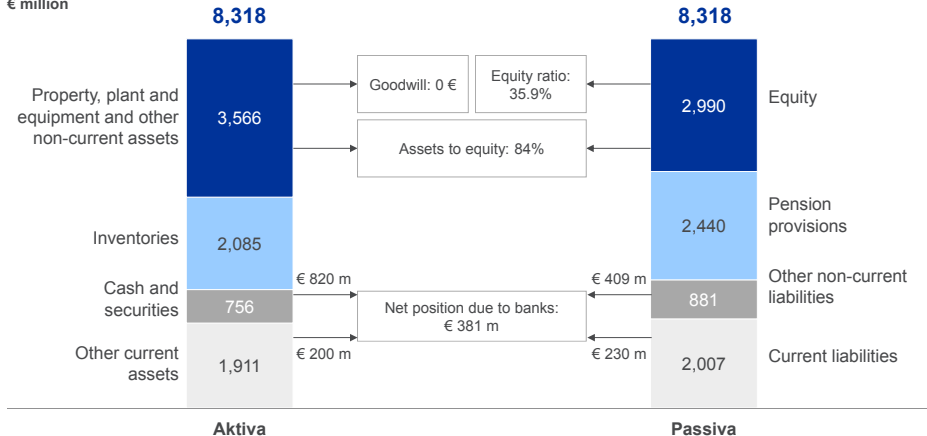


¹restated

Dividend increased by 50% compared to the previous year

Balance sheet per 2017/12/31

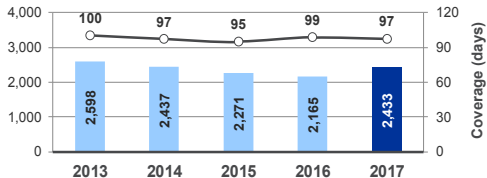
€ million



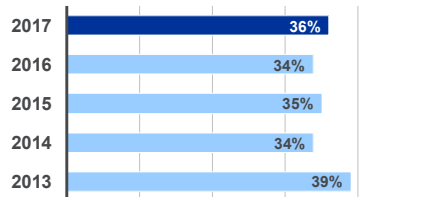

Sound financial basis

Balance Sheet – Figures

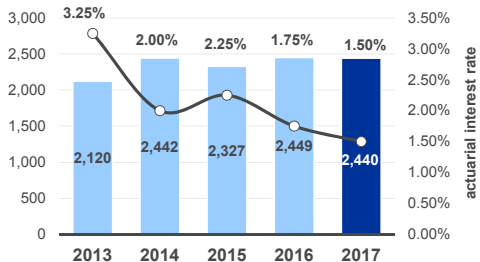
Working capital (€ million)



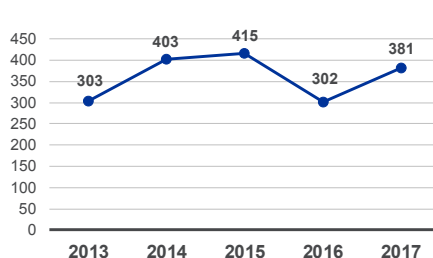
Equity ratio



Pension provisions (€ million)

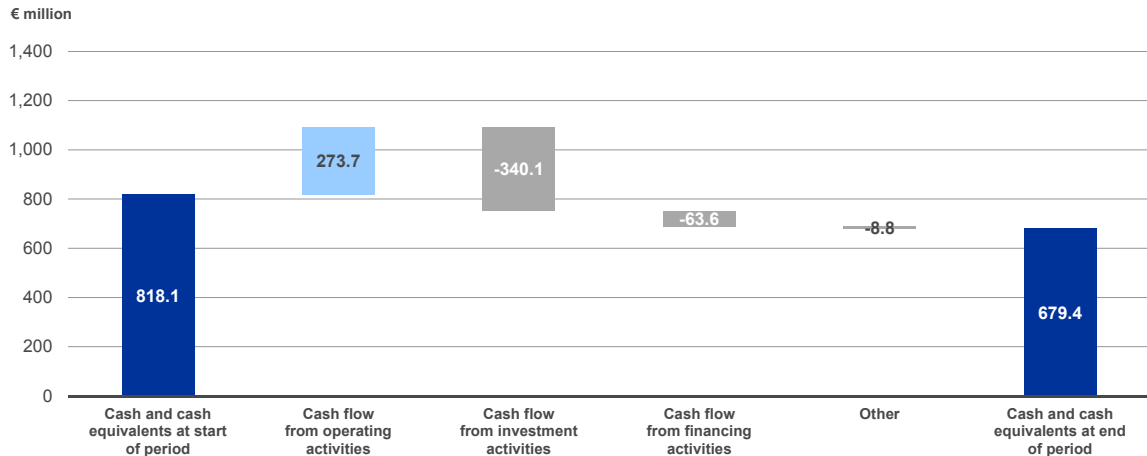


Net financial position (€ million)



Figures 2013 and 2015 restated; Working Capital also 2014 restated

Cash flow statement



Cash flow from operating activities with significantly improved result burdened in particular by the increase in receivables and inventories

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Business Units – Forecast 2018

Strip Steel

- assumption of the raw material prices for iron ore and coking coal at the level of year-end 2017 and mostly stable selling prices in the EU steel market

Plate / Section Steel

- Plate: continuing difficult market environment with high level of imports
- Section steel: volatile scrap price prompts speculative buying patterns of customers
- nevertheless, capacity utilization will remain largely sound at all three plants

Mannesmann

- Large-diameter pipe mills: very good utilization in Germany, order situation in North America remains unsatisfactory
- Medium line pipes: normalization of demand from North America
- Precision and stainless tubes: positive development

Trading

- marginally lower prices induced by the product mix in international trading
- stable shipment volumes and changes to the portfolio with positive effects in the stockholding steel trade

Technology

- KHS Group: continuing fierce competitive pressure in the global project business
- positive impact of the measures to raise efficiency
- KDS and KDE Group: positive prospects

Business Unit

- moderate increase in sales
- pre-tax profit again above € 100 million, albeit clearly lower than the previous year's figure



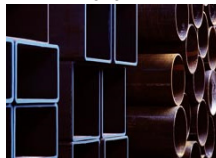
- stable sales
- significant reduction in pre-tax loss



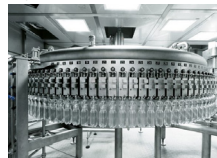
- moderate decline in sales
- significantly improved again positive pre-tax result



- moderate sales growth
- gratifying pre-tax profit, nevertheless considerably below the previous year's outstanding figure



- Based on a high order backlog:
- moderate increase in sales
- tangible increase in pre-tax profit



Salzgitter Group – Guidance from February 28, 2018

Given the good start to the new financial year, with market conditions brightening in some areas of business, but remaining challenging overall, and additional positive effects of the measures and growth programs, we assume the following for the Salzgitter Group in 2018:

- a marginal increase in sales to above € 9 billion,
- a pre-tax profit of between € 200 million and € 250 million, as well as
- a return on capital employed that is stable compared with 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 considerably affect performance in the course of the financial year 2018.

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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Burkhard Becker, Chief Financial Officer

Frankfurt, March 19, 2018