



Analyst Conference Financial Year 2020

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

Burkhard Becker, Chief Financial Officer

Salzgitter, March 16, 2021

Prof. Dr.-Ing. Heinz Jörg Fuhrmann

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

Burkhard Becker

- 4 Annual Accounts Financial Year 2020
- 5** Guidance



Not a lost year – we have achieved a lot!

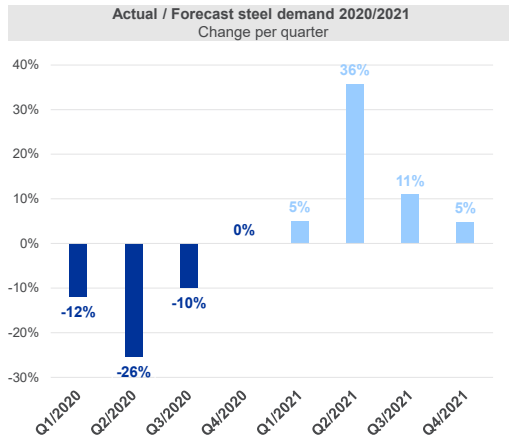
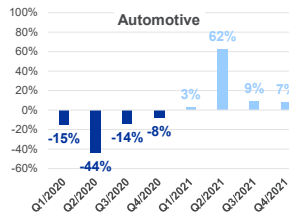
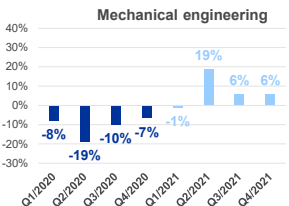
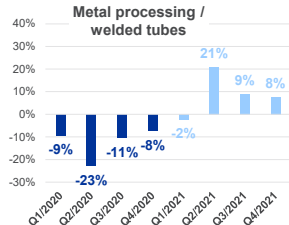
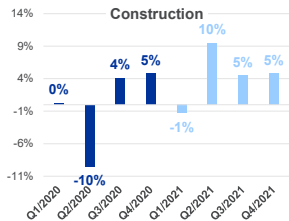
Key data per 2020/12/31

		FY 2020	FY 2019	Δ	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Crude steel production	kt	6,033.0	6,613.4	-580.4	1,698.8	1,381.5	1,271.2	1,681.5
External sales ¹	€ million	7,090.8	8,547.3	-1,456.5	1,826.5	1,633.4	1,522.7	2,108.3
Earnings before tax	€ million	-196.4	-253.3	56.9	28.0	-96.6	-96.4	-31.4
Earnings after tax	€ million	-273.9	-237.3	-36.6	-30.9	-98.3	-101.0	-43.7
Earnings per share (undiluted)	€	-5.13	-4.46	-0.67	-0.59	-1.84	-1.88	-0.83
ROCE	%	-3.9	-5.8	1.9	7.2	-10.9	-10.0	-2.4
Core workforce ²		22,604	23,354	-750	22,604	22,785	23,009	23,308

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

Financial year 2020 characterized by the distortions of the Corona pandemic

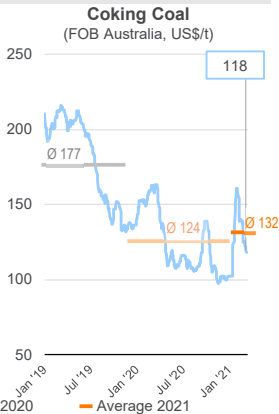
Development of steel demand in customer segments and the EU



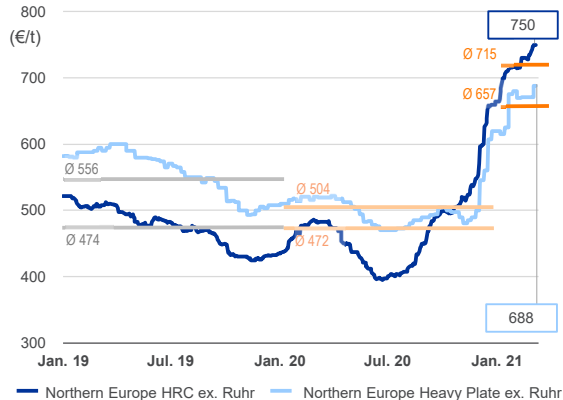
Steel processing sectors with dramatic slump of demand in the second quarter of 2020, recovery starting in the fall of 2020

Raw materials and steel prices

Raw Materials

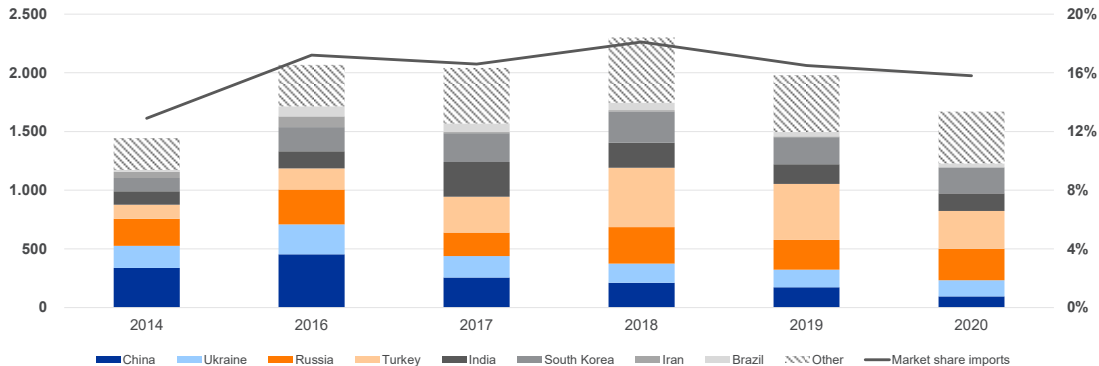


Hot rolled coil & Heavy Plate



Diverging price development of the major raw materials; following a period of inadequate steel prices, selling prices surged starting in the second half of 2020

Rolled steel imports into the EU-28 (in Tt/month)



High level of imports also in 2020 despite slump of demand

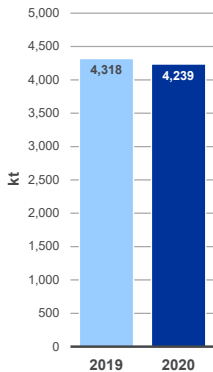
Prof. Dr.-Ing. Heinz Jörg Fuhrmann

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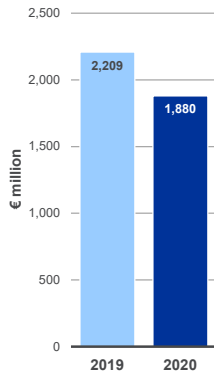
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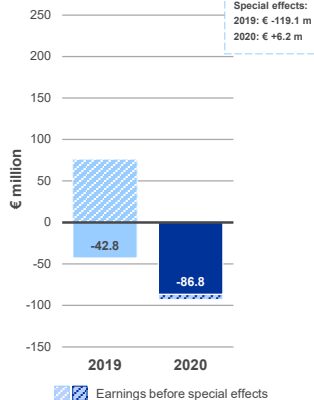
Order intake



Consolidated sales



Earnings before taxes



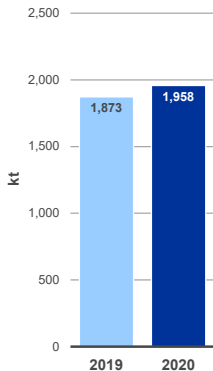
Surge in demand from June onwards almost compensates for previous slump of order intake; positive result in the fourth quarter



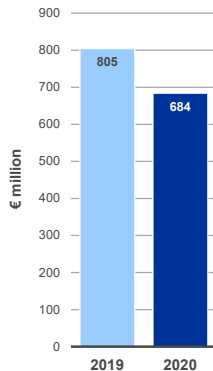
- Increase of hot-dip galvanizing capacity by around 500 kt per year
- Reinforcement of the market position in the automotive segment
- Effective utilization of the galvanizing shop due to greater specialization of the lines
- Compensation of the market-induced lower demand for elo-galvanized steel

**Realization of major investment projects also in less comfortable phases!
Commissioning next year**

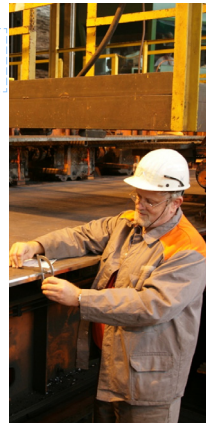
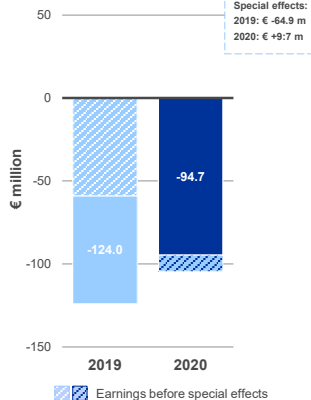
Order intake



Consolidated sales

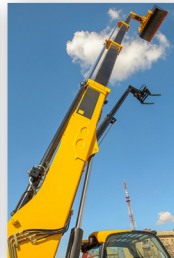
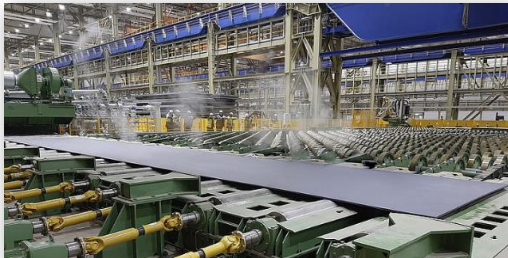


Earnings before taxes



Sales and earnings reflect difficult market situation in the plate business;
sections segment nearly at breakeven

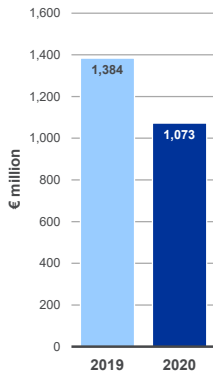
Plate / Section Steel – new Heat Treatment Line at Ilseburger Grobblech



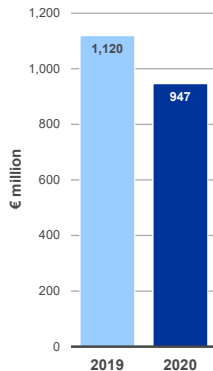
- Investment into a modern and competitive heat treatment line
- Strengthening of the market position and volume expansion for higher value grade segments such as high strength and wear resistant, water tempered steel
- Commissioning in early 2021

Project close to successful conclusion

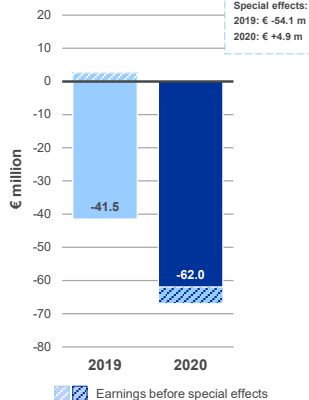
Order intake*



Consolidated sales*



Earnings before taxes



* excluding EUROPIPE-Group



**Pandemic caused decline of demand in all product segments;
 despite immediate adaption of the capacity markedly lower pre-tax result**

Mannesmann – Expansion of the precision tubes and stainless tubes groups

MPT: Expansion of the Mexican plant

- Growth in the NAFTA region
- Construction of a production line for thick-walled tubes
- Upgrade of the existing finishing line
- Realignment of Mannesmann Precision Tubes Group as a technology provider



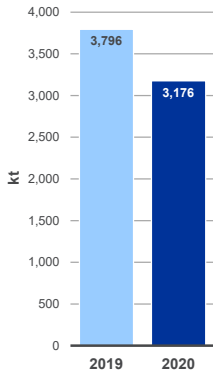
MST: New cold pilger mill for the Remscheid plant

- Largest cold pilger mill for the production of large seamless stainless tubes in the world
- Extension and strengthening of the market position – especially with the oil and gas industry – by expansion of the dimension range

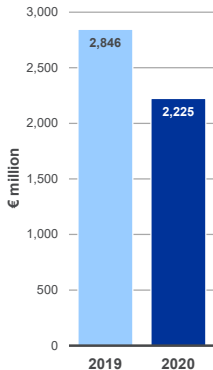


Successful realization of future-oriented investments

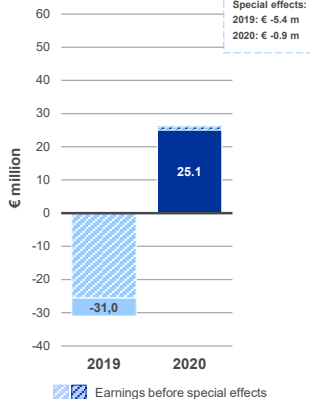
Shipments



Consolidated sales



Earnings before taxes



Pre-tax profit notably higher than in the previous year despite impairment due to extraordinary proceeds from the sale of a property

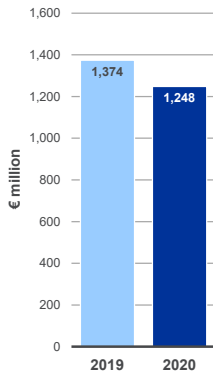
Trading – Acquisition of Statendam Steel Plates B.V.

- Extension of the product portfolio of Salzgitter Mannesmann Staalhandel B.V. and Statendam Steel Plates B.V.
- Extension of the finishing capacities
- Strengthening of the market position
- Additional distribution channel for our plate mills
- Area expansion of Salzgitter Mannesmann Staalhandel

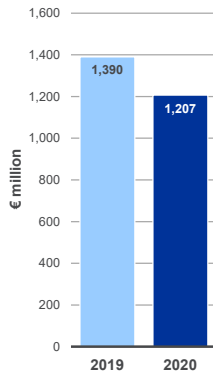


Extension of the market position in Western Europe

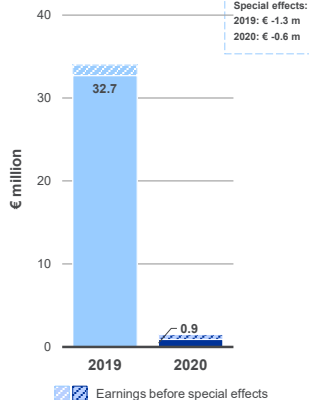
Order intake



Consolidated sales



Earnings before taxes



KHS Group records a lower, but nonetheless pleasing result in a turbulent market environment that compensates the losses of KDE and KDS

Technology – many international projects in realization

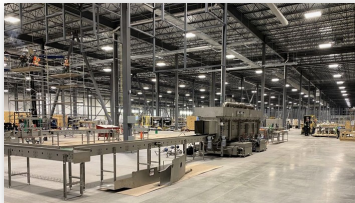
Large-scale greenfield project in the US

- The first cans were produced within 280 days of groundbreaking despite manifold obstacles caused by the Corona pandemic



Construction start of beer line in Canada

- Successful start of assemblage despite Corona-induced quarantine and high level of Canadian safety requirements



Can line for soft drinks in Nigeria

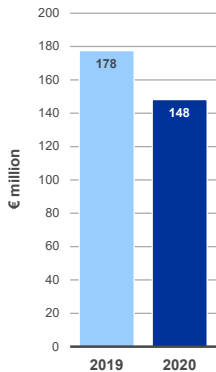
- Service staff of KHS Nigeria realized the assembly and commissioning completely via remote support of KHS GmbH



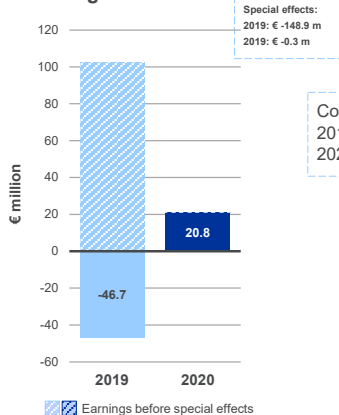
... reliable and flexible also in times of the Corona pandemic

Industrial Participations / Consolidation

Consolidated sales



Earnings before taxes



Pre-tax includes € 104.0 million contribution of Aurubis AG, an investment included at equity

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- The mapping of all the relevant processes and material flows is required to produce evidence of product-specific CO₂ emissions
- TÜV SÜD developed the VERISteel procedure based on DIN EN ISO/IEC 17029 and other international standards specifically for this purpose



Renowned steel processors demonstrate keen interest for this low CO₂ product

Our path towards a low-CO₂, hydrogen-based steel production

We are in control...

CO₂- emission allowances acquired as a precaution

- Shortfall in CO₂ allowances has been compensated for the most part until 2030
- Current market value of the CO₂ allowances acquired for this purpose exceeds the figure accounted for in the balance sheet by more than € 400 million*

...and pioneer at the same time

SALCOS

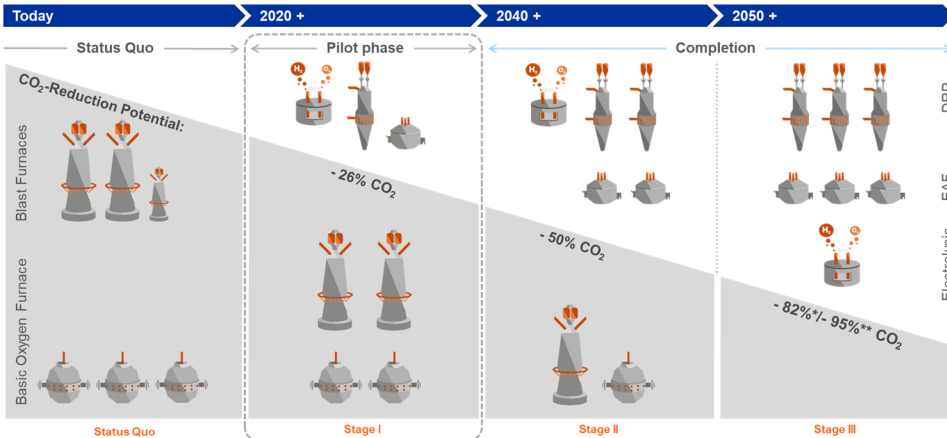
Steelmaking. Reinvented.

- Significant, gradual reduction of the CO₂ emissions of Salzgitter AG
- Target: Reduction of more than 95 % of the CO₂ emissions of Salzgitter Flachstahl until 2050

The Salzgitter Group acts decisively!

- ✓ CO₂ emission allowances for the Fourth Trading Period purchased as a precaution
- ✓ SALCOS® – technological concept for CO₂-reduced steel production

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



SALCOS
Steelmaking. Reinvented.

For the integrated steel production we are targeting reductions in CO₂ emissions of 30 % by 2030 and of 95 % by 2050.

We are ready!
Gradual technical implementation possible as soon as the necessary framework conditions are existing

Individual stages may technically also be realized in combination. The actual implementation time depends on the economic and political framework.
*with the use of 55% H₂ in the Direct Reduction Plants (DRP) / **with the use of 100% H₂ in the DRPs

Our path towards a low-CO₂, hydrogen-based steel production



First steam electrolysis on MW scale at Salzgitter Flachstahl as from 2020



2017



Wind-H2: **First** industrial sector coupling of “renewable power – hydrogen production – industrial consumption” at one location in Germany!

2018

Feasibility study

Iron ore direct reduction plant in Wilhelmshaven



2019



World's largest high-temperature electrolyzer commences trial operation in Salzgitter

2020

µDRAL – Mikro-Direkt-ReduktionsAnLage
Construction of a demonstration plant for direct reduction in Salzgitter



2021

MACOR: **SALCOS**-feasibility study

- Analysis of framework conditions
- Numerical modelling of melt shop and direct reduction plant



First slab successfully produced for **green strip steel**

“Salzgitter Wind Hydrogen”

Important building block on the way towards climate-friendly steel production

- Production of electricity via wind power and electrolytic hydrogen at the plant site
- Erection of seven wind turbines with an overall output of 30 megawatt
- Hydrogen production with two 1.25 MW PEM electrolysis plants
- Capex of around € 50 million
- Supported by the State of Lower Saxony and KfW (Kreditanstalt für Wiederaufbau)
- **Start March 11, 2021**



avacon

Making our world
more productive

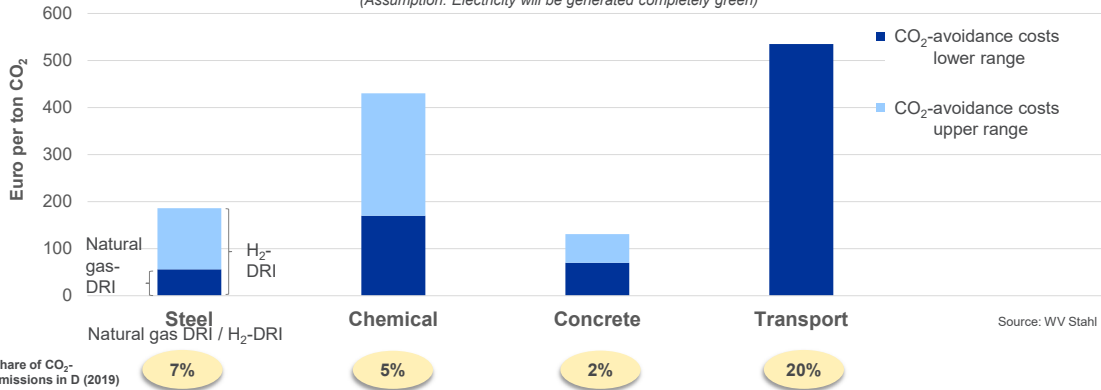


First industrial sector coupling of “renewable power – hydrogen production – industrial consumption” at one location in Germany!

Sectoral comparison of CO₂ avoidance costs

CO₂ avoidance costs¹⁾ 2030 (Agora)

(Assumption: Electricity will be generated completely green)



Share of CO₂-emissions in D (2019)

Source: Umweltbundesamt 2020

At the very forefront – both on a natural gas as well as a H₂ basis – also in cost comparison!

¹⁾ Additional costs for the avoidance of one ton of CO₂ versus a reference technology: (Additional operating costs and annualized capital costs) / reduced amount of CO₂.

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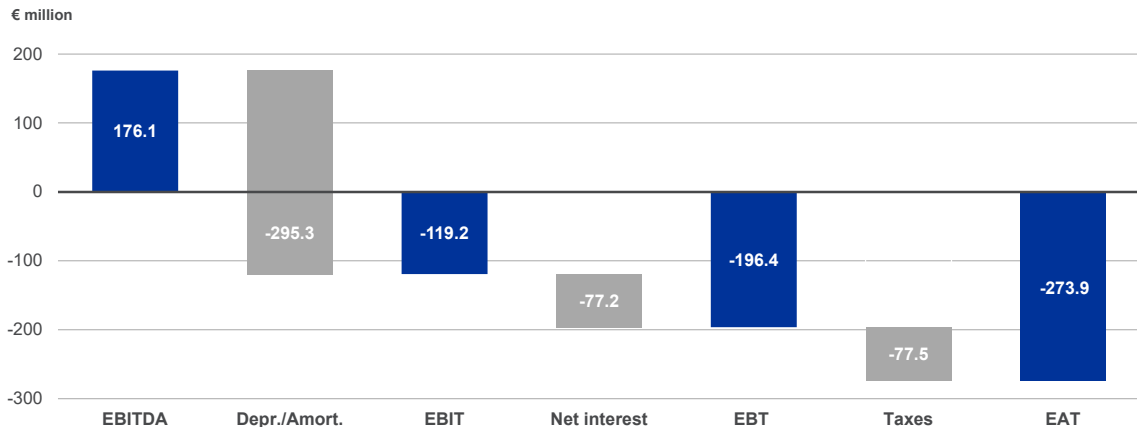
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Overview

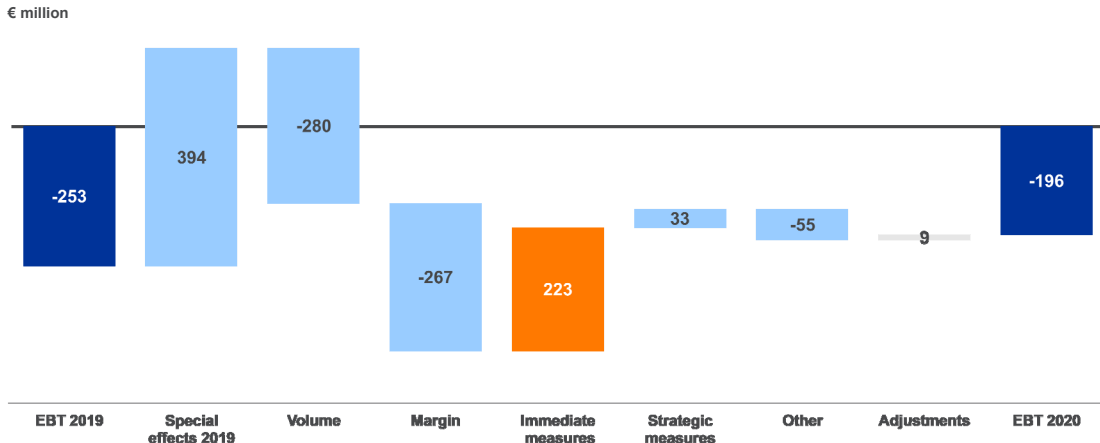
- Consolidated sales decreased mainly due to lower average selling prices and declining shipment volumes
- Pre-tax result (€ -196.4 million) exceeds that of the previous year
 - immediate measures and very pleasing contribution of Aurubis AG stabilize earnings
 - upward business development since the fourth quarter
- Net financial position declines to € -432 million
 - Decrease is almost entirely attributable to the payment of the fine to the Federal Cartel Office as well as tax prepayments to the German tax authority in connection with the securities lending transaction
 - Hidden reserves in an upper triple-digit million Euro range thanks to the participation in Aurubis AG and CO₂ emission allowances acquired as a precaution
- Equity ratio of 32.5 % remains solid
- Dividend payment for the Financial Year 2020 suspended – we expect that we will be able to resume dividend distribution again in 2022

Group Result



Earnings after taxes includes € 71.0 million in additional tax expenses

Earnings bridge Group



Corona-induced erosion of margins and volumes drives development of earnings, significant counterbalancing effects from immediate measures

Income statement

Income Statement (€ million)	FY 2020	FY 2019	Δ
Sales	7,090.8	8,547.3	-1,456.5
Increase/decrease in finished goods and work in process/other own work capitalized	-158.1	-8.2	-149.9
	6,932.7	8,539.1	-1,606.4
Other operating income	345.3	285.6	59.7
Cost of materials	4,579.2	5,602.6	-1,023.4
Personnel expenses	1,654.1	1,815.7	-161.6
Amortization and depreciation of intangible assets and property, plant and equipment	295.3	541.0	-245.7
Other operating expenses	936.6	1,157.8	-221.3
Result from impairment losses and reversal of impairment losses of financial assets	-29.2	-25.1	-4.2
Income from shareholdings	2.4	2.0	0.4
Result from investments accounted for using the equity method	95.6	125.2	-29.6
Finance income	14.9	17.5	-2.6
Finance expenses	92.9	80.4	12.5
Earnings before taxes (EBT)	-196.4	-253.3	56.9
Income tax	77.5	-16.0	93.5
Consolidated result	-274.0	277.7	-36,6

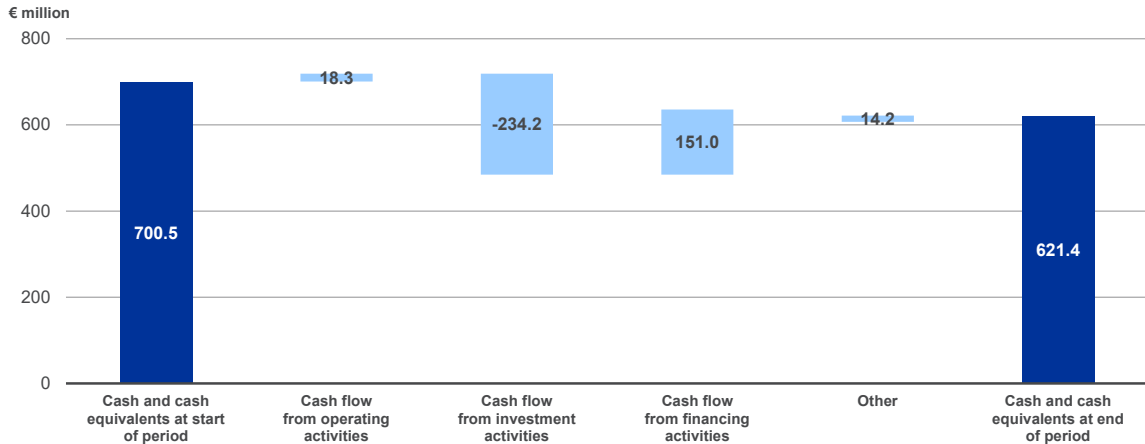
Consolidated balance sheet

Assets (€ million)	12/31/2020	12/31/2019	Δ
Non-current assets	4,244.5	4,099.0	145.5
Intangible assets, property, plant and equipment	2,423.6	2,343.0	80.6
Investment property	81.5	82.0	-0.5
Financial assets	54.6	64.7	-10.1
Investments accounted for using the equity method	1,169.1	1,072.9	96.2
Trade receivables	11.0	18.4	-7.4
Other receivables and other assets	22.3	25.6	-3.3
Income tax assets	0.5	0.0	0.5
Deferred income tax assets	481.9	492.3	-10.4
Current assets	3,992.9	4,518.5	-525.6
Inventories	1,933.7	2,248.1	-314.4
Trade receivables	923.9	1,118.4	-194.5
Contract assets	300.2	186.3	113.9
Other receivables and other assets	188.3	191.8	-3.5
Income tax assets	23.7	22.6	1.1
Securities	0.0	50.9	-50.9
Cash and cash equivalents	621.4	700.5	-79.1
Balance sheet total	8,237.4	8,617.5	-380.1

Consolidated balance sheet

Equity and liabilities (€ million)	12/31/2020	12/31/2019	Δ
Equity	2,678.9	2,938.6	-259.7
Subscribed capital	161.6	161.6	0.0
Capital reserve	257.0	257.0	0.0
Retained earnings	2,594.5	2,845.1	-250.6
Other reserves	26.4	23.0	3.4
Unappropriated retained earnings	0.0	12.1	-12.1
Treasury shares	-369.7	-369.7	0.0
Minority Interest	9.1	9.6	-0.5
Non-current liabilities	3,476.4	3,453.6	22.8
Provisions for pensions and similar obligations	2,298.6	2,356.1	-57.5
Deferred tax liabilities	73.9	72.0	1.9
Income tax liabilities	30.4	36.6	-6.2
Other provisions	267.1	334.9	-67.8
Financial liabilities	749.4	637.1	112.3
Other liabilities	57.1	16.8	40.3
Current liabilities	2,082.1	2,225.3	-143.2
Other provisions	210.4	224.6	-14.2
Financial liabilities	488.3	430.1	58.2
Trade payables	802.4	915.2	-112.8
Liability contracts	272.8	200.7	72.1
Income tax liabilities	5.5	8.6	-3.1
Other liabilities	302.8	446.0	-143.2
Balance sheet total	8,237.4	8,617.5	-380.1

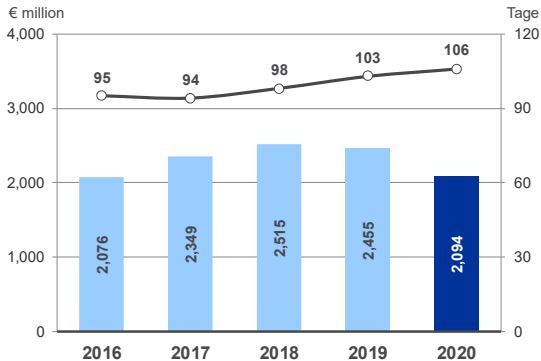
Cash flow statement



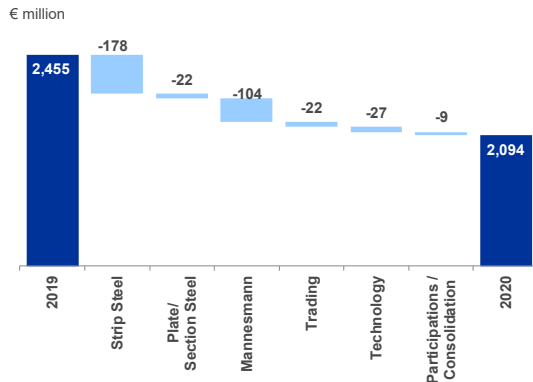
Cash flow from operating activities include payment to Federal Cartel Office as well as higher tax payments in connection with securities lending

Working capital development

Working capital / lead times to replenish



Reconciliation of working capital

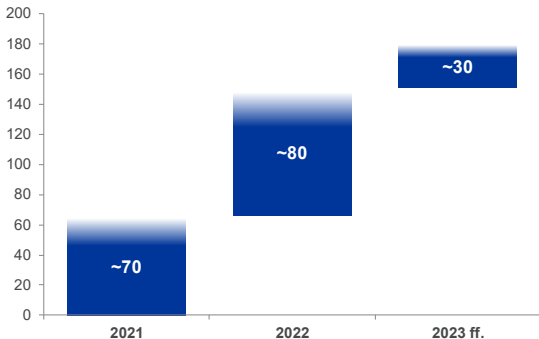


Working capital reduced by more than € 350 million

Update programs of measures

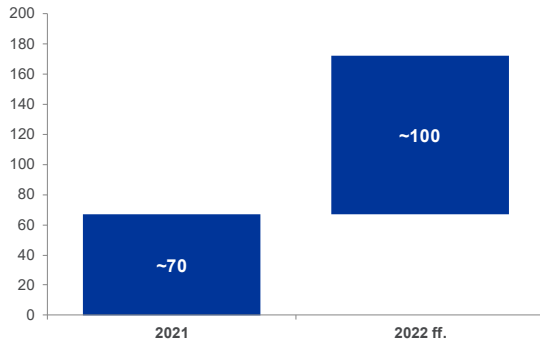
FitStructure 2.0 (incl. remaining effects of FitStructure)

€ million earnings improvement potential



SZAG 2021 Growth Programs

€ million additional profit contribution



All in all some € 350 million in additional effects from optimization programs planned

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Salzgitter Group – Guidance

With explicit reference to the still imminent, virtually unquantifiable risk of the Corona pandemic, we anticipate the following for the Salzgitter Group in the financial year 2021:

- an increase in sales to more than € 8.5 billion, as well as
- a pre-tax profit of between € 150 million and € 200 million.

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

Burkhard Becker, Chief Financial Officer

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