Presentation

by

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Chairman of the Executive Board of

of Salzgitter AG

on the occasion of the

Annual General Meeting of Shareholders on June 1, 2017

in the City Hall of Braunschweig

- The spoken word takes precedence -

----------Chart 1----------

Dear Shareholders,
Ladies and Gentlemen,

On behalf of the Executive Board, the Group Management Board and all our employees may I welcome you warmly to today's Annual General Meeting of the Shareholders of Salzgitter AG in Braunschweig.

I am delighted to see so many of you were able to come today and thank you for your decision to invest in us, which we take as an expression of your trust in our work.

----------Chart 2----------

Ladies and Gentlemen:

Over the past four years our Salzgitter Group has worked its way back into the profit zone in the face of all adversity.

In 2013, a year marked by catastrophe both in terms of the environment and as regards our results, we set a great deal in motion. Alongside the – with hindsight successfully implemented – new structure of the Group, we launched a package of measures back in 2013 the likes of which our Group had never seen before.

The results of the following financial year already said more than many words! The groupwide “Salzgitter AG 2015” restructuring program made a significant contribution to this. The pre-tax loss stood at less than a thirtieth of the year-earlier result, and the cash outflow was halted.

We delivered renewed and impressive proof of how effective our self-help measures were again in 2015 with the first pre-tax profit since 2011. Particularly in the second half of the year, the impact of the market environment that was massively impaired due to the

flood of imports was anything other than a boost for our results. So we are justified in saying: “We have delivered!”

The presentable earnings before taxes of the financial year 2016 are therefore also ultimately a reflection of our own endeavors. We have continued to chart our successful course with another increase in profit and have given the Group sustainable prospects for the future. These prospects have been complemented by the “Salzgitter AG 2021” strategy that was approved in the autumn of last year. But more on this later.

----------Chart 3----------

Valued Shareholders,

Following these introductory remarks, let me first take stock of the remarkable year 2016.

In the second part of my presentation I will explain the results of the financial year 2016 and those of the first quarter of 2017.

I will follow on from this by discussing the current status of our 360° Concept, including the new “Salzgitter AG 2021” corporate strategy.

After a brief conclusion, I will say a few words in explanation of today’s Agenda.

----------Chart 4----------

In a succession of eventful years, not least for our Group, 2016 is likely to be remembered – also in times to come – for marking a series of significant phases, if not turning points. The many political events and decisions have called assumptions presumed certain, accepted views and much prized habits into question.

That the ECB with its zero interest rate policy would put a final end to the monetary control strategy originally strongly rooted in the Bundesbank tradition was already seemingly on the cards before 2016, despite announcements by officials to the contrary.

Not so long ago, the prospect of Great Britain leaving the European Union was still being dismissed as a semi-apocalyptic fantasy.

And the fact that a man put in the same pigeonhole by virtually all Western Europe's media for so many years was able to win against firmly established and personified heavyweight politicians – and not through a coup but by way of democratic election – would not have been thought possible by most contemporaries in this country either.

Ladies and Gentlemen, in reality, things often develop differently from mainstream expectations here. So many unpredictable events would indeed seem an improbability ...

----------Chart 5----------

In this extremely lively scenario in 2016, our sector was also faced with sea changes.

The signs did not bode well: In fact, a veritable challenge originated from the combination of cheap imports, energy prices and climate protection policy, a challenge that threatened the very existence of steel production throughout Europe.

And so, in February 2016, it was an objective description of the situation in the European steel industry rather than an alarmist headline when the Handelsblatt wrote: “2016 will be the decisive year: It is a matter of life or death.”

Without wishing to preempt the second part of my presentation, I would, however, like to add at this point: “We managed this time as well!”

----------Chart 6----------

Ladies and Gentlemen:

With all the upheavals last year, one thing at least remained certain: When the time comes, we all stick together in the steel industry!

At our last Annual General Meeting, I was already able to report on the nationwide Steel Action Day in April 2016, with a kick-off event that took place at the Salzgitter steelworks, as well as the “Steel is the Future” petition that attracted 30,000 signatories at the time. By the end of the year, 100,000 people had signed the petition.

We held many discussions at local, national and European level. At the same time as the many thousands of employees, managers and the Board members of our Group participated in numerous demonstrations to preserve competitive conditions for the steel industry.

Ladies and Gentlemen, these joint efforts of trade unions, companies, associations, and last but not least of our politicians at both federal and state level whose committed support we were particularly glad of, were not in vain.

----------Chart 7----------

The imposing of anti-dumping duties on Chinese imports by the EU Commission worked. China’s share in overall imports has dropped appreciably.

The total volume of steel imported into the EU has nonetheless remained at an alarming level. Above all Turkey, India and the Ukraine have significantly increased their market shares and filled the void left by China's withdrawal. In addition, we registered imports from countries that did not previously play a role on the European market, from Egypt and Taiwan, for instance.

The steel price level has nevertheless been able to stabilize because the Chinese adopted unprecedented aggressive pricing from autumn 2015 through to the spring of 2016.

It would, however, be an illusion to think that the problems have been banished or even mitigated to a great extent.

----------Chart 8----------

The main driver behind import flows is a deeply structurally induced imbalance between demand and supply in a global context.

Dear Shareholders, the EU is currently the only region in the world where capacities are actually being scaled back.

Excess capacities in other markets are stable at best – take the Ukraine, for instance, which as a single country meanwhile reports higher steel overcapacities than the entire EU 28 put together.

Today, India also has significant capacity underutilization and, measured by projections for domestic demand, is in the process of building up an even more substantial oversupply. This is already reflected in the behavior of Indian producers. In the past year, significantly increased volumes were exported from India into the world and, at the same time, the domestic market isolated through various protectionist mechanisms.

As we all know: At currently around 350 million tons a year, China overwhelmingly accounts for the largest part of unused steel capacities in the world. This is around eight times of the maximum volume that Germany is capable of producing. These are dimensions only difficult to imagine and that are not set to dwindle in just a few years.

Irrespective of this, a further increase in net capacity is even foreseeable in many regions. In addition, the prospect of the G20's "Global Forum" on reducing global overcapacity being successful is extremely questionable. After all, the interests of the individual stakeholders, as well as their willingness to compromise, vary widely.

----------Chart 9----------

The natural corollary of the capacity issue is growing protectionism.

In an increasing number of regions it is difficult, if not impossible, to sell steel as a non-resident producer. Around 40 percent of the global restrictions on trade apply exclusively to steel products. Various trade barriers, such as certification systems, import licenses and "buy national clauses", supplement conventional import duties. In any case, the US leads the way in this area of political creativity but is far from being alone in this.

By contrast, Europe has taken extremely moderate stance with regard to its trading partners. There have been no general import duties for more than 15 years, and no other trade barriers exist either. Trade defense investigations are concentrated first on Chinese imports – and justifiably so, as the European market has been turned upside down in the most audacious way. When China alone is not the sole issue, however, the EU is not so swift

to enforce commensurate anti-dumping duties even if the circumstances leave no room for doubt. This was our experience in our most recent proceedings against hot-rolled strip imports originating from other countries.

At this point, an interim conclusion may be drawn: Following the “decisive year in 2016”, the situation has eased somewhat in terms of ruinous imports. This does not, however, release us from the duty of remaining untiringly vigilant!

----------Chart 10----------

Ladies and Gentlemen, at least as significant as the threat emanating from protectionism and cheap imports is what we in the EU and Germany are experiencing under the watchword of “energy and climate policy”.
It lends itself to draw analogies with Carl Orff’s "Carmina Burana" that was performed for the first time 80 years ago almost to the day:

The final song leads back to the beginning again, like a wheel that is turning. Man is at the mercy of the ups and downs of the Wheel of Fortune but always keeps his unbridled passion for life. We also will not be disheartened by the recurring issues in the form of threats and burdens from the energy and climate policy – even though this would be completely understandable in light of the seemingly endless discussions: hardly has a solution been found to the one issue after protracted negotiations, when elsewhere the situation deteriorates rapidly – and so the wheel continues to turn.

Here, we are dealing with the all too familiar topic of CO_2 allowances. Even if uncertainty still prevails as to the exact structure of the fourth emissions trading as from 2021, one thing is for sure: it’s going to become more expensive.

Amounts in the triple-digit million range over the ten-year period are well within the realms of possibility. These are costs that, for

instance, are unlikely to occur in the US under President Trump right through to the next decade.

We cannot compensate for these disadvantages compared with our competitors outside Europe. It is indeed strange: On the one hand, policymakers want our endeavors based on research, development and implementation to deliver steelmaking methods that produce less CO_2 emissions.

This is no mean feat, as we are already pushing the boundaries of what is scientifically and technically possible with the steel production methods deployed worldwide today for the purpose of reducing emissions – and this is something that not even political will can change.

On the other, the money we need to even start pursuing other alternatives is being taken away from us through emissions trading. This is a policy that might perhaps believe that necessity is the mother of invention.

We do not, however, always have to look as far as Brussels. There is discrimination in our domestic environment well: Depending on the power supply zone where one is located, there is a huge variation in the transmission network charges to be paid. This has very real effects: Our Peine mini mill has returned to the profit zone again following a hard process of restructuring in 2014. Unfortunately, it is in the most expensive zone, the one of the grid operator “TenneT”. The reason given is that particularly high grid stabilization costs have been incurred here in connection with Germany’s renewable energies policy. This results in additional costs of € 7 million for Peiner Träger GmbH in 2017 alone. If the mill were situated 200 km more to the west in North Rhine-Westphalia, the cost would lower by a factor of 2 to 3.

I would like to confine myself to these examples. Despite the inexorable wheel that well meaning people turn, we must not lose

sight of the fact that the situation of our customers is also not unimportant for us.

----------Chart 11----------

This is a familiar picture.

In Germany, new orders in almost all the sectors that are relevant for the steel industry continue to rise.

In the EU, the steel processing sectors are also developing positively, albeit from a low basis.

That said, the following discrepancy can be ascertained:

When viewed in isolation, the German steel market is in a healthy condition. Similarly, the EU is also fundamentally in an uptrend. External factors, however, in the form of cheap imports and the aforementioned politically motivated burdens continue to constitute a key risk for Europe's steel industry overall and unfortunately also for our company.

----------Chart 12----------

The figures and projections for possibly the largest growth market that we serve with our Group are more favorable. The market for filling and packaging machinery has reported steady growth in recent years. We have participated in this through our subsidiary KHS, one of three global market leaders in this segment – and our participation has been above average.

In the last five years alone, KHS's plant and machinery business has seen growth of more than 30 percent and has therefore performed better than the overall market.

The prospects for these facilities are also favorable in the long term. It starts with basic human needs. The United Nations, for example, officially defined access to clean water as a human right

in 2010. In many countries, however, a comprehensive supply of clean drinking water is only possible in a packaged form, at least in the medium term.

----------Chart 13----------

Let us take a look at ourselves and our own results: How did our business model do in this “fateful year of the European steel industry” and in the adverse environment described? Is it as sound as we have made out?

----------Chart 14----------

A look at the key data of the turbulent financial year 2016 affirms what I briefly touched on before: We managed – and quite well in fact!

Crude steel production increased compared with the year before that was impacted by lower volumes due to the relining of the large Blast Furnace B at the Salzgitter steelworks. The Salzgitter Group’s external sales were lower than in the previous year mainly because of the downturn in average selling prices for steel products.

Ladies and Gentlemen, over the course of the last few years we have succeeded in restoring the Group’s profitability, step by step. In 2016, we saw the third increase in the results in a row and multiple times earnings before taxes! The considerable effect of our internal programs of measures contributed to this, on the one hand – I will go into this in more detail shortly. On the other, – and let’s be fair here – this reflects the positive impact of the European Union trade defense measures. If the EU market had remained as open as it was up until the turn of the year 2015/16, the figures you are seeing here could have been a lot worse.

The after-tax result and earnings per share have done a volte face. It should be noted, however, that the negative result after tax in 2015 comprises € 26.5 million in tax expenses due to the potential burden from a ruling by the German Federal Fiscal Court

on the “lending of shares”. Return on capital employed rose marginally to 2.7 percent in 2016; the equity ratio remains sound.

The workforce had declined somewhat on balance by December 31, 2016. This reduction reflects the “Salzgitter AG 2015” measures, implemented according to plan. A counter trend emanated from the initial consolidation of various Group companies, as well as from extending the activities mainly in the high-growth international companies of the Technology Business Unit.

----------Chart 15----------

A look at the business units shows the following:
The Strip Steel Business Unit closed the year 2016 almost at breakeven. As a result, the losses of the first half-year
were offset thanks to the gradual improvement in the selling price quality. The 2015 result was impacted by burdens of € –42 million from the aforementioned blast furnace relining.

The Plate / Section Steel Business Unit reported a considerable reduction in its pre-tax loss also due to the discontinuation of the operations of HSP Hoesch Spundwand und Profil GmbH. This included order-specific provisions, as well as € 6.3 million in expenses for measures aimed at structural improvements in the plate companies that recorded another notably negative result. Peiner Träger GmbH achieved a pre-tax profit for the third time in a row that required a write-up of € 25.0 million.

The Mannesmann Business Unit reported a pre-tax loss of € 22.4 million. The fact that this figure included € 6.0 million in expenses for structural measures as well as € 15.0 million in impairment of the assets of Salzgitter Mannesmann Line Pipe GmbH should, however, be taken into account. Excluding these one-off effects, the result in 2016 was close to breakeven, as in the year before.

The pre-tax profit of the Trading Business Unit increased to a very presentable € 45.2 million. The mainstay of the result was the

stockholding steel trade that reported a temporary widening of margins in the wake of the steel price trend as from the second quarter through to and including autumn.

The Technology Business Unit remains on track with another increase in profit. The business unit generated € 28.4 million in earnings before taxes, with the result of the KHS Group rising by a third, which was also based on the success of the measures introduced under the improvement program. Similarly, KDS also notably outperformed its year-earlier result, as opposed to the KDE Group that dropped below the record result of the year-earlier period.

Industrial Participations / Consolidation generated € 36.3 million, which was therefore lower in a year-on-year comparison. The contributions of the Aurubis investment as well as the Group companies not directly assigned to a business unit were lower than in 2015.

----------Chart 16----------

Ladies and Gentlemen,
With all caution and in all seriousness and humility, the following can be ascertained based on the key data of the first quarter of 2017: We are now seeing the fruit of our labor!

The successful start to the year gives us cause for optimism and encourages us to adopt this motto for the current financial year.

First things first: Earnings before taxes were raised to € 77.1 million. The improvement in earnings received decisive impetus from the recovery and the measures of the Strip Steel and Trading business units.

While crude steel output remained at the year-earlier level, sales grew considerably compared with the first quarter of 2016 that was impacted by the miserable selling price situation. At 10.3 percent, the return on capital employed is also looking quite good.

----------Chart 17----------

The earnings performance by quarter reflects the events of the last two years: The situation was not particularly pleasing in the first and second quarter of 2015 but we kept our head above water. The blast furnace was relined during the third quarter and the skies of the strip steel and heavy plate market were darkened up by the first black clouds; the fourth quarter closed slightly in the red. As you can see here, starting with the first quarter of 2016 we worked our way up and, from third quarter of last year onward, an upswing clearly materialized that ultimately culminated in the highest quarterly result since 2008.

----------Chart 18----------

Ladies and Gentlemen, without our internal measures and our own endeavors, we wouldn’t be where we are today. Let me briefly summarize what we have achieved: Starting with a loss in 2012, more than € 200 million worth of negative market influences had to be absorbed through to and including 2016 across all the Group's activities. On the other hand, we have held our own through € 430 million a year in effects from sustainable measures, mainly, but not only, from “Salzgitter AG 2015”. We have therefore essentially engineered a return to the profit zone through our own endeavors and not relied exclusively on partially improved conditions in the steel market.

----------Chart 19----------

Ladies and Gentlemen,

Those who know my colleagues on the Executive Board and the Group Management Board and myself also know that we are not inclined to be self satisfied or allow success to go to our heads. You can indeed trust us not to lose sight of our challenges in the market, competitive and political arenas in the future. This is reflected not least by our rather more conservative upward revision of our forecast from May 2, 2017, which is what you are used to: We anticipate an increase in sales to around € 9 billion, earnings before taxes of between € 125 and 175 million, as well

as a return on capital employed that is discernibly higher year on year.

----------Chart 20----------

Ladies and Gentlemen:

After my explanations on the current earnings situation, I now turn to the growth- and future-oriented development of the Group.

----------Chart 21----------

You are likely to be familiar with our 360° Concept. Over the past years, our focus has been primarily on raising efficiency.

The most critical task during the weak phase of the steel and tubes markets was to stabilize our competitiveness, which meant putting a halt to the outflow of funds and improving the quality of our earnings. There was – and is – as the expression goes, no other alternative.

And this is precisely what we have achieved!

Ladies and Gentlemen,

We have given the Group sustainable prospects for the future through the efficiency programs under “Salzgitter AG 2015”.

This has now been complemented by the “Salzgitter AG 2021” strategy approved in the autumn of 2016.

After the unavoidable focus on restructuring and cost cutting initiatives, we are now placing special emphasis on innovation and growth.

----------Chart 22----------

The measures – both existing and successfully completed – are as diverse as they are extensive.

On the upper left, you see the original chart from 2013 that I used to present the goals for “Salzgitter AG 2015” to you in the Annual General Meeting back then.

We set ourselves the goal of generating more than € 200 million a year in recurring effects on the results.

Valued Shareholders,
We brought “Salzgitter AG 2015” to a close with an increase in earnings of more than € 260 million a year. This is almost one third more than originally planned, and is a huge success in itself!

We have not, however, rested on our laurels, but have continued with the structural improvements of our – and your – company beyond the groupwide “Salzgitter AG 2015” program with numerous flanking measures at company level. One well-known component was the unfortunately unavoidable closure of the sheet pile production at HSP.

Since the autumn of 2016, we have combined these initiatives under the name of “FitStructure SZAG”.

All in all, we anticipate more than € 290 million a year in profit improvement from “FitStructure”, €170 million of which we had already realized by the end of 2016.

This forms the basis of the new “Salzgitter AG 2021” Group strategy endorsed by the Advisory Board and our anchor shareholder. The strategy defines the strategic cornerstones for the Group’s development in the next five years and consists of two components:

Firstly, the efficiency enhancing measures will be consistently ongoing. The goal is to realize more than € 120 million in profit improvement potential from measures already defined today under “FitStructure”. We are working on this with the same rigor as we applied to “Salzgitter AG 2015”.

----------Chart 23----------

The € 430 million in profit improvement per year realized from efficiency measures over the course of recent years therefore was the inevitable precondition for ultimately being able to focus more strongly again on the Group's growth. This is the second component of the "Salzgitter AG 2021" Group strategy.

By the year 2021, our aim is to have generated more than € 200 million a year in additional profit contribution from organic growth.

To this end, we will be extending our offering in product segments with high contribution margins and tapping additional potential through affordable investments and development projects.

One of our goals is to raise the proportion of less steel-related activities in the Group's de facto sales and value added portfolio from currently 40 percent to 50 percent in order to achieve a balance between this and our steel-related business.

We consider this recalibration to be indispensable as it would make little sense to try and achieve quantitative growth in the rolled steel and line pipe segment under the current and forecast market conditions.

We will be striving to achieve qualitative growth in these segments by focusing even more strongly on premium higher grade – and therefore generally higher margin – product segments.

An example of this is the RH vacuum plant recently commissioned in Salzgitter that expands our capacity for vacuum treatment in secondary metallurgy located there and enables our strip steel and heavy plate company to reinforce our market position in the high quality segments.

Quantitative growth is only possible in activities less associated with steel. Using KHS as an example, I have already been able to

demonstrate to you in former years that we have something to show in this field.

External growth, meaning acquisitions, are not absolutely necessary for the positive development of the business units in the context of our Group strategy.

In the Technology Business Unit, acquisitions that supplement the program and the technology would, however, be desirable. Here we also have a blueprint in the Group in the successful purchase of Corpoplast in 2008, one of the leading manufacturers of machinery for PET bottle production.

Ladies and Gentlemen, at this point let me emphasize again: Our DNA resides in steel – and will continue to do so in the future as well!

But we are also a technology company with a broader base, which was the case even before other conglomerates began to think that their steel producing origins were not quite as sexy as before.

Salzgitter AG, synonymous with “Steel and Technology” since our listing in 1998! Indeed, this is precisely what will be consistently developed through our "Salzgitter AG 2021" program!

----------Chart 24----------

Dear Shareholders,

The core premise of our “Salzgitter AG 2021” Group strategy is the expedient combination of restructuring and alignment with the future. I would like to take the example of Ilsenburger Grobblech GmbH to explain how we envisage a synthesis of this kind.

The heavy plate market has been particularly fragile in recent years. This is due, on the one hand, to the late cyclical nature of the product and, on the other, to the particularly aggressive

behavior of many market participants, both in Europe and elsewhere, above all in the standard grade segment.

We rose to the challenge of this unfavorable environment with extensive restructuring measures. In the summer of 2016, we reached an agreement with IG Metall and the Works Council on reducing working time temporarily by three hours, bringing it to 32 hours a week without wage compensation, a delay in tariff adjustments, as well as a reduction of the workforce by around 170 jobs by the end of 2019, mainly through age-related part-time work. These measures made a notable contribution to the inevitable cost cutting while allowing socially responsible adjustments to personnel to be made. By the way, this is a very practical example of one of the values of our mission statement, namely “Fairness and a Spirit of Partnership”.

We still believe that heavy plate is basically an attractive product. For this reason, we want to install a new finishing section and heat treatment line in Ilsenburg through to the year 2020. In combination with the new RH vacuum plant, this will reinforce our good market position in higher quality grades at our Salzgitter location. Once this has been commissioned, Ilsenburger Grobblech GmbH will take its place as one of Europe’s benchmark heavy plate mills in all product segments.

As you can see from this example, we are shaping the future of our Group without neglecting the homework we still have to do.

----------Chart 25----------

Despite or because of our commitment to our roots, we are anything but “old economy”. On the occasion of past annual general meetings, I have presented many genuinely innovative developments “made in Salzgitter”, from the Belt Casting Technology right through to direct printing and the Plasmax coating of PET bottles.

This year's Hanover trade fair was again dominated by "Industry 4.0". We took the opportunity of presenting another side of the Salzgitter Group that is not new, but perhaps less well-known.

While, in the past, we focused first foremost on our steel and tubes products, this time we showcased our very real contribution to innovative technologies, digitalization and sustainability. I will now show you a few impressions of our new trade fair presence – film please!

----FILM----

Valued shareholders,

What is generally understood as "Industry 4.0" today has long been a continuum rather than a revolution, even in the traditionally conservative steel sector. I well remember more than 20 years ago when the first systems for linking up data processing, sensor and actuator technology emerged. In the marketing process, however, the possibilities of cutting-edge data processing and communications technology did in fact lead to disruptive change. Anyone who doesn't keep up runs the risk of being steamrollered by the Amazons or eBays of steel and ending up like Kodak.

----------Chart 26----------

A year ago, I presented you with our plans for the digitalization of the trading business. Here we have meanwhile adopted a two-pronged approach:

Larger customers with compatible inventory management systems can link up with our merchandise management system, which will make their procurement and working capital management far more effective.

Our e-SHOP is aimed at a new customer segment, namely smaller traders and consumers, i.e. customers without compatible merchandising management systems. The fact that this strategy has paid off is shown by the connection of more than 1,000 customers in the first year.

Different to some market operators, we measure our success based on customers who purchase digitally – we view the electronic dispatch of documents as a matter of course.

Ladies and Gentlemen,

As you know, we are not in the habit of sounding our horn. Concerning this area, however, we are leaders in our competitive environment.

----------Chart 27----------

Ladies and Gentlemen:

We are a sustainable company though this is a point that we don't labor.

Our blast furnaces in Salzgitter count among the facilities with the lowest CO_2 emissions in the world, and we are working constantly on optimizing our plant and process technology.

This is not cheap talk. The German Energy Agency – dena for short – has conferred the "Best Practice" award on a number of our steel making processes every year since 2014!

In 2016, we also won the "Best Newcomer Germany" award from the Carbon Disclosure Project – or CDP – an organization that is committed to publishing the environmental figure of companies and communities.

Various instances have therefore attested to our being on the right track in this respect too.

----------Chart 28----------

Even if, as just described, a high and already recognized level of resource efficiency and environmental protection has been achieved, we remain realists and know that the relentless Wheel of Fortune continues to turn.

We therefore anticipate that the hurdles under environmental and energy policies involved in operating an integrated steelworks are not set to diminish in Europe. We are already meeting these challenges today.

As you know, Ladies and Gentlemen, steel is always recyclable. With “green electricity” as a precondition, the process of melting scrap takes place with virtually no CO_2 emissions.

Since, however, there is not enough scrap to cover the demand for iron-bearing materials – at least not in the desired quality at reasonable prices – we have no alternative but to produce primary steel based on iron ore.

To achieve this, iron oxide, that is the main component of iron ore, has to be reduced, which means separating oxygen from iron. Today this reduction mainly takes place by using carbon in the blast furnace. This process, established worldwide, is sophisticated and also relatively cost effective, as coal or coking coal as input material is abundantly available and easily transported. CO_2 is, however, an inevitable byproduct.

If the production of CO_2 is to be avoided, iron ore can also be reduced with the aid of hydrogen as an alternative. However, this necessitates special facilities, so-called direct reduction plants, in which natural gas is typically used as a reduction agent. This consists mainly of methane, CH4, i.e. molecules consisting of four atoms of hydrogen alongside one carbon atom. The use of

hydrogen during this process is therefore already quite high. This technology is applied today on an industrial scale in regions where natural gas is cheaper than coal. For this reason, it does not play a role in Europe. Direct reduction plants using pure hydrogen are not currently operated anywhere in the world today.

Under the name of SALCOS – Salzgitter Low CO_2 Steelmaking, we are working on developing an industrial scale combination of direct reduction technology and an integrated steelworks. Hydrogen can be obtained through electrolysis using volatile electricity from renewable energies and therefore act as a substitute for natural gas, at least partly.

Although this sounds simple, it isn't. The integration of direct reduction technology combined with an electric arc furnace in our existing steelworks, along with developing the necessary electrolysis capacity, pose a huge challenge. This process can and must be an iterative one in moving toward realization, and the various stages of development could make a gradual reduction of CO_2 emissions of between 10 and and 80 percent possible.

To put it plainly, this is not economically viable today within the meaning of conventional investment criteria, neither in Europe nor in Germany.

But, as I said, we are foresighted realists. For this reason, we have joined forces with the Fraunhofer Society in initiating a feasibility study for the SALCOS concept that is promoted by the Federal Ministry of Education and Research.

In addition, we are researching innovative technologies for producing hydrogen at European level, from which we anticipate greater efficiency and which may therefore result in an important future building block of hydrogen-based iron ore reduction.

Similar to the people in Carmina Burana who do not lose their joie de vivre against all odds, lamenting and simply throwing down the towel in the face of the power of the zeitgeist is not our style.

Instead, we develop alternatives for long-term survival. However, and I say it again, their realization is uncertain from today's standpoint. We are working on it.

----------Chart 29----------

Ladies and Gentlemen:

To round off my deliberations on the 360° Concept, let us return from the still vague vision to the here and now, to our YOUNITED corporate mission. You may remember: every year we select one of the YOUNITED values as the "Value of the Year". Last year, this was "Fairness and a Spirit of Partnership".

In the context of a large-scale operation, we looked for examples of employees, departments or companies who have gone beyond what can be reasonably expected in assisting others in fulfilling their tasks.

It gives me great pleasure to inform you that we recorded almost 1,700 reports of commitment, courage and team spirit. Ladies and Gentlemen, in football, we would say that the team's chemistry is right. The difference is obvious: what we have here is not a squad of 20 or 30 but thousands of people!

----------Chart 30----------

This brings me to the conclusion.

Ladies and Gentlemen,

Self-adulation is not our thing, not even remotely.

But we can lay claim to the assertion that we have not only worked hard in the last five years, but that something has also come out of it.

----------Chart 31----------

Your – and our – company is basically fine. The equity ratio as well as the net financial position are sound.

The Salzgitter Group has a diversified business model whose success does not depend on the health of a few niche markets.

We have set a lot in motion – for you and for ourselves: Rigorously and consistently we went about developing the structures of the Group and have to date leveraged more than € 430 million a year in sustainable profit improvement potential. This has enabled us to more than compensate for the market-induced negative influences. The result of the first quarter of 2017 presented a few weeks ago was the best quarterly result since 2008! In 2017, we are going for the fourth increase in the results in a row.

Ladies and Gentlemen,

“We are now seeing the fruit of our labor. This is exactly the point where we engage again with our “Salzgitter AG 2021” strategy, approved at the end of 2016 with its concentration on growth.”

----------Chart 32----------

Valued Shareholders, I would now like to conclude by making a few comments on the item on today’s Agenda.

----------Chart 33----------

The Salzgitter share has performed very presentably since the start of 2016, also when compared with the share prices of our most important German-language competitors.

Of course, the recovery of the steel sector from February 2016 onward, and in particular the reinvigoration of the tubes market, made a significant contribution to this performance. The quantifiable success of our programs of measures, which I

described to you earlier on and that has been acclaimed by the capital market was also not unimportant here.

----------Chart 34----------
For me, and I hope for you too, it is the long term perspective that is of greater interest. The life of a company is not a brief sprint, or at least that should be the plan. It's more of a marathon.

The validity of a corporate strategy is not measured by the short-term price trend but by performance over many years.

This is a discipline where the Salzgitter share can hold its own well.

The share price of our company has more than quadrupled since 1999. A shareholder who bought Salzgitter shares in June 1998 and still holds them today can be pleased because the aggregated dividend distribution has meanwhile exceeded the issuing price.

----------Chart 35----------
Ladies and Gentlemen:
We are going to stick to our tried-and-tested maxim this year as well of somewhat buffering the effects of the cyclical earnings trends on you through a dividend policy geared to continuity.

Against the backdrop of signs that the market situation is brightening, of the success of our self-help measures, of the customarily sound financial position and, last but not least, of the once more appealing earnings situation, we have put forward a proposal to the Annual General Meeting under Agenda Item 2 to pay dividend of 30 cents a share for the financial year 2016.

----------Chart 36----------
As the company currently holds 10 percent of the total 60,097,000 shares issued, in other words 6,009,700 shares, and in view of the fact that these shares do not therefore qualify for dividend, the remaining dividend-bearing shares amount to 54,087,300.

The total payout therefore amounts to € 16,226,190.

Accordingly, the Executive Board and the Supervisory Board propose to use the unappropriated retained earnings of € 21,100,000 from the financial year 2016 as follows:

Dividend payout total	€ 16,226,190
The remaining amount, namely is to be carried forward to new account	€ 4,873,810

The proposals regarding Agenda Items 3 and 4 – Discharge of the Executive Board and the Supervisory Board – need no explanation.

Under Item 5 of the Agenda, the Supervisory Board puts forward a proposal for mandating Wirtschaftsprüfungsgesellschaft PricewaterhouseCoopers GmbH as the independent auditor for the financial year 2017. The company has proven to be a competent and critical auditor in the view of the Supervisory Board.

----------Chart 37----------

Now for Agenda Items 6 and 7: authorizations for capital measures, namely authorized capital and the authorization to issue convertible bonds with contingent capital.

These resolutions do not automatically result in a capital increase. They are initially concerned with authorization to raise the company's share capital if necessary. Resolutions like this are nothing out of the ordinary, but are regular occurrences with almost all listed companies.

Agenda Item 6, Authorized Capital, is concerned with granting authorization to the Executive Board to raise the share capital by up to 50 percent if necessary. The current existing authorization for Authorized Capital expired in May 2017, and therefore needs to be renewed.

Under Agenda Item 7, we propose that you authorize the Executive Board to issue warrants-linked bonds or convertible bonds, in combination with a contingent capital increase, that do not exceed 43 percent of the share capital.

There are currently no specific plans for such capital increases or for issuing convertible bonds. These are merely anticipatory resolutions that enable the Executive Board to act flexibly and at short notice, which can be a great advantage given how quickly market conditions change. In the context of capital increases or in the event that convertible bonds are issued, the company will receive assets in which the company and ultimately also the shareholders will participate.

Shareholder rights will only be affected by a capital increase if their right to subscribe to new shares is excluded.

In the event of a cash capital increase, the subscription rights of shareholders may only be excluded in a maximum amount of 10 percent of the share capital in accordance with the two proposed resolutions in combination. Even if this option is exercised, the dilution effect to the detriment of the former shareholders would be very limited.

In the case of both capital measures, the authorizations proposed also include an additional cap of 20 percent on the exclusion of subscription rights; this applies to both cash and non-cash capital increases.

More details on these agenda items can be found in the proposed resolutions as well as in the reports of the Executive Board on the exclusion of subscription rights pertaining to these items on page 3 onward of the convocation.

May I emphasize that we will exercise the sound judgment you are accustomed to and act in your interest in making use of the authorizations proposed under Agenda Items 6 and 7.

Finally, under Agenda Item 8, the Executive Board and Supervisory Board propose that the regulation in paragraph 10 item 1 of the Articles of Association on the location of the Annual General Meeting of Shareholders be changed.

The reason for this is the planned conversion of the Braunschweig City Hall that is likely to prevent the regular Annual General Meeting of Shareholders from taking place here in 2019.

The new regulation proposed gives us more flexibility in determining a suitable alternative location. Naturally, we also want to take account of the travel options of shareholders who do not live in the region.

----------Chart 38----------

I now come to the end of my explanations on the Agenda. Ladies and Gentlemen, on behalf of the Executive Board and the Supervisory Board may I kindly request you to approve all the proposed resolutions.

Thank you for your attention and, as we say in German, "Glückauf" – good luck!