

PRESS RELEASE

Düsseldorf, October 10, 2018

Stable outlook and clear growth target for SMS group

- **Core business complemented by four growth areas**
- **Transformation program Task Force 2021 on track**
- **Targeted acquisitions remain under consideration**

SMS group, the world market leader for metallurgical plant construction, has confirmed the financial targets in its core business and at the same time achieved important successes in its structural and cultural transformation program.

Burkhard Dahmen, Chairman of the Management Board: “We are fully on track. Our clear target is an operating result of seven percent in 2021, with an order intake of 3.2 billion euros. The most important drivers are four strategic growth areas, a stronger focus on foreign growth markets, and initial successes from our “**Task Force 2021**” transformation program. This program comprises more than 600 individual measures that not only improve all cost categories and internal processes, but also enable higher investments in new areas and business fields.”

Dahmen announced during a presentation in Düsseldorf on the company's new projects and

products that the order volume in 2018 will be slightly higher than in the previous year. Due to the long project durations in the new plant business, the sales effect will occur with the delay that is typical for the industry. The steel industry continues to be characterized by high overcapacities. The share of major new construction projects in order intake has declined noticeably. On the other hand, service and modernization orders are becoming increasingly important for SMS group.

Burkhard Dahmen continued: “This is why we are systematically pressing ahead with our realignment, to maintain our leading market position in the rapidly changing market. While the boom years were marked by major new construction projects, modernization projects are now the main focus of our business. Customers need higher cost efficiency and an improved energy balance. SMS not only provides them with the hardware, but also with the automation, advice and on-site support they need.”

In light of this development, alongside its core business, SMS group is pursuing **four central offensives**, which are currently being successfully implemented:

1. **Digitalization:** Under the leadership of Prof. Dr.-Ing. Katja Windt, who has been a member of the SMS Managing Board since the beginning of 2018, the company is consistently expanding its leading position in digitalization. SMS group already has nearly 200 different digital products in use today. The majority of these products are already being used successfully on the market, others are in development. SMS has developed the “Learning Steel Mill” on this basis. Here, the target is for a steel mill to independently optimize and control itself - based on human know-how, physical correlations and complex mathematical models that are evaluated in real time. This improves key performance parameters such as product quality, throughput time, delivery on schedule and output. Worldwide, the best known implementation of such a concept is the Big River Steel plant in Osceola, Arkansas (USA). A transfer of this concept across the

entire process chain is planned – also for other industries.

2. Further growth opportunities will be created by **new business models** – in some cases only made possible by digital technologies. Performance-based contracts are increasingly appreciated by customers. Such models enable the company to participate directly in the added value of its technology solutions. For example, SMS group already has a number of performance-based contracts under which the company is no longer paid for the hardware or services it supplies, but is directly involved in attaining jointly agreed parameters of financial success – be it output increase or cost reduction. Leasing-like models such as “Software as a Service” or in the future “Equipment as a Service” are well received in the market and are increasingly implemented by SMS.

3. **Service:** The expansion of the service business is intended to ensure that in future around one third of the business volume will be generated in this sector. The local partnership-based customer relationships, the extensive portfolio of a full-liner along the entire value chain and the latest technological innovations enable SMS to be increasingly integrated into its customers' plants and processes. Whether it is spare parts, maintenance or modernization of plants, or consulting and training of customer personnel, all areas will make an important contribution to realizing the planned growth.

4. Under the name “**New Horizon**”, a large number of promising projects are underway in which SMS group is transferring its expertise and know-how from metallurgy to related industries. In addition, SMS uses its access to the market to establish new products. The diverse portfolio covers a double-digit number of products and applications – including:

- The coolant **ILTEC**, which eliminates the risks associated with water cooling of metallurgical vessels.
- As part of its integrated additive manufacturing strategy, SMS group has commissioned its own pilot

plant for the production of high-purity metal powder for **3D-printing** applications, which can supply metal powder for any industrial process.

- The SMS subsidiary AMOVA, which specializes in **heavy-duty logistics**, has developed a disruptive, integrated overall solution for the automatic handling of ISO containers in container ports.
- The boom in electric vehicles and the demand for smartphones and tablets is increasing the demand for so-called “**High Purity Alumina**” (HPA) – a core element of the battery and scratch-resistant screens. SMS is currently building a plant that will produce HPA much more cost-effectively using a new process.
- The **UrbanGold** plant technology, which allows LME-grade metals such as gold, silver, platinum, nickel and copper to be economically recycled from electronic scrap. Up to 98 percent of these precious metals can thus be recovered and converted into pure metal products.

In addition to these strategic initiatives, SMS continues to consider **targeted acquisitions** of suitable start-ups or established specialists. SMS constantly monitors the market in order to expand know-how in relevant areas or to open up new business fields.

SMS group is a group of companies internationally active in plant construction and mechanical engineering for the steel and nonferrous metals industry. It has some 14,000 employees who generate worldwide sales of about EUR 3 billion. The sole owner of the holding company SMS GmbH is the Familie Weiss Foundation.