

## From Ilseder Hütte to Salzgitter AG

### **It all began with ore and pig iron**

It was on September 6, 1858 that the *Actien-Gesellschaft Ilseder Hütte* was founded in the small rural town of Groß Ilsede, in what was then the Kingdom of Hanover. The purpose of the company was to exploit the rich local deposits of iron ore for the manufacture of pig iron.

The shareholders who invested in the undertaking at the time were aware that they were running a big financial risk. For one thing, the ore was hard to work due to its low iron content and the high proportion of phosphorus. What's more, some of them had already recently incurred large losses in backing an entrepreneur whose attempt to establish a mining and smelting business in the same location had ended in spectacular failure.

The first ten years in the life of Ilseder Hütte were erratic – due not least to the weak economic situation at the time – but generally successful. The first blast furnace was commissioned in 1860, marking the start of pig iron production. Since the ore was initially extracted by surface mining, the costs were low, and the smelting process consumed far less coke than had originally been assumed. The development of an effective transport infrastructure served to compensate for the cost of bringing in coal, the bulk of which, for lack of viable deposits closer to home, was sourced from the Ruhr area.

Step by step, the company added more blast furnaces, other necessary facilities and a coking plant of its own. Ore extraction was expanded with the introduction of deep mining, and the company created an extensive social network to provide for the needs of its ever-growing workforce. With the exception of a few skilled specialists, most of the workers were initially drawn from the local Ilsede-Peine region; however, soon they had to be recruited from further afield. The company housing built by Ilseder Hütte in particular set an example that was admired even beyond the locality.

### **Expansion as a coal and steel group**

During the first decades of its existence, Ilseder Hütte concentrated solely on producing pig iron. As the economic advantages of processing the iron locally to make steel and rolled products became increasingly clearer, the necessary steelworks and rolling mills were established by an initially independent company in the neighboring town of Peine. The *Actien-Gesellschaft Peiner Walzwerk* was set up in 1872, albeit primarily in the ownership of the shareholders in Ilseder Hütte; from the very beginning there were close contractual ties between the two companies. When by 1880 the Peiner

Walzwerk had increased its capacity to the point at which it was able to process the bulk of Ilseder's production and increasing consumption appeared likely, the business was acquired by Ilseder Hütte.

In the years that followed, the economic success of Ilseder Hütte went largely hand in hand with technical progress. With the decision made in 1881 to build a steelworks in Peine using the Thomas method of reducing phosphorus, the Group became one of the pioneers in the introduction of this new process in Germany. The significant advantage for Ilseder Hütte was that the local high-phosphorus ore could at last be processed to manufacture high-quality and therefore more profitable grades of steel.

Countless improvements to the plant and transport facilities were subsequently made both in Ilsede and in Peine, including the commissioning of a Siemens-Martin steelworks in Peine in 1912 and the conversion of the pig iron transport system between Ilsede and Peine in 1911 to carry molten iron. These developments not only helped to reduce costs, but also increased both output and quality.

As a result of the continuous expansion of both the rolling mills and the range of rolled products in Peine with an emphasis on sections and beams, by 1914 the plant became the first to successfully roll a broad-flanged beam with parallel flanges. The special skills of the Peine mill made "Peine beams" (in German "Peiner Träger") internationally famous - the company has ever since been synonymous with sectional products of the highest quality.

In its financial year 1920/21 Ilseder Hütte began to develop its own supply of coal in order to reduce its dependence on third-party suppliers. The company acquired the *Friedrich der Große* coal mine in Herne, Westphalia, as well as a smaller mine in Minden. The business ultimately developed into a vertically structured coal and steel group which – like its competitors in the Ruhr area – combined every stage from input material through to processing within its grasp.

In 1932 Ilseder Hütte moved its head office from Ilsede to Peine.

### **National Socialism, the wartime economy and its consequences**

A seemingly – in legal terms – unconnected event that took place in 1937 was to bring permanent changes for Ilseder Hütte. The National Socialist government founded the *Reichswerke AG für Erzbergbau und Eisenhütten "Hermann Göring"* for the purpose of setting up and operating a state-owned iron and steel works in the Salzgitter region just a few kilometers from Ilsede and Peine. The project was intended to exploit domestic ore deposits to support the NS regime's goal of self-sufficiency,

as well as its armaments policy. The private coal and steel companies that held ore concessions in the Salzgitter area were forced to relinquish these in return for shares in the new company. In addition to some concerns based in the Ruhr area, the company most strongly affected was Ilseder Hütte. Additionally it now found itself facing an unequal contest with a larger neighbor to whom the state gave unrestricted preference.

For Ilseder Hütte the following years through to the end of World War II were overshadowed by armaments and the wartime economy. In order to largely maintain production despite the increasing shortage of German workers, from 1941 the company also employed prisoners of war and forced labor. Not until the war ended did the works come to a complete standstill – due mainly to the lack of coal. The production plant had suffered comparatively little war damage.

Starting from the end of 1945 the military government permitted Ilseder Hütte to gradually resume production. In the following year the Allied High Commission reversed its previous plans to dismantle the production plant and permanently unwind the structure of the Group. It was finally decided in 1951/52 that Ilseder Hütte did not represent an excessive concentration of economic power, and the company was released from Allied control. The ore holdings compulsorily handed over to the *Reichswerke* were in large part returned to the company.

### **Modernization, growth and cooperation**

In the 1950s and 1960s the development of Ilseder Hütte was a story of post-War reconstruction, general economic upturn and rising output accompanied by similarly rising costs, a substantial need for investment and a lack of capital. The Group invested in large-scale, cost-intensive modernization programs at all of its plants.

In Ilsede the blast furnaces and ancillary plant were extended, while in Peine new rolling mills were erected and a modern oxygen steel plant entered service in 1964. The by now out-dated Thomas-method steelworks was shut down. The iron ore mining activities were gradually concentrated on high-performance facilities. In 1969 Ilseder Hütte also relinquished its own coal mining operation with the absorption of the *Friedrich der Große* pit within the newly-established *Ruhrkohle AG*. The small Minden mine was closed down in 1958.

As these developments progressed, it became increasingly clear that Ilseder Hütte – in common with the entire coal and steel industry – could no longer compensate for the growing international competitive

pressure in the long term through modernization and rationalization alone. Throughout the industry there began a trend towards cooperation and mergers.

As far back as the 1950s, Ilseder Hütte had entered into agreements with the neighboring smelting plant in Salzgitter, mainly covering ore supplies and the exploitation of deposits. Now, in the 1960s, this relationship was intensified with coordinated production and investment that reduced costs.

As part of the German portfolio of the former *Reichswerke* undertaking, the neighboring company had meanwhile become the property of the Federal Republic of Germany and was part of the state-owned *AG für Berg- und Hüttenbetriebe*, which, in 1961, was renamed *Salzgitter AG*. Its continued existence had been approved only after lengthy political and public argument. Since most of the production plant had been dismantled, the smelting works had to be largely rebuilt. From 1953 the company traded as *Hüttenwerk Salzgitter AG*, changing its name in 1964 to *Salzgitter Hüttenwerk AG*.

From the mid 1960s onwards, the lengthy cooperation between Ilseder Hütte and Salzgitter led to intensive discussions regarding a possible merger in which other companies were also involved from time to time. Ultimately, the Salzgitter Group, as it was, then folded its Steel Division – amalgamated within *Salzgitter Hüttenwerk AG* – along with certain other related interests into Ilseder Hütte as part of an increase in capital. Simultaneously, *Salzgitter AG* acquired a majority stake in the new joint undertaking which thus reverted to state ownership. On October 1, 1970, Ilseder Hütte changed its name to *Stahlwerke Peine-Salzgitter AG*.

### **Difficult decades**

*Stahlwerke Peine-Salzgitter AG* enjoyed a promising start to the 1970s as production, sales and profits all initially increased. However, within a matter of years the world found itself in the grip of a steel crisis that was to last, with varying intensity, for two decades. There followed a series of restructuring and modernization measures that were urgently necessary to safeguard the performance and, with it, the survival of *Stahlwerke Peine-Salzgitter AG*.

With production concentrated on the most efficient plants and the lion's share of expansion focused on Salzgitter and Peine, the original plant in Ilsede declined in importance. Pig iron production ceased in 1983; in 1995, with the shutdown of the power station, coking plant and remaining auxiliary units, the plant was finally abandoned. The company also steadily reduced its ore mining operation in favor of more economical ores sourced from abroad. Following the closure of the Lengede mine in 1977, the

company's own production as a proportion of ore supplies for the first time slipped below 10%. And with the closure of the Haverlahwiese mine in 1982, ore extraction finally ceased entirely.

The year 1989 marked a watershed in the company's history during these difficult times. The German government privatized *Salzgitter AG* and thus also its subsidiary *Stahlwerke Peine-Salzgitter AG* with the sale of the business to *Preussag AG*, based in Lower Saxony.

In the years that followed, the former *Salzgitter* Group was absorbed within *Preussag AG*, and in 1999 *Stahlwerke Peine-Salzgitter AG* was renamed *Preussag Stahl AG*.

### **A new beginning and new development**

After just a few years it became apparent that there was no long-term future for *Preussag Stahl AG* as a member of the *Preussag* Group. The focus of Group activities was increasingly shifting towards the tourism industry, and the steel division was put up for sale. In order to protect the steel industry in Lower Saxony and the employment it provided, the state of Lower Saxony and Norddeutsche Landesbank intervened. In 1998 they facilitated the division's independence and the flotation of the company, which simultaneously changed its name from *Preussag Stahl AG* to *Salzgitter AG*.

1998 thus saw the beginning of a whole new chapter in the history of *Salzgitter AG* which, at this time, could already look back on 140 years of tradition. The name recalled the former group parent company, the state-owned *Salzgitter AG*. However, the new *Salzgitter AG* is a listed company which, since 1998, has uniquely proved its abilities.

In the year 2000 *Salzgitter AG* supplemented its traditional core steel business with the addition of a Tubes Division that was created with the acquisition of *Mannesmannröhren-Werke AG*, today business unit *Mannesmann*. *Mannesmann* has stood for the highest quality steel tubes for over a century.

In 2007 *Klöckner-Werke AG* was acquired, laying the foundation for the new Technology Division, today business unit Technology. *Klöckner-Werke* was an international engineering company focusing in particular on filling and packaging plants.

Parallel to this expansion, the Group underwent numerous restructuring changes to its organization. In 2001 the Group adopted a holding company structure, while production at the *Salzgitter* and *Peine* plants was spun off with the creation of the new subsidiaries *Salzgitter Flachstahl GmbH* and *Peiner*

*Träger GmbH.* Since then, *Salzgitter AG* as the management holding company, has stood at the head of a modern, innovative Steel and Technology Group whose subsidiaries and associate companies maintain a successful global presence – a Group that is young in years, but with a great tradition.