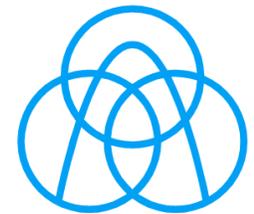


thyssenkrupp Steel Europe Strategy 20-30

Ticker: TKA (Share) TKAMY (ADR)

March 2020

engineering.tomorrow.together.



thyssenkrupp

Strategy 20-30 designed to tackle the challenges and capitalize on opportunities in the steel market

Challenges

Market environment – Steel industry at cyclical low-point

- Increased raw material costs
- Price pressure for steel products
- Softer demand (Covid-19 to be considered)
- Oversupply, intensified by imports

SE organization and cost base

- Increased personnel costs
- Organisational inefficiencies, also due to legacy

SE production process

- Downstream footprint with inefficiencies, too fragmented

SE
20-30

Opportunities

Steel Europe with strong USPs

- Premium flat steel producer with (one of) the most efficient integrated production sites in Europe

Market until 2030

- Industry with moderate growth
- Auto with moderate growth; most profitable segment

Auto

- Demand for thinner, wider and lighter flat steel products (hot-forming and multiphase steel products)
- Demand shift from electrolytic to hot-dip galvanized coatings
- Demand for „specialties“ in Europe, e.g. grain-oriented electrical steel for e-engines

Countermeasures at Steel Europe needed right now!



Steel Europe is (one of) the biggest, most efficient, integrated steel assets in Europe

Steel Europe operations in the Center of Europe and close to its main (auto) customers

Premium flat steel producer

Technology leader and full-service provider for high-quality flat carbon steel products

Duisburg as strategic location with favorable logistics (Rhine)

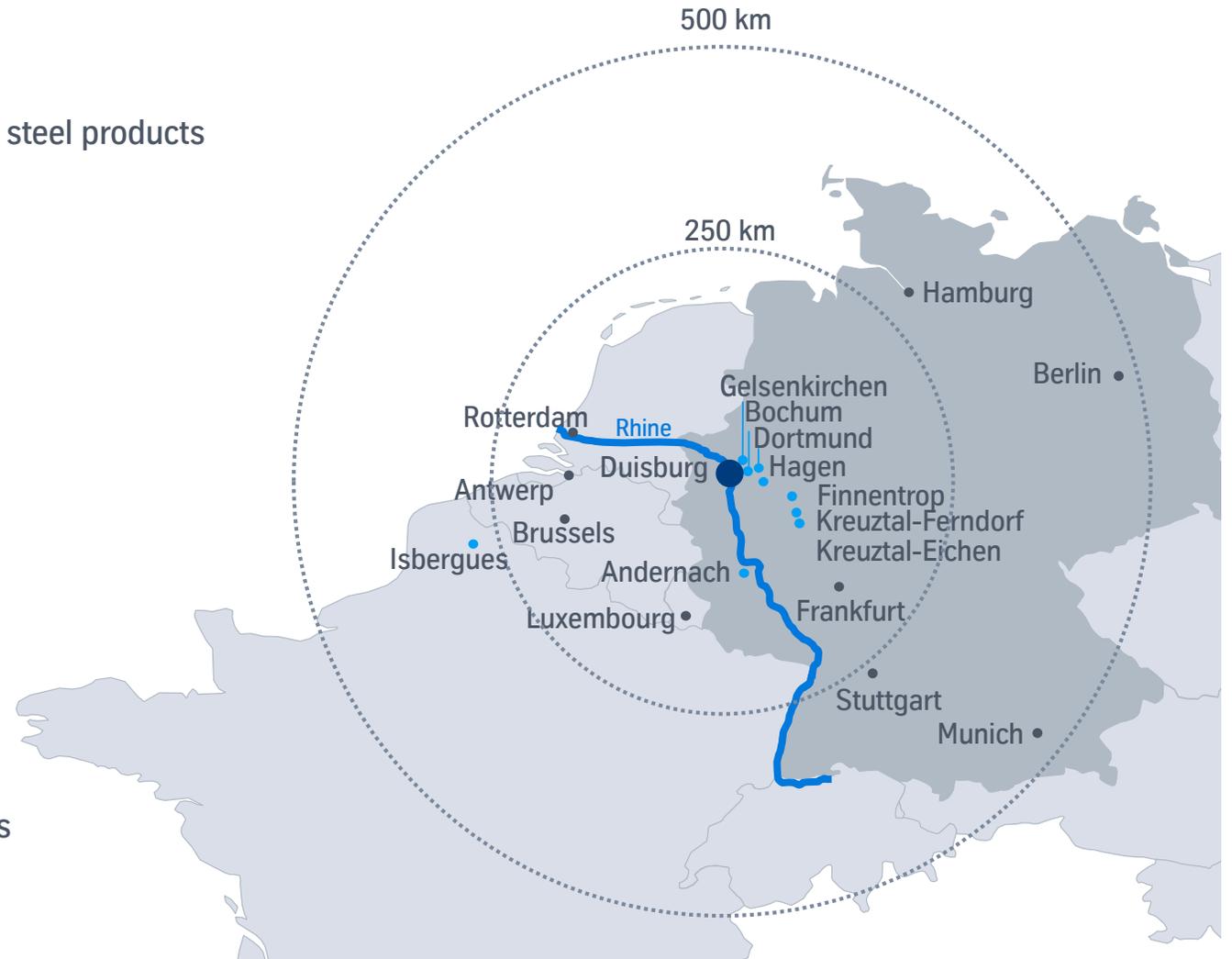
Within a 500 km radius: ~40% of customers and ~60% of shipments

Strong focus on Europe, global network

Attractive steel products and services available worldwide

Reliable earnings and cash flow contributor

Steel Europe with major contribution to tk's performance improvements



● Main production site

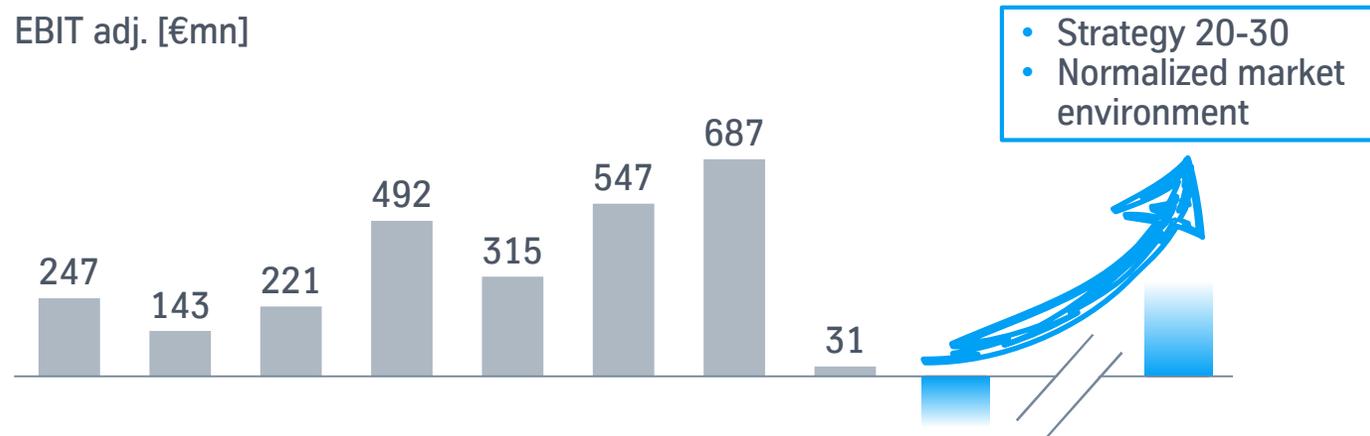
● Further production sites



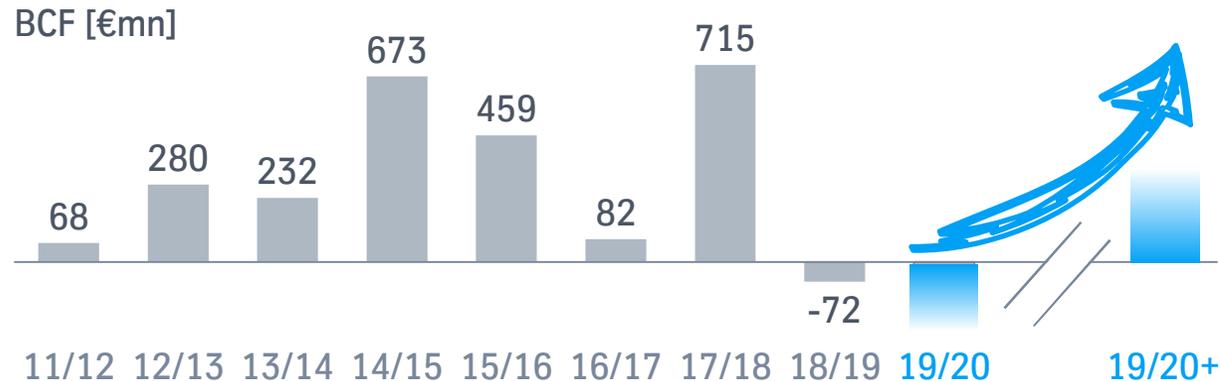
Steel Europe with fundamental value through premium grade flat carbon steel

Reliable returns by benchmark position in products and processes

EBIT adj. [€mn]



BCF [€mn]



Steel Strategy 20-30

- Performance and cost-reduction with effects in short-term to start NOW
- Immediate preparation of downstream network optimization
- Continue existing path to climate-neutral steel products
- Reliable earnings and Cash Flow
- $ROCE \geq WACC$ over the cycle



Strategy 20-30: strengthen competitiveness and downcycle resilience

Performance

- Better cost base, higher av. revenues/t,
- Add. ~€200 mn p.a. in EBIT and BCF



Portfolio

- Higher share of premium products
- More efficient downstream footprint
- Add. ~€400 mn p.a. in EBIT and BCF

- Headcount (FTE) reduction: 1,000 administration (SG&A); 800 production; 200 logistics and maintenance
- Optimization of processes and product quality in downstream network by additional investments of ~€800 mn over 6 years
 - Build on competitiveness of Duisburg production site
 - Close Bochum production site (Castroper Street); additional reduction of up to 1,000 FTE until 2026
 - Readiness for shipments of up to 11.5 mt/a, shift in product portfolio towards highly profitable focus segments
- Leverage leading product and technology expertise, support customers particularly in mobility: light-weight high safety; superior surface quality; e-mobility
- Heavy Plate: Execution of „Sell“ or „Close“ until end FY 20/21
- Electrical Steel (GO): turnaround concept; focus on high-end silicon grades for Industry customers in Europe

Ramp-up of add. ~€600 mn p.a. in EBIT and BCF; upside from performance in short-term, from portfolio in mid-term



Portfolio: Holistic approach across entire downstream network

Duisburg



Concentration and higher utilization of integrated production:

- Steel mill operations
- Hot rolling operations
- Coating processes for auto sheets

Bochum



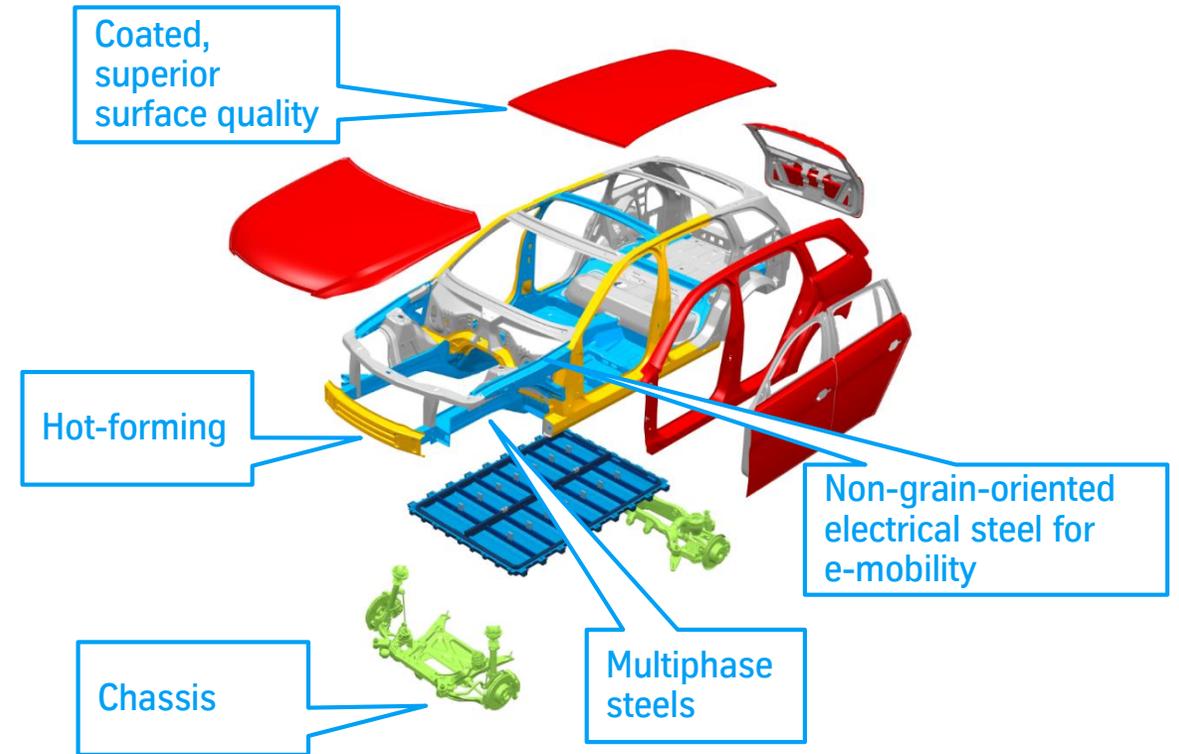
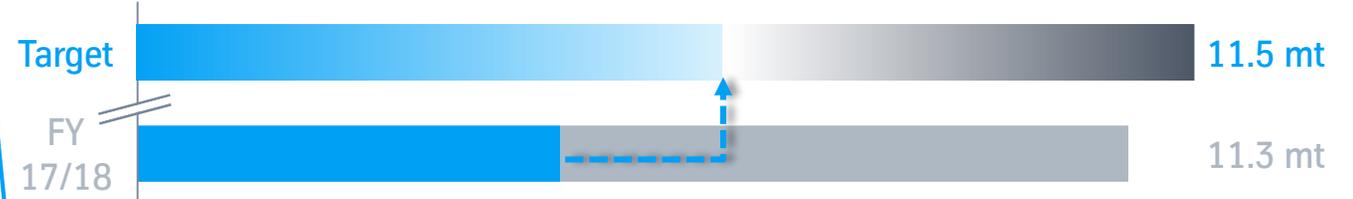
Closure of Bochum (Castroper Street) site

- Reduction of 1,000 FTEs until 2026



Enabling of Bochum (Essener Street) site for advanced auto products

- Non-grain-oriented electrical steel for e-engines
- High-end finishing lines for auto sheets



■ Focus segment products in relation to total shipments



Strategy 20-30: foster fundamental value of Steel Europe

- Build on Steel Europe's strong USPs
 - technology leader in premium flat carbon steel
 - preferred supplier of German auto OEMs
 - highly efficient integrated production site in Duisburg at river Rhine
- Strengthen competitiveness by securing long-term technology leadership and improving cost base
- Initiate immediate restructuring, reduce headcount by 3,000 FTE in total (2,000 in next 3 years; plus 1,000 until 2026)
- Holistic approach for production network optimization; additional investments of €800 mn over 6 year
- Continue existing path for climate-neutral steel products

+~€600 mn EBIT/BCF
short-term ~€200 mn from cost reduction;
mid-term ~€400 mn from production network
optimization



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