

Remarks

by

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and

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Member of the Executive Board of
thyssenkrupp AG

at the

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I. Introduction by Dr. Heinrich Hiesinger

Good morning, Ladies and Gentlemen,

On behalf of my Executive Board colleagues Oliver Burkhard, Donatus Kaufmann and Guido Kerkhoff and myself, I would like to welcome you to thyssenkrupp's Annual Press Conference.

As you already know – or at least will have noticed on your way here this morning – we have changed our branding. But there would be no justification for redeveloping our brand if thyssenkrupp as a company hadn't changed too. Just four years ago it was a matter of our existence. A lot has happened since then. We have kept resolutely to our Strategic Way Forward and initiated or already implemented changes nearly everywhere. This process is still ongoing and will take time, but it is already clear that we have achieved more change than many thought we could.

Our Strategic Way Forward is the framework for the transformation of thyssenkrupp into a diversified industrial group. This vision is linked to the ambition to generate strong and stable earnings, cash flow and value added. For us diversification is not an end in itself. It is a means to seizing growth opportunities while at the same time increasing the stability of our business in a volatile environment.

The Strategic Way Forward defines the milestones and our goal. With this plan we have little by little worked our way out of the operational crisis over the past few years and fundamentally changed our corporate culture. That this plan is working is shown by the continuous improvement in our key performance indicators. We have delivered on our promise. We have stabilized thyssenkrupp and at the same time prepared ourselves for the future.

Before I tell you about our new branding, I would like to deal with the key figures from the past fiscal year.

From a macroeconomic viewpoint the past fiscal year was very unsettled. Over the course of the year the business outlook darkened. Uncertainty on our sales markets increased. Nevertheless we held course. We concentrated above all on increasing the efficiency of our businesses. That paid off:

- This time last year our forecast for the coming year was **adjusted EBIT** of at least €1.5 billion. In the middle of the year we raised this target to between €1.6 billion and €1.7 billion, and this has now been achieved. Adjusted EBIT from continuing operations came to around €1.7 billion, up 26 percent from the prior year.
- This clear leap in earnings primarily reflects the extensive **efficiency measures** under our "impact" program. We had set ourselves a target of €850 million savings and ultimately achieved €1.1 billion. Every business area contributed to this. The biggest internal synergies come from purchasing. As a result of the program we have improved our cost base by altogether €2.7 billion.
- A further key indicator for thyssenkrupp is **consolidated net income**. And here too we have taken a clear step forward; we were in the black for the second year in succession and improved net income by 37 percent to €268 million – despite the impact of restructuring expenses and negative special items and despite continuing to invest in research and development and our IT.
- The most important goal for us in the past fiscal year was to generate **positive free cash flow** before divestments. Because in the long run you cannot spend more than you earn. And we succeeded here too. For the first time since fiscal 2005/2006 we achieved positive free cash flow before divestments of €65 million. This marks a further milestone in our change process.
- Another key goal was and still is to strengthen our **balance sheet** through our own efforts. With a slight increase in equity and a reduction in net financial debt, we succeeded.
- Efficiency and earnings gains are an important part of thyssenkrupp's transformation. But as a board we also have the task of securing our future competitiveness. In the past fiscal year we spent €735 million on **research & development**. So our R&D expenditure increased for the fourth year in succession. It is money well invested, because innovation is the driver of our competitiveness. Another investment in the future is the setting up of an efficient IT infrastructure and the **digitization** of our business processes.

To ensure our owners participate in our continuous improvement, we will be proposing the payment of a **dividend** of €0.15 per share to the Annual General Meeting. This cannot be a satisfactory dividend over the medium term for our shareholders or for us. But it is a step in the right direction which also takes into account our balance sheet needs.

Ladies and Gentlemen,

Over the past fiscal year we have further stabilized and strengthened thyssenkrupp. But that is not enough. We are still some way from our minimum requirement and goals. And at the same time we see **the world around us growing increasingly uncertain**. The economic situation in China and Brazil, low oil and raw material prices, possible impacts from the emissions crisis, exchange-rate effects, and other market price risks from high imports are impacting our business.

Our efforts to strengthen our weak balance sheet and improve our financial indicators in recent years are now paying off. We have restructured our portfolio so that we are now less vulnerable to the highly cyclical and volatile materials markets. In parallel with this we have initiated a culture change. Because for us a strong culture and corresponding value system are the basis for our performance. All this gives us the stability today to withstand a possible economic headwind. But only to withstand it. That is not enough to meet our requirement.

We cannot change our environment, but we can concentrate on the things that are **in our own hands** in order to drive forward the further integration of thyssenkrupp. Because that will increase our competitive edge. To illustrate, I have three concrete examples of our efficiency gains, our integrated research and innovation strategy, and our talent management:

- With our efficiency program "impact" we have leveraged synergies to date of €2.7 billion, significantly reducing our cost base. But "impact" is more than just a savings program. With "impact" we have introduced methods and systems at all companies of the Group which have now become an integral component of our performance culture. As a result we can now manage all our businesses on the basis of common performance criteria. "impact" is not a program with a beginning and a clearly defined end. It is ongoing and serves to continuously improve our cost base. For the current fiscal year we are once again targeting savings of €850 million.
- A further strength of our integrated group is our innovative capability. Engineering excellence runs through the core of thyssenkrupp. To develop future fields of business areas we are combining the strengths of our business areas. We are convinced that the innovations of the future are created at the interfaces between different areas. We engage in research and development across traditional sectors and technologies. With its diverse technologies, thyssenkrupp has a structural advantage here. For example our ACCEL and MULTI mobility solutions and also InCar plus came about this way.

- A third advantage of integration is that with our Groupwide talent management system we can make specific use of the different skills of our experts and managers. For example the strategy chief of our Brazil region is now transferring to Industrial Solutions in South America as regional CEO. After four years with our materials distribution organization, the managing director of thyssenkrupp Schulte is now bringing the benefit of his expertise to Elevator as CEO of the Europe/Africa business unit. Or we have managers who are moving along the value chain from Steel Europe to Materials Services where among other things they will be supporting the digitization offensive for our distribution operations. So we promote the systematic rotation of our leaders and experts. Our goal is to ensure we always employ the best employees and managers regardless of organizational structures. As a result we learn from each other, share knowledge and work together on improvements.

New brand identity

Ladies and Gentlemen,

thyssenkrupp has changed in recent years. We are a different company today. However, we are not yet perceived as the high-performance industrial group we are and want to become even more. For this reason we have decided to redevelop the Group's brand. The new brand puts a stronger focus on customers and makes our transformation visible. It communicates our mission statement and our positioning as a diversified industrial group. And it communicates our aspiration to work in an integrated way, leveraging internal synergies and creating added value for our customers, employees and shareholders.

The result you see here today was not created behind closed doors. It is the product of an **intensive discussion** with customers, employees, job applicants, investors, works council members, and public figures. We asked over 6,000 people what thyssenkrupp today actually stands for. We found that despite the diversity of the answers, the Group shares a common DNA: People associate thyssenkrupp with two centuries of industrial history, excellent engineers, high quality, and reliability. But the analysis also showed that we could do more to address the wishes and expectations of our customers and we need to work more closely together.

The new brand condenses what we stand for – in a new logo, a new slogan, and new colors. But these are only the visible elements of the brand. The core is our brand promise. It describes in concrete terms how we want to advance our customers.

The redevelopment of our brand does not mean that we have reached the end of our transformation. But the new brand is designed to give a further boost to our change process both within and outside the company. The thyssenkrupp Group will use a common brand in the future. Over 180 different brand identities currently exist side-by-side within the Group. As well as generating complexity, this is an inefficient use of resources. The single brand will create a unified and positive image among our customers and employees.

This is also underlined by the new logo. The Thyssen and Krupp signets are now no longer separate but finally form a single element. Our new slogan "engineering. tomorrow. together." describes in three words who we are, what we do and how we do it. The new brand deliberately represents an evolution. We want to carry our good traditions forward into the future. Our brand is now fresher, more contemporary and modern – and an expression of our transformation.

We will of course be introducing the new brand in accordance with the Group's financial situation and with a sense of proportion. There will be no lavish advertising campaign.

We will replace materials when they would need replacing anyway. We wanted to create visible signs in just a few places. Our service vehicles, trucks, office stationery, work clothes, etc. will only appear in the new brand look when they are due for renewal anyway. Overall a mid single-digit million euro amount has been spent on the new brand. But we believe this money has been well invested in the future of thyssenkrupp.

And incidentally our CFO agrees. Like my two colleagues Burkhard and Kaufmann, he too was closely involved in the development of the new brand. And with that I would now like to hand over to my Executive board colleague Guido Kerkhoff.

II. Figures for the fiscal year in detail (Guido Kerkhoff)

Good morning, Ladies and Gentlemen,

I would like to give you a detailed view of our figures in fiscal 2014/2015: Both at Group level and in the **performance of our individual business areas** we made progress on our Strategic Way Forward. Four of the six business areas improved their adjusted EBIT in the past fiscal year. That is an important step for our financial stability – above all in the current uncertain climate.

Order intake from the Group's continuing operations came to €41.3 billion, level with the prior year. On a comparable basis, i.e. excluding currency and portfolio effects, new orders declined by 5 percent compared with the prior year, which profited from a major order at Industrial Solutions.

At €42.8 billion, the **Group's sales** were 4 percent higher year-on-year. On a comparable basis sales were down slightly from the year before. While gains were made in the capital goods businesses Components Technology and Elevator Technology, sales remained virtually stable at Industrial Solutions and were down from the prior year in our materials businesses. This was mainly due to lower material prices at Materials Services and lower raw material prices resulting in lower steel prices at our steel operations.

Let me now turn to the **performance of the individual business areas**:

The **capital goods businesses** increased their adjusted EBIT and their adjusted EBIT margin year-on-year. In total the **materials businesses** also made a profit again and improved significantly this year. In detail the situation is as follows:

- **Components Technology** performed well on the whole. Order intake and sales climbed by 11 percent and 9 percent to €6.8 billion. On a comparable basis they were 4 and 2 percent higher year-on-year. This was due mainly to the production ramp-up of new products and the ramp-up of new plants. In addition there was increased customer demand for axle module assembly. Adjusted EBIT came to €313 million, up 17 percent from the prior year. Adjusted EBIT margin increased from 4.3 percent to 4.6 percent. This was due not just to the good performance in industrial components but also to efficiency gains and cost reductions from completed restructuring measures.
- **Elevator Technology** continued its success and achieved new highs in order intake and sales. Order intake increased by 13 percent to €7.7 billion. On a comparable basis the increase was 3 percent. Orders in hand reached new record levels in the reporting year, totaling €4.9 billion at the end of September. Sales increased by 12 percent to €7.2 billion. On a comparable basis the increase was 3 percent. Business was boosted by higher demand for new installations in the USA, South Korea and the Middle East. Adjusted EBIT increased year-on-year by 18 percent from €674 million to €794 million. Adjusted EBIT margin also increased, by 0.5 percentage points to 11 percent. Our elevator team continues to deliver rising earnings contributions: In the

4th quarter 2014/2015 adjusted EBIT and adjusted EBIT margin were higher year-on-year for the twelfth time in a row.

- **Industrial Solutions** felt the weakness of the energy and raw material markets in its business. In view of volatile and declining oil and raw material prices, customers were reluctant to place orders. For this reason the business area's order intake at €4.9 billion was as expected lower than in the prior year, which included major orders at Marine Systems and Resource Technologies. Orders in hand remain high at €12.3 billion, giving us long-term planning certainty. Sales at €6.3 billion were roughly level year-on-year. On a comparable basis there was a slight decline of 2 percent. Adjusted EBIT at €424 million was slightly higher year-on-year. Adjusted EBIT margin improved slightly to 6.8 percent.
- Due to the sale of VDM the figures for **Materials Services** are not fully comparable year-on-year. Order intake increased by 2 percent to €13.9 billion. On a comparable basis new orders decreased by 5 percent. Sales improved by 4 percent to €14.3 billion. On a comparable basis they decreased by 3 percent, mainly due to declining material prices. Adjusted EBIT at €206 million was almost level year-on-year – despite the fact that AST in Italy incurred losses due to a strike in the 1st quarter and the environment was characterized by intense competition and heavy price pressure. Numerous efficiency measures and sales initiatives under the “impact” efficiency program and progress in implementing the new business plans at AST and VDM had a clear stabilizing effect.
- **Steel Europe** recorded a lower level of business year-on-year. The main reason was the persistent weakness of steel prices as a result of significantly lower raw material prices. Order intake at €8.4 billion was 6 percent lower year-on-year for the same reason. Sales decreased by 1 percent, or 2 percent on a comparable basis, to €8.7 billion. However profitability was very pleasing. Steel Europe increased its adjusted EBIT to €492 million and its margin to 5.7 percent. That's more than double year-on-year. It means our European steel business earned its cost of capital in the reporting year, achieved slightly positive value-added and made a strong contribution to the Group's cash flow. Our efficiency measures are therefore taking effect. Alongside cost reduction measures the focus at Steel Europe was on concentrating on higher-margin steel grades and optimizing distribution.
- At **Steel Americas** we are making progress at operating level but despite this new orders at €1.7 billion and sales at €1.8 billion were 22 percent and 14 percent lower than the prior-year figures – which still included sales of thyssenkrupp Steel USA. This explains part of the decline, but we were also affected by the volatility and the price

trend on the steel markets. There were also bottlenecks in production – due among other things to the water shortage in Brazil. Adjusted EBIT at €(138) million remained negative and lower year-on-year. The main reason for this was negative exchange rate effects on input tax credits amounting to around €180 million, which impacted earnings but not cash flow. However our operating performance improved further. This is also reflected in cash flow: For the first time Steel Americas generated breakeven business cash flow. Three years ago cash flow was still negative to the tune of over €1 billion.

Ladies and Gentlemen,

As you can see, despite a number of adverse factors we have made important progress in the business areas. But we are still in the middle of a radical change process that will require some more time, and effort, all the more so in the current difficult climate. We must do all we can to improve and we must increase our efforts. The Strategic Way Forward is the right path to make us weatherproof and fit for the future, as is shown by a look at the Group's financial indicators.

Selected financial indicators of the Group – review 2014/15

- With **adjusted EBIT** from continuing operations of around €1.7 billion we fully met our target, which we increased in the course of the year from €1.5 billion to a corridor of €1.6 billion to €1.7 billion . This primarily reflects our extensive efficiency measures. Going forward we want to achieve adjusted EBIT of at least €2 billion. That's the amount we need to pay pensions, interest, taxes and a higher dividend and at the same time invest in growth. But this is only a lower limit that we aim to reach as quickly as possible. In the medium term we want to move into earnings regions beyond €2 billion EBIT. If each of our divisions reached the benchmark levels of their peers, we would already be well above €2 billion. It can be done, but it requires more hard work by the business areas and leveraging of the collective strength of the Group, particularly in purchasing.
- The progress achieved on our Strategic Way Forward is shown particularly clearly in **free cash flow**. This is a measure of our financial strength, of whether we can reduce debt and invest in the future from our own resources. For the first time since 2005/2006 we achieved positive free cash flow before divestments – despite the reluctance of our customers to award major projects. The €65 million achieved is still modest but it is important that we once again took in more money than we spent

before the sale of businesses. This is an important milestone in the stabilization of our finances. The aim must be to re-attain an investment grade rating in the medium term. To better reflect the Group's operating performance in terms of cash flow – i.e. before cash flows from portfolio measures – we have modified this key performance indicator. Starting this fiscal year we now use “free cash flow before M&A”, which includes neither cash inflows from divestments nor cash outflows from acquisitions.

- At the end of the fiscal year our **net financial debt** stood at €3.4 billion, 7 percent lower than a year earlier. A major element in the debt reduction was the sale of VDM. It allowed us to reduce net financial debt and pension obligations by a mid three digit million euro amount.
- We again increased our **equity** slightly. In the past fiscal year equity improved year-on-year by €108 million to €3.3 billion. Our equity ratio is still too low. This is why it is so important to have not just positive free cash flow but positive net income: With it we intend to increase our equity ratio again year by year and so through our own efforts achieve acceptable two-digit levels above 15 percent again in the medium term.
- **Gearing**, the ratio of net financial debt to equity, was further improved from 114.9 percent to 103.2 percent in the past fiscal year.
- Because of our equity ratio we have in the past two years always maintained more liquidity than was actually necessary. Our available **liquidity** is currently €8.3 billion. It includes cash and cash equivalents of €4.5 billion and undrawn committed credit lines of €3.8 billion. We are therefore solidly financed. The liquidity gives us enough leeway to cover upcoming maturities, so we won't necessarily have to call on banks or the capital market when financings expire.
- With our **financing measures** on the debt side we have optimized our capital structure and reduced costs. Since 2011 we have refinanced a total of €10 billion in eight steps. We have achieved this through a balanced mix of bonds, the sale of treasury shares, a capital increase, and an extension to the syndicated credit line. As you can see, we have used the Strategic Way Forward to make thyssenkrupp increasingly weatherproof and fit for the future.

And with that I will hand you back to Dr. Hiesinger.

III. Capital expenditures and digitization (Dr. Heinrich Hiesinger)

Thank you, Mr. Kerkhoff. Ladies and Gentlemen,

“Weatherproof” is a good cue. To ensure we don’t stand still when there’s no economic tailwind, we already have our eyes on the future. We see it as our responsibility to invest in the right areas. It’s one of the things the **“tomorrow”** in our slogan stands for.

In the past fiscal year we invested altogether €1.3 billion on a comparable basis in the business areas. That’s roughly 6 percent more than a year earlier. We also increased the share of the capital goods businesses in the investment mix. They accounted for 45 percent of total investment.

I would like to mention a few examples: **Components Technology** opened one of the NAFTA region’s biggest steering plants in Mexico at a cost of around €90 million. **Elevator Technology** invested in its international production and service network and in the summer celebrated the topping out of the Rottweil test tower. Innovative mobility solutions like the MULTI will be tested there from 2016. And **Steel Europe** restarted Schwelgern II blast furnace and opened a new continuous caster in Duisburg. Many **new projects and major contracts** show that the investments are paying off.

Customers throughout the world appreciate the **“engineering”** in our slogan. To make sure it stays that way we need to invest in another important area: digitization. Digitization can change whole value chains. When it comes to Industry 4.0, traditional industrial companies are often misjudged. But it’s not about *what* is produced but *how* it’s produced, and also about the way a company is connected with customers and suppliers via digital platforms.

Our starting position for this is good, because as a diversified company we can connect competences from a variety of sectors and applications in a productive way. Naturally we want to exploit the opportunities of digitization.

Of course we're not going to become an IT company, but we will integrate digital applications into all our industrial processes and products. As a result we will increase productivity, lower costs, and achieve higher product quality. We will be more flexible in production and in meeting customers' needs. And finally we will also optimize our ecological footprint.

Let me illustrate this with a few examples:

- As an automotive supplier we make camshafts. Every camshaft has a code lasered onto its side. This gives it a kind of ID with which it can be individually tracked as it moves from one machine to the next. Our machines always know whether products have the correct status and can be fitted, which production parameters have to be modified from camshaft to camshaft. So if there are any variances, we can take immediate action. That makes us more flexible and efficient, and we can manufacture very small quantities.
- Many of the processes in our steel operations, too, are already highly digitized. For instance at a plant for the production and distribution of steel plate, we use a data network which links together our suppliers, our rolling mill, and our customers. Right up to the day before production, customers can access their orders and enter changes directly in our system. They specify the dimensions and production sequence for their products themselves. For customers that means maximum flexibility to accommodate the needs of their end customers.
- To optimize elevator operation we have teamed up with Microsoft. We use sensors fitted in our elevators to collect operating data in the cloud. For example we monitor the temperature of the drive motor, travel speed, and door functions. We use predictive models to calculate failure probabilities. Instead of responding to breakdowns after they occur, our service engineers can now take action before expensive repairs become necessary. This takes predictive maintenance to a whole new level. We gain increased reliability and safety and at the same time reduce costs for maintenance and repair. That benefits customers and it's also more cost-efficient and eco-friendly. thyssenkrupp doesn't just sell elevators; thyssenkrupp offers its customers trouble-free mobility.

I think these examples show that digitization permits more efficient processes and better products. But that's not all: By linking various elements of the value chain together and integrating customers and other partners to a much greater extent than was previously possible, we are changing entire business models. This is the living reality behind the **"together"** in our slogan. Our collaboration with Microsoft in elevators is just one example.

At thyssenkrupp we have a clear strategy for tackling the challenges of digitization. Firstly we are creating the conditions needed on the technical side. This means we are optimizing and automating our business processes and introducing standardized data definitions. At the same time we are setting up an efficient global IT infrastructure with our own data centers.

This global restructuring will take some years to complete. In the current fiscal year we will be spending around €200 million on these measures.

We are taking advantage of technology and testing new business models. For this we are setting up pilot projects in all business areas which will demonstrate the opportunities of Industry 4.0 and serve as a guide. We are also giving our top managers specific roles in the development processes and building an open, interconnected and dynamic community involving all our employees. A key instrument for improving connectivity in the workplace will be our new intranet. It is a so-called "social collaboration" intranet which functions according to the same mechanisms as social media. In the long term it will fundamentally change the way we communicate internally. Experts and colleagues around the world will be able to set up their own networks beyond email. It will no longer matter which department or company people belong to. What counts will be their skills, work areas and interests.

That too is what we mean by "engineering. tomorrow. together".

IV. Outlook and mid-term targets

Ladies and Gentlemen,

Now to the outlook for the Group for the 2015/2016 fiscal year.

We will continue to push ahead with our Strategic Way Forward in fiscal 2015/2016. The important thing now is not to let up, but to carry on working as hard as we can on our efficiency. Around us we see slightly slower market growth and increasing import pressure on the materials markets particularly from Asia. We therefore feel we need to take a cautious view of fiscal 2015/2016, and expect the **Group's sales** to come in level with the prior year on a comparable basis. We predict slight growth at Components Technology and Elevator Technology, and a largely sideways movement at Industrial Solutions. With our efficiency program "impact" we expect to achieve additional EBIT effects of €850 million. The Group's **adjusted EBIT** is expected to be between €1.6 billion and €1.9 billion. Net income will again show a significant improvement, and **free cash flow** before M&A will be level with the prior year.

Summary

In the past fiscal year we again made clear progress on our Strategic Way Forward and further improved our key indicators. We again achieved a net profit and for the first time in a long time made more money than we spent even without income from disposals. But we are still some way away from our minimum requirement. We know that we need to carry on strengthening our balance sheet while at the same time investing in the future. Our efficiency program "impact" will help us with this, especially if no support is forthcoming from the markets.

The success of the past fiscal year is a team success. As the Executive Board we want to thank all our employees around the world for this. And I am convinced: We can do even better! Our Strategic Way Forward is and will remain the way to a sustainably profitable thyssenkrupp. We are convinced that as a diversified industrial group we will meet our own high requirements and the requirements of all stakeholders in the medium term.

Thank you for your attention