



## UBS Global Basic Materials Conference

London

June 10, 2009

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# 2009

**ThyssenKrupp Steel**



# Opportunities in Challenging Times

Peter Urban

Vice Chairman of the Executive Board of ThyssenKrupp Steel AG

- 
- Overview ThyssenKrupp Group and ThyssenKrupp Steel
- 
- Challenges, Measures and Opportunities
- 



# ThyssenKrupp Group FY 2007/08

## ThyssenKrupp AG

FY 2007/08: Sales €53,426 m • EBT €3,128 m • TKVA €1,916 m • Employees 199,374

Steel	Stainless	Technologies	Elevator	Services
<p>Sales €14.4 bn EBT €1,540 m TKVA €1,007 m Employees 41,311</p> <ul style="list-style-type: none"> <li>• Corporate</li> <li>• Steelmaking</li> <li>• Industry</li> <li>• Auto</li> <li>• Processing</li> </ul>	<p>Sales €7.4 bn EBT €126 m TKVA €(119) m Employees 12,212</p> <ul style="list-style-type: none"> <li>• Nirosta</li> <li>• Acciai Speciali Terni</li> <li>• Mexinox</li> <li>• Shanghai Krupp Stainless</li> <li>• Stainless Int.</li> <li>• VDM</li> </ul>	<p>Sales €12.4 bn EBT €741 m TKVA €502 m Employees 54,043</p> <ul style="list-style-type: none"> <li>• Plant Technology</li> <li>• Marine Systems</li> <li>• Mechanical Components</li> <li>• Automotive Solutions</li> <li>• Transrapid</li> </ul>	<p>Sales €4.9 bn EBT €434 m TKVA €314 m Employees 42,992</p> <ul style="list-style-type: none"> <li>• 4 regional business units</li> <li>• Escalators/ Passenger Boarding Bridges</li> <li>• Accessibility</li> </ul>	<p>Sales €17.3 bn EBT €750 m TKVA €508 m Employees 46,486</p> <ul style="list-style-type: none"> <li>• Materials Services International</li> <li>• Materials Services North America</li> <li>• Industrial Services</li> <li>• Special Products</li> </ul>

Inter-segment sales not consolidated

## ThyssenKrupp Steel

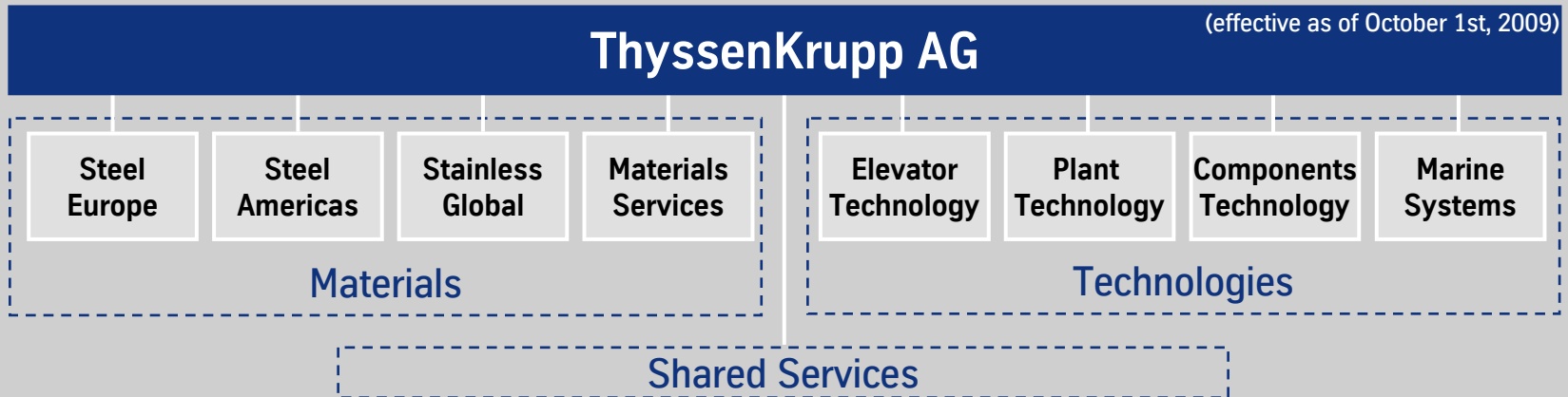


# Using the Crisis as an Opportunity



## Reorganization

- Strategically centralized and operationally decentralized
- Sustainable cost savings of ~ €0.5 billion per year
- Greater internal and external transparency

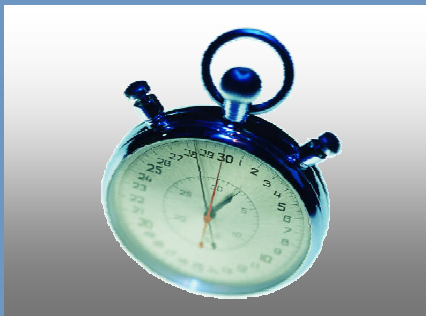


**ThyssenKrupp Steel**



# Business Model and Strategic Guidelines ThyssenKrupp Steel

Sustainable value growth



Efficiency  
improvement

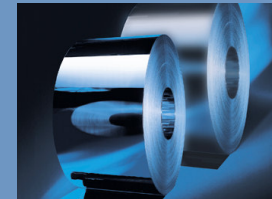


Technology  
leadership



Profitable  
growth

Focus on attractive markets  
for premium flat steel products

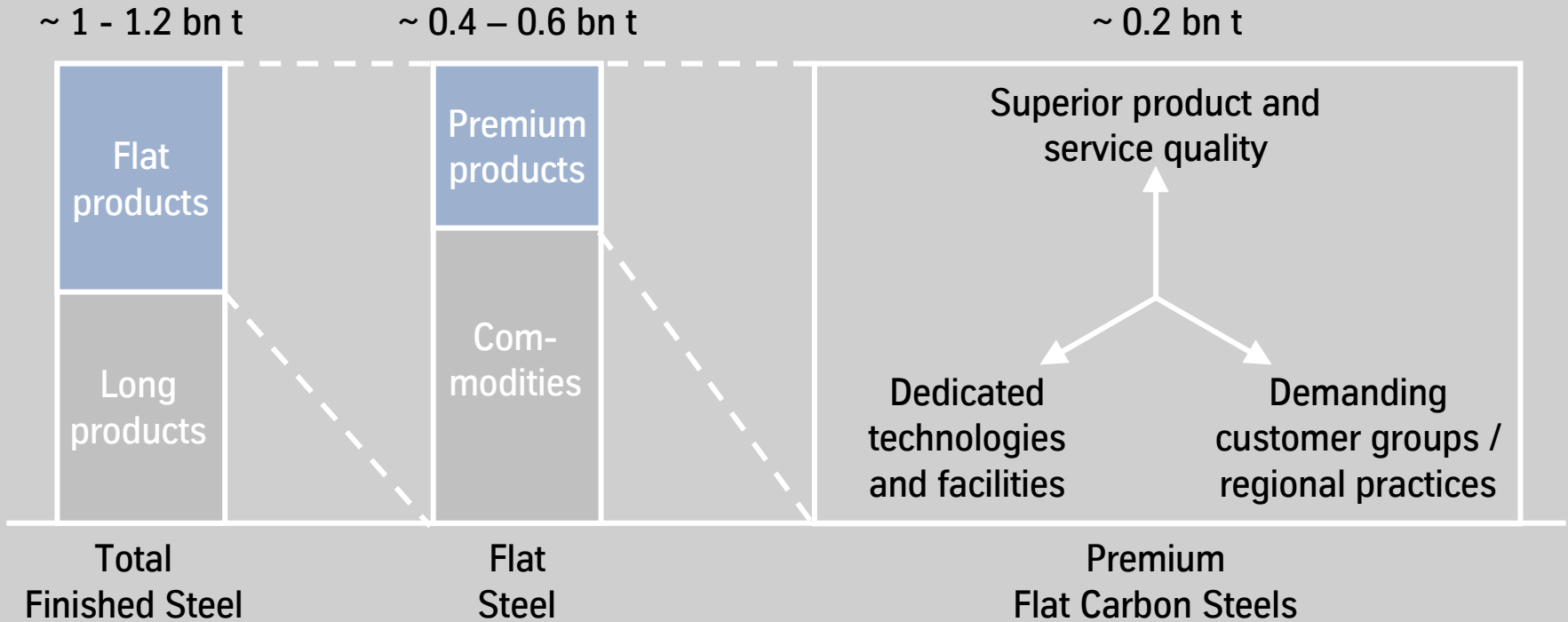


ThyssenKrupp Steel



# Geared to the Premium Flat Carbon Steel Market

Separate market segments of the steel industry



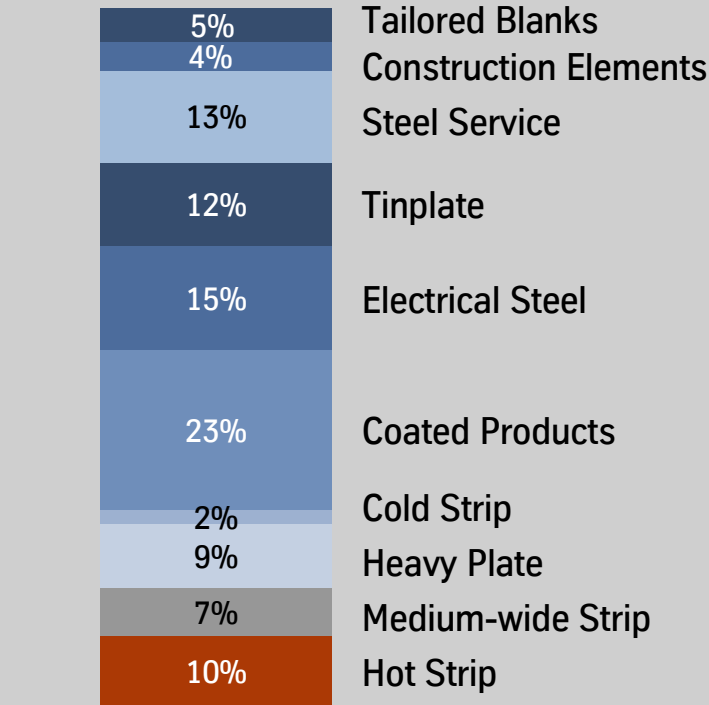
**Product and customer specific requirements and technologies provide the basis for the successful premium strategy**



# Premium Product Portfolio Generates Above-Average Revenues

Product portfolio FY 2007/08\*)

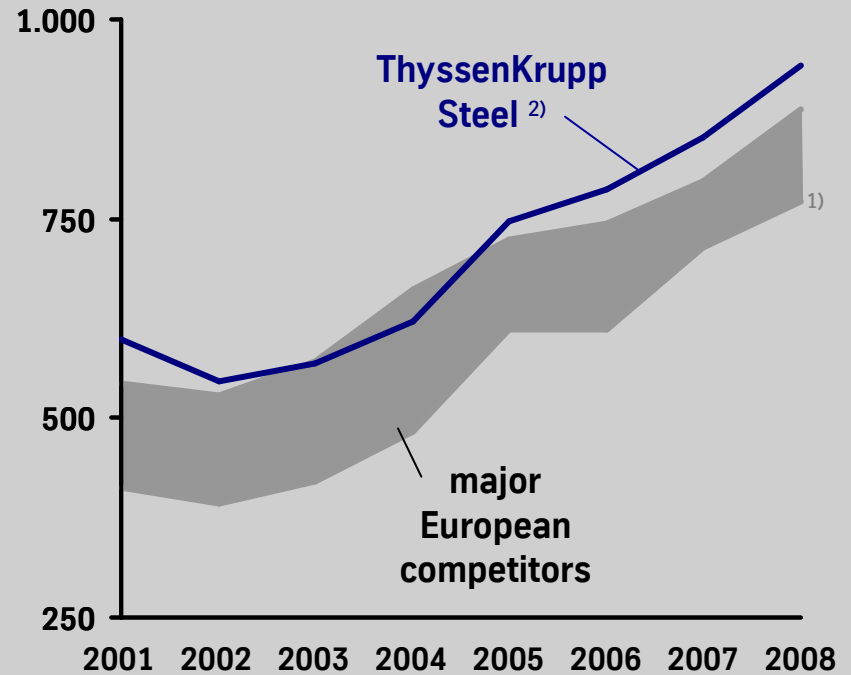
in %



\*) sales of flat products only

Revenue/t

€/t



1) data in part preliminary 2) excl. Metal Forming

Source: Company reports, own estimates

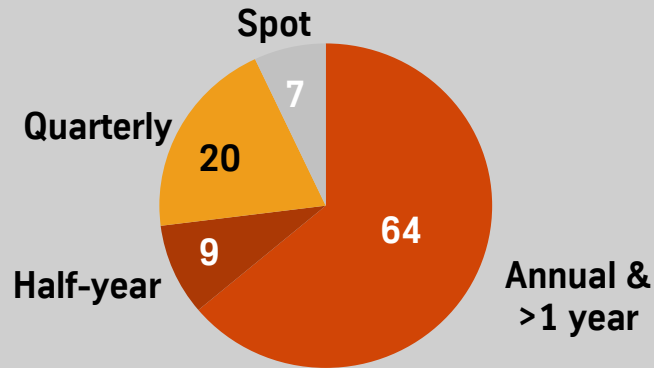
ThyssenKrupp Steel



# Long Term Customer Relations Reduce Volatility

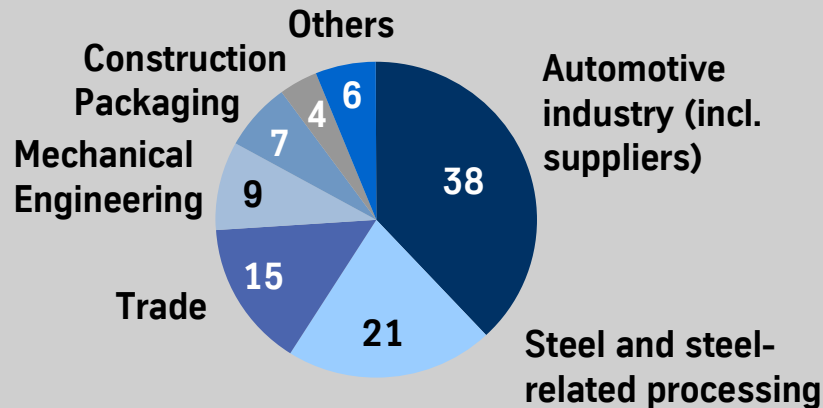
Sales by maturity FY 2007/08

in %



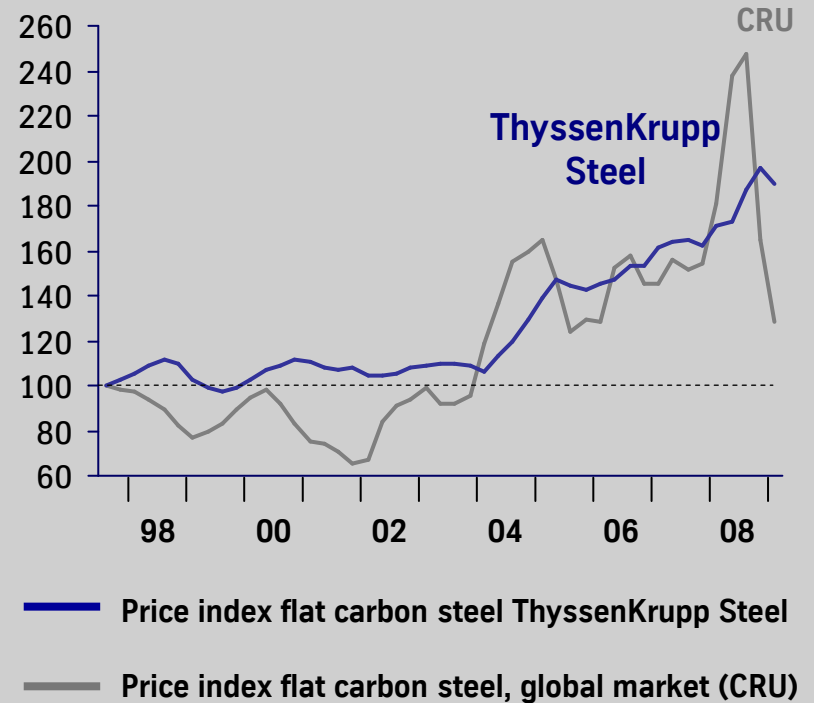
Sales by industry FY 2007/08

in %



Price index

Index (Q3 1997 = 100)



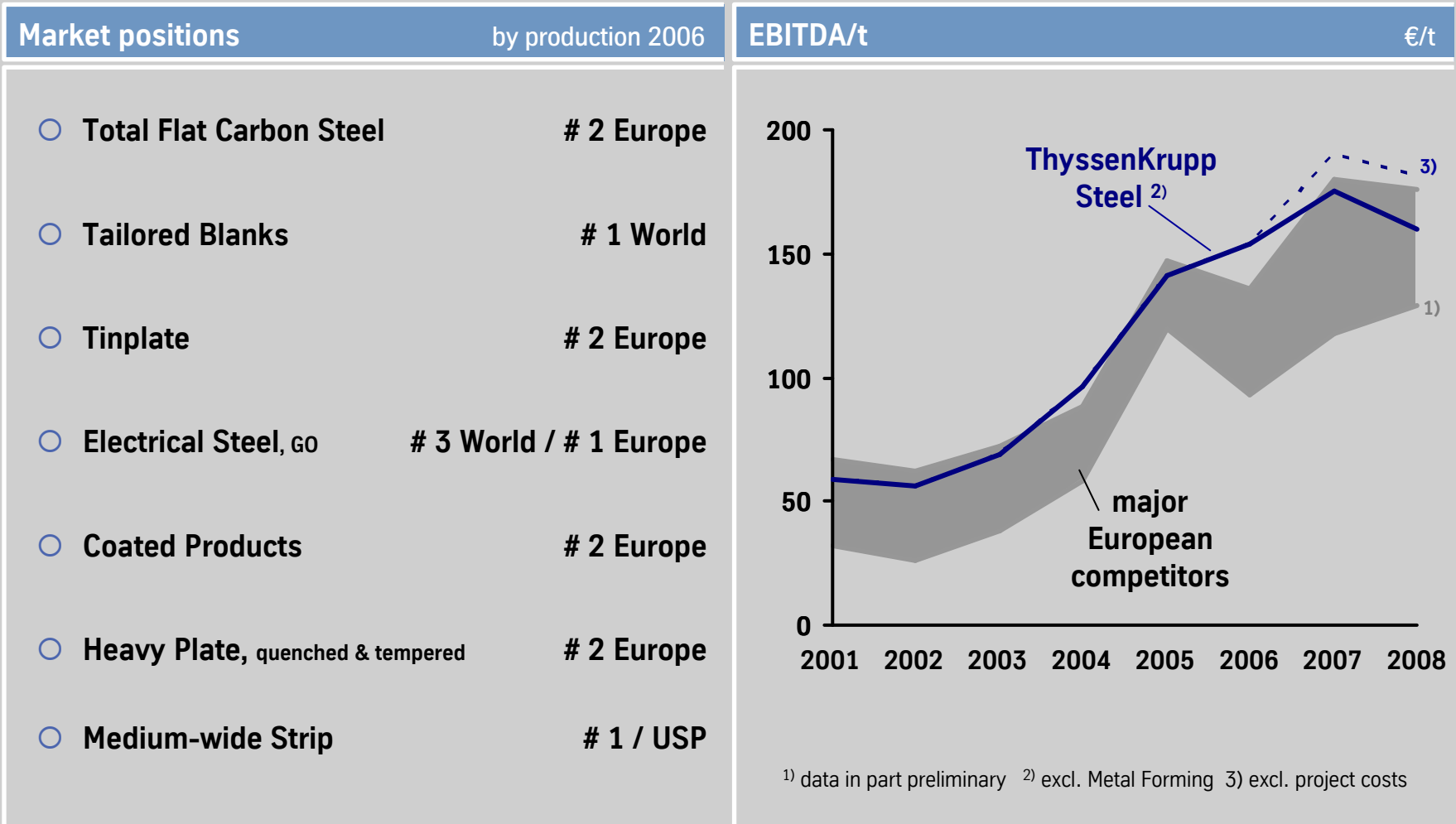
All data incl. Q1 2009

Sources: CRU and own calculations based on CRU, TKS





# Top Positions in Multiple Premium Niches with Strong Profitability

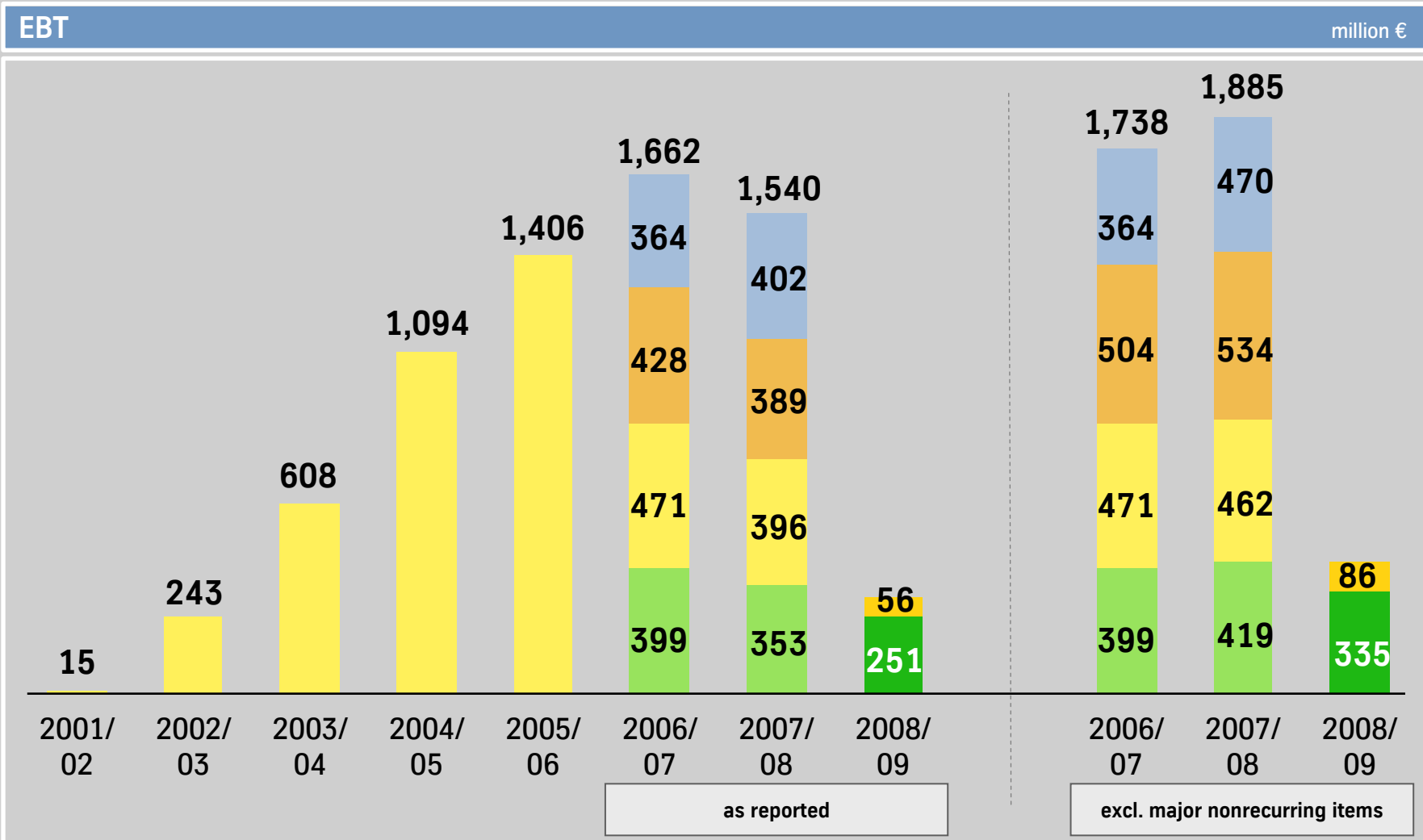


Source: Company reports, own estimates

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# EBT Track Record Steel

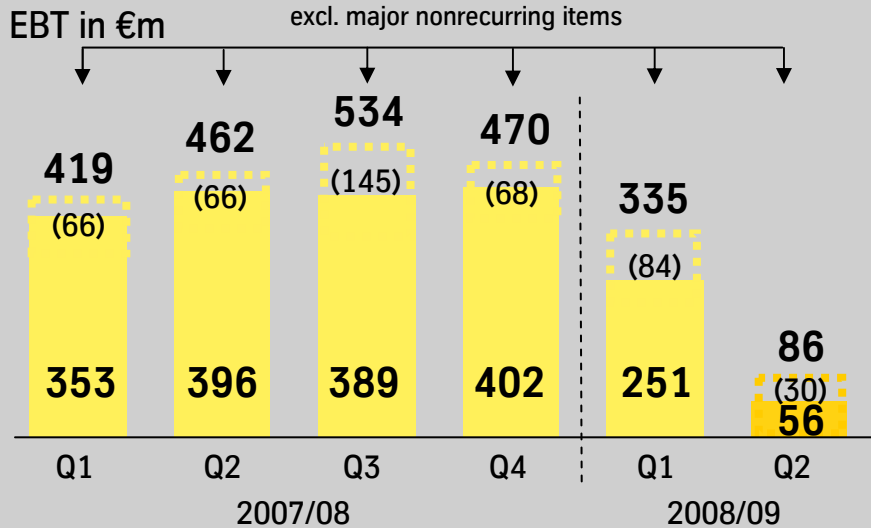


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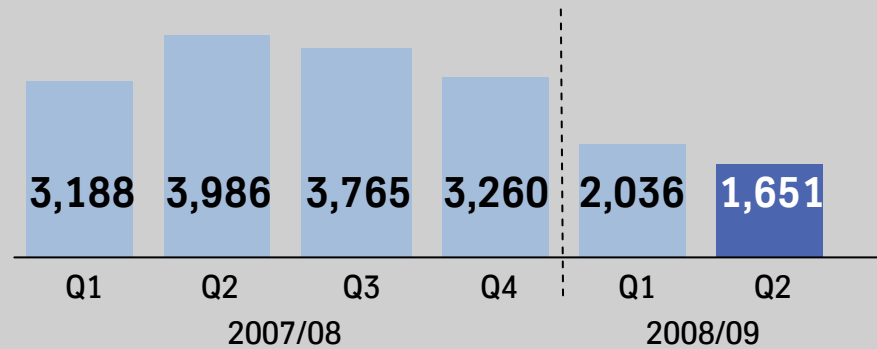


# Steel: Positive Earnings in Q2 2008/09

## Q2 2008/09 Highlights



## Order intake in €m



### Comments Q2 2008/09

- Relatively stable average revenues/ton
- Lower shipments
- Further reduction of capacity utilization
- Net working capital release commenced
- Declining order intake aggravated by de-stocking

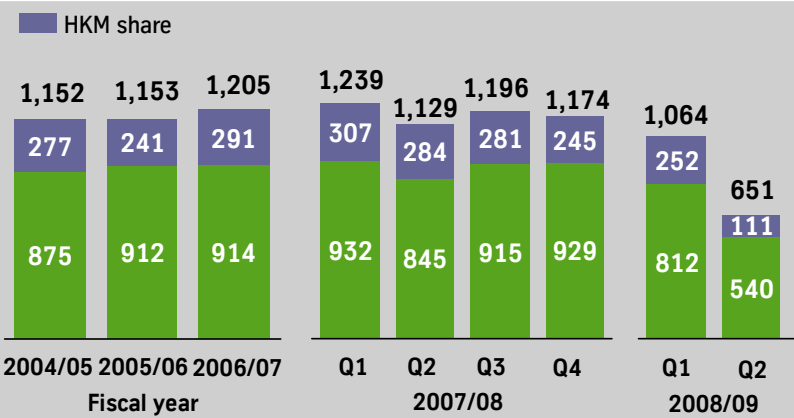
### Outlook H2 2008/09

- Further production cuts and underutilization
- Declining average revenues/ton
- Benefit from lower raw material prices from beginning of next fiscal year
- Net working capital release
- Restructuring charges

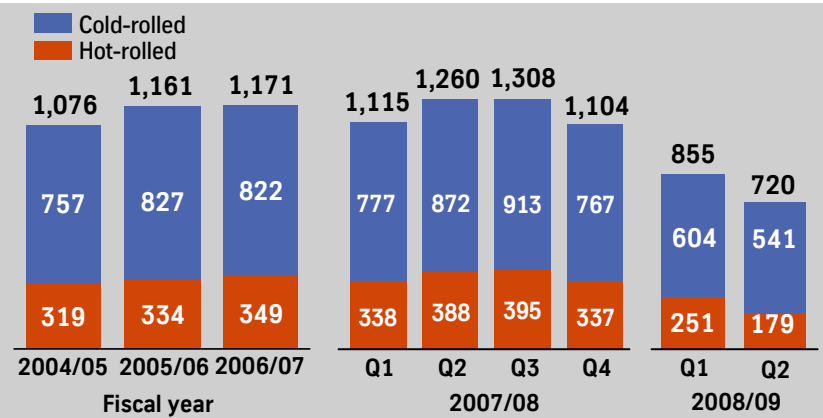


# Significant Drop in Output and Shipments in H1 2008/09

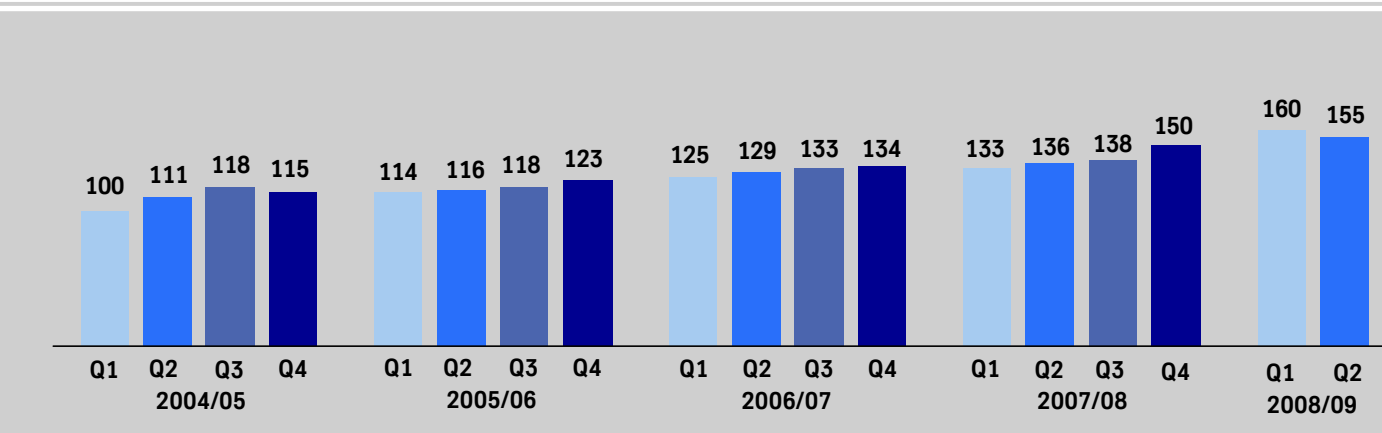
Crude steel output (TKS incl. share in HKM) 1,000 t/month



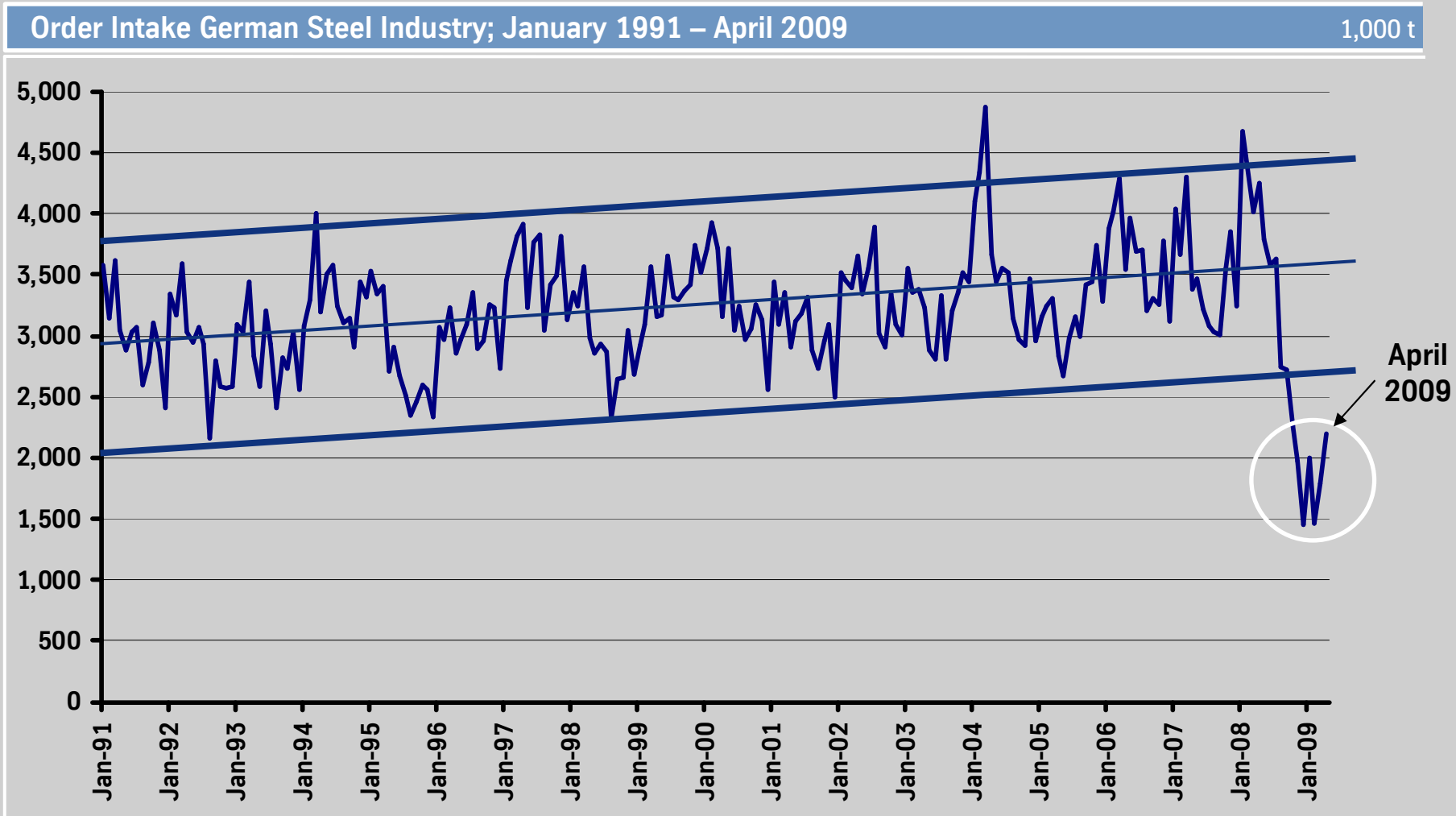
Shipments: Hot-rolled and cold-rolled products 1,000 t/month



Average revenues per ton, indexed Q1 2004/2005 = 100



# Order Intake Remained at Very Low Levels in April



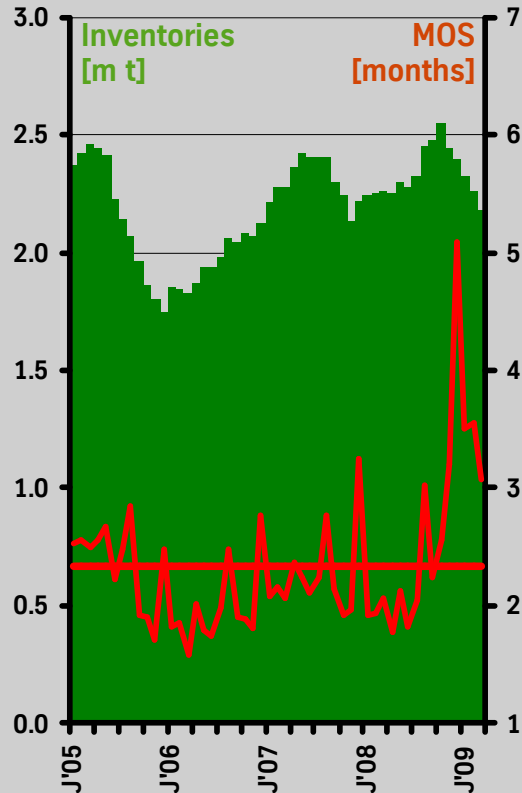
Source: WV

ThyssenKrupp Steel



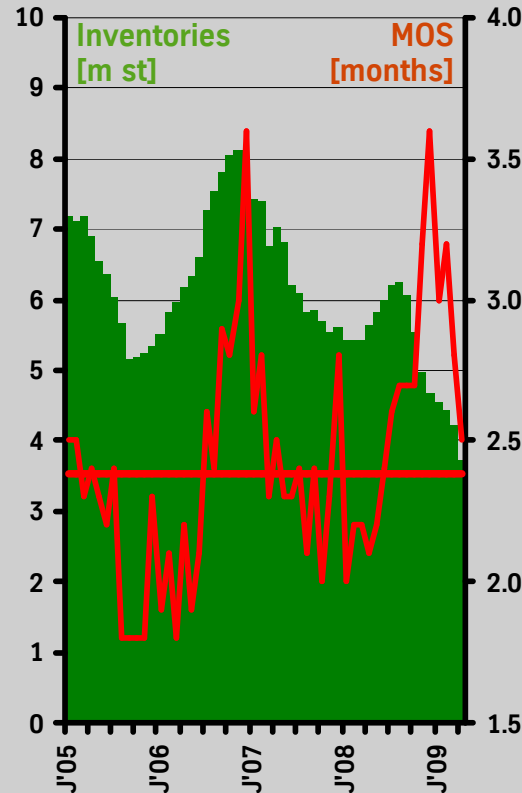
# De-Stocking Peaking in Europe; Virtually Completed in the US

**Inventories and Months of Supply - Europe**



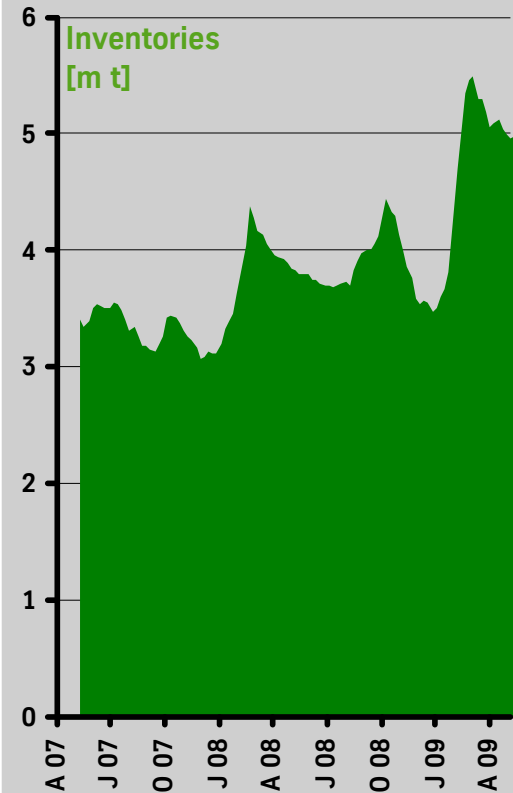
Europe: European SSC: Inventories at month' end / flat carbon steel w/o quarto

**Inventories and Months of Supply - USA**



USA: April MSCI inventories, carbon flat rolled

**Inventories China**



China: flat steel inventory in 23 major cities (HR, CR and Plate)

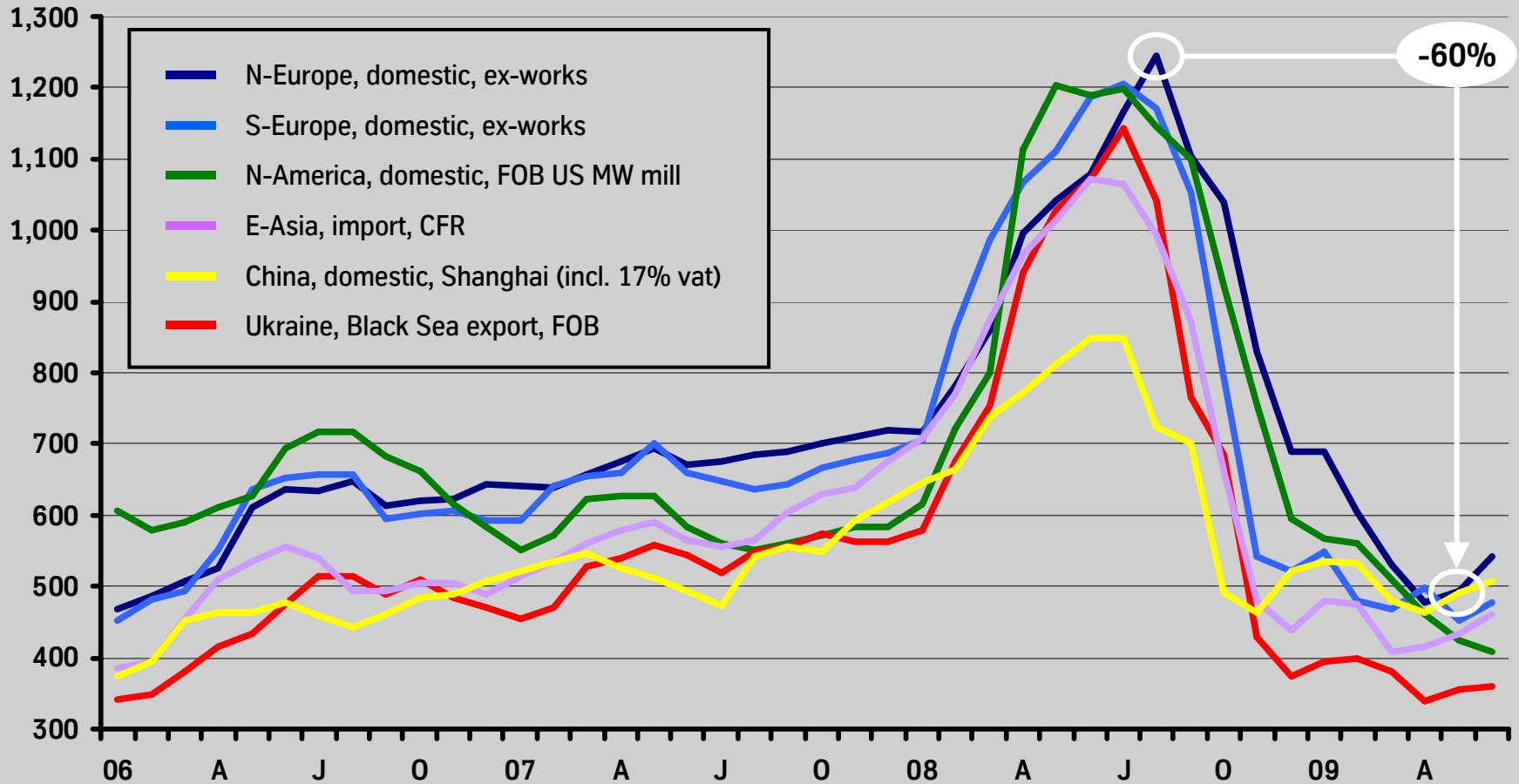
Source(s): TKS, EASSC, MAR, MSCI, UBS, MySteel



# After Massive Drop, Spot Prices with First Signs of Stabilization?

Spot price development, HRC

USD / t



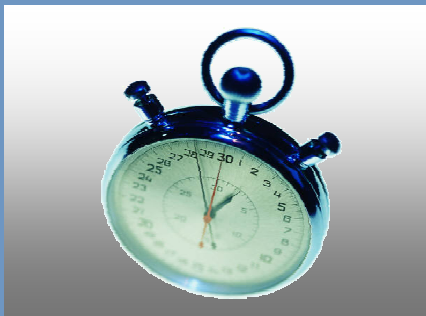
Source: SBB

ThyssenKrupp Steel

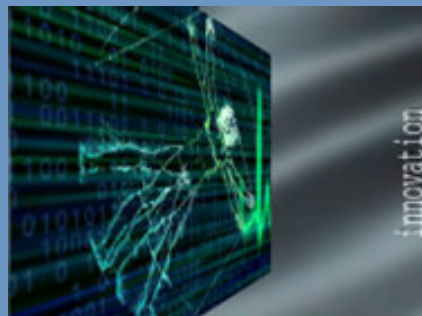


# Strategic Guidelines ThyssenKrupp Steel: Efficiency Improvement

Sustainable value growth



Efficiency  
improvement

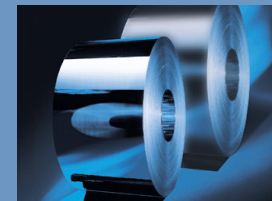


Technology  
leadership



Profitable  
growth

Focus on attractive markets  
for premium flat steel products

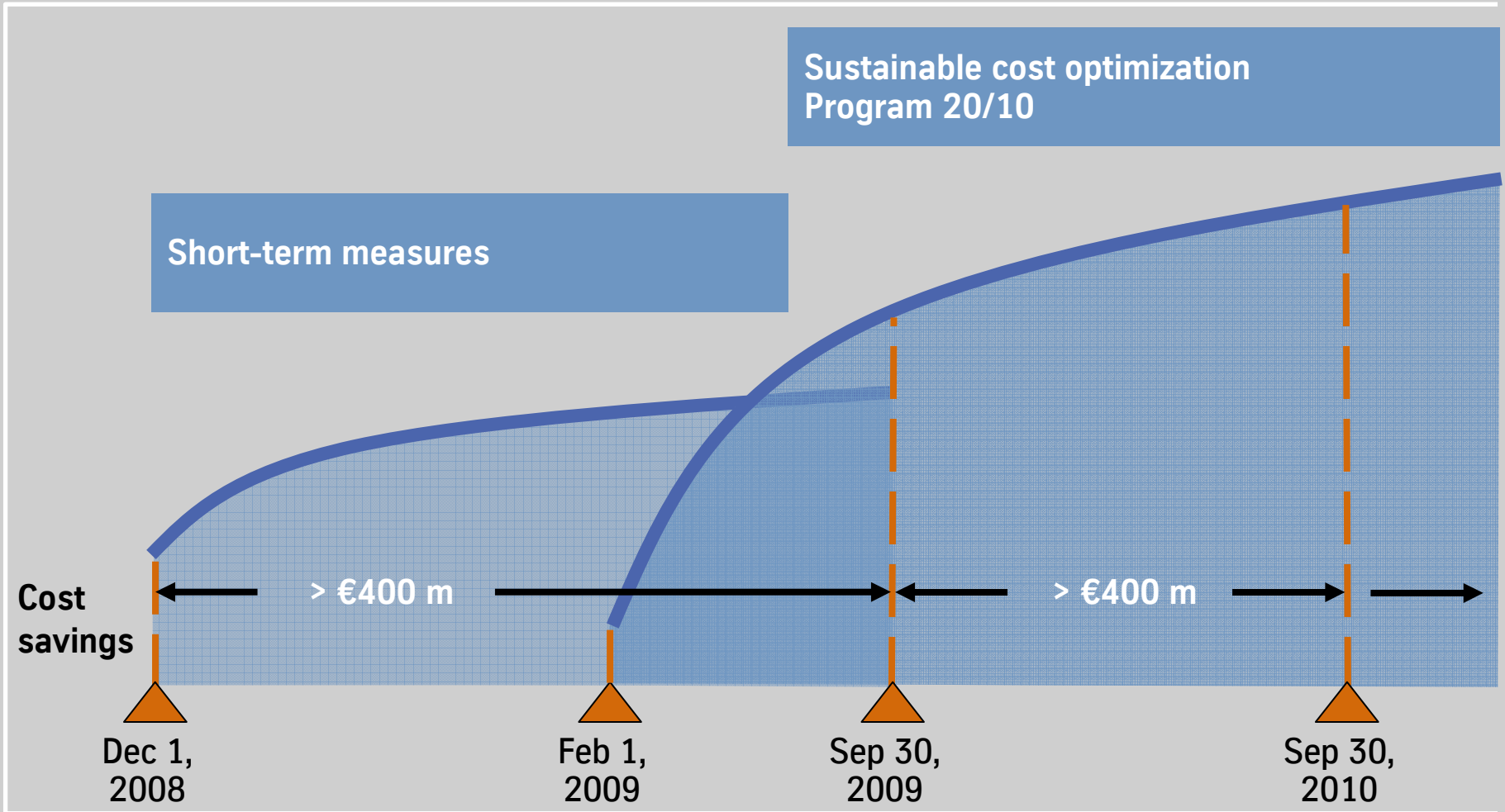


ThyssenKrupp Steel

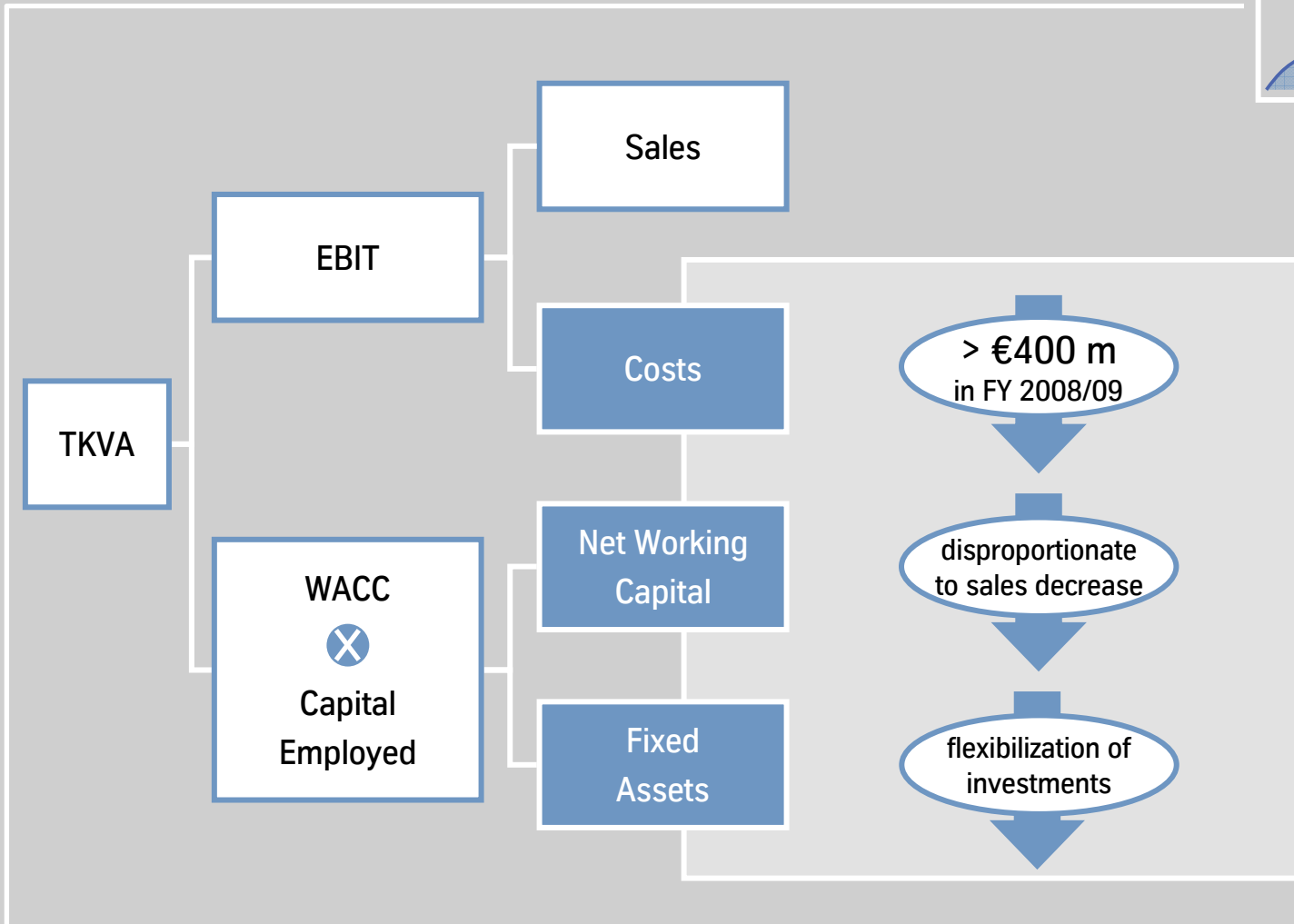
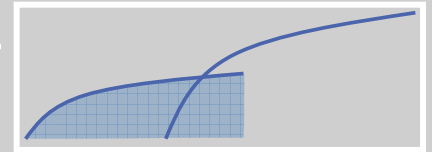




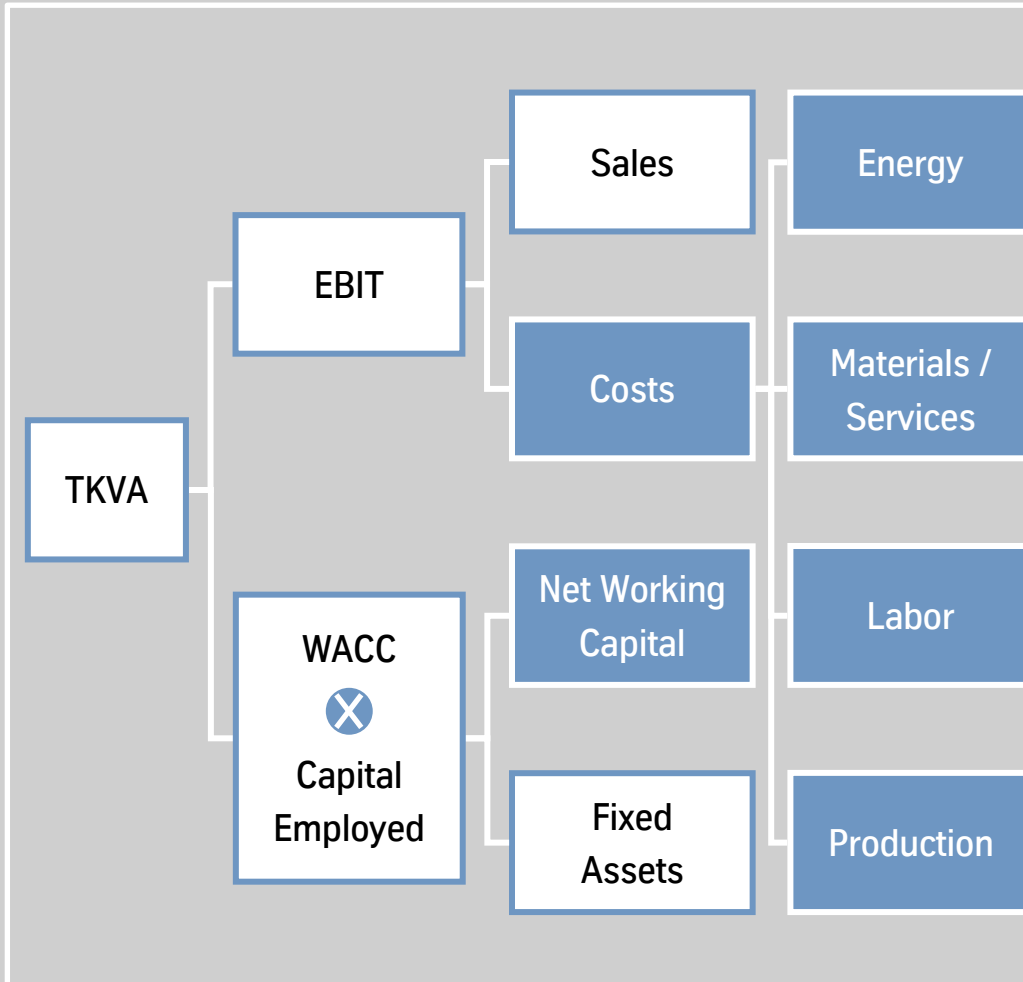
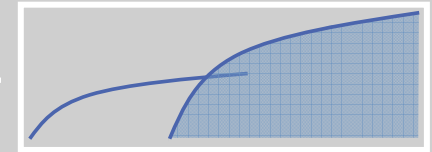
# Comprehensive Measures Initiated to Cushion Current Market Freeze and to Secure Long-Term Competitiveness



# Short-Term Measures Targeting Savings of >€400 m in FY 2008/09



# 10 Initiatives Geared to Sustainable Cost Savings of > €400 m per year by FY 2010/11



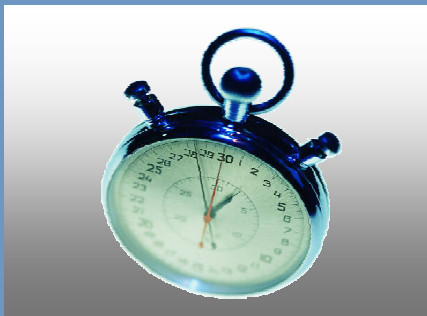
## Initiatives

- 1 Product mix optimization (products, customers, costs)
- 2 Energy cost optimization (gas, electricity, steam, ...)
- 3 Raw material cost optimization (mix, sourcing, ...)
- 4 Purchasing initiative 2.0 (technical, commercial optimization)
- 5 External services (increase productivity, insourcing, ...)
- 6 Overhead efficiency (incl. non-personnel costs)
- 7 Expansion of shared services (functional and organizational scope)
- 8 Lean production (benchmarking, KPI, ...)
- 9 Production network (configuration, utilization, ...)
- 10 NWC initiative (roll-out, best practices, ...)



# Strategic Guidelines ThyssenKrupp Steel: Technology Leadership

Sustainable value growth



Efficiency  
improvement

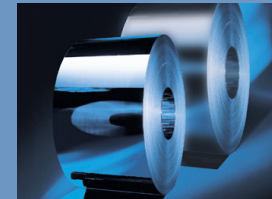


Technology  
leadership



Profitable  
growth

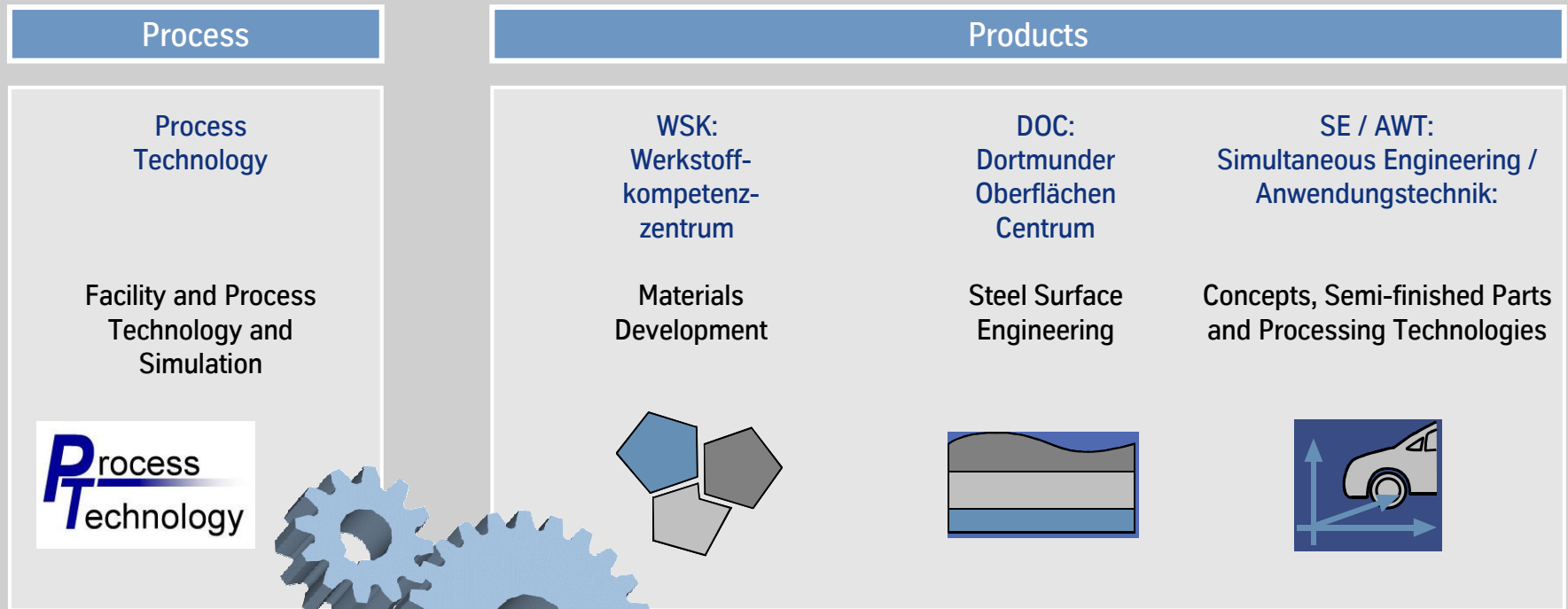
Focus on attractive markets  
for premium flat steel products



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# Unique Network of R&D Competence Centers

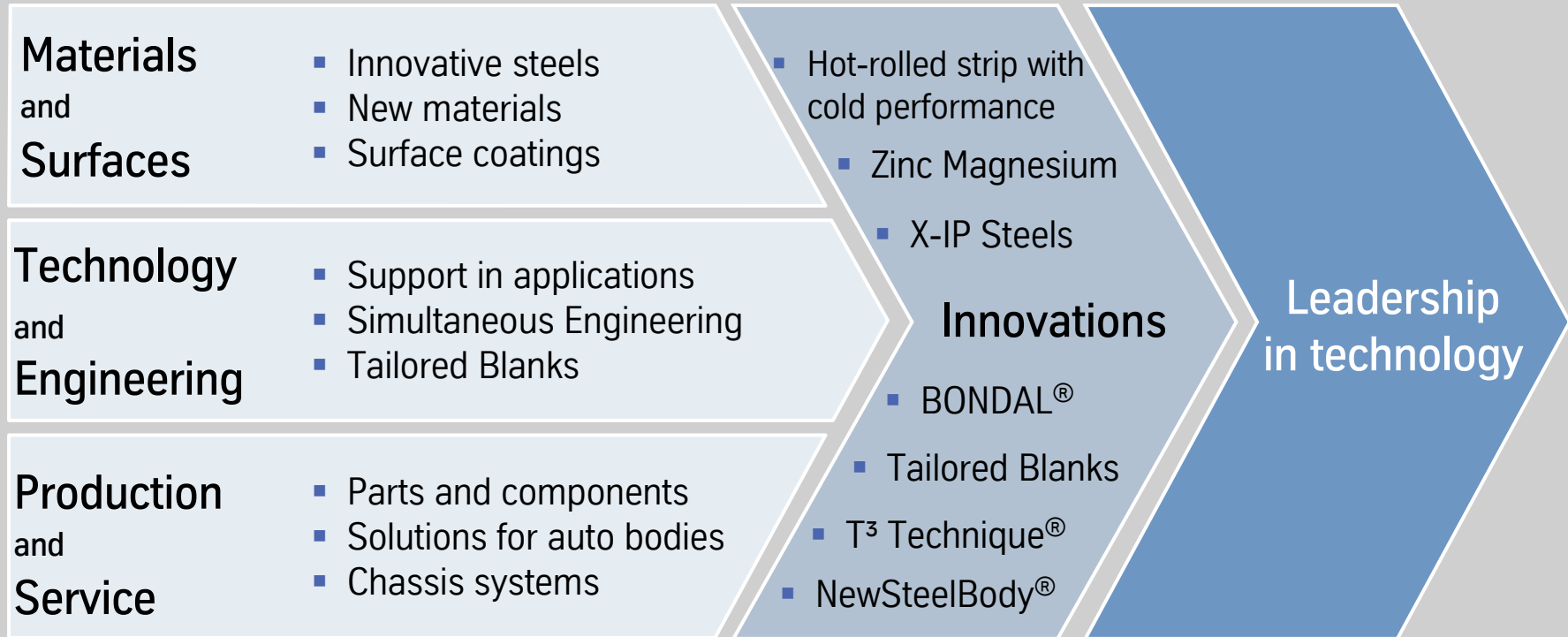


► Drive premium product and service portfolio



# Technology Leadership

Example: Strong partner to the automotive industry

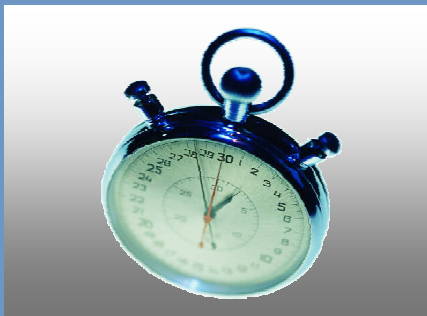


► Overall competence in automobile market as a basis for leadership in technology



# Strategic Guidelines ThyssenKrupp Steel: Profitable Growth

Sustainable value growth



Efficiency  
improvement

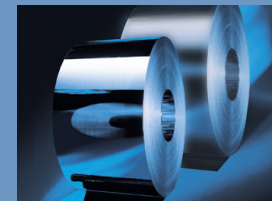


Technology  
leadership



Profitable  
growth

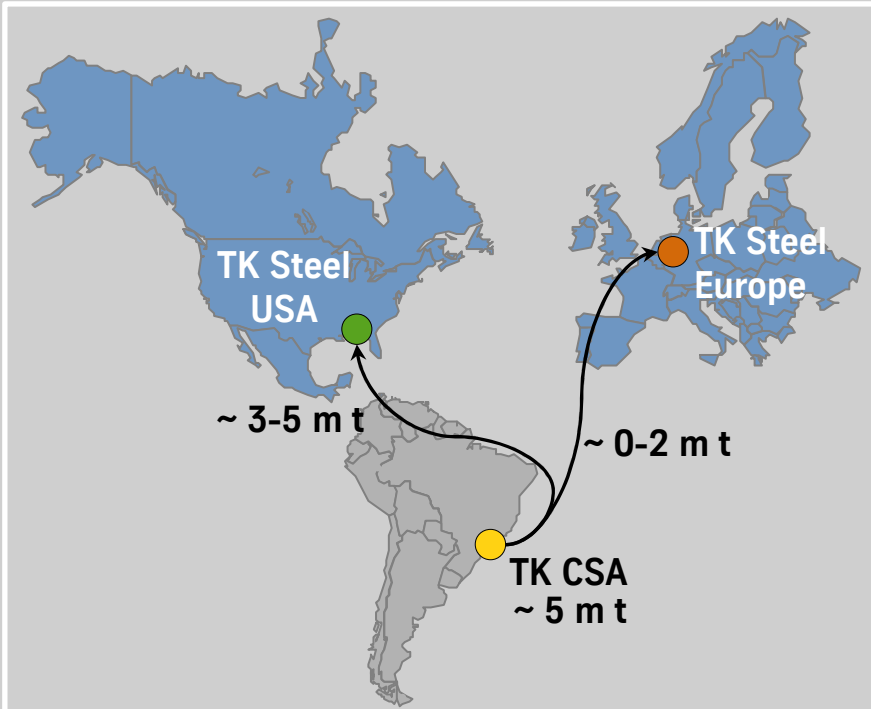
Focus on attractive markets  
for premium flat steel products



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# Investment Strategy Steel: The Transatlantic Concept



Targeted major transatlantic production capacities			
Capacity in m metric tons p.a.	Brazil	NAFTA	Europe
Slabs	5	-	15
Hot-rolled	-	5.2	17.5
Cold-rolled	-	2.5	10
Coated	-	1.8	8

\* slabs incl. share in HKM; hot-rolled incl. heavy plate and medium-wide strip; coated incl. EG, HDG and tinplate

- Utilizing low-cost slabs from Brazil
- Build on and expand strong European market position
- Clear strategy to enter NAFTA market with focus on high value-added products

- ⇒ Significant dilution of cost base by highly competitive steel mill in Brazil
- ⇒ Optimization to process up to 2 m t of additional slabs from Brazil (“Herkules”)
- ⇒ Transfer of proven business model into the modern industrial center of the U.S.





# ThyssenKrupp CSA: Port and Materials Handling Nearly Completed



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# ThyssenKrupp CSA: Progress on Coke, Power and Sinter Plant...



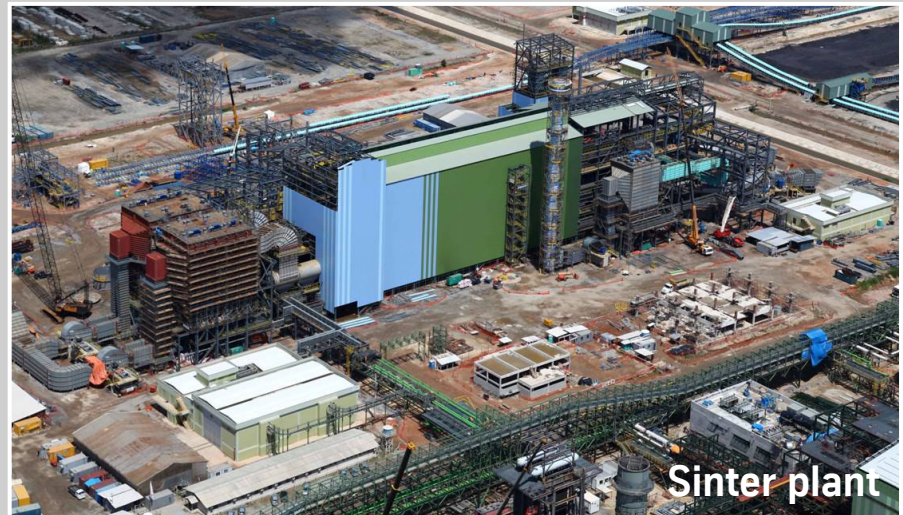
Aerial photo coke plant



Power plant



Coke plant



Sinter plant

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# ...and on Iron and Steelmaking Facilities



Blast furnace #1



Hot blast stoves #1-3



Continuous caster

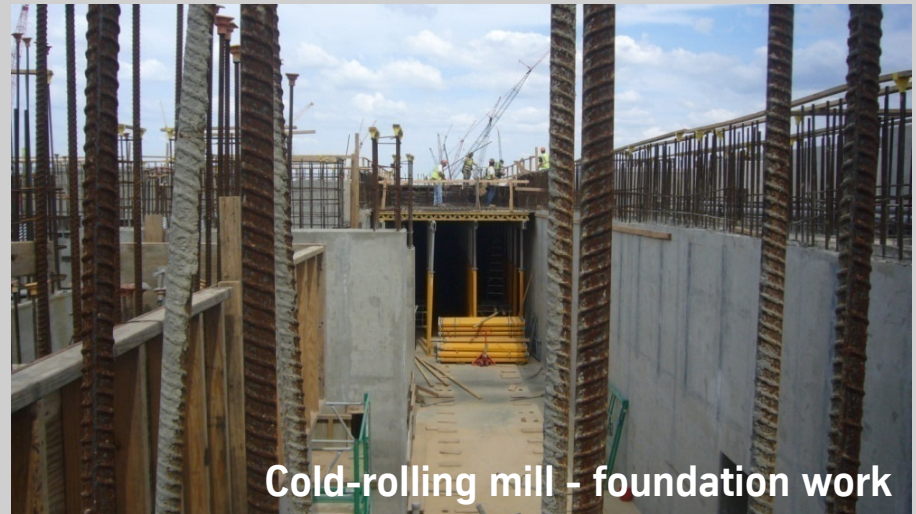


Steel plant area

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# ThyssenKrupp Steel USA - Proceeding to Schedule



**ThyssenKrupp Steel**

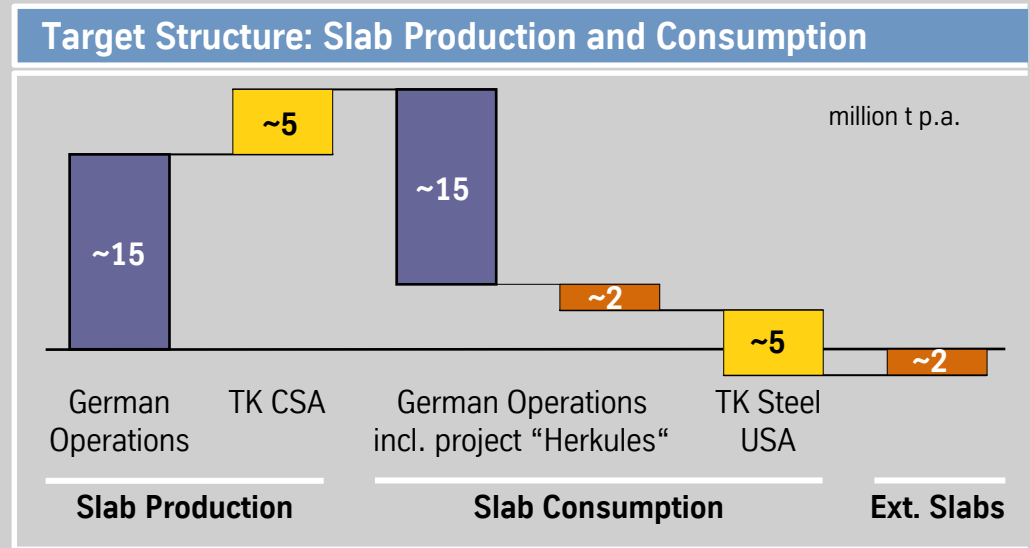
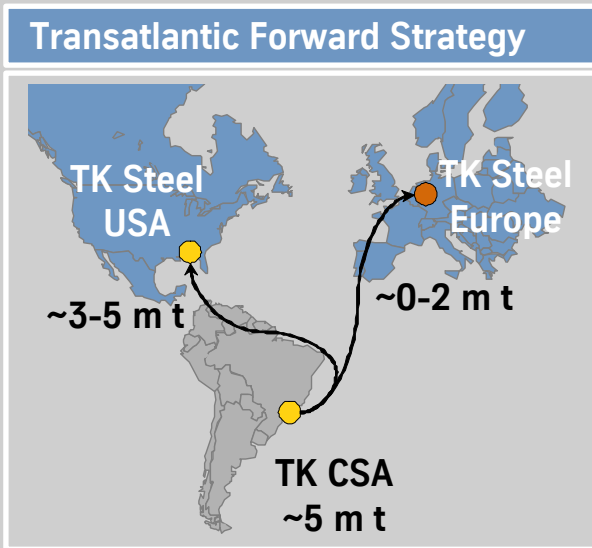


# NAFTA Sales and Marketing Approach Well Advanced



- Sales organization established
- Potential customers for ramp-up phase and steady state identified and approached
- High interest in specifying joint business perspectives
  - Volume potentials by customer for ramp-up phase defined
  - Planned shipment volume in FY 2009/10: ~500,000 t
  - Continuous ramp-up and smooth penetration expected
- High demand for ThyssenKrupp quality
  - Local Tech Center with US and German engineers established
  - Development of future material concepts for specific target customers has started
- Successful positioning of ThyssenKrupp Steel as premium supplier

# Growth Complemented by Significant Cost Dilution and Flexibility



**Significant cost dilution**

⇒ based on 5 m t of high-quality and low-cost slabs from TK CSA

**Optimized sourcing of external slabs**

⇒ based on logistics cost and availability (adjust slab supply ex CSA to Europe and U.S.)

**Optimized cost degression through mini cycles**

⇒ based on adjustment of external slab purchases (at optimized utilization of own upstream facilities)

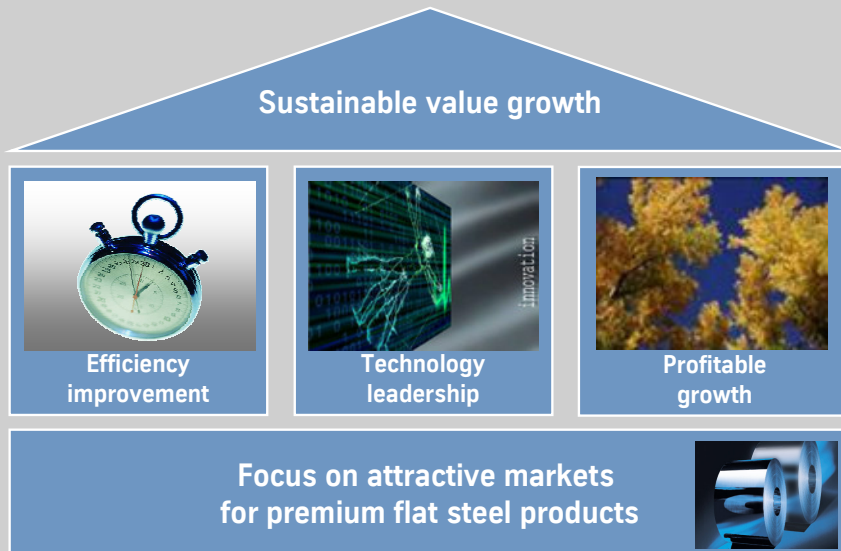
**Increased strategic flexibility**

⇒ based on transatlantic production network



# Major Transformation Based on Cost Optimization and Growth

## Strategy Implementation Based on Proven Business Model



- Comprehensive cost cutting initiated
  - Short-term measures: >€0.4 bn (in FY 08/09; predominantly one-time effects)
  - Program 20/10: >€0.4 bn/yr (by FY 10/11; sustainable savings)
- Growth Capex
  - Forward Strategy Europe: €0.4 bn
  - Forward Strategy NAFTA: \$3.25 bn
  - Forward Strategy Brazil: €4.5 bn
- Committed to
  - Reliable and significant profit contribution
  - Drive value for the Group!

**Developing the future. ThyssenKrupp Steel.**



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- (i) market risks: principally economic price and volume developments,
- (ii) dependence on performance of major customers and industries,
- (iii) our level of debt, management of interest rate risk and hedging against commodity price risks;
- (iv) costs associated with, and regulation relating to, our pension liabilities and healthcare measures,
- (v) environmental protection and remediation of real estate and associated with rising standards for real estate environmental protection,
- (vi) volatility of steel prices and dependence on the automotive industry,
- (vii) availability of raw materials;
- (viii) inflation, interest rate levels and fluctuations in exchange rates;
- (ix) general economic, political and business conditions and existing and future governmental regulation; and
- (x) the effects of competition.

Please note that we disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.”

