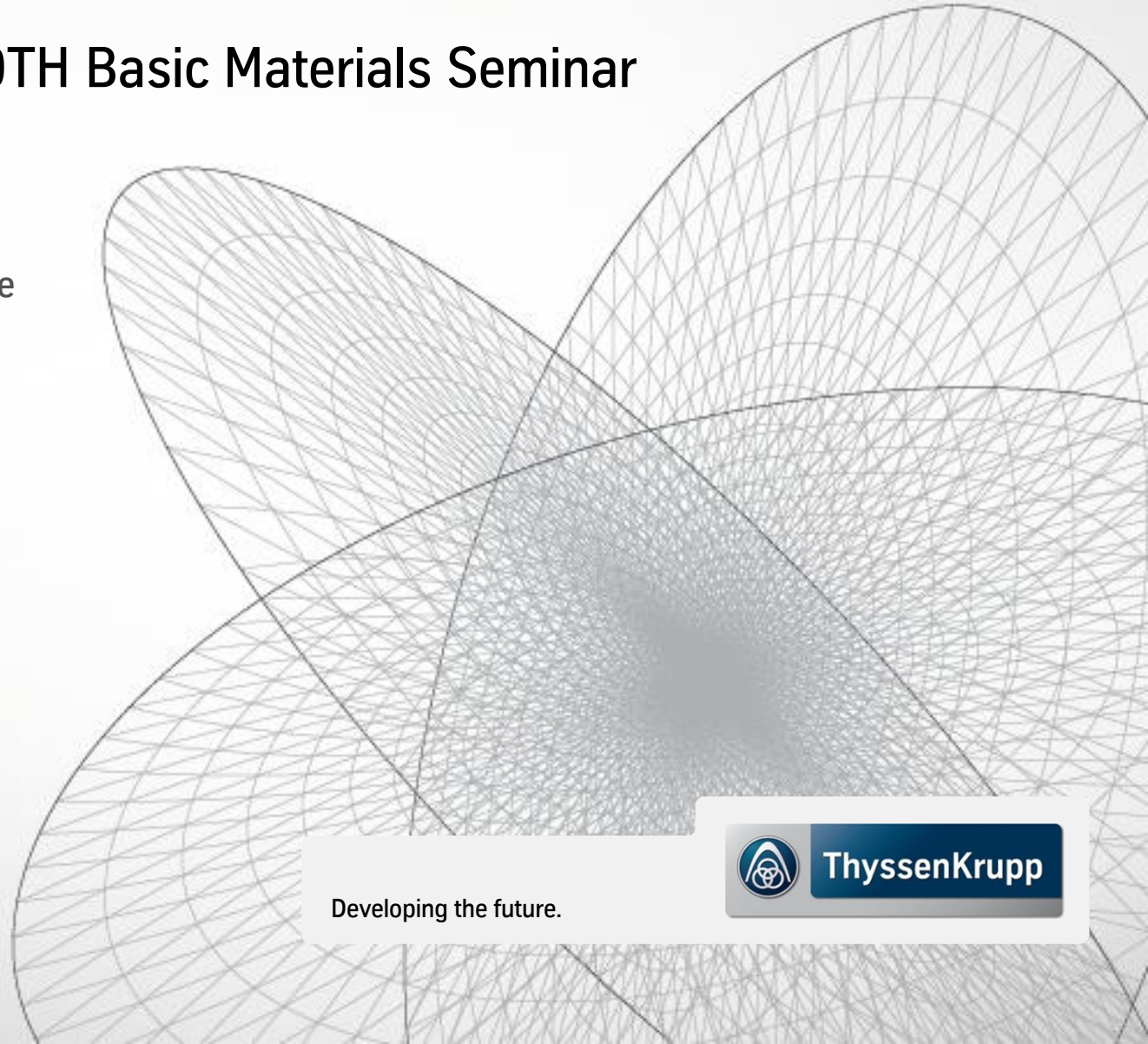




# Exane BNP Paribas 9TH Basic Materials Seminar

London – April 1, 2014

Andreas J. Goss,  
Spokesman & CFO Steel Europe  
CFO Steel Americas



Developing the future.



**ThyssenKrupp**

# ThyssenKrupp – Diversified Industrial Group

## FY 2012/13

### ThyssenKrupp Group\*

Sales: €38.6 bn  
 EBIT adj.: €598 m  
 Employees: 156,856

# ING.

INGENIEURKUNST



**Components  
Technology**

Sales: €5.7 bn  
 EBIT adj.: €244m  
 Empl.: 27,737



**Elevator  
Technology**

Sales: €6.2 bn  
 EBIT adj.: €675 m  
 Empl.: 49,112



**Industrial  
Solutions**

Sales: €5.6 bn  
 EBIT adj.: €640 m  
 Empl.: 18,841



**Materials  
Services**

Sales: €11.7 bn  
 EBIT adj.: €236 m  
 Empl.: 26,978



**Steel  
Europe**

Sales: €9.6 bn  
 EBIT adj.: €143 m  
 Empl.: 26,961



**Steel  
Americas\*\***

Sales: €1.9 bn  
 EBIT adj.: €(495) m  
 Empl.: 4,112

\* Continuing operations (excluding Inoxum)

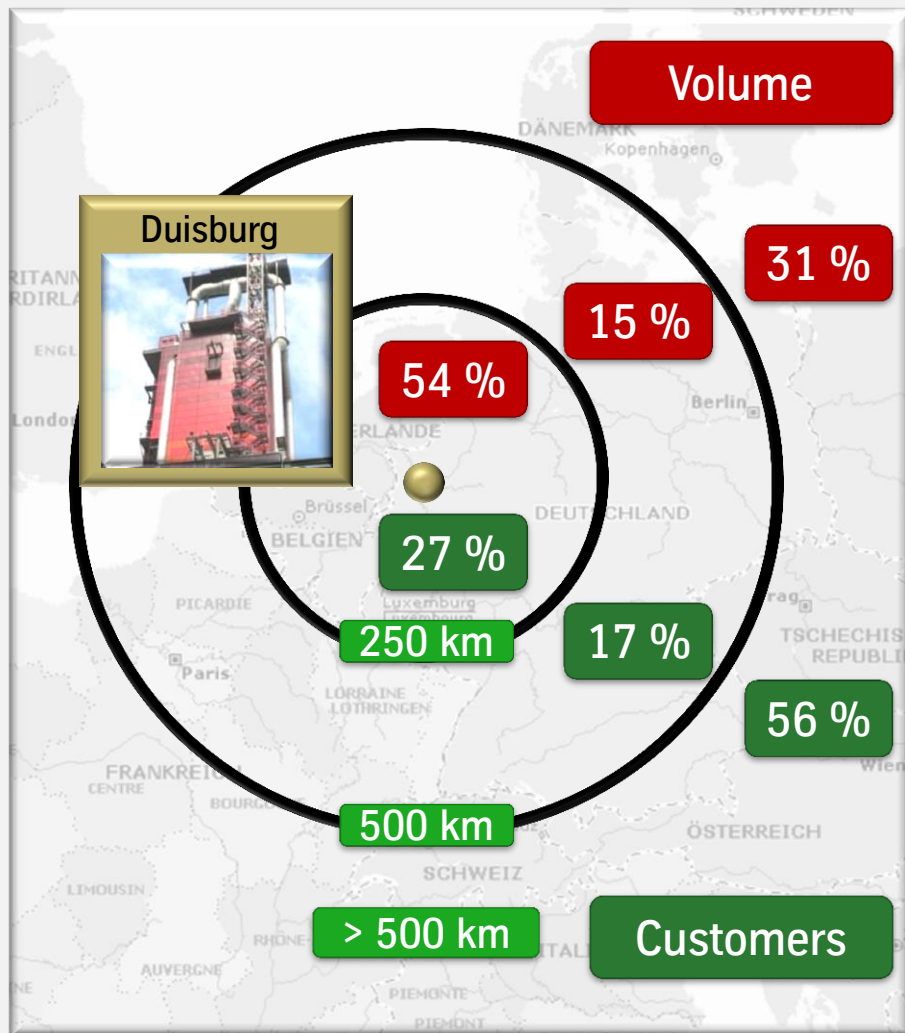
\*\* Incl. Steel USA as disposal group



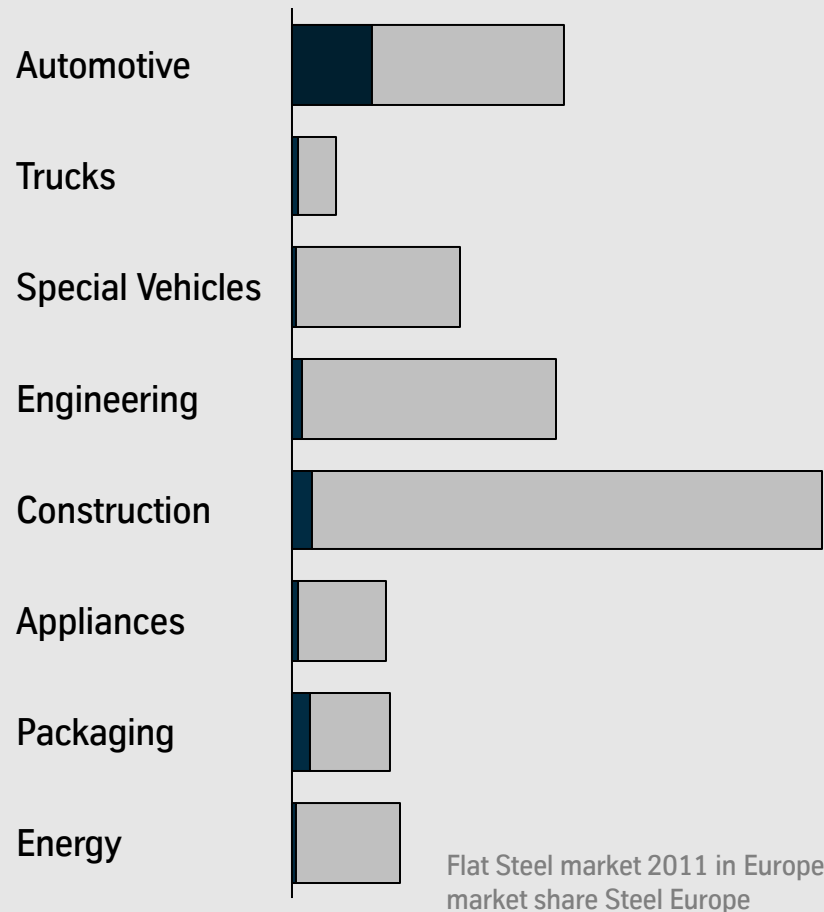
# Steel Europe: Strong Presence in More Resilient Markets and Industries

Steel Europe

Competition



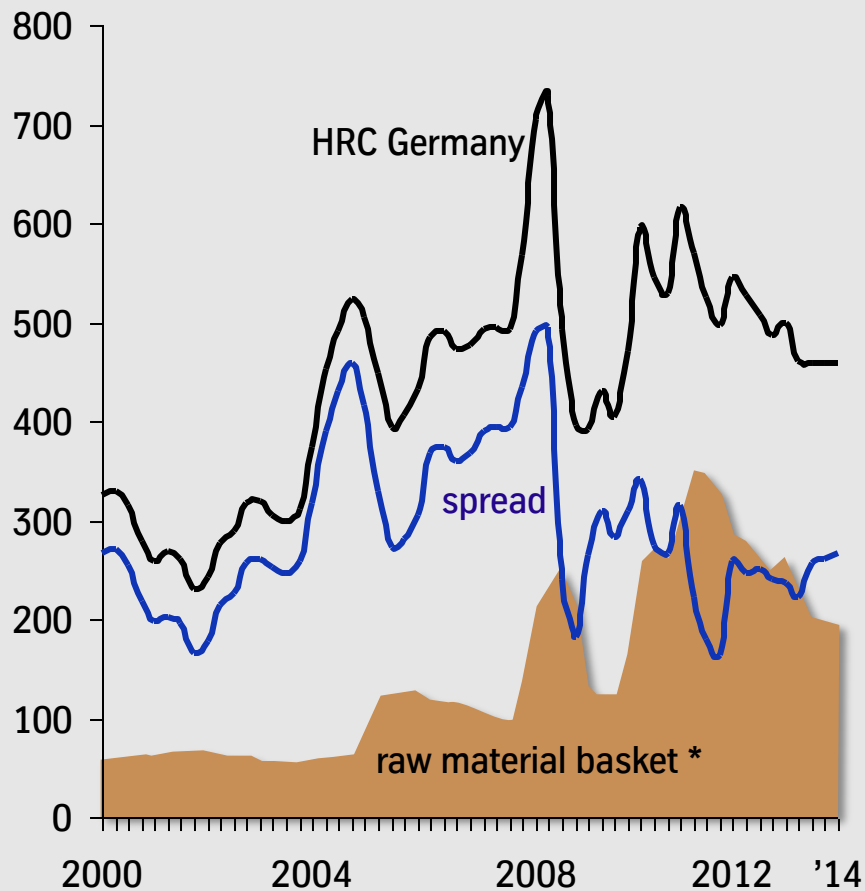
## Flat steel market and share Steel Europe



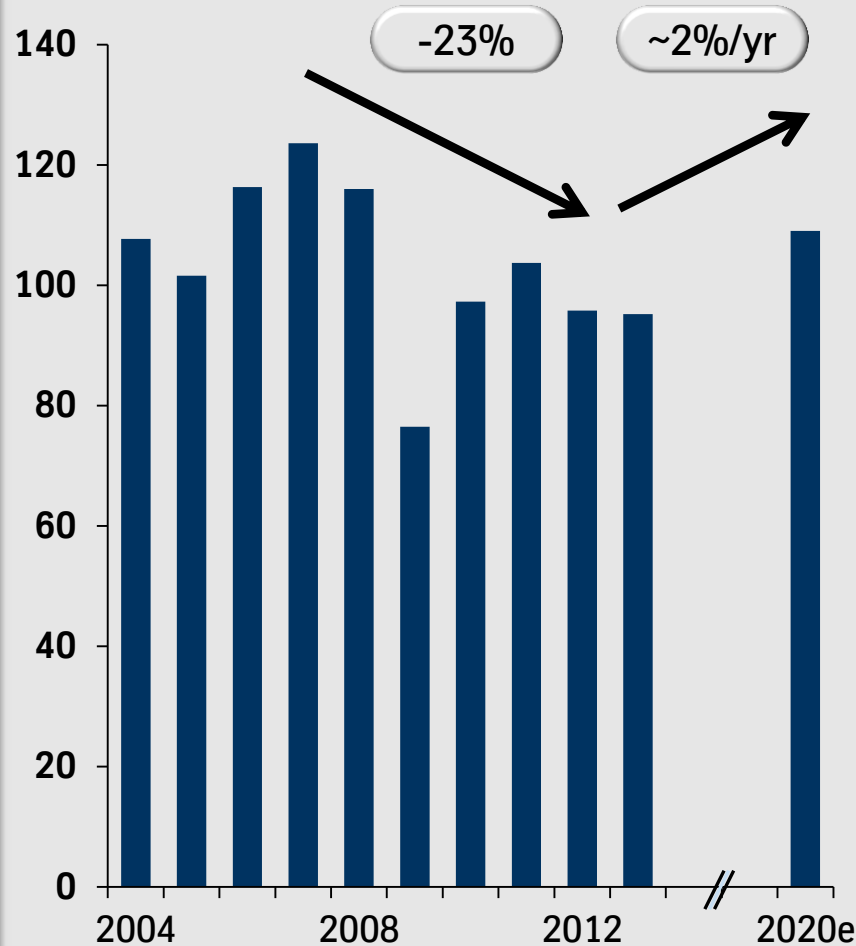
# Challenging Flat Carbon Steel Market in Europe – Slow Recovery Expected

HRC price, raw material basket and spread €/t

\* schematic model, i/o and hcc only, fob



Flat carbon steel demand Europe million t



# Steel Europe: Despite Adverse Market Environment with Positive EBIT and Cash-Flow Contribution

		2012/13					2013/14
		Q1	Q2	Q3	Q4	FY	Q1
Order intake	€m	2,403	2,620	2,315	2,177	<b>9,515</b>	2,274
Sales	€m	2,253	2,512	2,562	2,293	<b>9,620</b>	2,074
EBITDA	€m	142	98	119	154	<b>512</b>	126
EBITDA adjusted	€m	142	118	166	146	<b>572</b>	126
EBIT	€m	29	(10)	14	28	<b>62</b>	20
EBIT adjusted	€m	30	9	62	42	<b>143</b>	<b>19</b>
EBIT adj. margin	%	1.3	0.4	2.4	1.8	<b>1.5</b>	0.9
TK Value Added	€m					<b>(432)</b>	
Ø Capital Employed	€m	5,387	5,351	5,291	5,198	<b>5,198</b>	4,669
BCF	€m	15	97	173	(5)	<b>280</b>	<b>182</b>
CF from divestm.	€m	2	1	5	159	<b>167</b>	0
CF for investm.	€m	(94)	(105)	(74)	(136)	<b>(409)</b>	(91)
Employees		27,629	27,773	27,609	26,961	<b>26,961</b>	26,658



**However, significant improvements required to cover cost of capital**

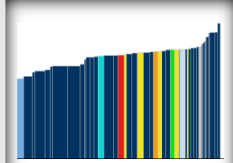


# Program Geared to Achieve +ve ØTKVA Over the Cycle

Comprehensive  
market &  
competition  
review



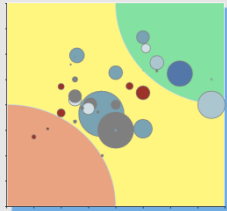
## Costs



- structural adjustments
- operational improvements
- exit non-core activities

**>€500 m/yr**  
gross EBIT effects  
by FY 2014/15

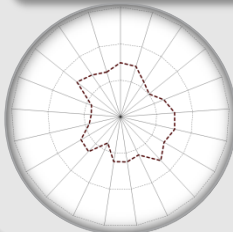
## Mix



- expand attractive niches
- adjust Capex strategy

**~€150 m/yr**  
gross EBIT effects  
by FY 2014/15

## Differentiation

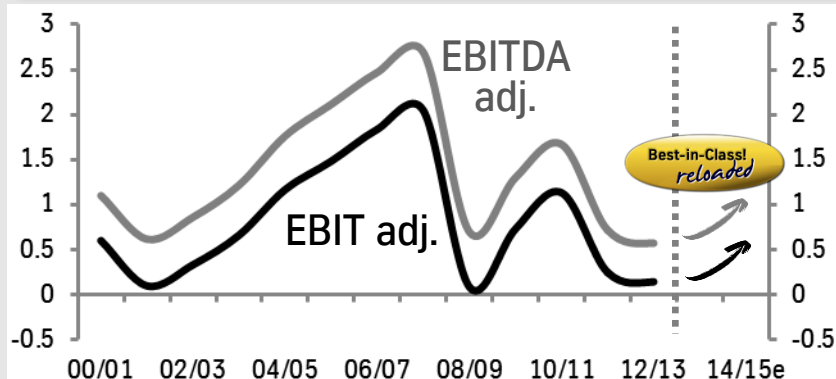


- innovation initiative
- time-to-market
- delivery performance

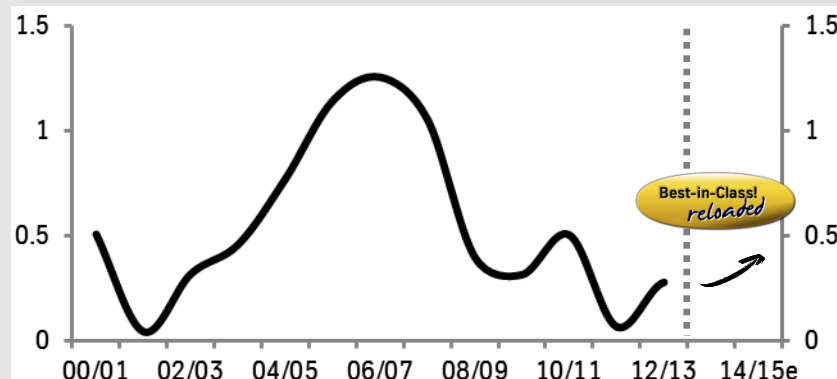
from **capacities**  
to **customers**

# Comprehensive Cost & Differentiation Program Geared to Sustainable Improvement of Profit and Cash Flow Profile

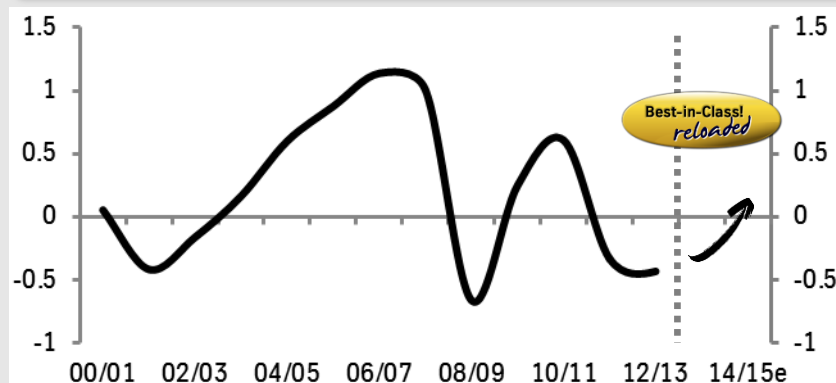
EBIT adj / EBITDA adj \* in € bn



Business Cash-Flow\*\* in € bn



TKVA in € bn



- historically with manageable volatility
  - sig +ve EBIT adj / BCF in upcycle
  - ≠ -ve EBIT adj / BCF in downcycle
  - +ve  $\Delta$ TKVA over the cycle
- “Best-in-Class Reloaded” program to
  - meet Group requirements and
  - tackle steel market challenges

# ThyssenKrupp – Diversified Industrial Group

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**ING.**  
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#### Steel Americas\*\*

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 Empl.: 4,112

\* Continuing operations (excluding Inoxum)

\*\* Incl. Steel USA as disposal group





# US Assets Divested – Sustainable Forward Strategy TK CSA Defined

## Exit TK Steel USA

Sale to MT/NSSMY *closed*

Price: \$1.55 bn

TKS USA  
Alabama

## Shift in market focus TK CSA

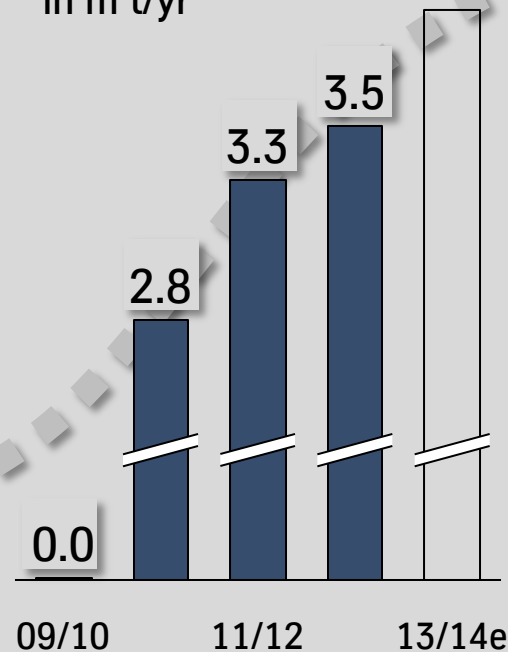
Slab supply contract

- 2 mt/yr until Sep 2019
- @ [HRC<sub>MidWest</sub> minus]

TK CSA  
Brazil

## Current focus on operating improvements in Brazil

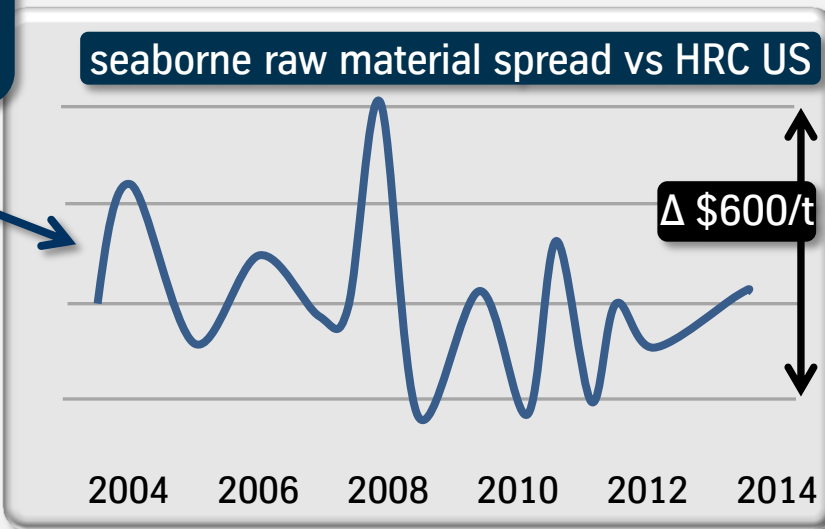
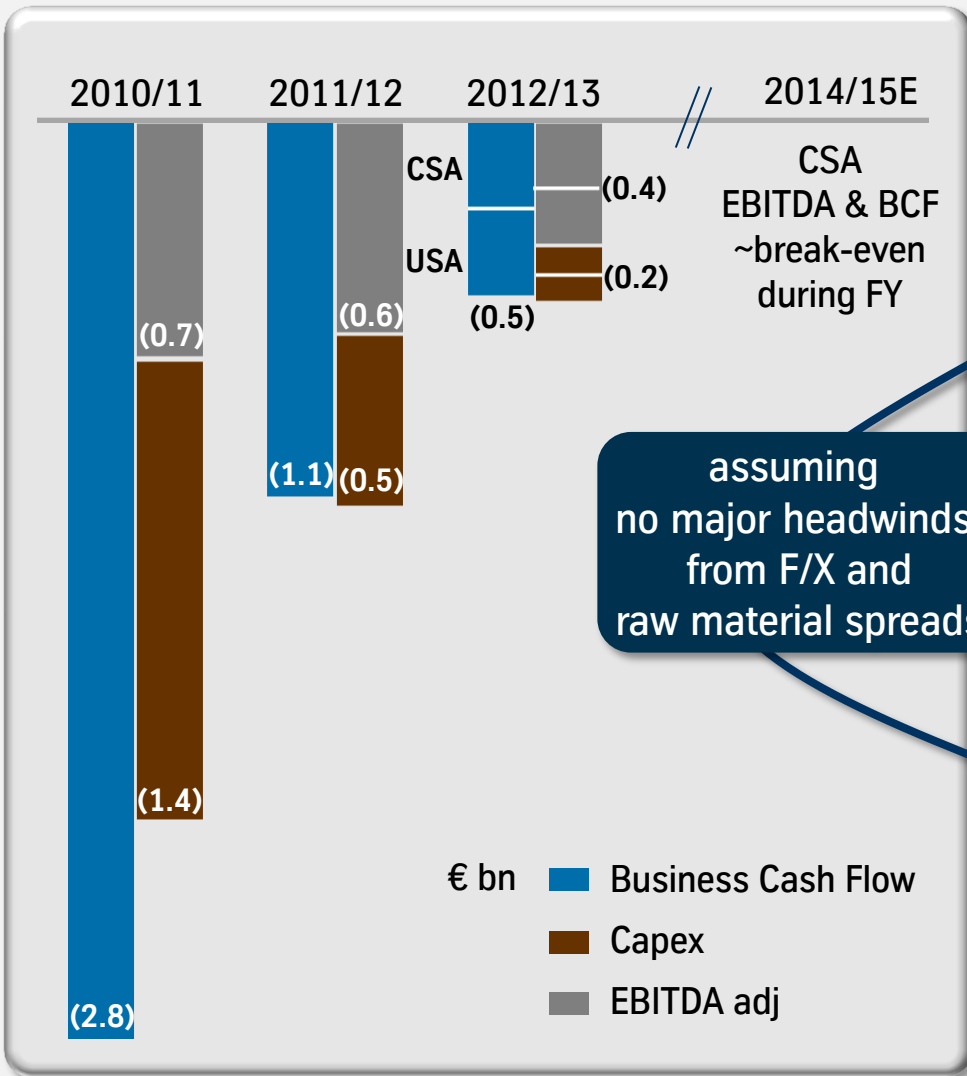
slab sales TK CSA  
in m t/yr



- stabilization & continuous ramp-up
- efficiency imprvmnts
- implement sales orga and develop customer base complementing
- 40% load from slab supply to Alabama

## Mid-term solution outside of TK portfolio feasible

# Cash Break-Even Targeted in FY 2014/15



# Performance Improvements and De-Risking at Steel Businesses with Significant Contribution to Value Upside of ThyssenKrupp Group



# Appendix



# Premium Flat Carbon Steels Made by ThyssenKrupp

## Applications and Solutions



Bodies up to 24% lighter with same safety performance



Ratio of load capacity to operating weight increased to 8:1



For extreme demands on deep drawing properties (0.07 mm)



Involving >30 innovative solutions for body, chassis and powertrain



Lighter, greener and safer – innovations for trucks and trailers



In sour gas resistant grades for pipelines



# Overview of ThyssenKrupp Steel Europe End User Markets

## Automotive



Passenger Cars



Wheels



LCV\*

## Trucks



Motor Tractor



Trailer



Busses



Truck Body



Tractor Vehicle

## Special Vehicles



Agricultural and Forest Machinery



Cranes



Construction Machinery



Trains



Ships

## Appliances



Home Appliances



Tools



Furniture



Houseware



Small HVAC



Others

## Packaging



Beverage Cans



Food Cans



Aerosols



Chemical-Technical (CT) Containers



Barrels



Intermediate Bulk Container (IBC)



Steel Packaging

## Energy



Fossil Power Plants



Photovoltaics



Windpower



Pipelines



LNG-Tankers

## Plant Engineering



Chemical Plant



Maschine Tools



Manufacturing Equipment



Textile Machinery

## Construction



Garage Doors



Heating Boiler



Façades



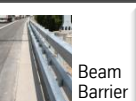
Bathtubs



HVAC



Bridges



Beam Barrier

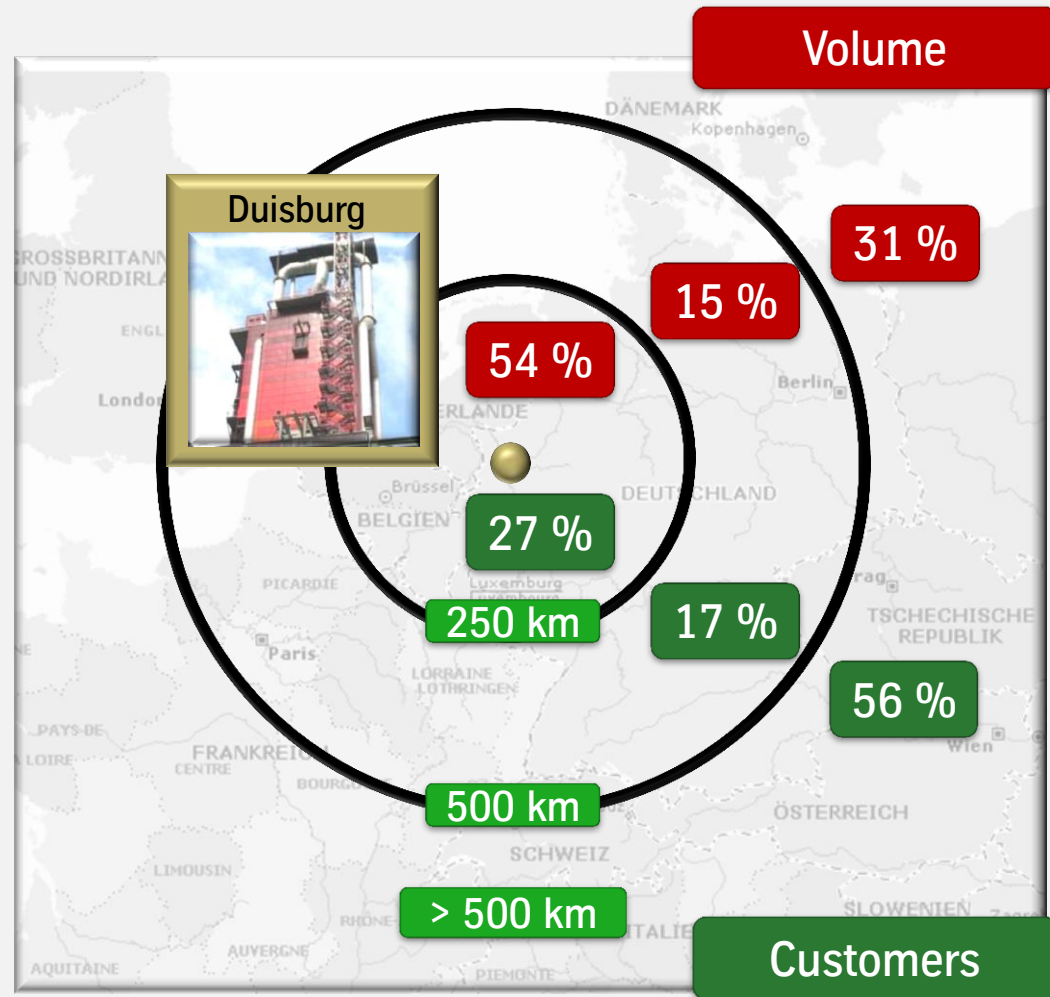
\*LCV = Light Commercial Vehicle

# Efficient Operations & Customer Proximity

## Business Model ThyssenKrupp Steel Europe



- Sustained economies of scale and high flexibility
- Optimum plant configuration
- Short distances to key customers with long-standing relations



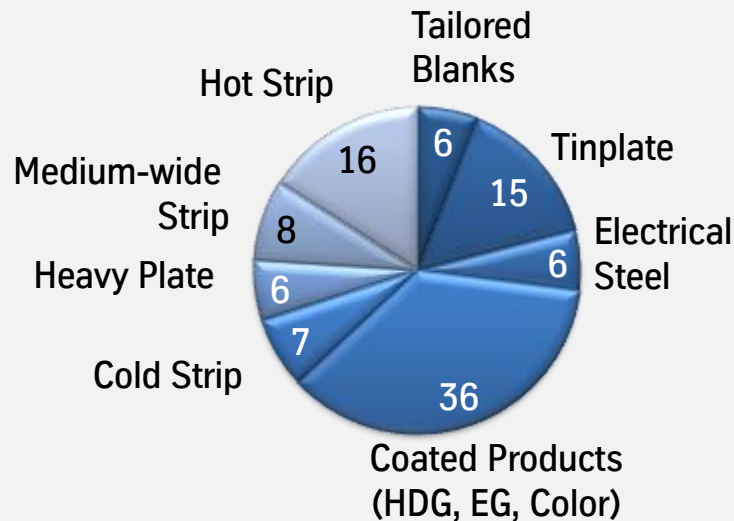
# Premium Product Mix and Attractive Customer Portfolio

## Business Model ThyssenKrupp Steel Europe



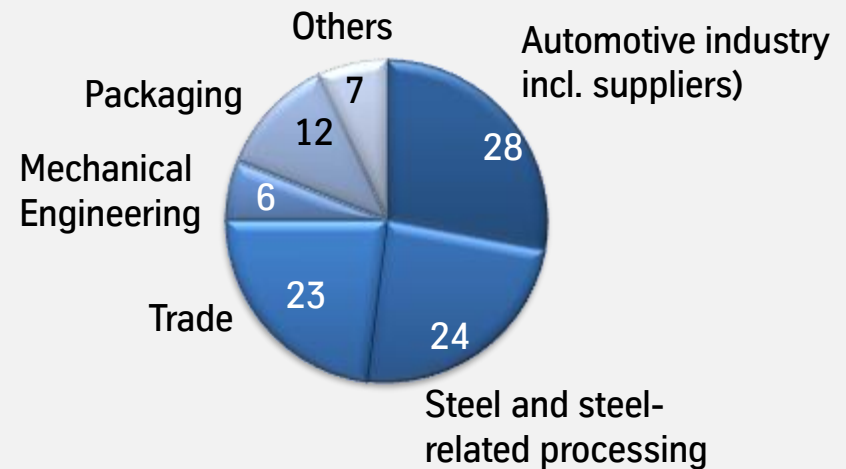
Product Mix Steel Europe FY 2012/13

in % of sales



Sales by Industry Steel Europe FY 2012/13

in % of sales



# Unique Site Concept with Short Distances to Key Customers

## Industry Customers

**BECKER**  
DER STAHL-SERVICE

**BILSTEIN GRUPPE**  
Synergie für Kaltband

B/S/H/



**KALDEWEI**  
Europas Nr. 1 in Badewannen

**LIEBHERR**

**Miele**

**Schütt Stahl**  
Stahl-Service-Center

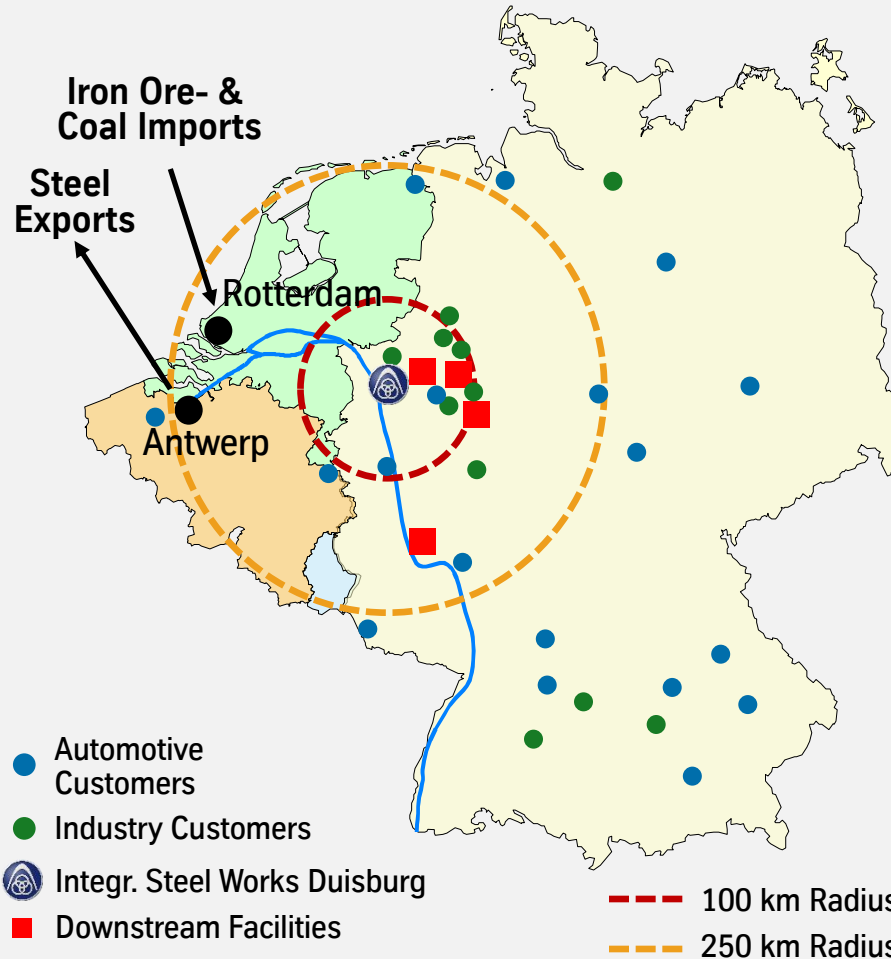


**welser profile**



**SPAETER Gruppe**

**EMW**  
STAHL-SERVICE-CENTER



## Automotive Customers



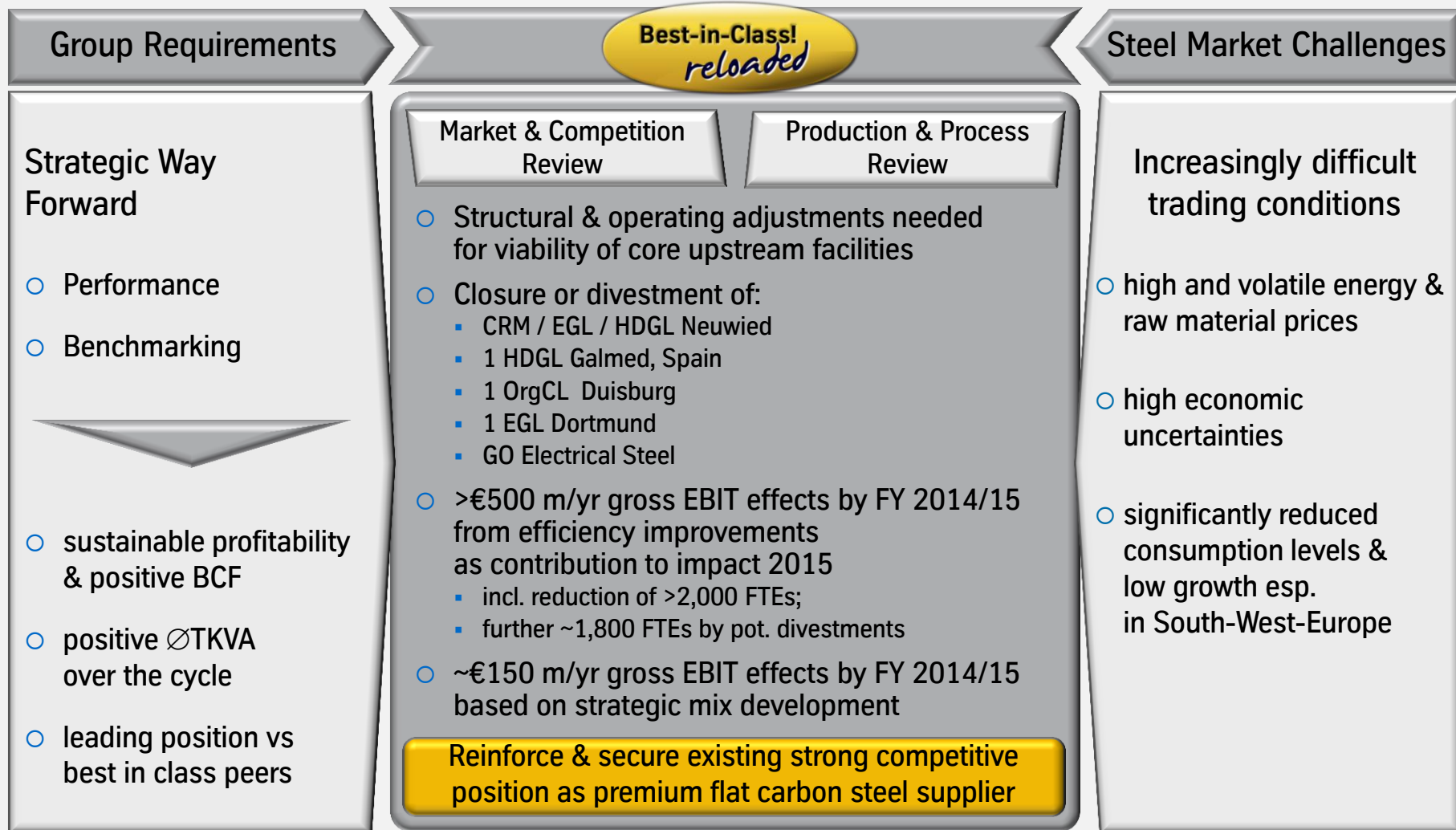
**DAIMLER**



**BENTELER**



# Performance Program “BiC – reloaded” at Steel Europe to Meet Group Requirements and Tackle Steel Market Challenges





# Significant Improvement of Cost Position Achievable Through Structural Adjustments and Operational Measures

Improvement vs FY 2011/12

## Structural adjustments

- Closure or divestment of:
  - CRM / EGL / HDGL Neuwied
  - 1 HDGL Galmed, Spain
  - 1 OrgCL Duisburg
  - 1 EGL Dortmund
  - GO Electrical Steel

## Operational improvements

- Raw materials
- Maintenance
- Production / material efficiency
- Energy efficiency
- Logistics
- Procurement
- G&A

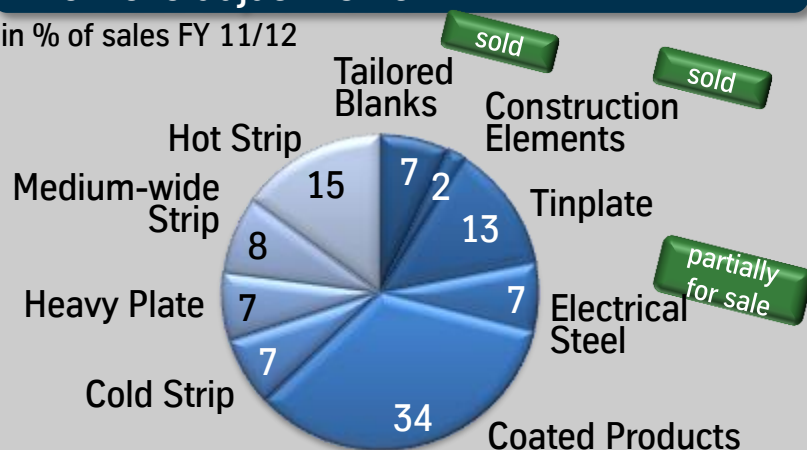
**>€500 m/yr**

gross EBIT effects  
by FY 2014/15

# Stringent Portfolio Adjustments and Strategic Mix Improvements

## Portfolio adjustments

in % of sales FY 11/12

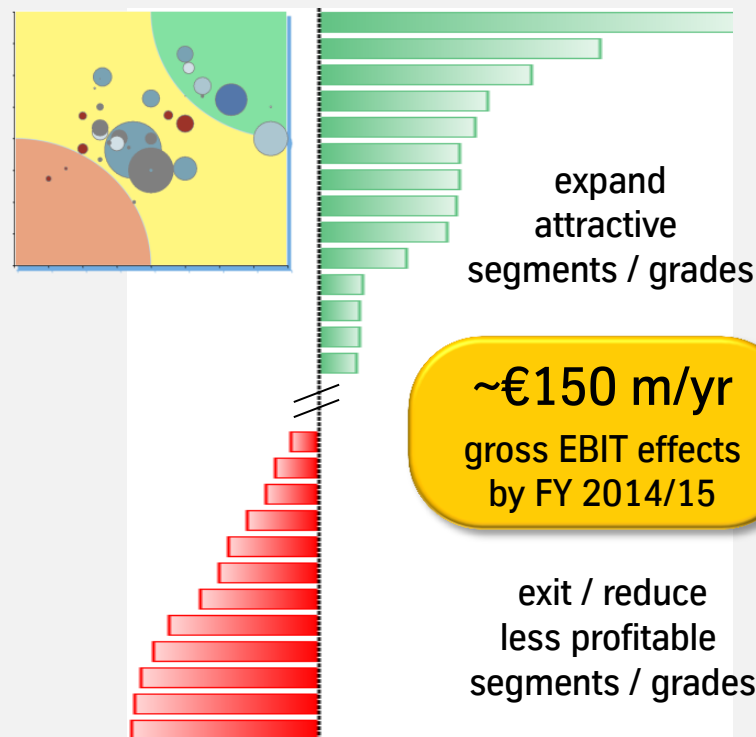


## Adjust capex strategy: example medium-wide strip

- Upgrade of specialized medium-wide strip mill completed and successfully ramped
- €30 m Capex to reinforce leading position with further improvmt of strip quality and ~25% capacity increase to ~1.3 m t/yr by 2015
- TK medium-wide strip offers:
  - extraordinary tight tolerances similar to cold rolled strip
  - superior surface quality
  - uniform material properties
  - optimum shaping properties even in higher strength steels
  - customized batch sizes

## Strategic mix development

targeted increase/reduction by detail segment  
vs FY 2011/12



# Steadily Increasing and More Focused R&D Expenditures to Reinforce Differentiation Strategy

R&D expenditure in € m

R&D ratio:  
R&D costs/Sales

0.5%

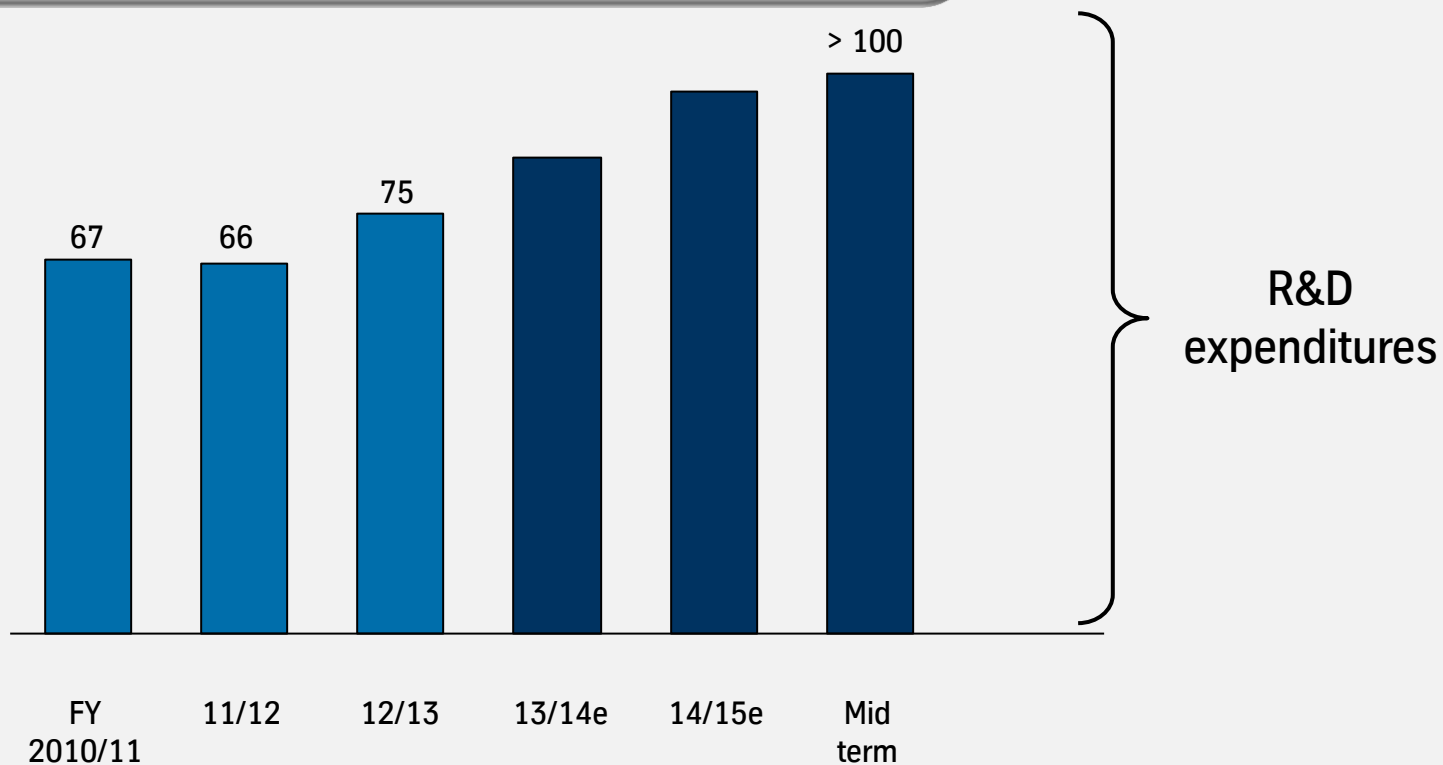
0.5%

~0.8%

~0.8%

~0.9%

~1%



# Focused Investments in Innovative Products and Processes to Develop Strategic Advantage Over Competition

Costs  
Mix  
Differentiation

## Demand for “more”

Demographics



Urbanization



Globalization



## Demand for “better”

Climate change



Limited Ressources



Political Laws/ Regulations



## Research focus ThyssenKrupp Steel Europe

Material for lightweight construction

Flexible material design

Flexibilization of production processes

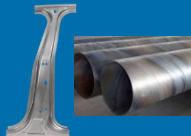
Ressource efficient materials and processes

Economic materials for energy conversion, storage and transport

Hybrid materials

Funktional integration

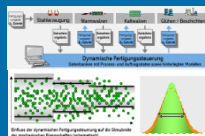
Hotforming steel, high strenght steel



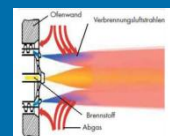
Packaging, e.g. Aluminized Steel



Dynamic production control



Flameless burner technology



Highly efficient PowerCore



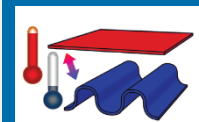
Litecor



InCarbon



Ferrioc shape memory alloys



## Examples of products and R&D projects

Automotive

Trucks

Special Vehicles

Machinery/  
Plant Engineering

Construction

Domestic Appliances

Packaging

Shipbuilding



# ThyssenKrupp InCar® Project: Lightweight Potentials with Steel

## Examples

### 22 % Weight Reduction

Hood made from stiffness-optimized sandwich material

### 38 % Weight Reduction

Outer skin of the roof made from stiffness-optimized sandwich material

### 22 % Weight Reduction

B-pillar with innovative hot stamping process “tailored tempering” and hot stamping steel

### 28 % Weight Reduction

Firewall made from advanced sandwich material (Bondal®)

### 27 % Weight Reduction

Longitudinal member as T<sup>3</sup> profile from high-strength dual phase steel

### 13 % Weight Reduction

Lightweight steel door enabled by advanced steel grades, starting products and joining processes



# The InCar<sup>®</sup>*plus* Project 2013/2014

## Solutions for automotive efficiency

### Highlights:

- 30 projects with more than 40 individual solutions
- Green, cost-competitive, lightweight, high-performing

#### Body:

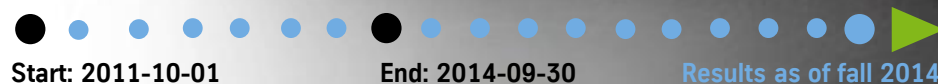
Innovative steel technologies for economical lightweight design

#### Powertrain:

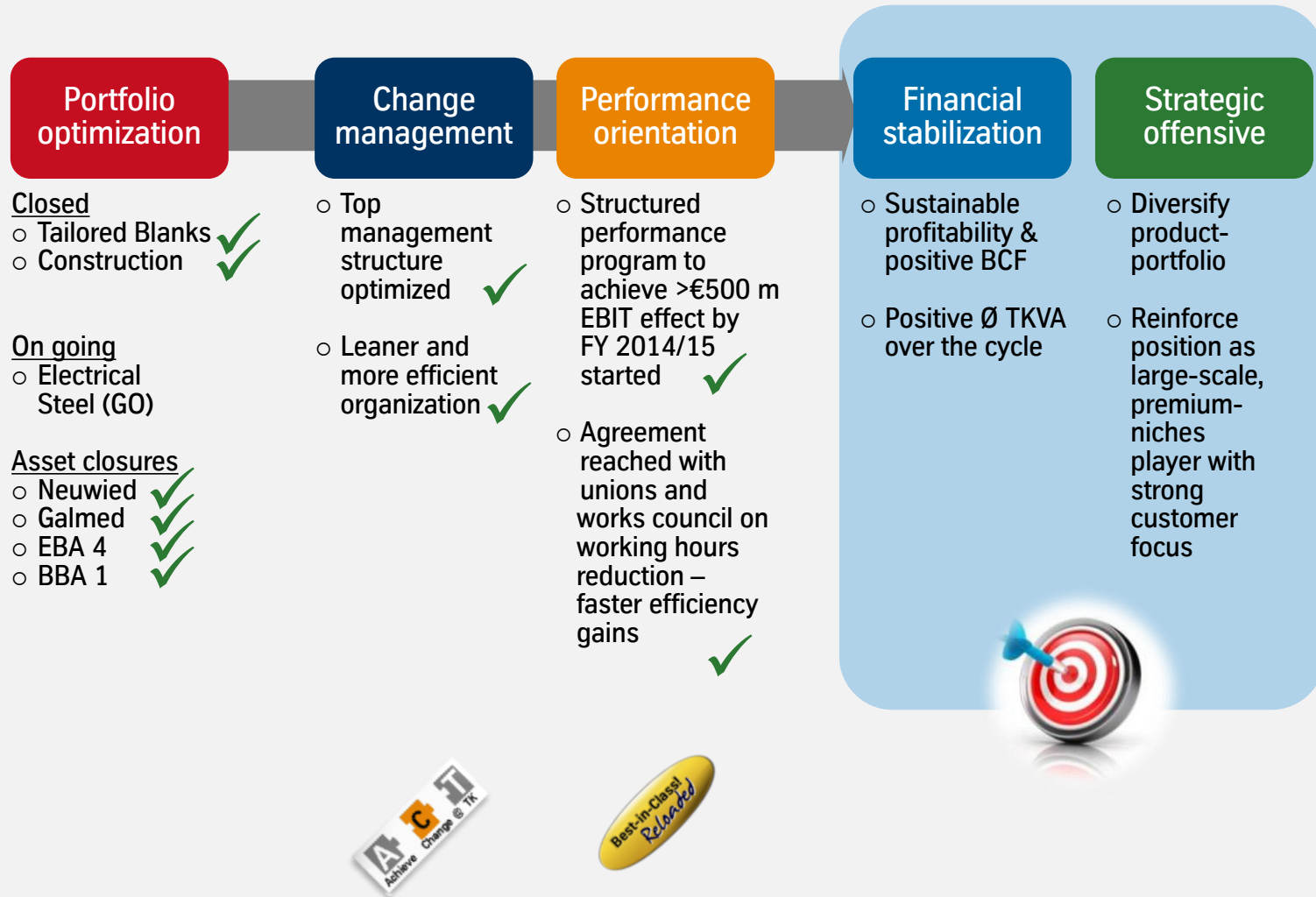
Optimized internal combustion engines and efficient electric drives for the mobility of tomorrow

#### Chassis & Steering:

Comfort and safety – performance driver for more functionality, while retaining lightweight design targets

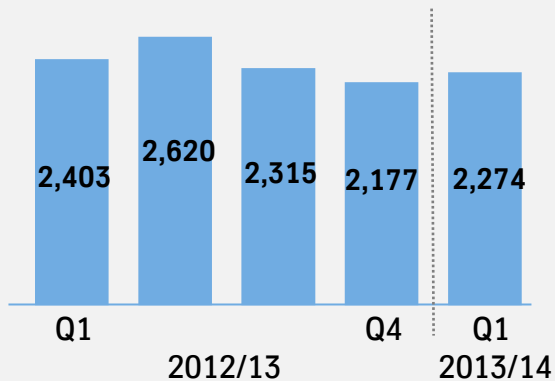


# A Clear Strategic Way Forward for Business Area Steel Europe Best-in-Class



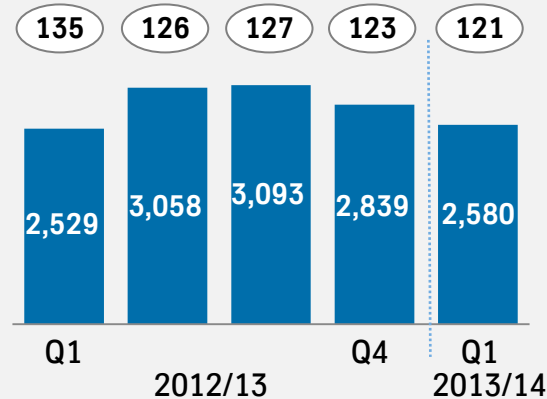
# Steel Europe – Q1 2013/14 Highlights

Order intake in €m



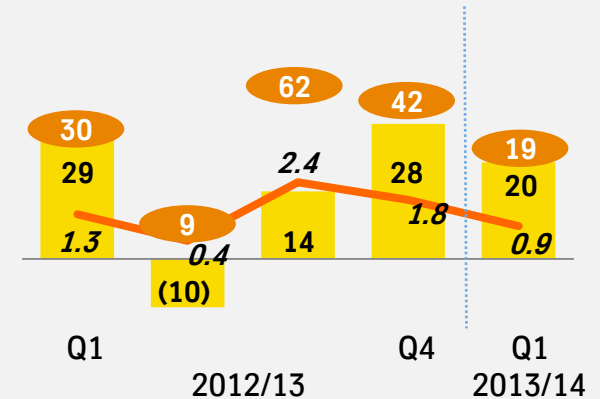
Shipments in 1,000 t

Ø rev/t indexed (Q1 2004/05=100)



EBIT in €m; EBIT adj. margin in %

■ EBIT ● EBIT adjusted

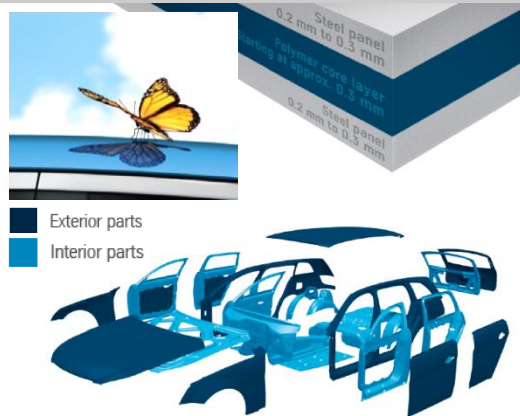


## Strengthening differentiation



### LITECOR®

- novel sandwich material for automotive lightweight design
- lighter, cost-effective, esp. environmentally friendly, and easy to process



## Current trading conditions

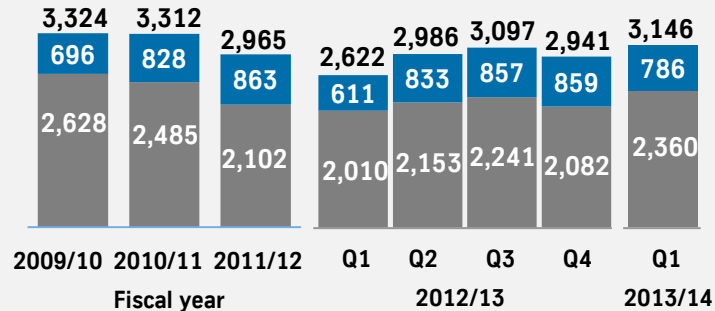
- Qoq lower shipments and slightly lower Ø rev/t partially compensated by efficiency gains from "Best-in-Class Reloaded" program; steel production up in preparation for planned BF#2 reline
- Against background of inadequate selling prices and earnings, focus remains on "Best-in-Class Reloaded": cost-reduction measures, intensified sales efforts and differentiation initiatives; divestment process of grain-oriented electrical steel activities
- Expectation fiscal Q2: qoq higher EBIT adjusted reflecting esp. higher shipments and efficiency gains

# Steel Europe: Output, Shipments and Revenues per Metric Ton

## Crude steel output (incl. share in HKM)

1,000 t/quarter

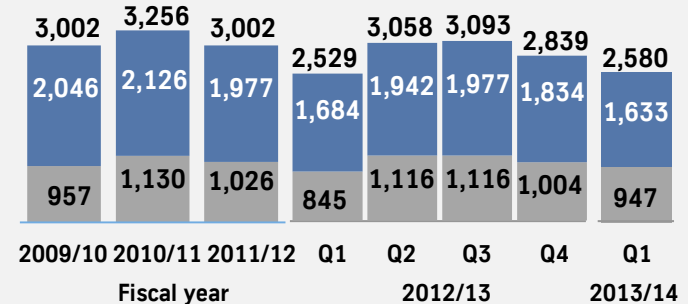
HKM share



## Shipments\*: Hot-rolled and cold-rolled products

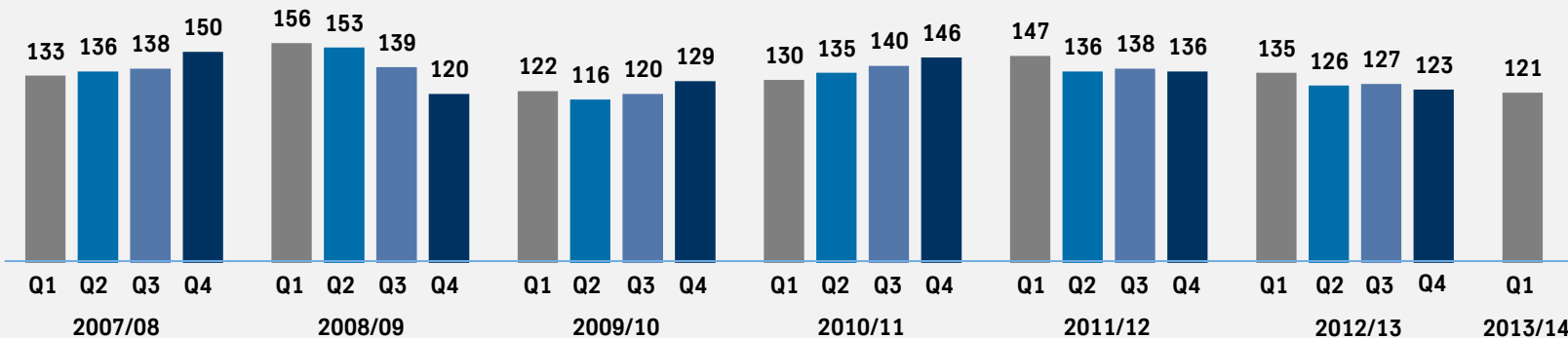
1,000 t/quarter

Cold-rolled  
Hot-rolled; incl. slabs



## Average revenues per ton\*, indexed

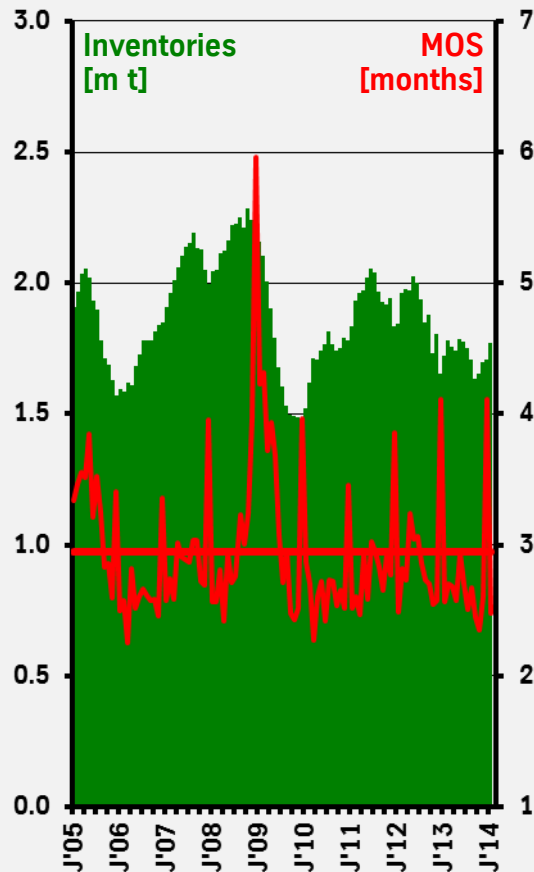
Q1 2004/2005 = 100



\* shipments and average revenues per ton until FY 2007/08 relate to former Steel segment

# Steel: Inventories and Months of Supply

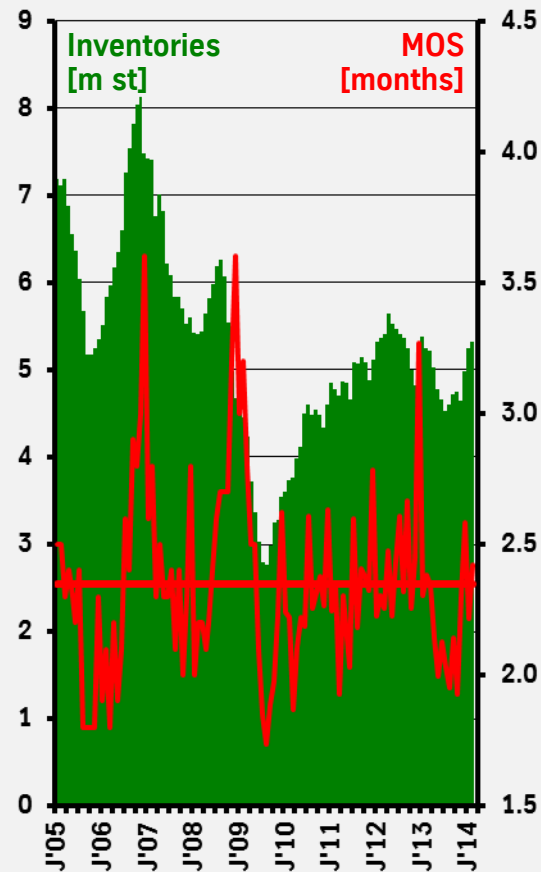
**Inventories and Months of Supply - Germany**



Germany: German Steel Traders: January inventories at month end / rolled steel w/o stainless

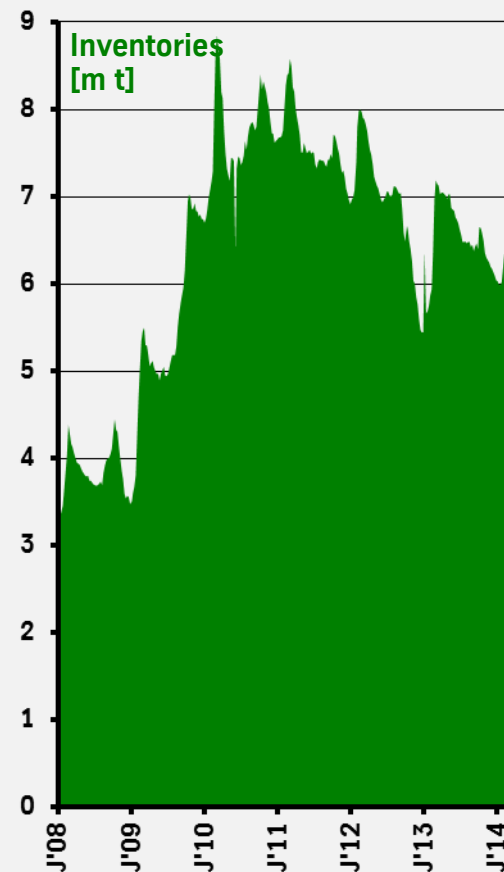
Source(s): BDS, MSCI, UBS, MySteel

**Inventories and Months of Supply - USA**



USA: February MSCI inventories, carbon flat-rolled

**Inventories China**

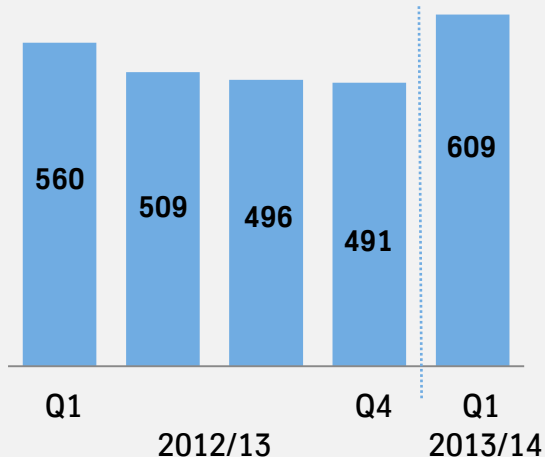


China: flat steel inventory in 23 major cities (HR, CR and Plate)



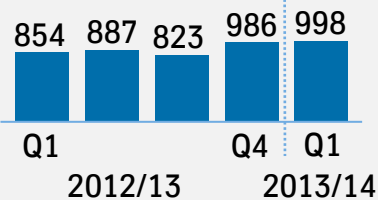
# Steel Americas – Q1 2013/14 Highlights

Order intake in €m

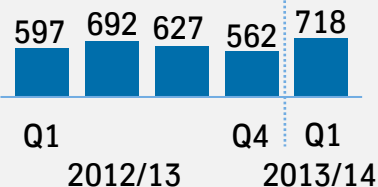


Production & shipments in 1,000 t

Slab production  
CSA

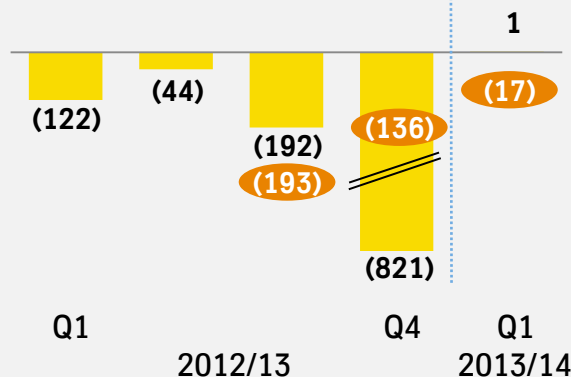


Shipments  
Steel USA



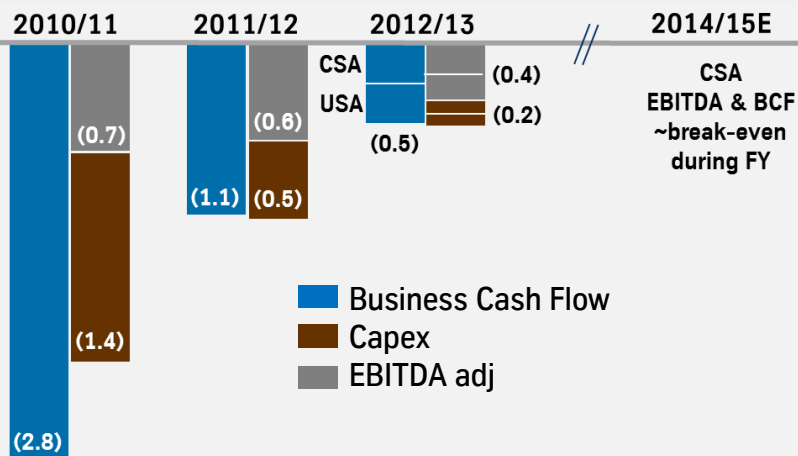
EBIT in €m

EBIT EBIT adjusted



Focus on cash and earnings improvements

in € bn



Current trading conditions

- Yoy and esp. qoq higher orders reflecting positive price, volume and mix effects; CSA order book already loaded well into the fiscal year; qoq higher shipments at Steel USA with improved slab supply positively impacting the delivery performance of the US rolling mill
- Yoy and qoq adj. losses reduced by more than €100 m reflecting higher and more efficient utilization, optimization of costs such as the structural improvement of fuel rate as well as positive F/X effects and stronger US prices
- Positive special item of €18 m reflects updated valuation of a long-term freight contract



# Steel Americas

		2012/13					2013/14
		Q1	Q2	Q3	Q4	FY	Q1
Order intake	€m	560	509	496	491	<b>2,056</b>	609
Sales	€m	488	501	472	406	<b>1,867</b>	538
EBITDA	€m	(87)	(12)	(162)	(205)	<b>(467)</b>	29
EBITDA adjusted	€m	(87)	(12)	(162)	(106)	<b>(368)</b>	10
EBIT	€m	(122)	(44)	(192)	(821)	<b>(1,180)</b>	1
EBIT adjusted	€m	(122)	(44)	(193)	(136)	<b>(495)</b>	(17)
TK Value Added	€m					<b>(1,291)</b>	
Ø Capital Employed	€m	3,244	3,296	3,284	3,202	<b>3,202</b>	2,789
BCF	€m	(142)	(71)	(220)	(100)	<b>(533)</b>	(178)
CF from divestm.	€m	0	0	1	4	<b>5</b>	0
CF for investm.	€m	(52)	(42)	(28)	(48)	<b>(170)</b>	(22)
Employees		3,990	4,068	4,100	4,112	<b>4,112</b>	5,491

BCF (Business Cash Flow) = FCF before interest, tax and divestments  
 = EBITDA +/- Δ NWC – Capex +/- Other



# Disclaimer ThyssenKrupp AG

“The information set forth and included in this presentation is not provided in connection with an offer or solicitation for the purchase or sale of a security and is intended for informational purposes only.

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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.

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