



# 2014 Credit Suisse Global Steel & Mining Conference

London – September 25, 2014

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CEO & CFO Steel Europe  
CEO & CFO Steel Americas

Developing the future.



**ThyssenKrupp**

# ThyssenKrupp – Diversified Industrial Group

## FY 2012/13

### ThyssenKrupp Group\*

Sales: €38.6 bn  
 EBIT adj.: €586 m  
 Employees: 156,856

# ING.

INGENIEURKUNST



**Components  
Technology**

Sales: €5.7 bn  
 EBIT adj.: €240 m  
 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), numbers restated

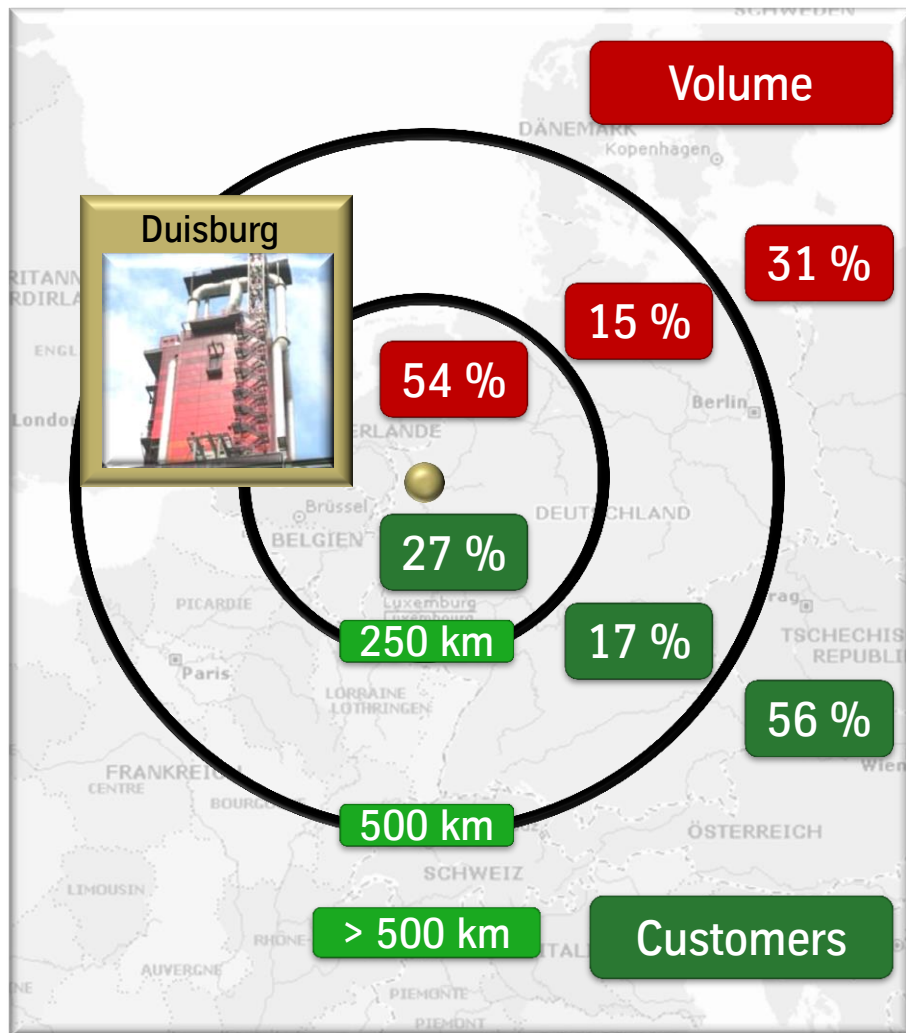
\*\* Incl. Steel USA as disposal group



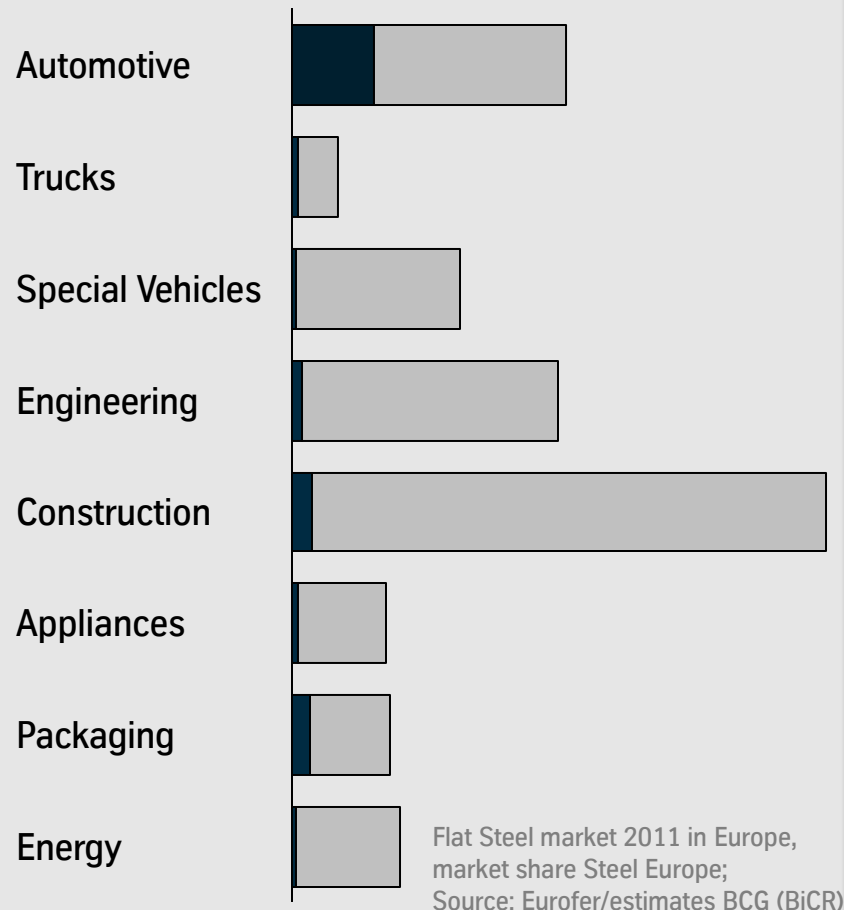
# Steel Europe: Strong Presence in More Resilient Markets and Industries

Steel Europe

Competition



## Flat steel market and share Steel Europe

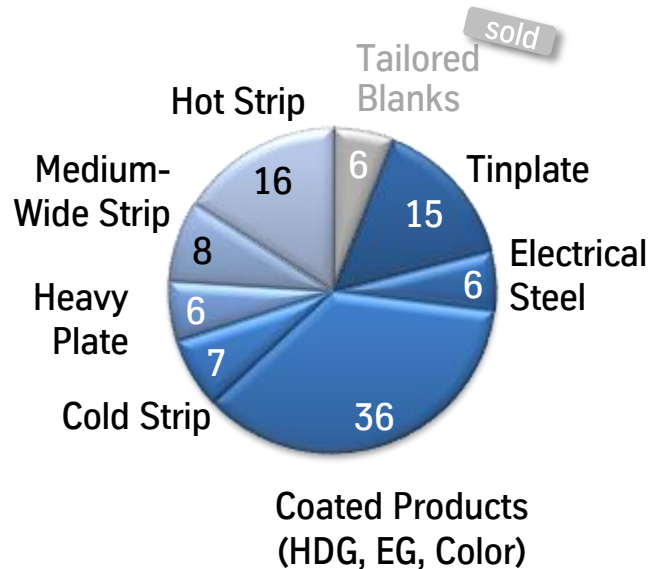




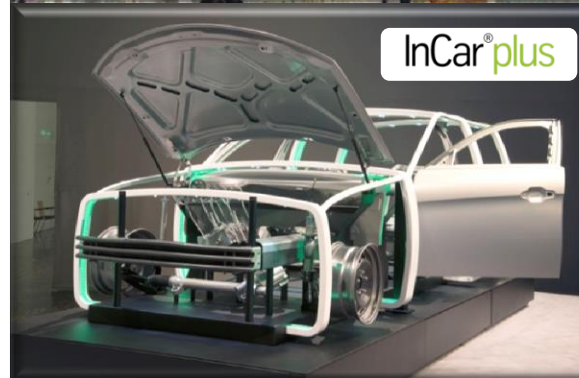
# Premium Flat Carbon Steels Made by ThyssenKrupp

## Product Mix Steel Europe FY 2012/13

in % of sales



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



30 projects, >40 individual solutions  
Green, cost-competitive, lightweight

For extreme demands on deep drawing properties (0.07 mm)

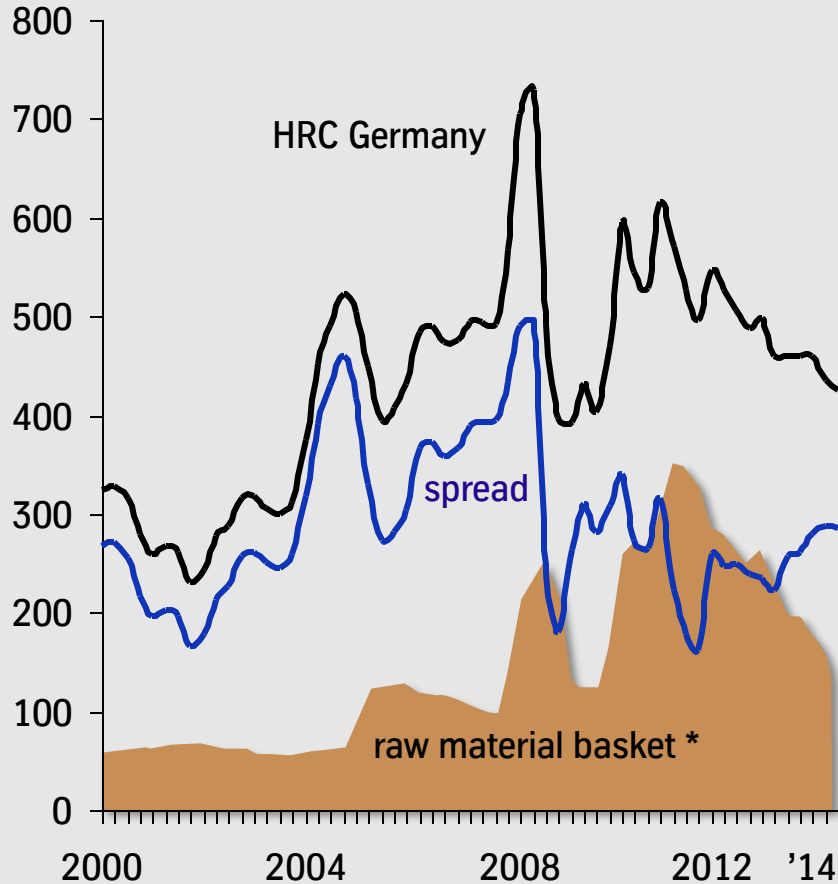


In sour gas resistant grades for pipelines

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

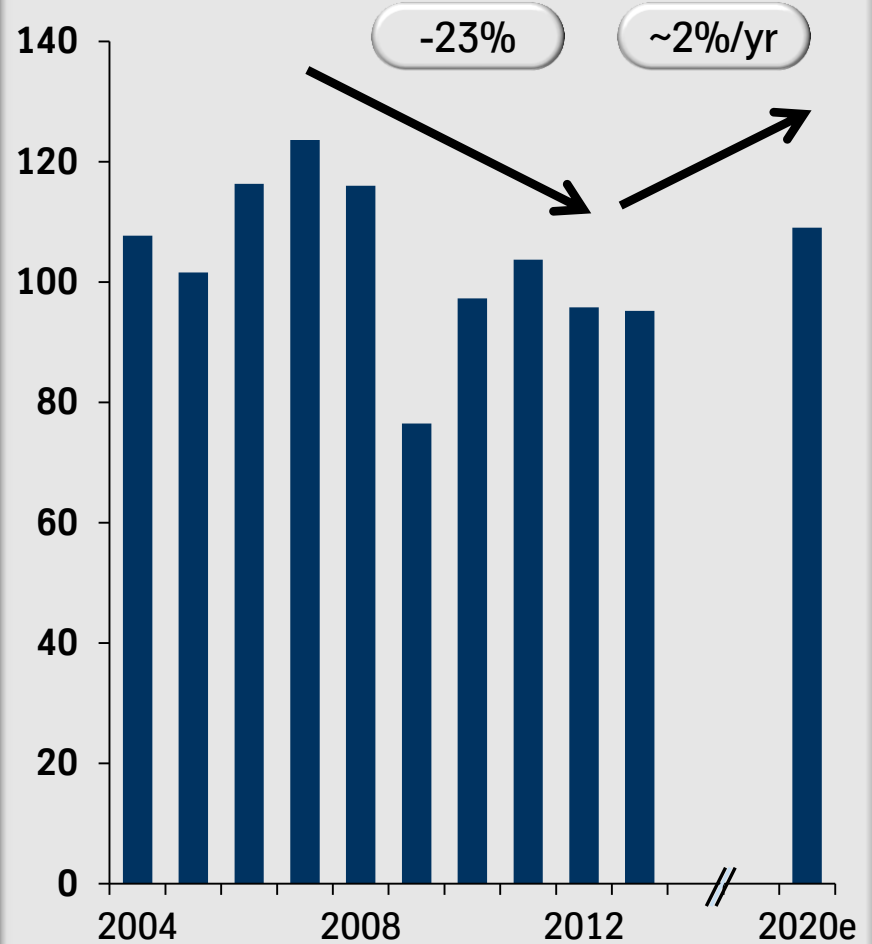
## HRC price, raw material basket and spread €/t

\* schematic model, i/o and hcc only, fob  
Source: Platts, CRU, own calculations



## Flat carbon steel demand Europe million t

Source: Eurofer/estimates BCG (BiCR)

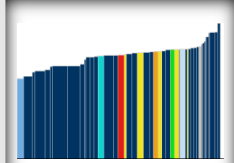


# Program Geared to Achieve +ve ØTKVA Over the Cycle

Comprehensive  
market &  
competition  
review



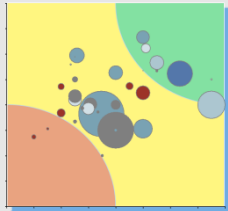
## Costs



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

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

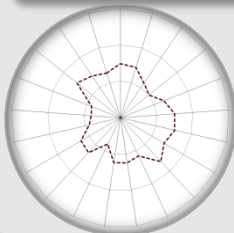
## Mix



- 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**

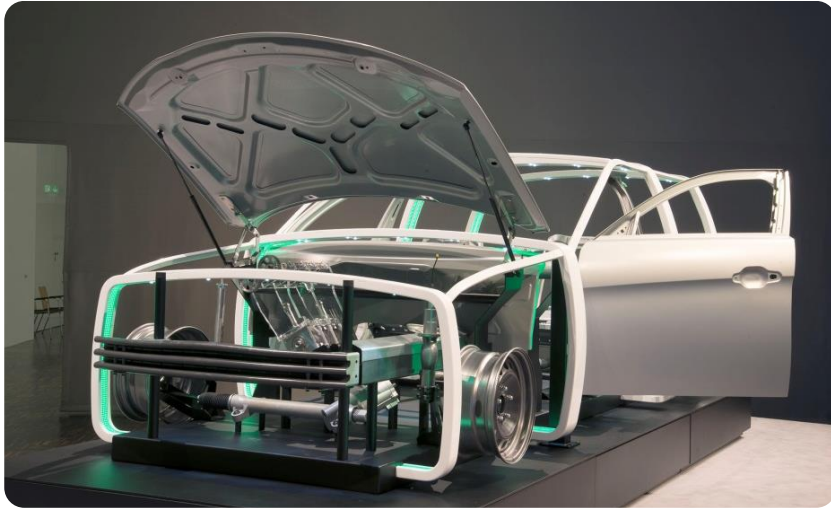
# ThyssenKrupp Solutions for Automotive Efficiency

## InCar<sup>®</sup>plus Leveraging ThyssenKrupp Group Synergies

Costs

Mix

Differentiation



InCar<sup>®</sup>plus results  
released  
September 16,  
2014

- By some distance biggest R&D project pursued by ThyssenKrupp in recent years
- 30 projects with more than 40 individual solutions
- Green, cost-competitive, lightweight, high-performing



## Cold forming

- ▶ Further development of multi-phase steels
- ▶ Optimized properties
- ▶ Improved corrosion resistance
- ▶ Better surface quality



## Hot forming

- ▶ New manganese-boron steels (MBW<sup>®</sup> 1900)
- ▶ Further development of tailored tempering



- ▶ Steel-polymer sandwich material with high bend and oil canning resistance (cold forming)



- ▶ 3-layer steel sandwich material with high energy absorption capacity (hot forming)



## Hybrid materials – Composites





Status Quo

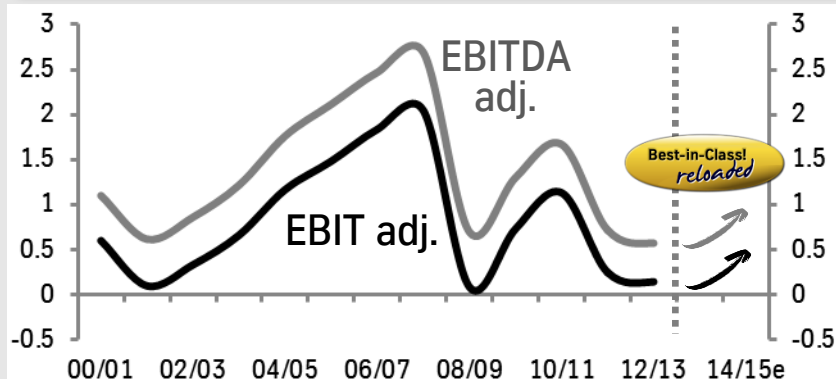


InCar<sup>®</sup>plus A-Pillar

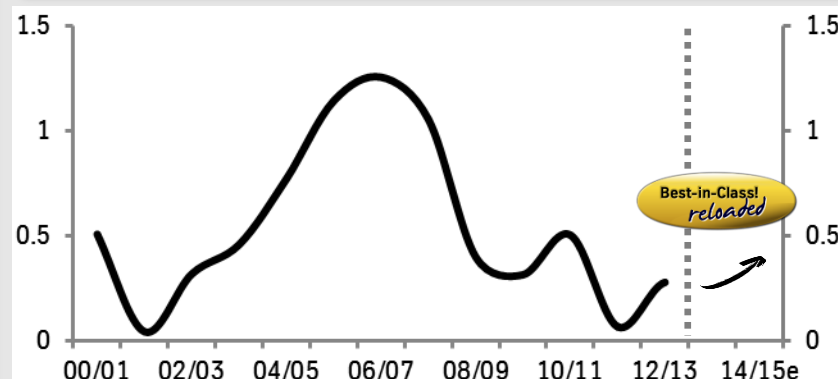
- + Major Contribution to Accident Prevention by Boosting Field of Vision
- + Cost-Efficient Weight Reduction of up to 10%

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

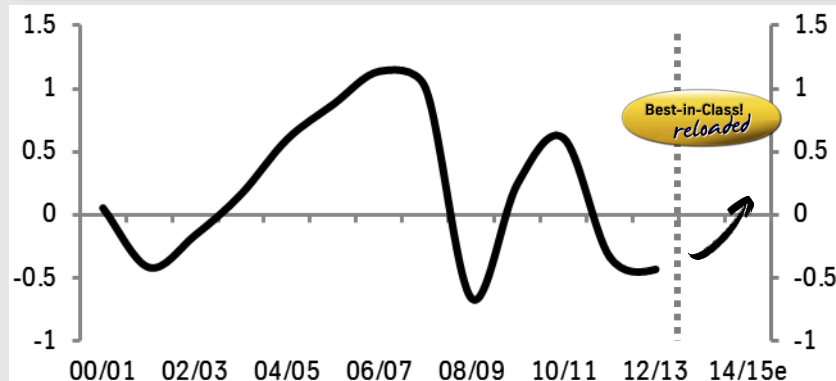
EBIT adj / EBITDA adj \* in € bn



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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#### Elevator Technology

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\*\* Incl. Steel USA as disposal group



# US Assets Divested And 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

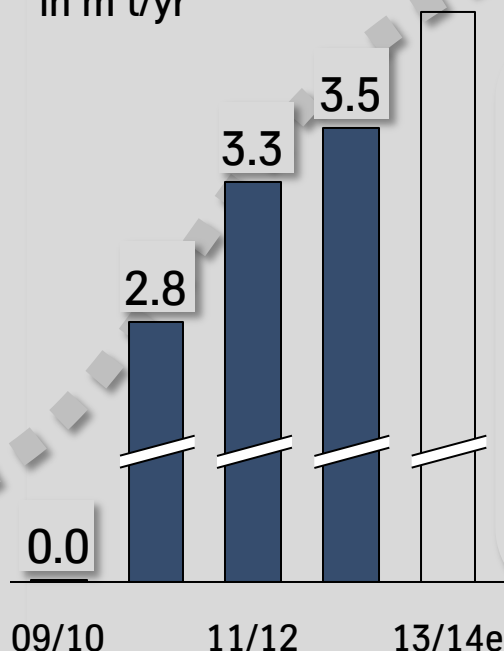
Slab supply contract

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

TK CSA  
Brazil

## Current focus on operating improvements in Brazil

slab sales TK CSA  
in m t/yr

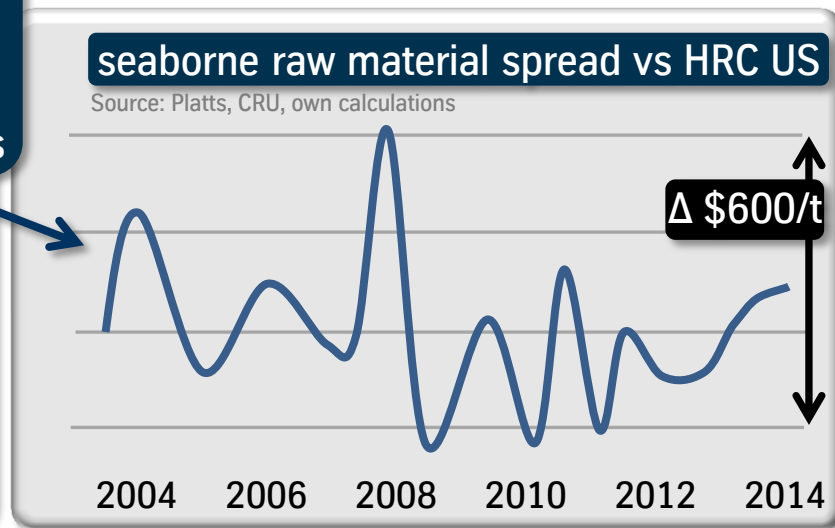
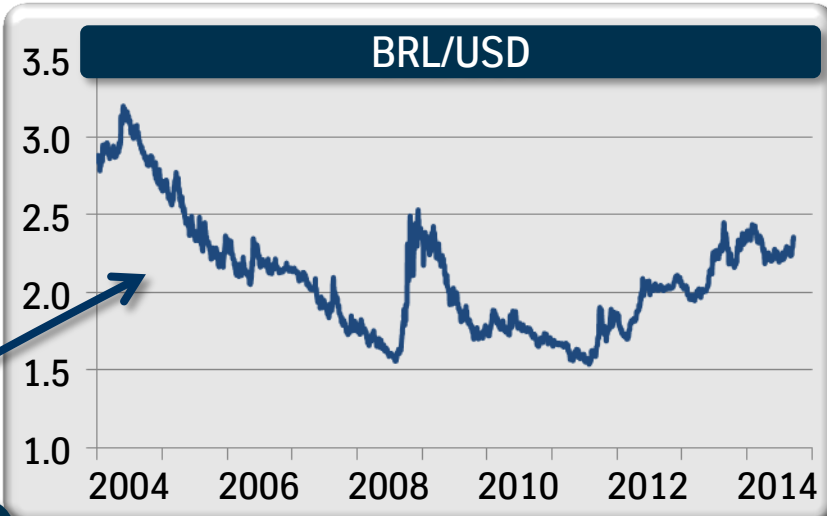
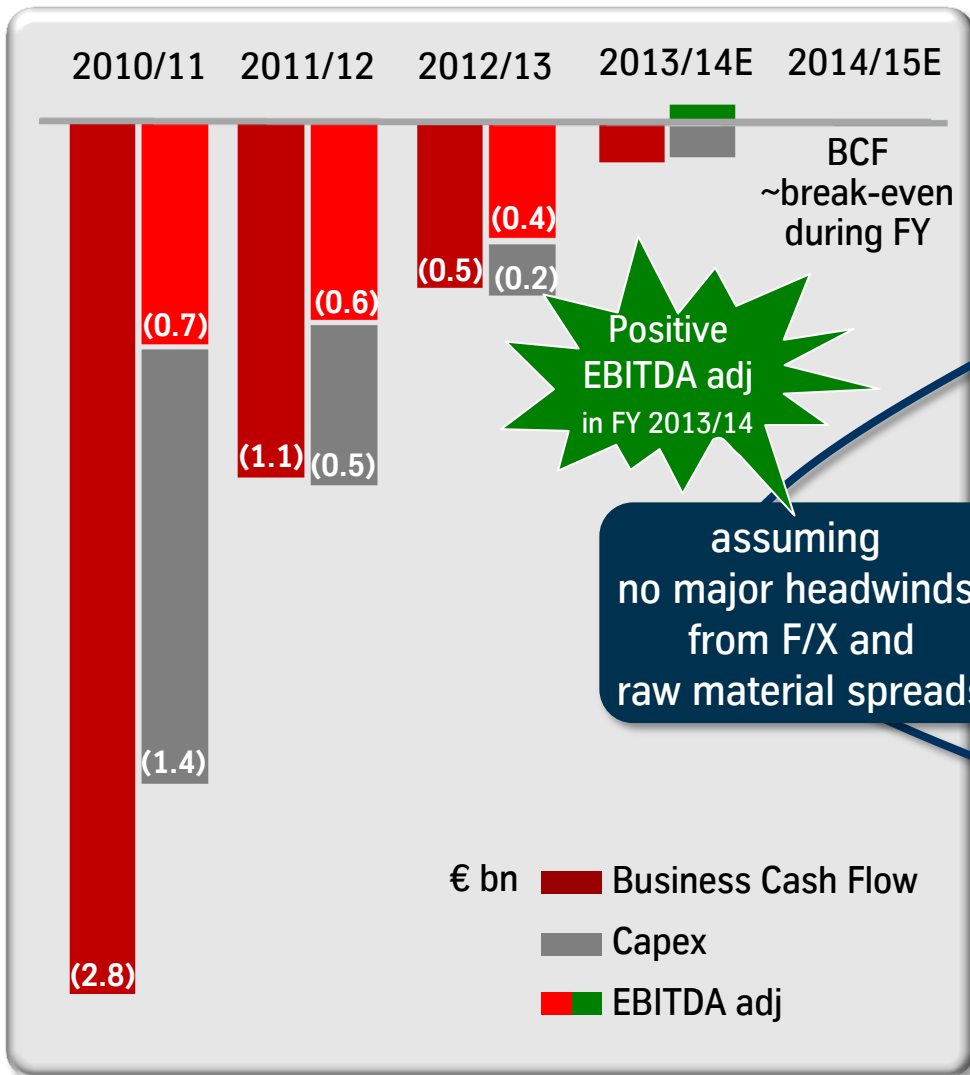


- stabilization & continuous ramp-up
- efficiency imprvmts
- implement sales orga and develop customer base complementing
- 40% load from slab supply to Alabama

## Mid-term solution outside of TK portfolio feasible



# Positive EBITDA Expected in FY'13/14, Cash Break-Even Targeted in FY'14/15



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



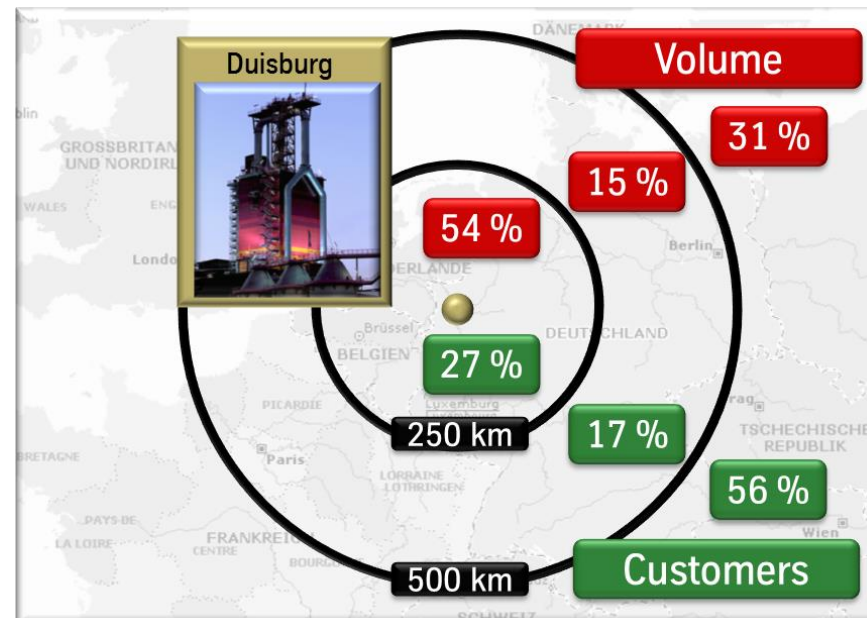
# Appendix



# Overview Business Area Steel Europe

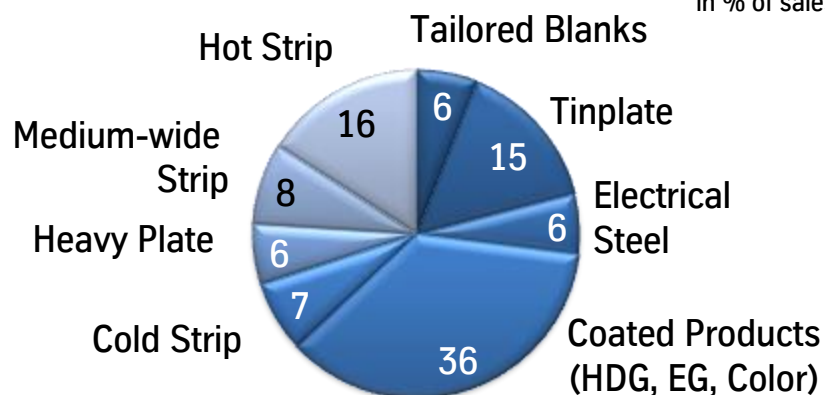
## Key Figures Steel Europe

		2008/09	2009/10	2010/11	2011/12	2012/13
Sales	€m	9,570	10,770	12,814	10,992	9,620
Crude steel	kt	9,226	13,296	13,247	11,860	11,646
Shipments	kt	9,341	12,009	13,022	12,009	11,519
EBITDA	€m	487	1,301	1,670	659	513
EBIT	€m	(134)	731	1,133	188	62
EBIT adj	€m	84	731	1,133	247	143
Empl. (Sep 30) #		36,416	34,711	28,843	27,761	26,961



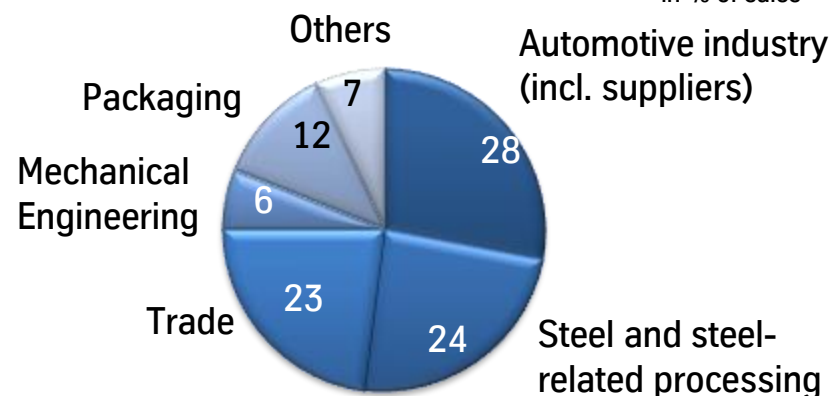
## Product Mix Steel Europe FY 2012/13

in % of sales



## Sales by Industry Steel Europe FY 2012/13

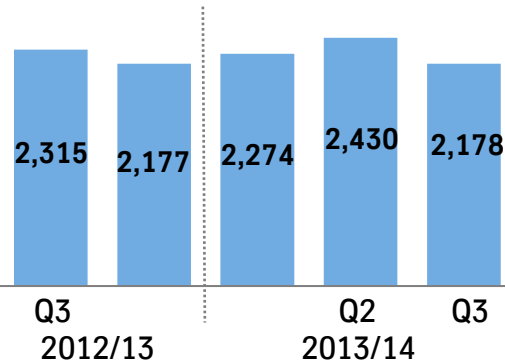
in % of sales





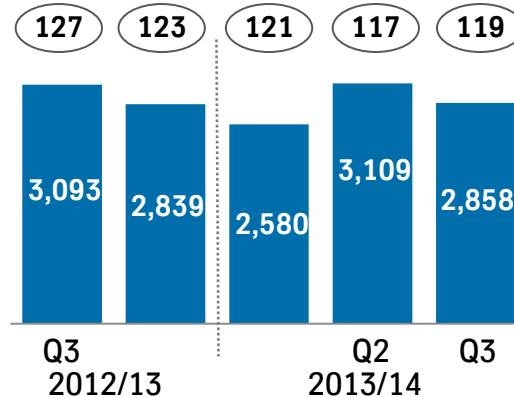
# Steel Europe – Q3 2013/14 Highlights

Order intake in €m



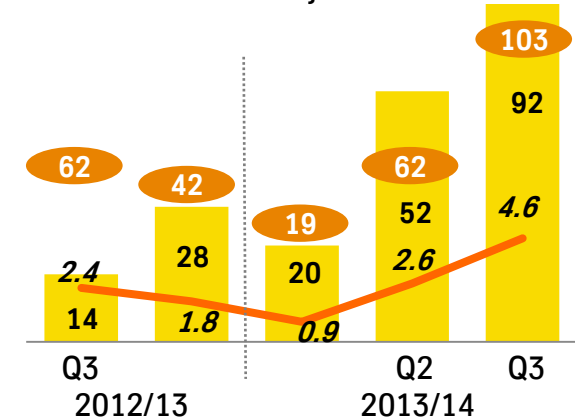
Shipments in 1,000 t

Ø rev/t indexed (Q1 2004/05=100)



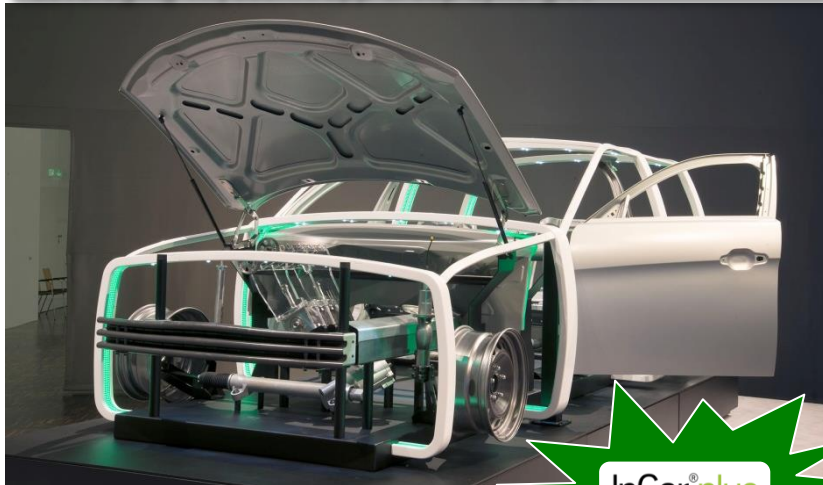
EBIT in €m; EBIT adj. margin in %

■ EBIT ■ EBIT adjusted



Strengthening differentiation:  
Leveraging ThyssenKrupp Group synergies

InCar<sup>plus</sup>



InCar<sup>plus</sup>

Current trading conditions

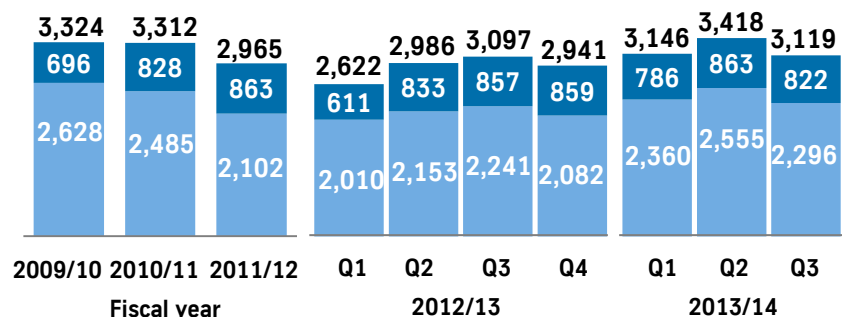
- Qoq higher EBIT adj. as weaker shipments from production and logistics constraints (severe weather impact on railway logistics) were more than compensated by slightly higher Ø rev/t and lower raw material costs
- BF#2 reline and further/complementary Capex/maintenance and repair projects progressing to schedule
- Expectation fiscal Q4: qoq significantly lower EBIT adj. with lower production volumes (BF#2 reline), less fixed cost dilution, higher maintenance and repair costs, storm-related lag effects on shipments
- Against background of inadequate selling prices and earnings, focus remains on "Best-in-Class Reloaded"

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

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

1,000 t/quarter

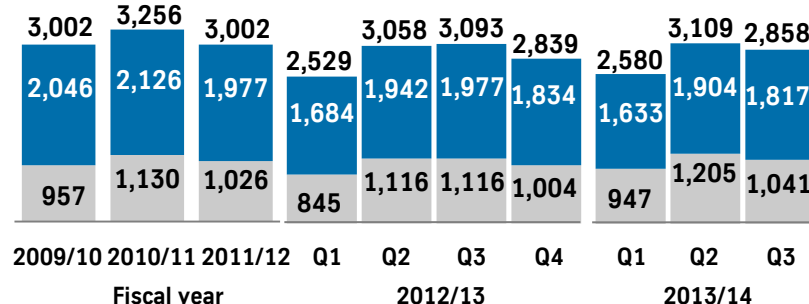
■ HKM share



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

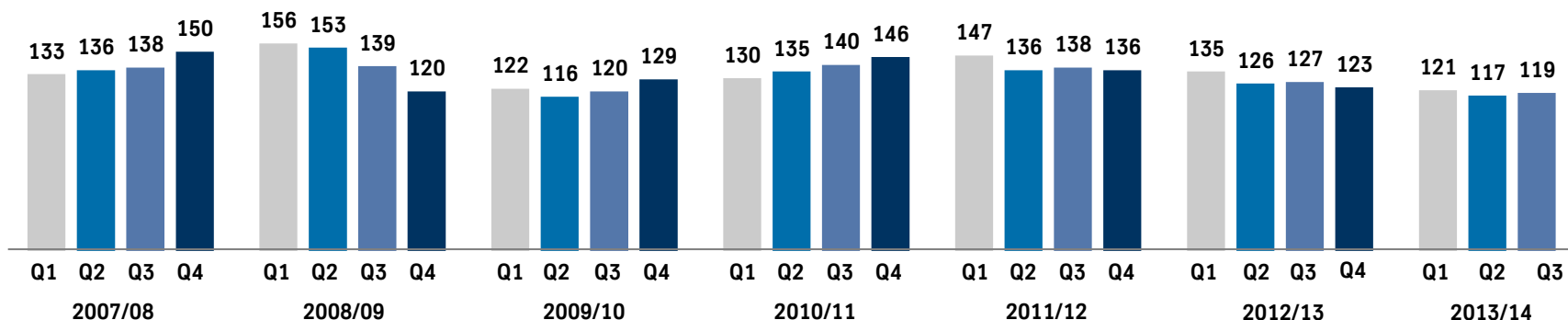
1,000 t/quarter

■ Cold-rolled  
■ Hot-rolled; incl. slabs



## Average revenues per ton\*, indexed

Q1 2004/2005 = 100



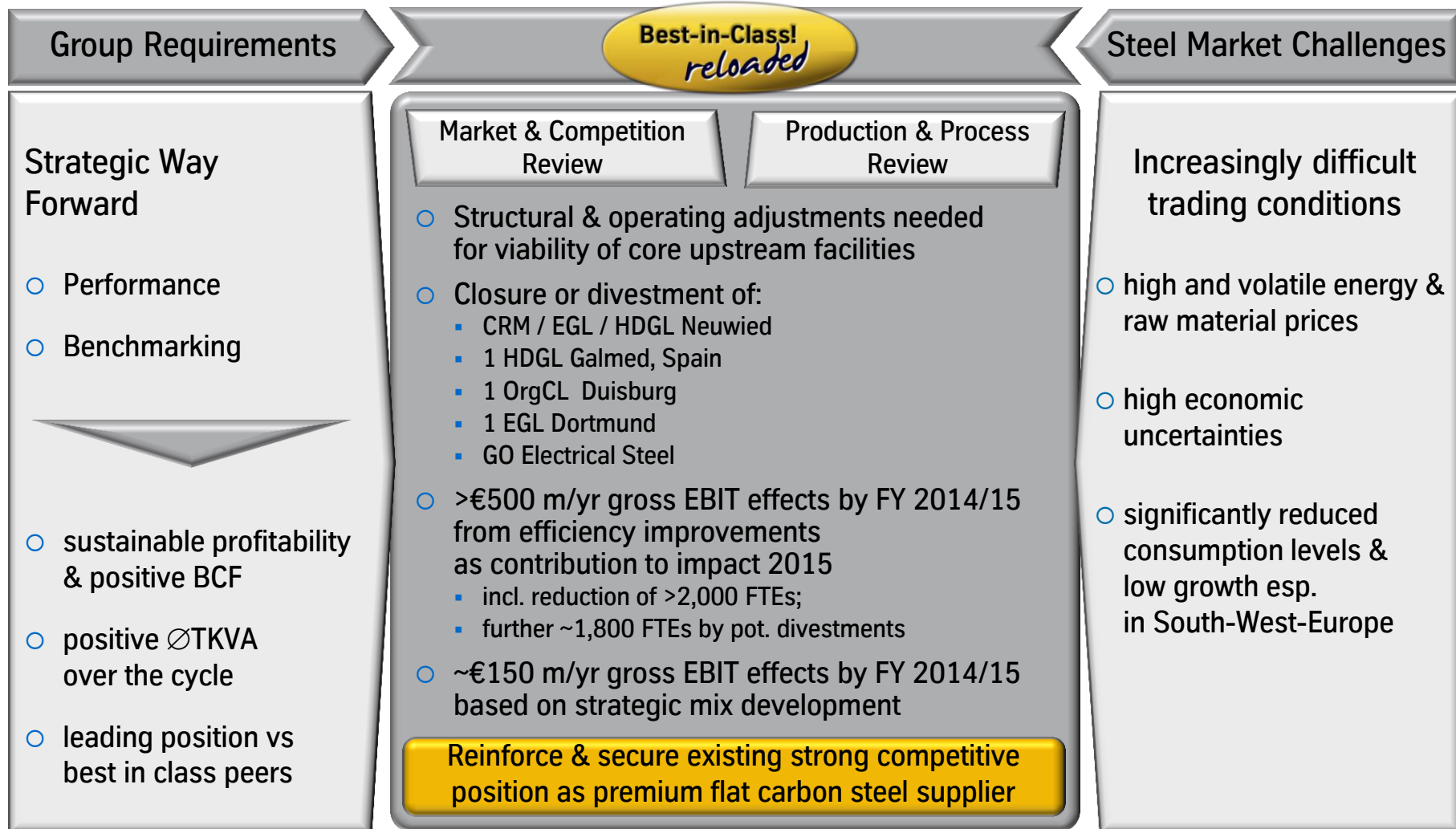
\* shipments and average revenues per ton until FY 2007/08 relate to former Steel segment

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

		2012/13					2013/14		
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
Order intake	€m	2,403	2,620	2,315	2,177	9,515	2,274	2,430	2,178
Sales	€m	2,253	2,512	2,562	2,293	9,620	2,074	2,389	2,228
EBITDA	€m	142	98	119	154	512	126	158	192
EBITDA adjusted	€m	142	118	166	146	572	126	168	205
EBIT	€m	29	(10)	14	28	62	20	52	92
EBIT adjusted	€m	30	9	62	42	143	19	62	103
EBIT adj. margin	%	1.3	0.4	2.4	1.8	1.5	0.9	2.6	4.6
TK Value Added	€m					(432)			
Ø Capital Employed	€m	5,387	5,351	5,291	5,198	5,198	4,669	4,605	4,595
BCF	€m	15	97	173	(5)	280	182	59	(41)
CF from divestm.	€m	2	1	5	159	167	0	(3)	(4)
CF for investm.	€m	(94)	(105)	(74)	(136)	(409)	(91)	(63)	(95)
Employees		27,629	27,773	27,609	26,961	26,961	26,658	26,397	26,047

However, significant improvements required to cover cost of capital

# 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

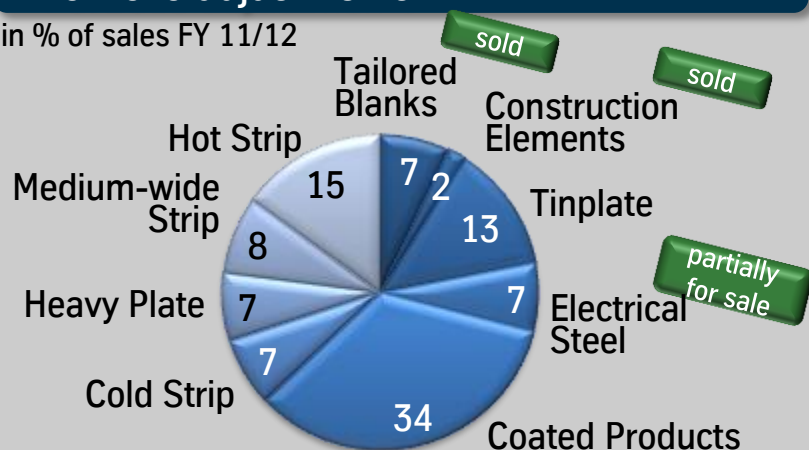
- Raw materials
- Maintenance
- Production / material efficiency
- Energy efficiency
- Logistics
- Procurement
- G&A

**>€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

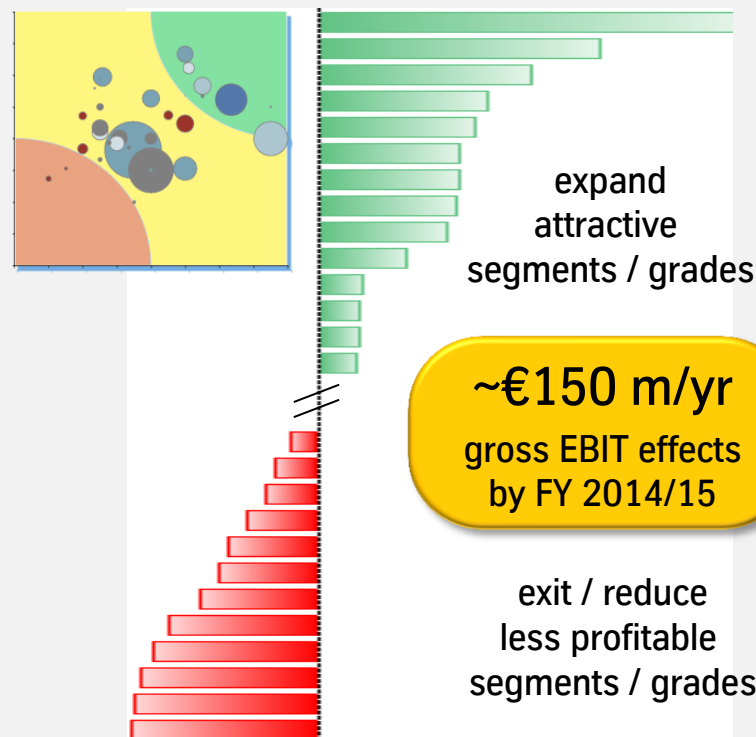


## Adjust capex strategy: example medium-wide strip

- 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%

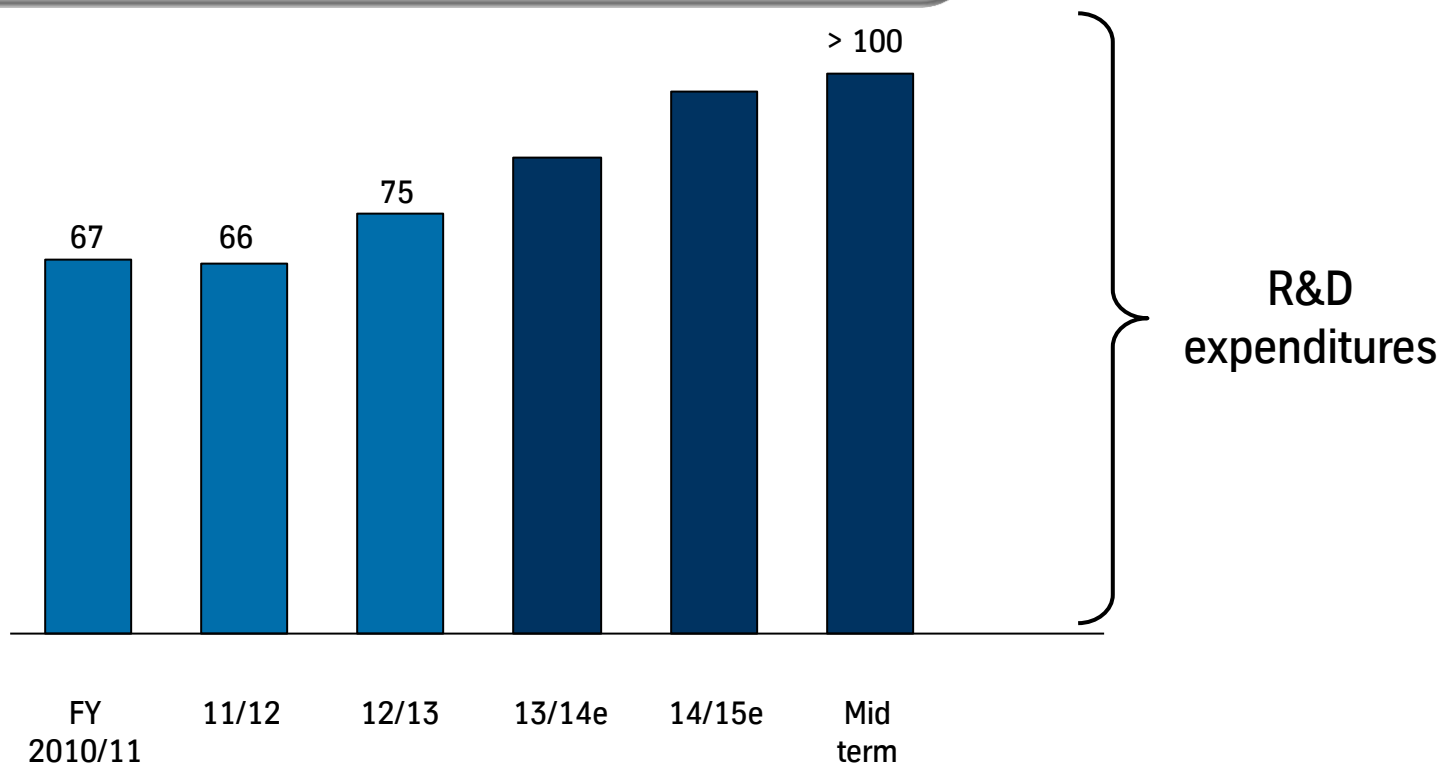
0.5%

~0.8%

~0.8%

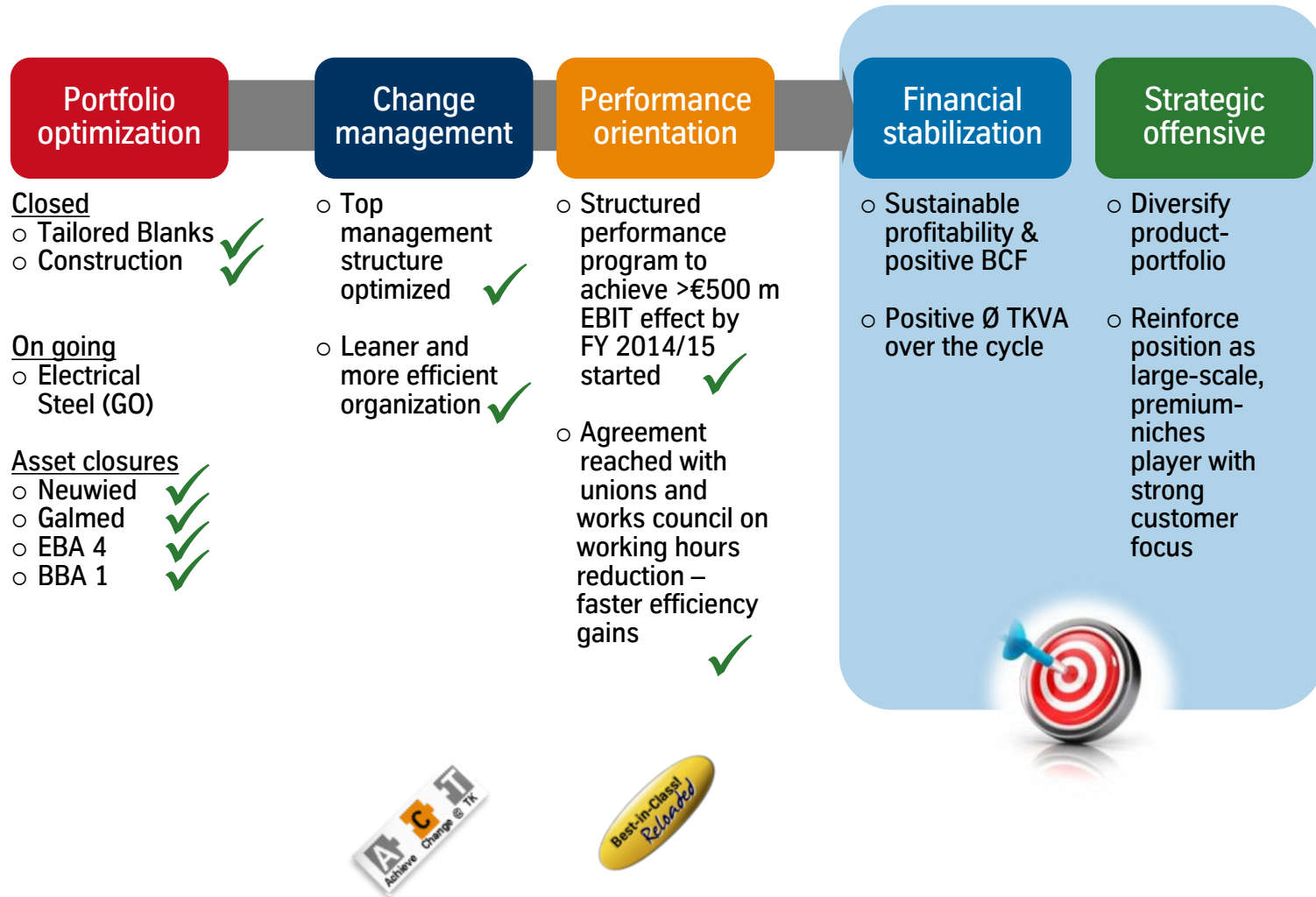
~0.9%

~ 1%



# A Clear Strategic Way Forward for Business Area Steel Europe

## Best-in-Class





# Steel Americas

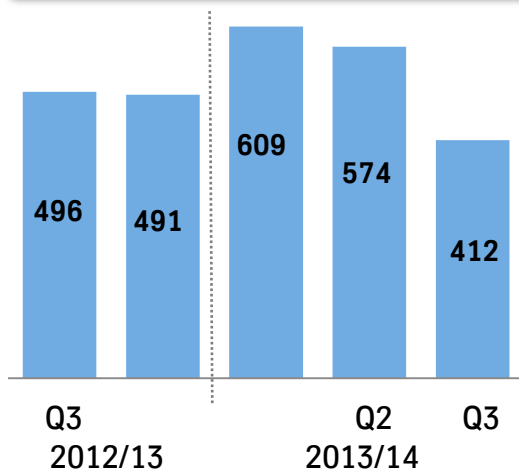
		2012/13					2013/14		
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
Order intake	€m	560	509	496	491	2,056	609	574	412
Sales	€m	488	501	473	406	1,867	538	535	441
EBITDA	€m	(87)	(12)	(162)	(205)	(467)	29	143	33
EBITDA adjusted	€m	(87)	(12)	(162)	(106)	(368)	10	1	40
EBIT	€m	(122)	(44)	(193)	(821)	(1,180)	1	117	8
EBIT adjusted	€m	(122)	(44)	(193)	(136)	(495)	(17)	(26)	16
TK Value Added	€m					(1,291)			
Ø Capital Employed	€m	3,244	3,296	3,284	3,202	3,202	2,789	2,820	2,660
BCF	€m	(142)	(71)	(220)	(100)	(533)	(178)	(151)	84
CF from divestm.	€m	0	0	1	4	5	0	1,263	6
CF for investm.	€m	(52)	(42)	(28)	(48)	(170)	(22)	(33)	(3)
Employees		3,990	4,068	4,100	4,112	4,112	5,491	4,037	3,446

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

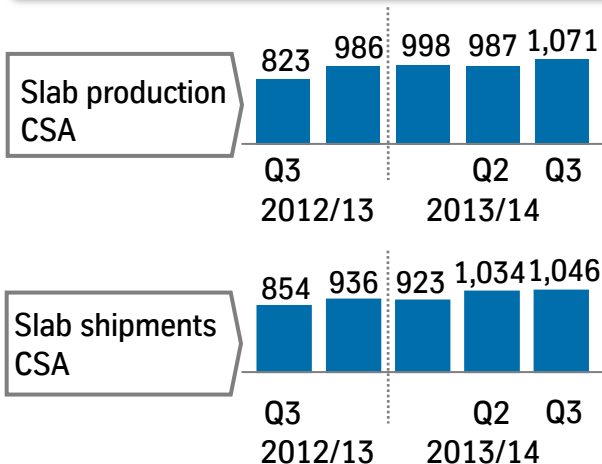
# Steel Americas – Q3 2013/14 Highlights

AM

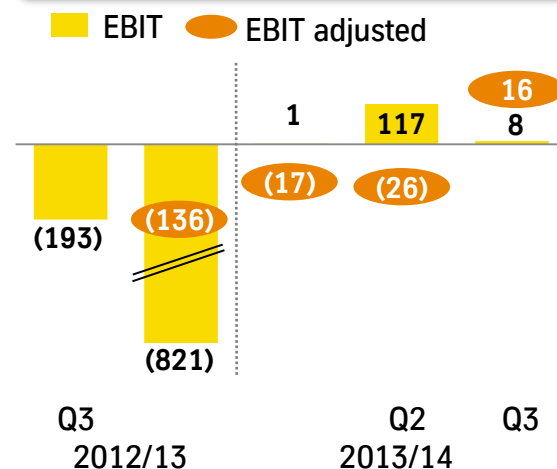
## Order intake in €m



## Production & shipments in 1,000 t

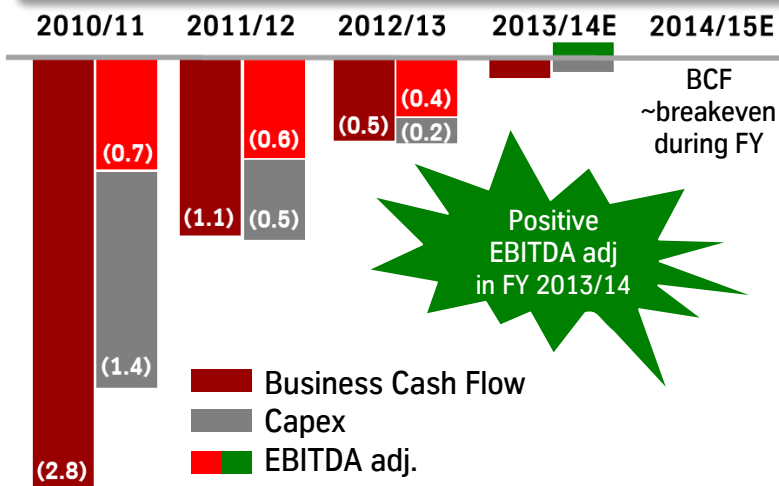


## EBIT in €m



## Focus on cash and earnings improvements

in € bn



## Current trading conditions

- Qoq EBIT adj. up in fiscal Q3 reflecting higher and more efficient utilization, optimization of costs such as the structural improvement of fuel rate, lower raw material cost and higher Ø rev/t with favorable US prices as well as reimbursement payment (BF#2 damage in May 2013)
- Special items in Q3: €(8) m from updated valuation of a long-term freight contract
- Positive EBITDA adj. expected in current FY
- Sale of Steel USA closed on Feb 26, 2014; financials included in Steel Americas figures until end of February



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“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.

This presentation contains forward-looking statements that are subject to risks and uncertainties. Statements contained herein that are not statements of historical fact may be deemed to be forward-looking information. When we use words such as “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “may” or similar expressions, we are making forward-looking statements. You should not rely on forward-looking statements because they are subject to a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from those indicated. These factors include, but are not limited to, the following:

- (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.”

