



Exane BNP Paribas 10TH Basic Materials Seminar

London – March 24, 2015

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CEO Steel Europe & Steel Americas

Developing the future.



ThyssenKrupp

ThyssenKrupp – Diversified Industrial Group

FY 2013/14*

ThyssenKrupp Group

Sales: €41.2 bn
 EBIT adj.: €1,329 m
 Employees: 162,372

ING.

INGENIEURKUNST



**Components
Technology**

Sales: €6.2 bn
 EBIT adj.: €268 m
 Empl.: 28,941



**Elevator
Technology**

Sales: €6.4 bn
 EBIT adj.: €674 m
 Empl.: 50,282



**Industrial
Solutions**

Sales: €6.3 bn
 EBIT adj.: €420 m
 Empl.: 18,546



**Materials
Services**

Sales: €13.7 bn
 EBIT adj.: €212 m
 Empl.: 30,289



**Steel
Europe**

Sales: €8.8 bn
 EBIT adj.: €221 m
 Empl.: 27,858



**Steel
Americas**

Sales: €2.1 bn
 EBIT adj.: €(68) m
 Empl.: 3,466

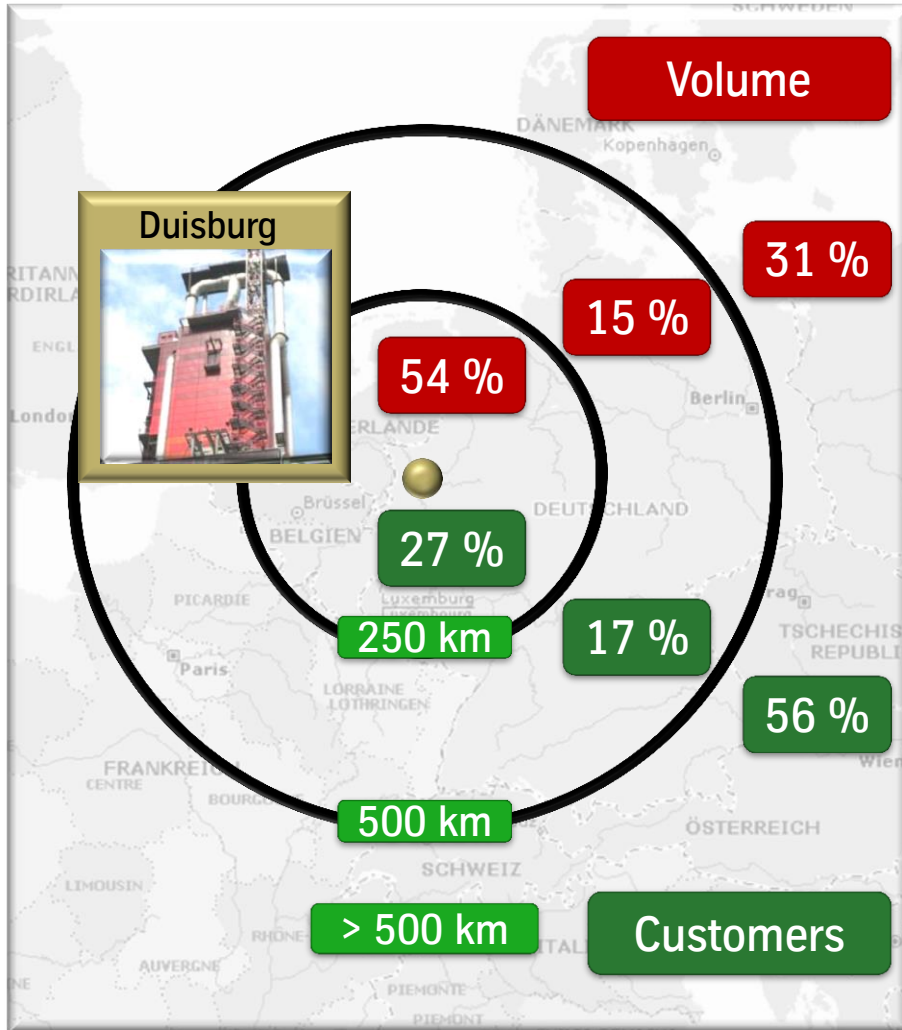
* new EBIT definition as well as restated due to proportionate consolidation of HKM



Steel Europe: Strong Presence in More Resilient Markets and Industries

Steel Europe

Competition



Flat steel market and share Steel Europe

Automotive

Trucks

Special Vehicles

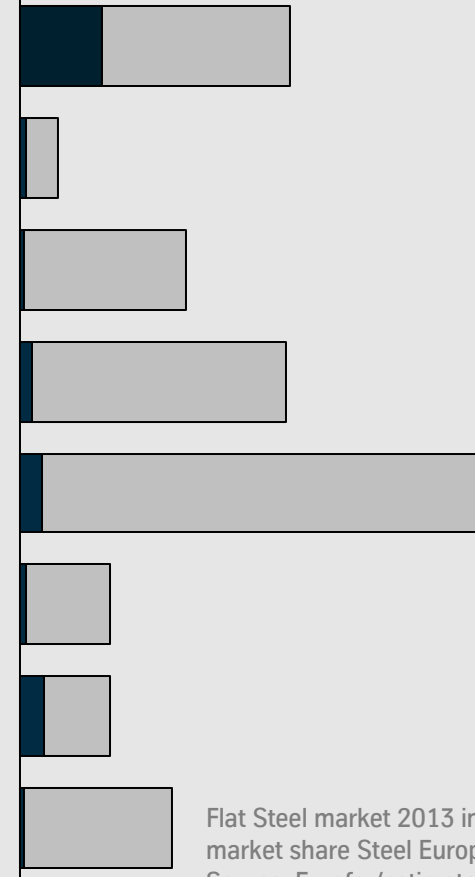
Engineering

Construction

Appliances

Packaging

Energy



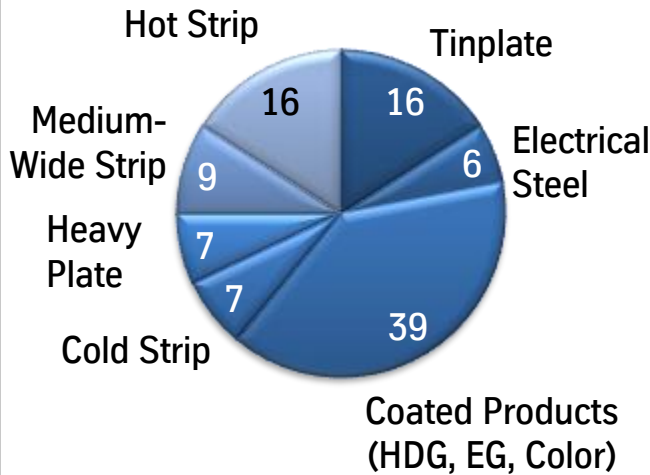
Flat Steel market 2013 in Europe, market share Steel Europe; Source: Eurofer/estimates TK SE



Premium Flat Carbon Steels Made by ThyssenKrupp

Product Mix Steel Europe FY 2013/14

in % of net revenues



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)



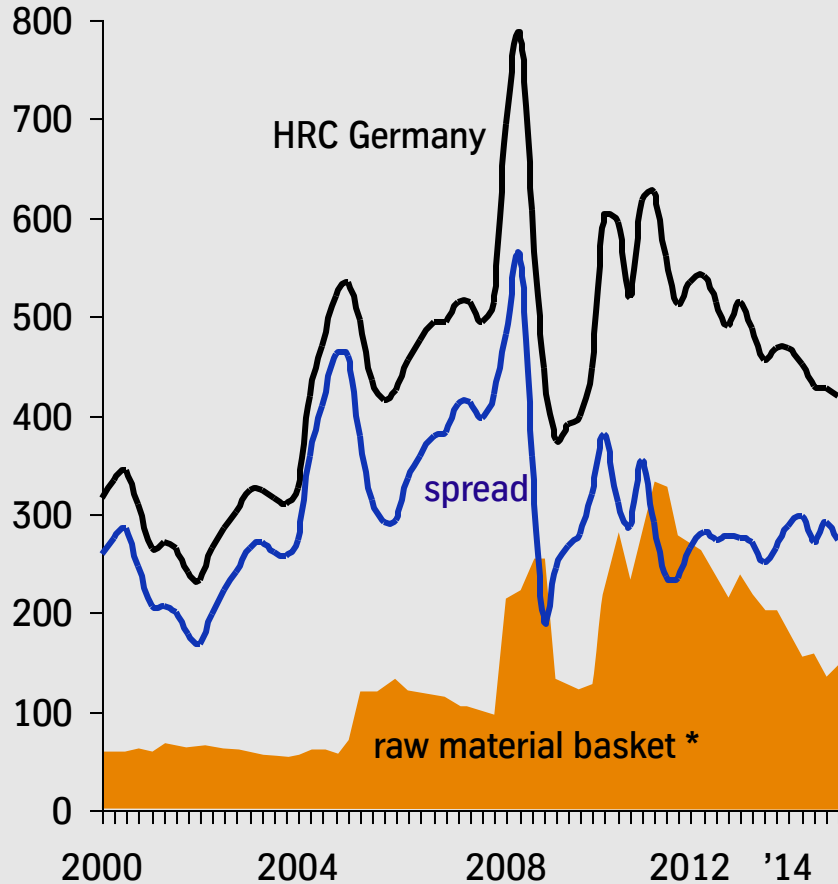
In sour gas resistant grades
for pipelines

Challenging Flat Carbon Steel Market in Europe – Slow Recovery Expected

HRC price, raw material basket and spread €/t

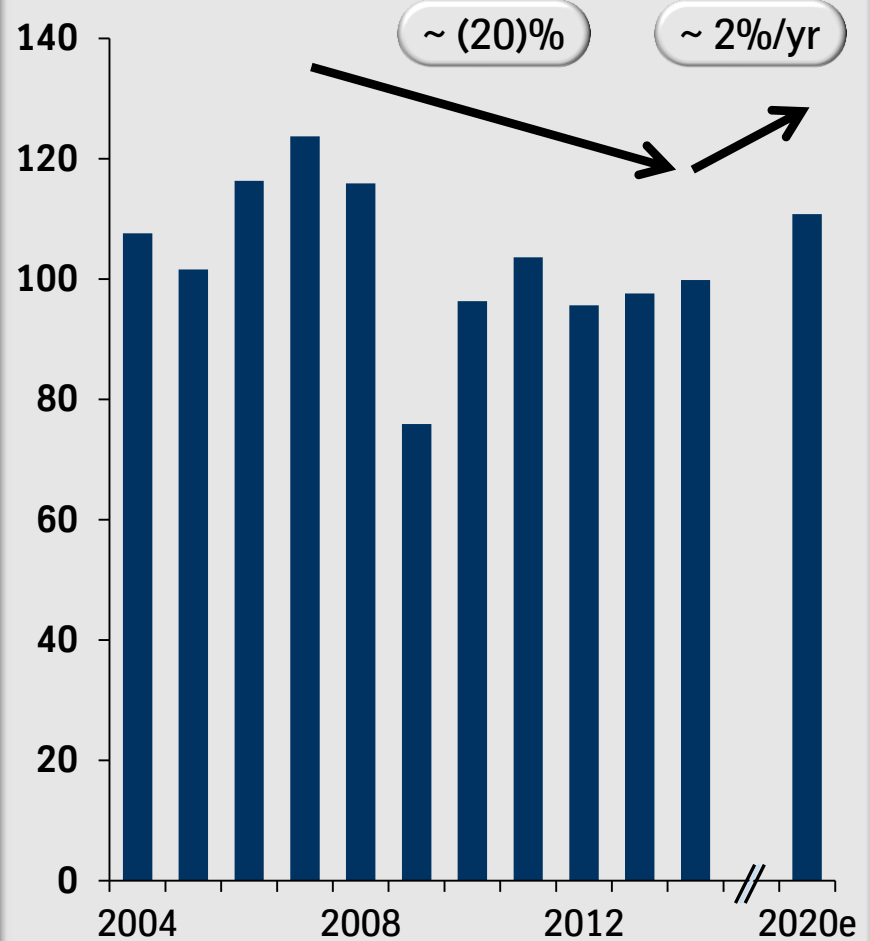
* schematic model, i/o and hcc only, fob

Source: MEPS, UNCTAD, Platts, TEX report, own calculations



Flat carbon steel demand Europe million t

Source: CRU, WSD, own estimates

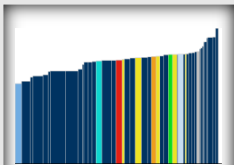


Program Geared to Achieve +ve Δ TKVA Over the Cycle

Comprehensive
market &
competition
review



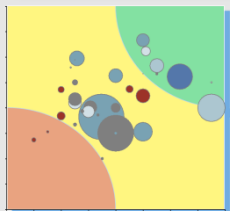
Costs



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

~ €600 m/yr
gross EBIT effects
by FY 2014/15

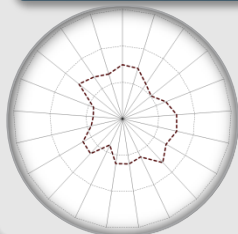
Mix



- expand attractive niches
- adjust Capex strategy

~ €100 m/yr
gross EBIT effects
by FY 2014/15

Differentiation



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

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

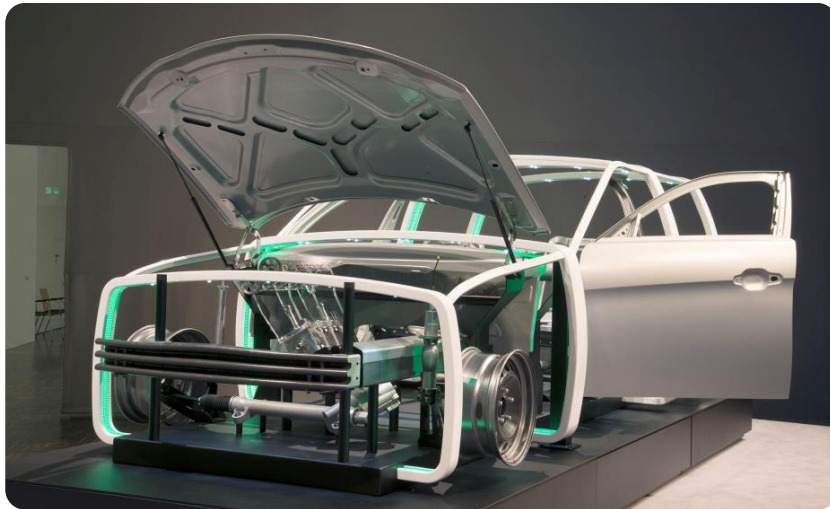
ThyssenKrupp Solutions for Automotive Efficiency

InCar[®]plus Leveraging ThyssenKrupp Group Synergies

Costs

Mix

Differentiation



InCar[®]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[®] 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

ThyssenKrupp Reducing the Blind Spot

InCar[®]plus

Costs

Mix

Differentiation



Status Quo



InCar[®]plus A-Pillar

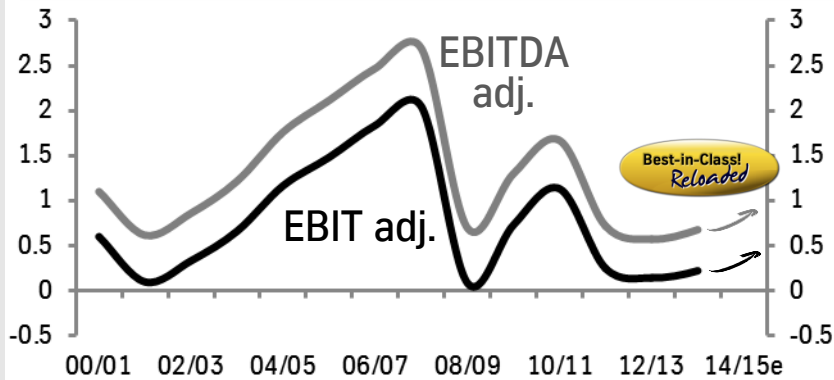
- + Cost-Efficient Weight Reduction of up to 10%
- + Reduces the A-pillar “blind spot” by an incredible 34% !



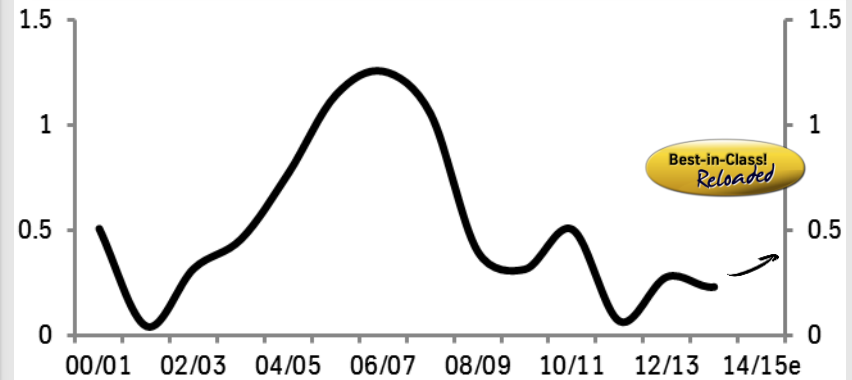
Comprehensive Cost & Differentiation Program Geared to Sustainable Improvement of Profit and Cash Flow Profile

- Costs
- Mix
- Differentiation

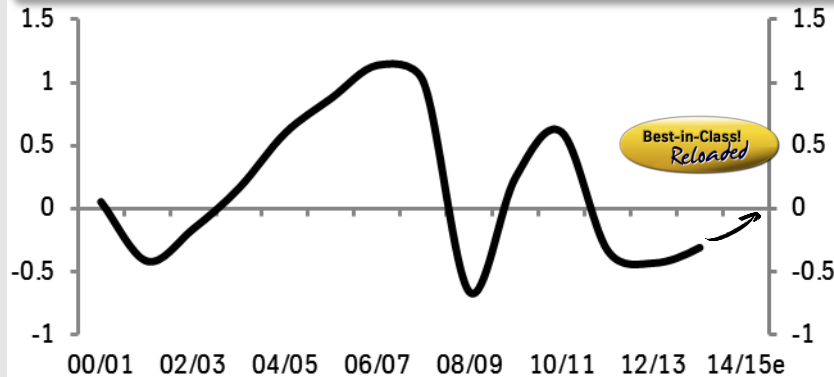
EBIT adj / EBITDA adj * in € bn



Business Cash-Flow** in € bn

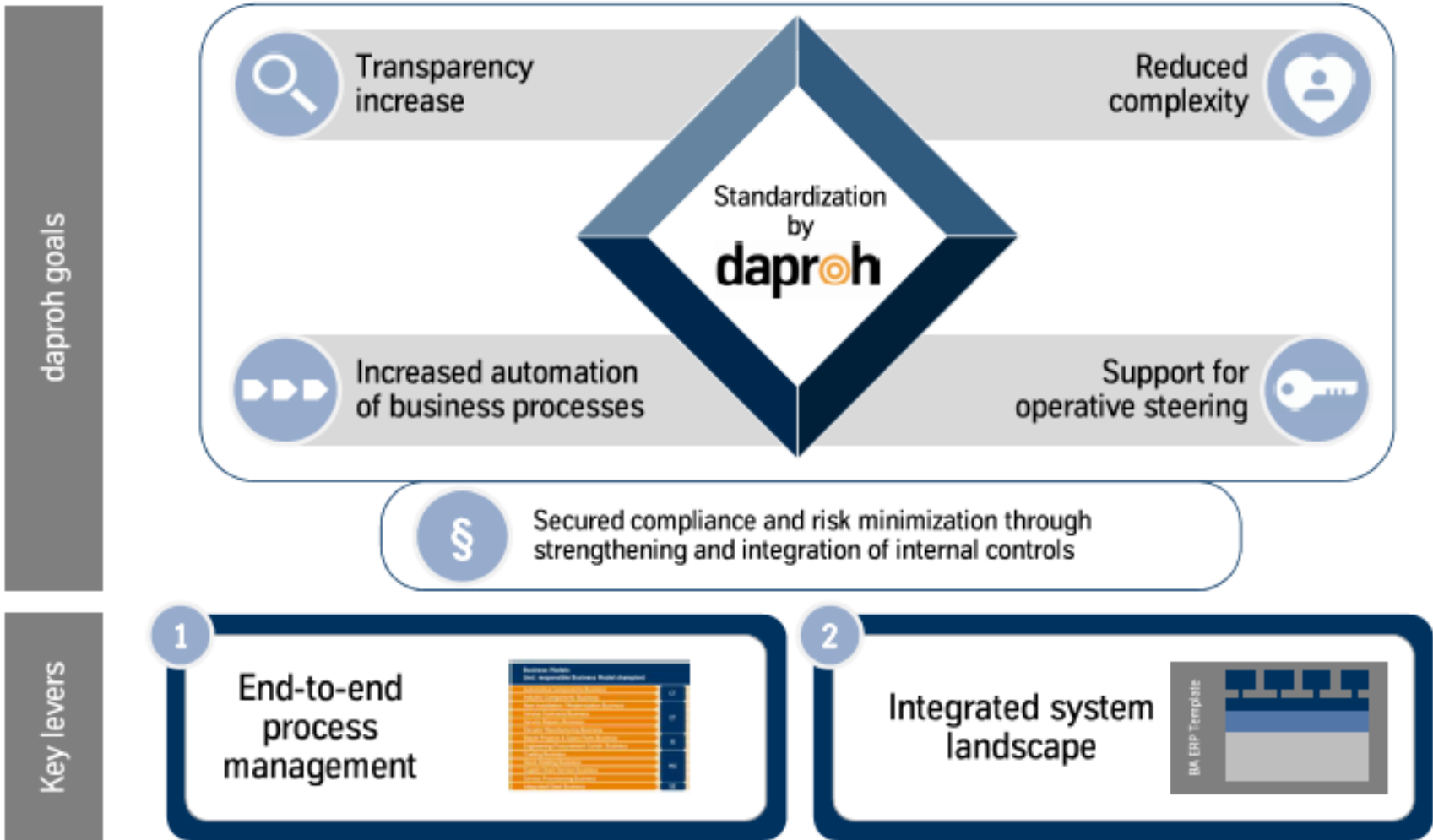


TKVA in € bn



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

BiCR Complemented By Comprehensive Business Process Transformation Enabled By Data and Process Harmonization (DaProH)



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US Assets Divested And Forward Strategy TK CSA Defined

Exit TK Steel USA

Sale to MT/NSSMY *divested*

Price: \$1.55 bn

TKS USA
Alabama

Shift in market focus TK CSA

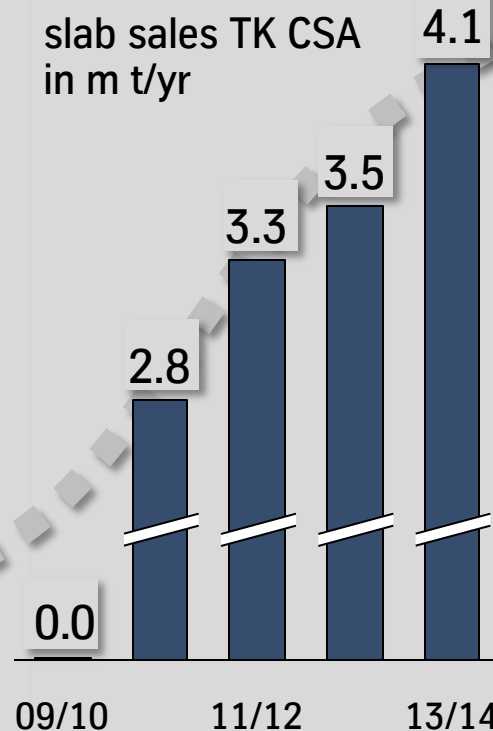
Slab supply contract

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

TK CSA
Brazil

Current focus on operating improvements in Brazil

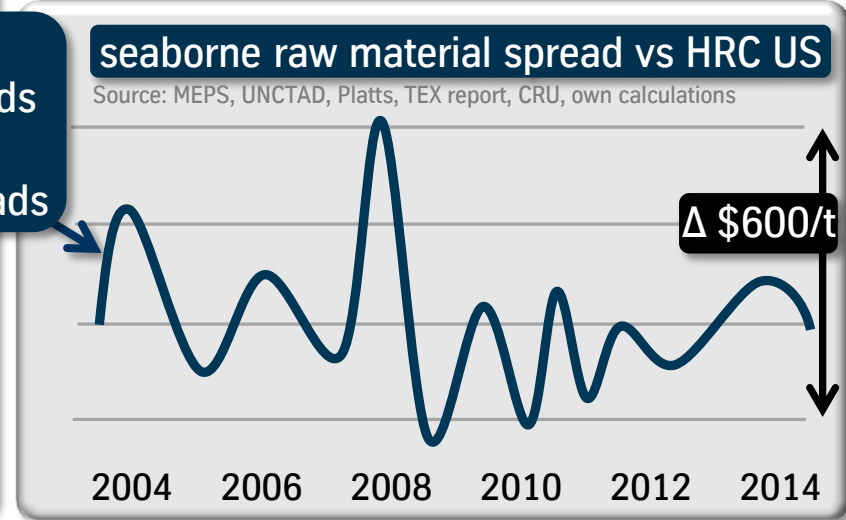
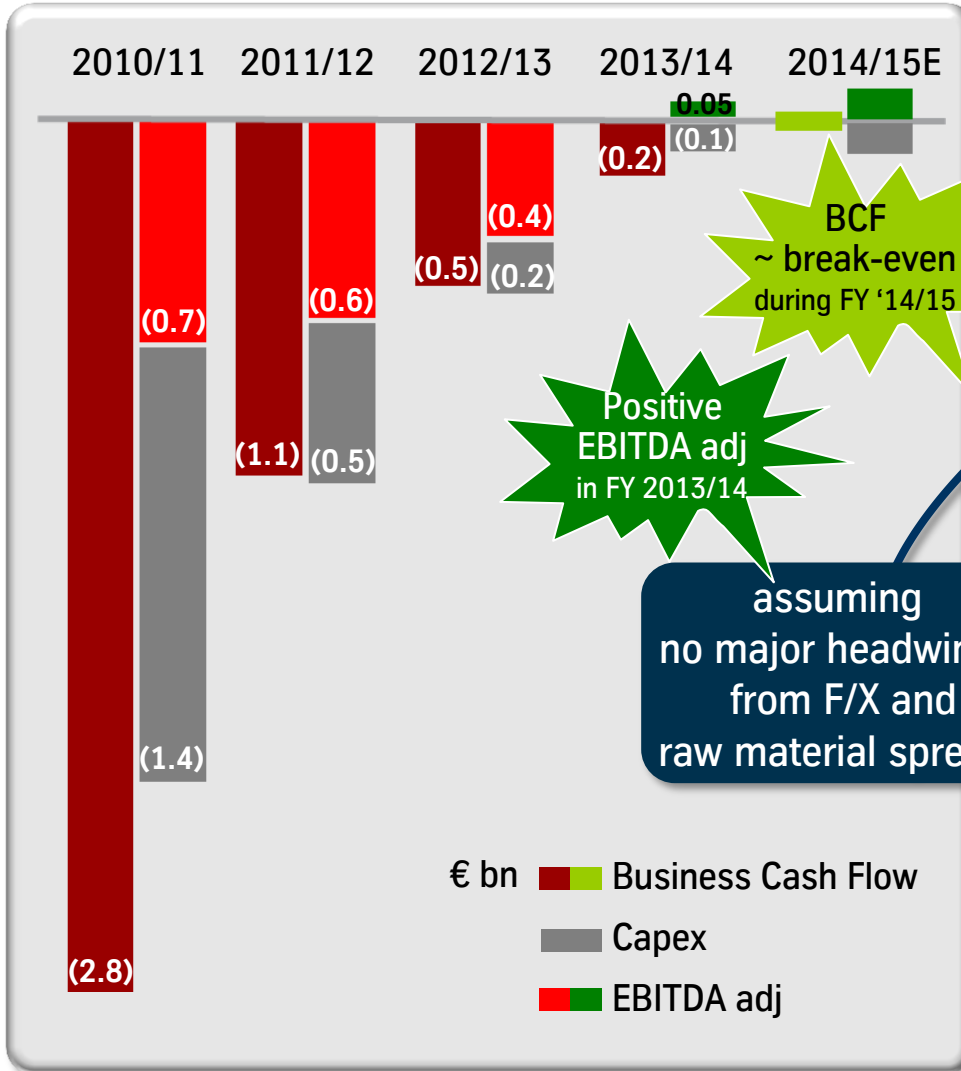
slab sales TK CSA
in m t/yr



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

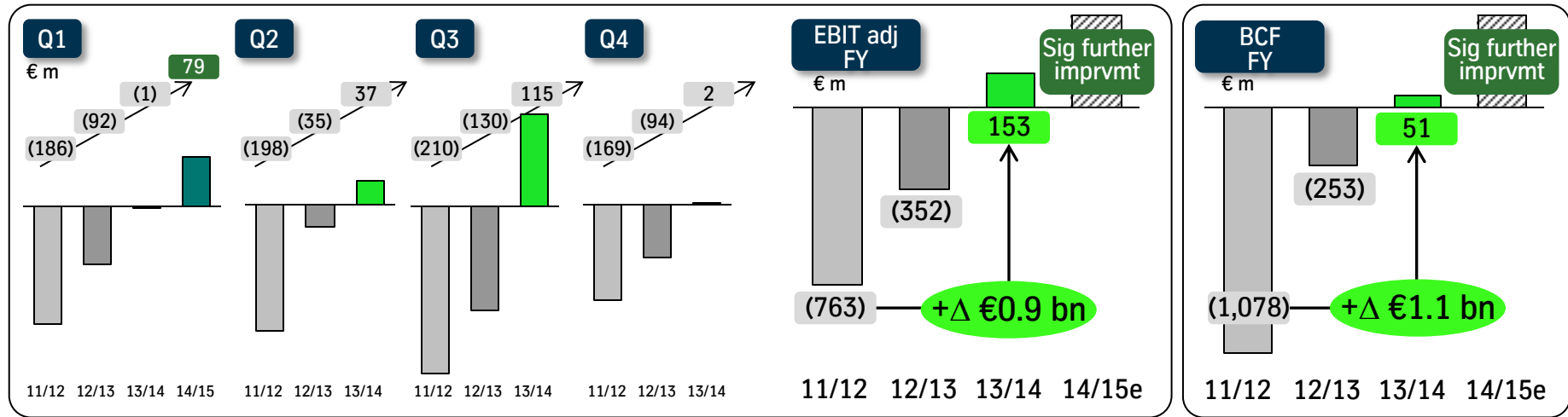
Mid-term solution outside of TK portfolio feasible

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



assuming no major headwinds from F/X and raw material spreads

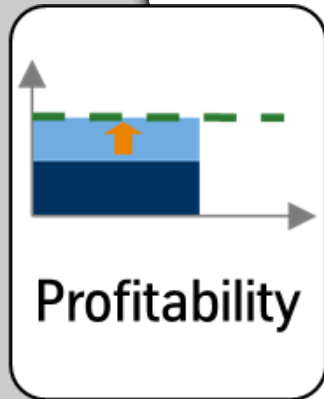
Steel BAs with Major Contribution to Group's Performance Improvements



Change Management + People Success + Performance Orientation + Customers & Markets

- New leadership teams in Europe and Brazil
- Leaner and more efficient organization
- Vision 2020
- Divestment Tailored Blanks, Construction and Steel USA
- Structured performance programs to achieve ~€1 bn of sustainable EBIT effects by FY 2014/15
 - Closure Neuwied, Galmed, OrgCL Duisburg, EGL Dortmund
 - Agreement with unions and works council on working hours reduction
- Comprehensive business process transformation enabled by DaProH

- 9 consecutive quarters with yoy improvements in EBIT adj
- EBIT adjusted improved by >€0.9 bn over last 2yrs
- BCF improved by >€1.1 bn over last 2yrs
- Significant further improvements in EBIT adj and BCF expected in current FY and beyond



Appendix



Overview Business Area Steel Europe

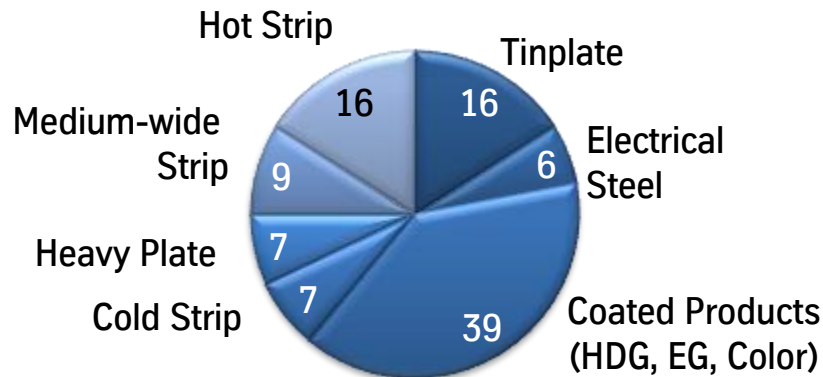
Key Figures Steel Europe *

		2009/10	2010/11	2011/12	2012/13	2013/14
Sales*	€m	10,770	12,814	10,992	9,620	8,819
Crude steel	kt	13,296	13,247	11,860	11,646	12,249
Shipments	kt	12,009	13,022	12,009	11,519	11,393
EBITDA*	€m	1,301	1,670	659	512	648
EBIT*	€m	731	1,133	188	62	195
EBIT adj.*	€m	731	1,133	247	143	221
Empl.*(Sep 30)#		34,711	28,843	27,761	26,961	27,858

* 13/14 after definition change / proportionate consolidation HKM

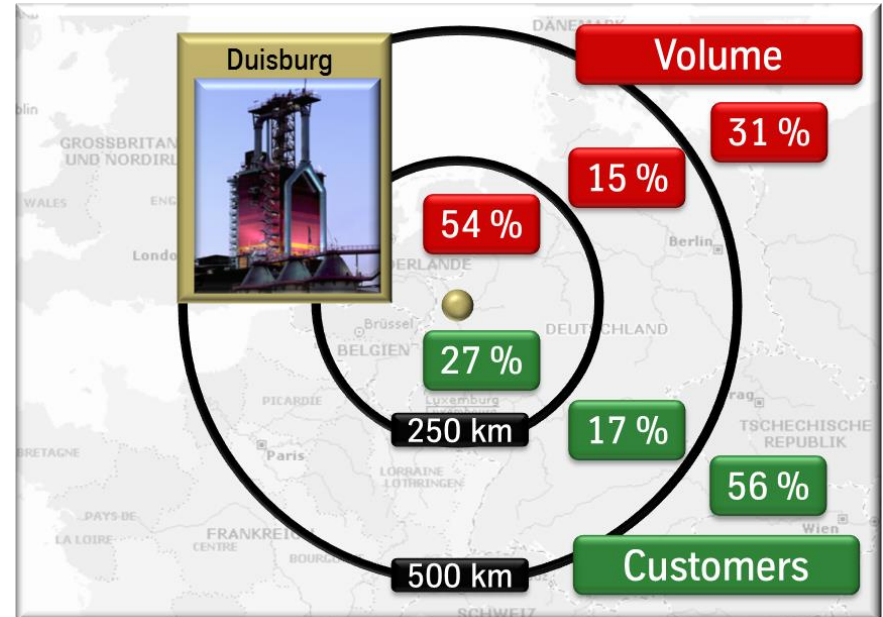
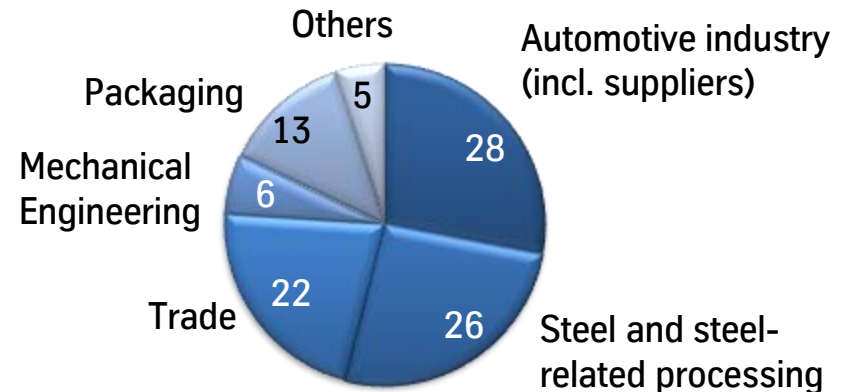
Product Mix Steel Europe FY 2013/14

in % of net revenues



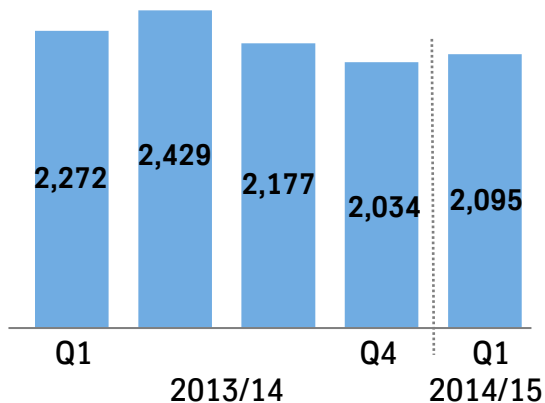
Sales by Industry Steel Europe FY 2013/14

in % of net revenues

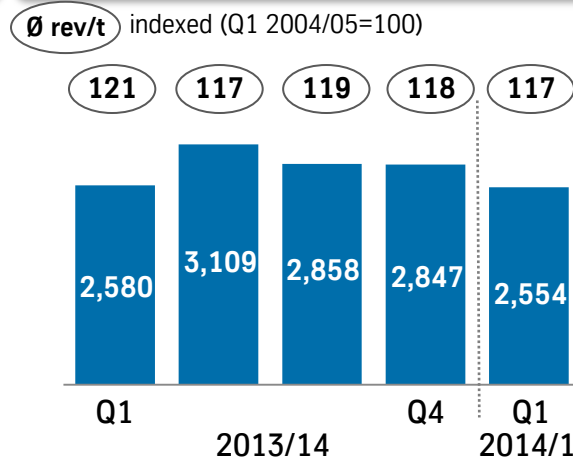


Steel Europe – Q1 2014/15 Highlights

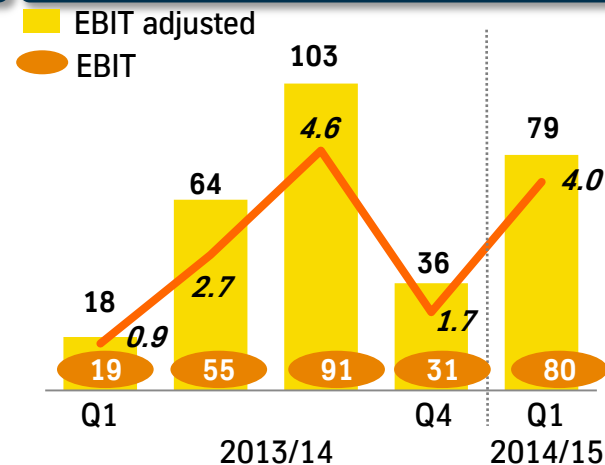
Order intake* in €m



Shipments in 1,000 t



EBIT* in €m; EBIT* adj. margin in %



Strengthening differentiation: TetraFlex – innovative concept for steel wind turbine towers

- Enabling hub heights >120 m
- Increasing heights with stronger and more constant wind drive full-load hours and electricity generation
- Lower material, transportation and assembly costs
- Patent applications filed for concept and individual components



Current trading conditions

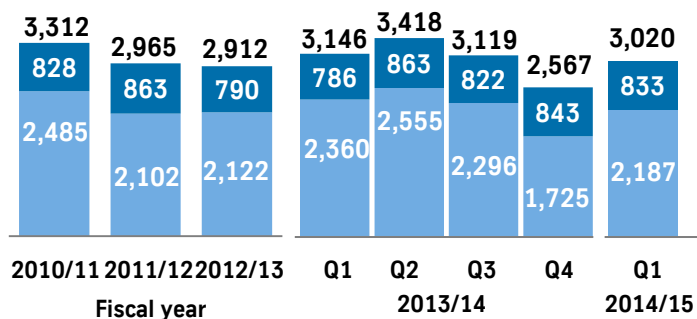
- Qoq higher EBIT adj. reflecting mainly higher production volumes following restart of BF#2, improved fixed cost dilution, lower maintenance & repair and raw material costs as well as efficiency gains from “Best-in-Class Reloaded”; reduced weekly working hours for pay-scale employees has become effective Oct 1, 2014
- Orders, production and shipments affected by production constraints caused by delayed completion of modernization of continuous caster#1/restart of BF#2
- Expectation fiscal Q2 2014/15: qoq slightly higher EBIT adj., higher volumes, lower Ø selling prices

Steel Europe: Output, Shipments and Revenues per Metric Ton

Crude steel output (incl. share in HKM)

1,000 t/quarter

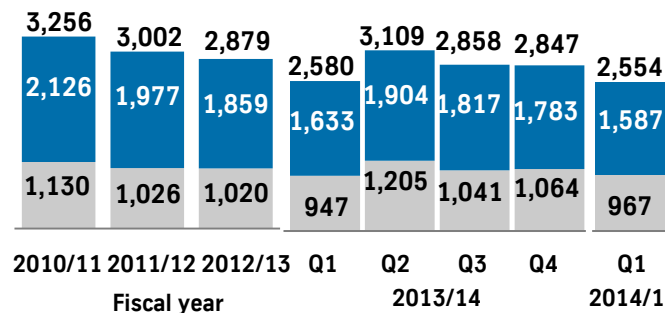
HKM share



Shipments*: Hot-rolled and cold-rolled products

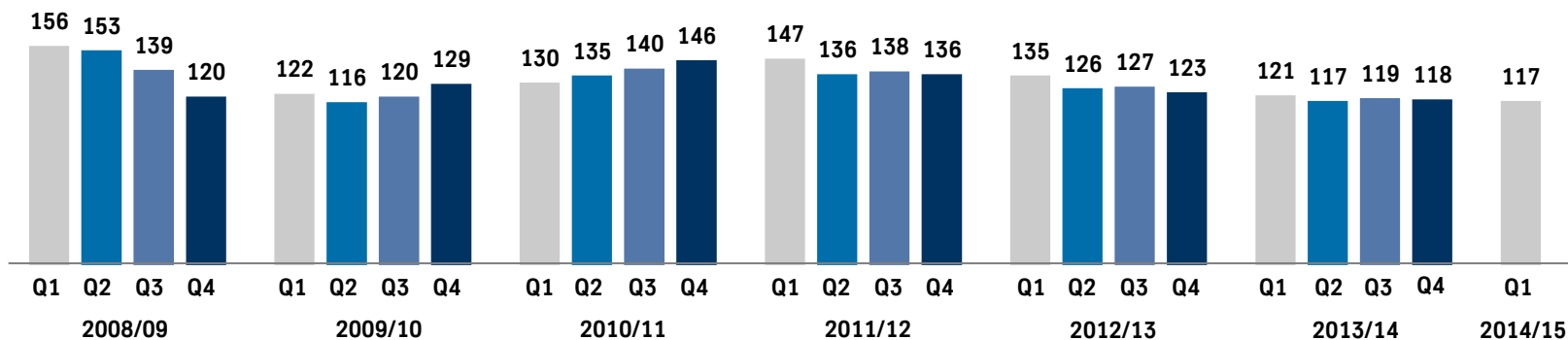
1,000 t/quarter

Cold-rolled
Hot-rolled; incl. slabs



Average revenues per ton*, indexed

Q1 2004/2005 = 100



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

		2013/14					2014/15
		Q1	Q2	Q3	Q4	FY	Q1
Order intake	€m	2,272	2,429	2,177	2,034	8,912	2,095
Sales	€m	2,066	2,377	2,218	2,158	8,819	1,985
EBITDA	€m	137	172	206	133	648	199
EBITDA adjusted	€m	137	182	219	139	677	199
EBIT	€m	19	55	91	31	195	80
EBIT adjusted*	€m	18	64	103	36	221	79
EBIT adj. margin*	%	0.9	2.7	4.6	1.7	2.5	4.0
TK Value Added*	€m					(309)	
Ø Capital Employed*	€m	5,240	5,272	5,298	5,308	5,308	5,384
BCF	€m	58	(22)	56	139	232	(129)
CF from divestm.	€m	0	(2)	(4)	(21)	(27)	5
CF for investm.	€m	(105)	(125)	(111)	(164)	(506)	(100)
Employees		28,259	28,022	27,665	27,858	27,858	27,740

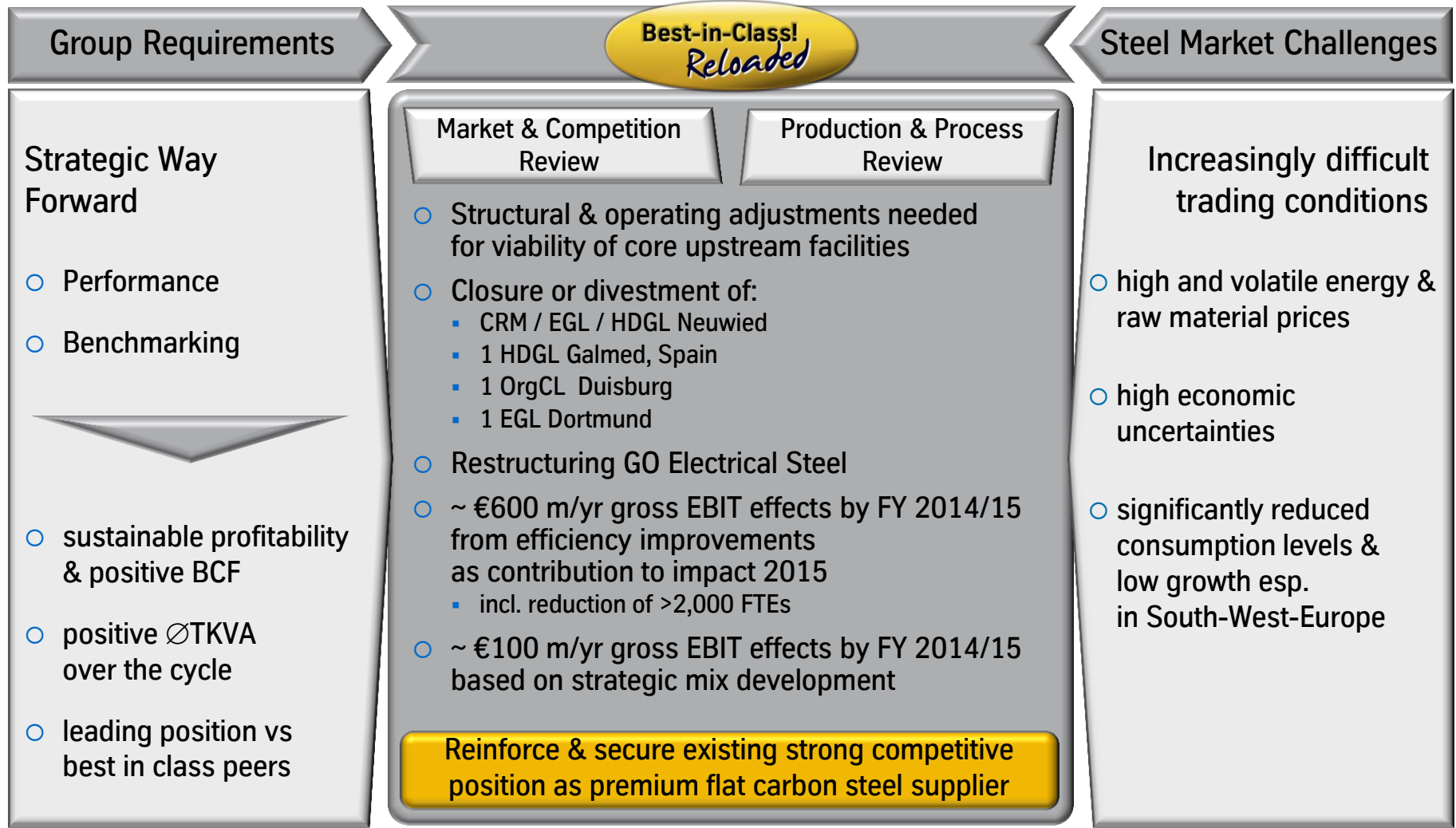
* definition change

KPIs restated due to proportionate consolidation of HKM

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

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
- Restructuring GO Electrical Steel

Operational improvements

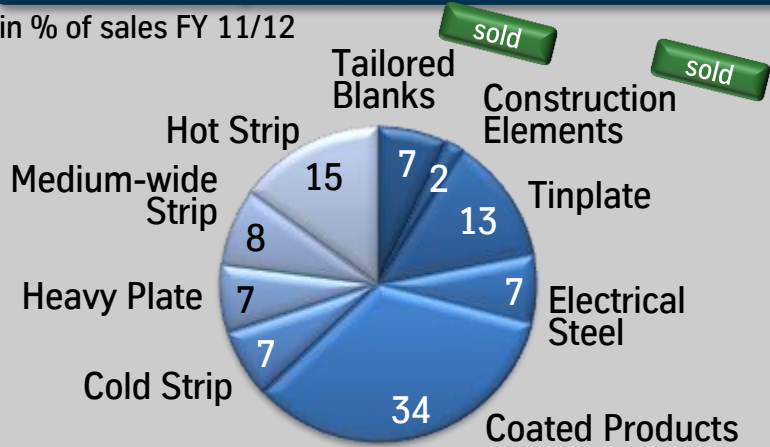
- Raw materials
- Maintenance
- Production / material efficiency
- Energy efficiency
- Logistics
- Procurement
- G&A

~ €600 m/yr
gross EBIT effects
by FY 2014/15

Stringent Portfolio Adjustments and Strategic Mix Improvements

Portfolio adjustments

in % of sales FY 11/12

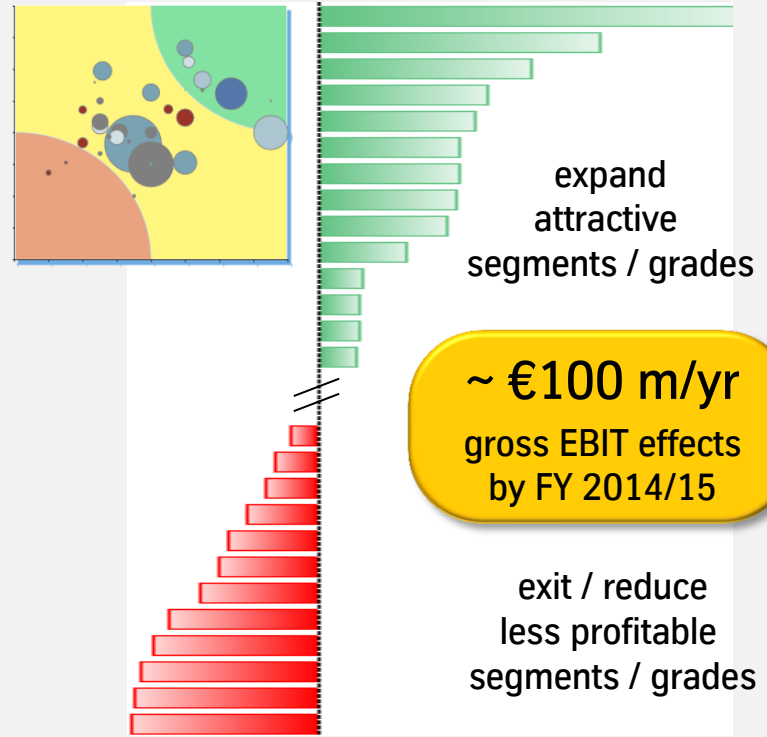


Adjust capex strategy: example medium-wide strip

- Upgrade of specialized medium-wide strip mill completed and successfully ramped up
- €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

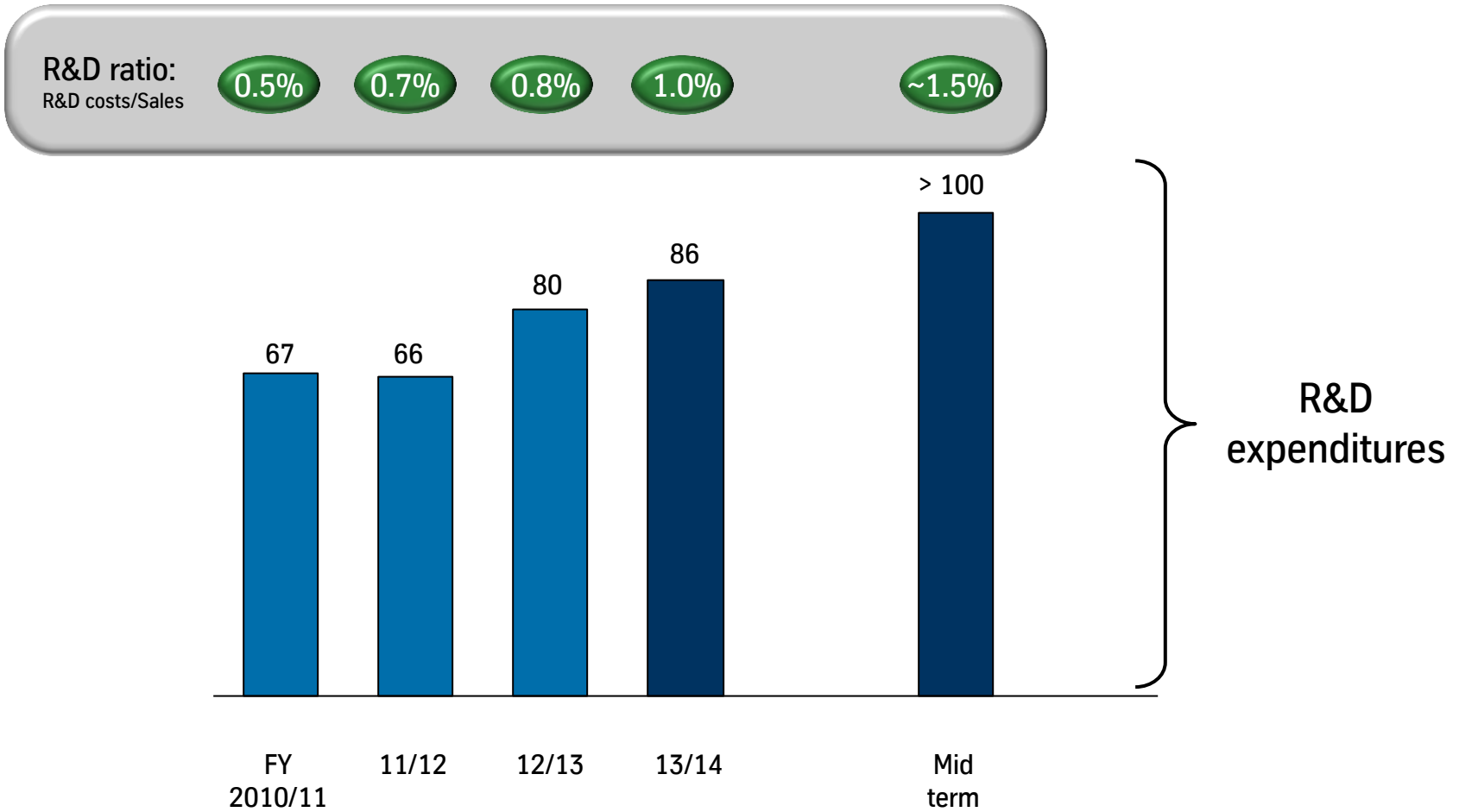
Strategic mix development

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



Steel Americas

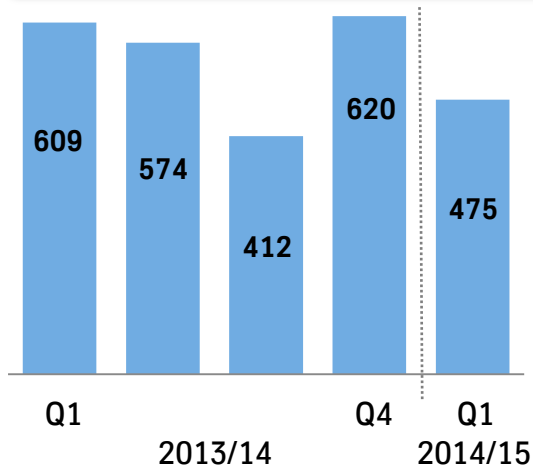
		2013/14				FY	2014/15	
		Q1	Q2	Q3	Q4		Q1	
Order intake	€m	609	574	412	620	2,215	475	
Sales	€m	538	535	441	546	2,060	502	
EBITDA	€m	29	143	33	(16)	188	21	
EBITDA adjusted	€m	10	1	40	(4)	48	32	
EBIT	€m	(1)	115	4	(54)	64	(11)	
EBIT adjusted*	€m	(19)	(27)	12	(34)	(68)	0	
EBIT adj. margin*	%	(3.5)	(5.0)	2.7	(6.2)	(3.3)	0.0	
TK Value Added*	€m					(273)		
Ø Capital Employed*	€m	3,136	3,146	2,964	2,746	2,746	2,101	
BCF	€m	(178)	(151)	84	64	(181)	(23)	
CF from divestm.	€m	0	1,263	6	2	1,271	1	
CF for investm.	€m	(22)	(33)	(3)	(31)	(89)	(10)	
Employees		5,491	4,037	3,446	3,466	3,466	3,348	* definition change

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

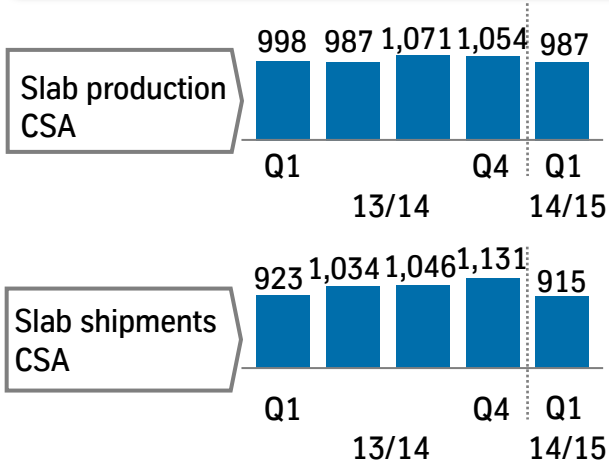


Steel Americas – Q1 2014/15 Highlights

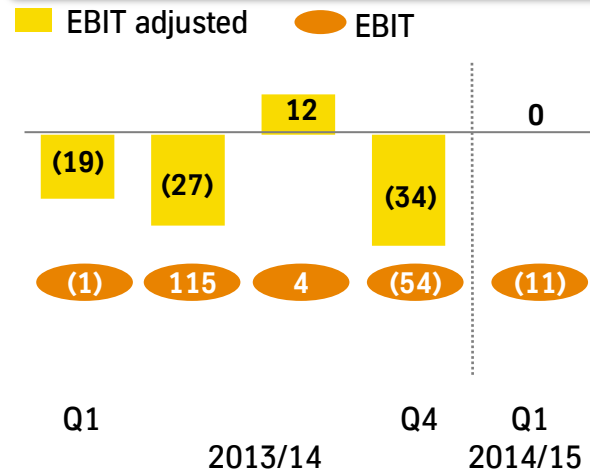
Order intake in €m



Production & shipments in 1,000 t



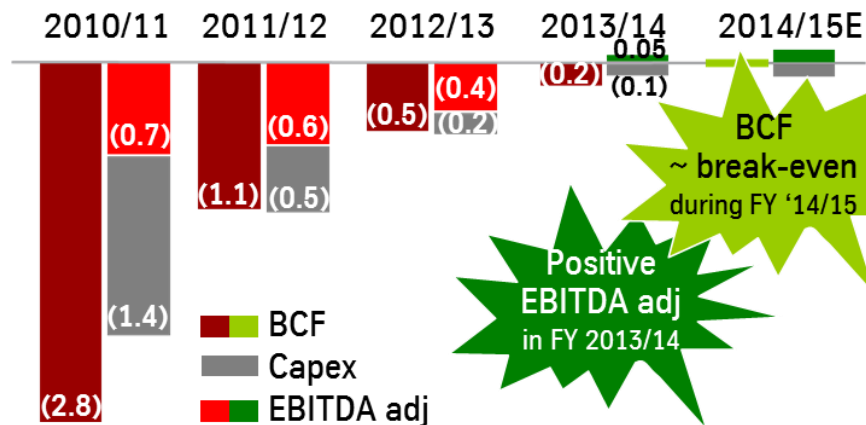
EBIT in €m



Positive EBITDA Achieved; Cash Break-Even Targeted in FY'14/15

Current trading conditions

€ bn



- Qoq higher EBIT adj. despite lower production and shipment volumes (converter repair/downtime in November) reflecting impact measures, lower raw material costs and less negative translation effects related to R\$-based sales tax assets
- Special items in Q1: €(11) m from updated valuation of a long-term freight contract
- Expectation fiscal Q2 2014/15: qoq stable EBIT adj., higher volumes, lower ∅ selling prices

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


Change Management + People Success + Performance Orientation + Customers & Markets → Financial Stability + Strategic Push

Value Upside

- Cultural change and leadership
- Performance and benchmarking ambition
- Rational capital allocation

CT ○ return to previous margin levels (6-8%)


- performance measures
- ramp-up new plants



Profitability

ET ○ close margin gap to peers


- while leverage growth opportunities
- target: 15% | €1 bn (EBIT adj.)



Profitability before growth

IS ○ sales growth by Ø 5% to €8 bn


- while maintain stable EBIT margin* of 6-7%



Growth before profitability

MX ○ return to previous margin levels


- performance measures
- specialization & processing
- VDM/AST: perform./attract. concept



Profitability before growth

SE ○ return to > wacc across the cycle

- BiC Reloaded: efficiency & differentiation



AM ○ continuous EBIT improvement

- BCF ~break-even during FY 14/15
- sustainable slab marketing concept



Profitability

Corp. ○ efficient corporate structure

- central projects and initiatives preparing next level of efficiency gains

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.

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.”

