Capital Market Day 2021

Materials Services

Essen, December 2nd, 2021

engineering. tomorrow. together.

thyssenkrupp

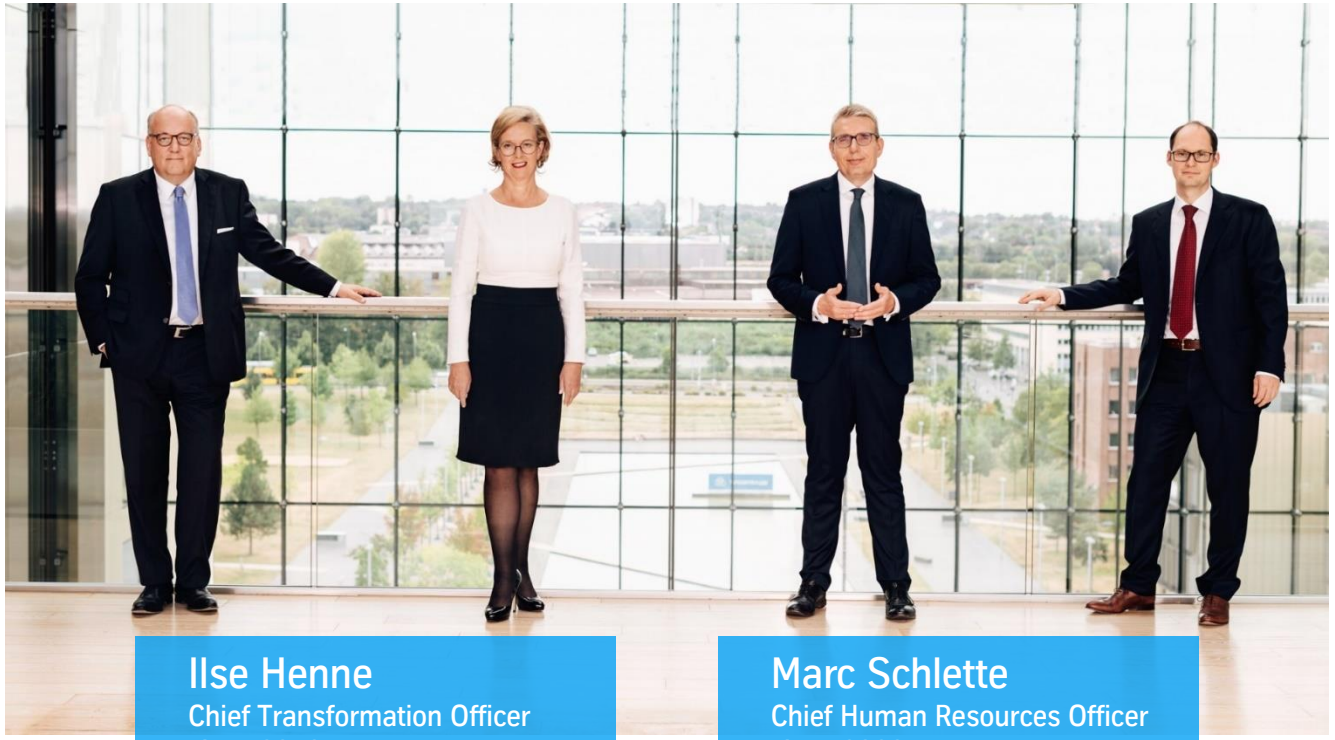
Executive board with strong business acumen

Martin Stillger
Chairman of the Executive Board
since 2019

>30 — Extensive experience in business management within and outside thyssenkrupp

Many years of expertise in the materials and services business

2008 — As sales expert strongly involved in the design of the holistic integrated customer management



Daniel Wodera
Chief Financial Officer
since 2019

>20 — Restructuring and turnaround of the stainless steel business (AST)

Leading financial responsibilities in multiple businesses at thyssenkrupp since 2008

2001 — Driver of multiple cost saving and performance programs with significant impact

Ilse Henne
Chief Transformation Officer
since 2019

Years of industry experience >20 — Extensive international experience in corporate management within thyssenkrupp

Broad background with master's degrees in linguistics, literature, and business administration

With tk since 1999 — Driven by the concept of change

Marc Schlette
Chief Human Resources Officer
since 2020

>5 — Many years of experience in human resources management within and outside thyssenkrupp

Successful management of labor relations and resolution of labor conflicts

2013 — Strong relations to trade unions

Leading materials processor and service provider across Europe and North America

Materials Services fuels global industry by processing materials and providing supply chain services

Materials distributor rankings

- #1 Germany
- #1 Europe[1]
- #3 North America

Geographic presence

- 30+ countries
- ~400 branches
- ~15,500 employees

Suppliers

Sourcing carbon steel, aluminum, stainless steel, plastics, and raw materials from ~4,000 suppliers worldwide

Annual purchase volume of ~€10 bn

thyssenkrupp Materials Services

- Distribution
- Supply chain services
- Raw materials and trading
- Digital business model

Customers

Serving ~250,000 customers worldwide

Average order size of €1,000

~150,000 multi-material products

1. Mill-independent materials distributors

Materials Services is the 1st choice partner for reliable materials processing and supply chain services

Saving our customers significant time, labor, expense, and net working capital

~70%

of all orders delivered within 48 hours

95–100%

on time in full rates

~260

local warehouses close to customer sites for high flexibility and carbon-efficient delivery

Global sourcing

with access to offices in more than 30 countries keeps our customers' supply chains healthy and moving

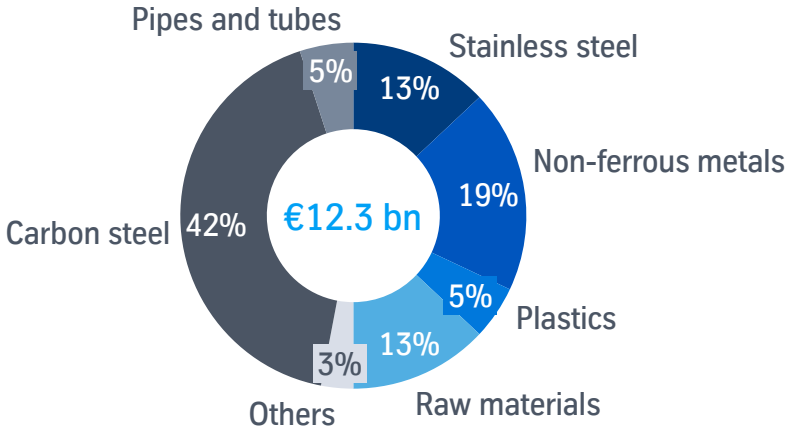
3.5 mn sq meters

warehouse space globally as backbone to serve global accounts

Serving diversified customers with materials for industrial production

Our portfolio is diversified across materials, end markets, and attractive geographic regions

Flexible multi-material portfolio

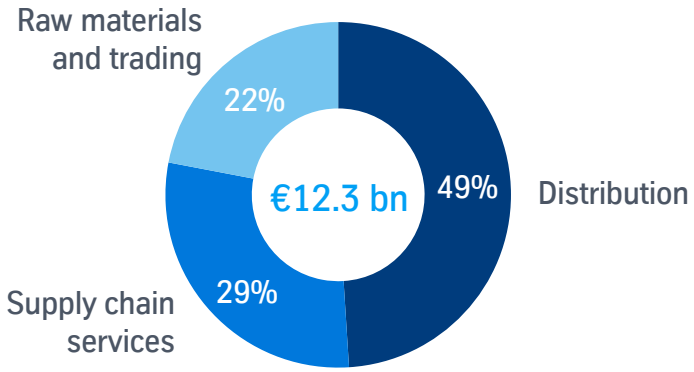


Serving diversified end markets[1] (exemplary customers)

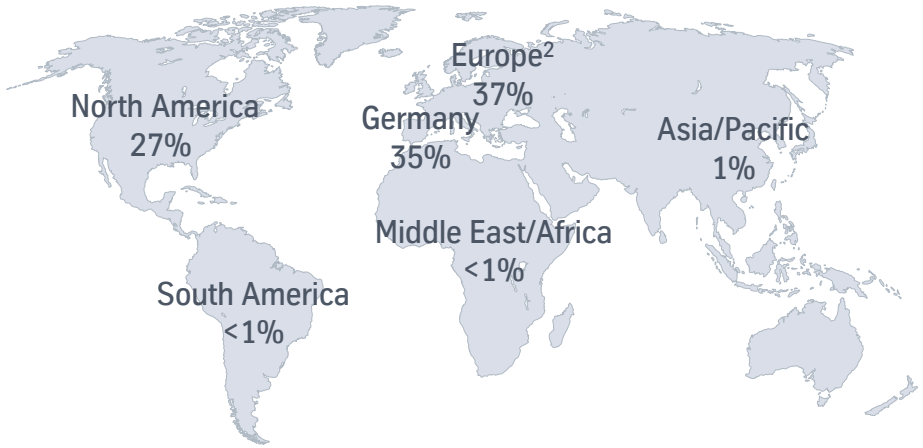
Automotive	23%
Construction	14%
Machinery	12%
Machine shops	11%
Distributors	10%
Metal goods and components	6%
Aerospace	4%
Other industries	20%

Mercedes-Benz, SIEMENS, Airbus, Boeing, BMW, BOMBARDIER, ABB, faurecia, DEMAG, Ford, BOSCH, Peugeot, Fiat, John Deere, LIEBHERR, MAGNA, Samsung, Schneider Electric, Renault, Meyer Werft, TENNECO, SCHAEFFLER, Eaton, Tesla, VW

Sales diversified across business models

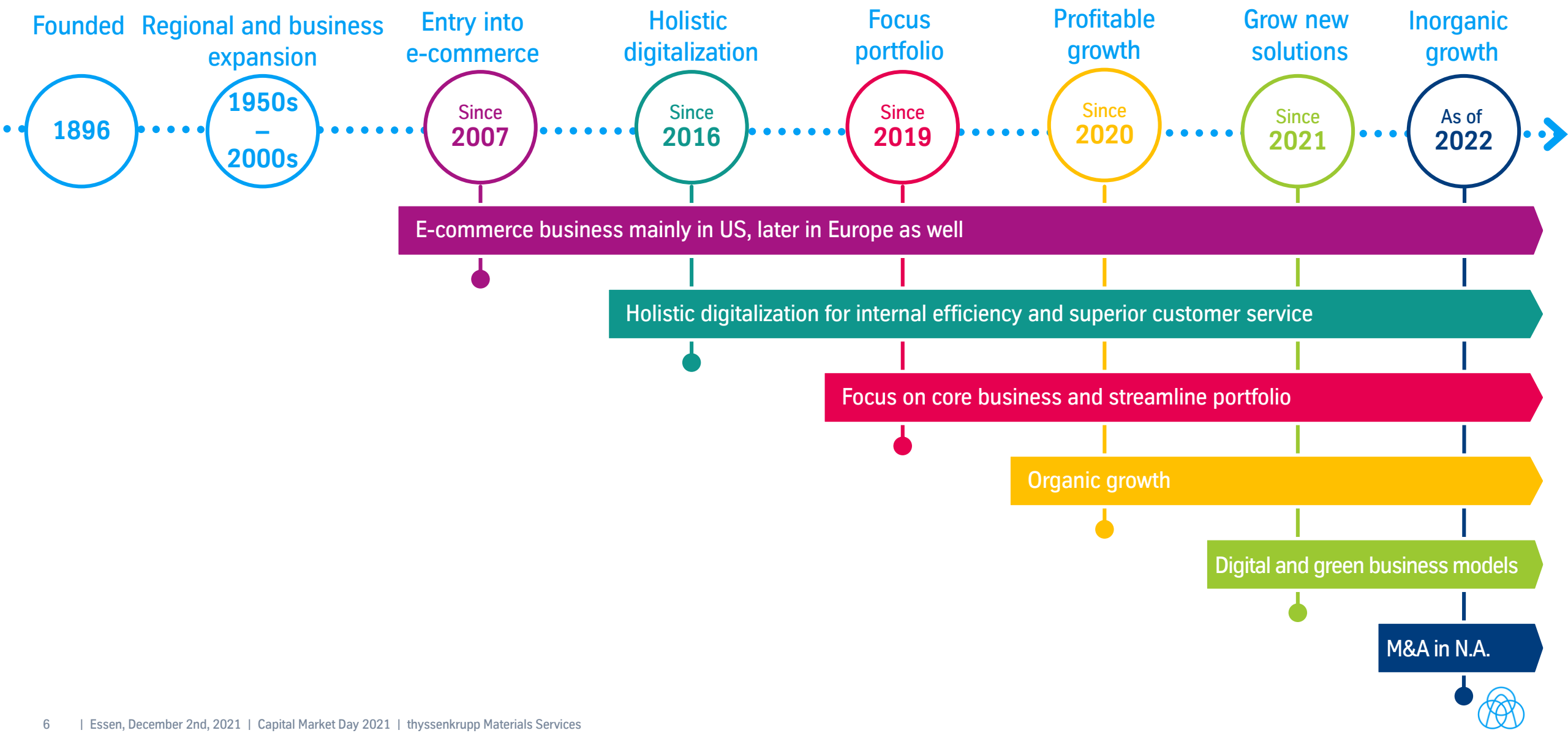


With global footprint focused on Europe and North America[1]



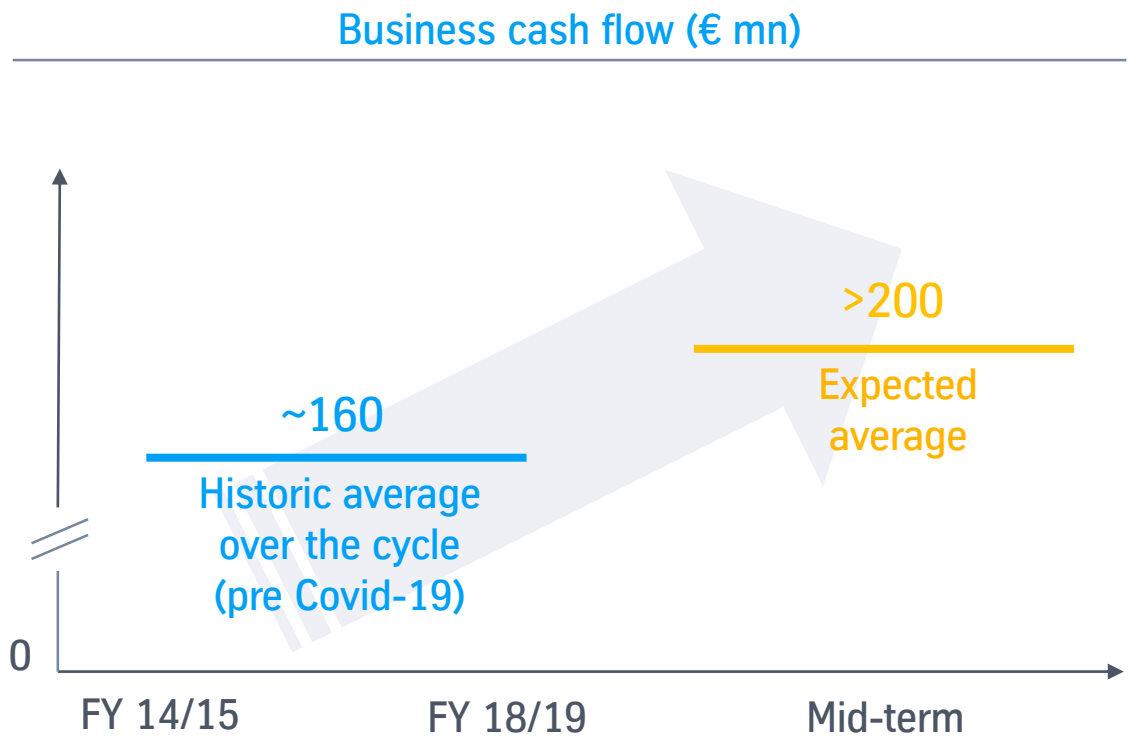
Note: Based on FY 20/21 | 1. Excluding Materials Trading, and Technical Services | 2. Excluding Germany

Materials Services is able to continuously adapt its business



Business model provides attractive financial metrics

Delivers steady positive cash flow over the cycle with a favorable risk profile and a positive outlook



- **Consistent business cash flow** driven by efficient net working capital management, including the ability to release cash in market downswings
- Over the cycle, high EBIT adj. to business cash flow, **cash conversion rate of ~0.8**[1]
- Low capex requirements at ~1.5%[2] of sales. 50% of capex is lease and therefore **not a long-term fixed liability**
- **Asset light** business model – ~80% of capital employed is net working capital and easy to be released in markets when necessary
- **Increase in cash flow** from EBIT growth at constant cash conversion rate while growing ambitiously through consolidating and scaling towards industry benchmark net working capital to sales ratio

Note: Business cash flow excluding effects from factoring | 1. Measured from FY 14/15 to FY 20/21 | 2. Includes capitalization of operating leases (IFRS 16)

Normalizing volumes after Covid-19 and surging prices in FY 20/21

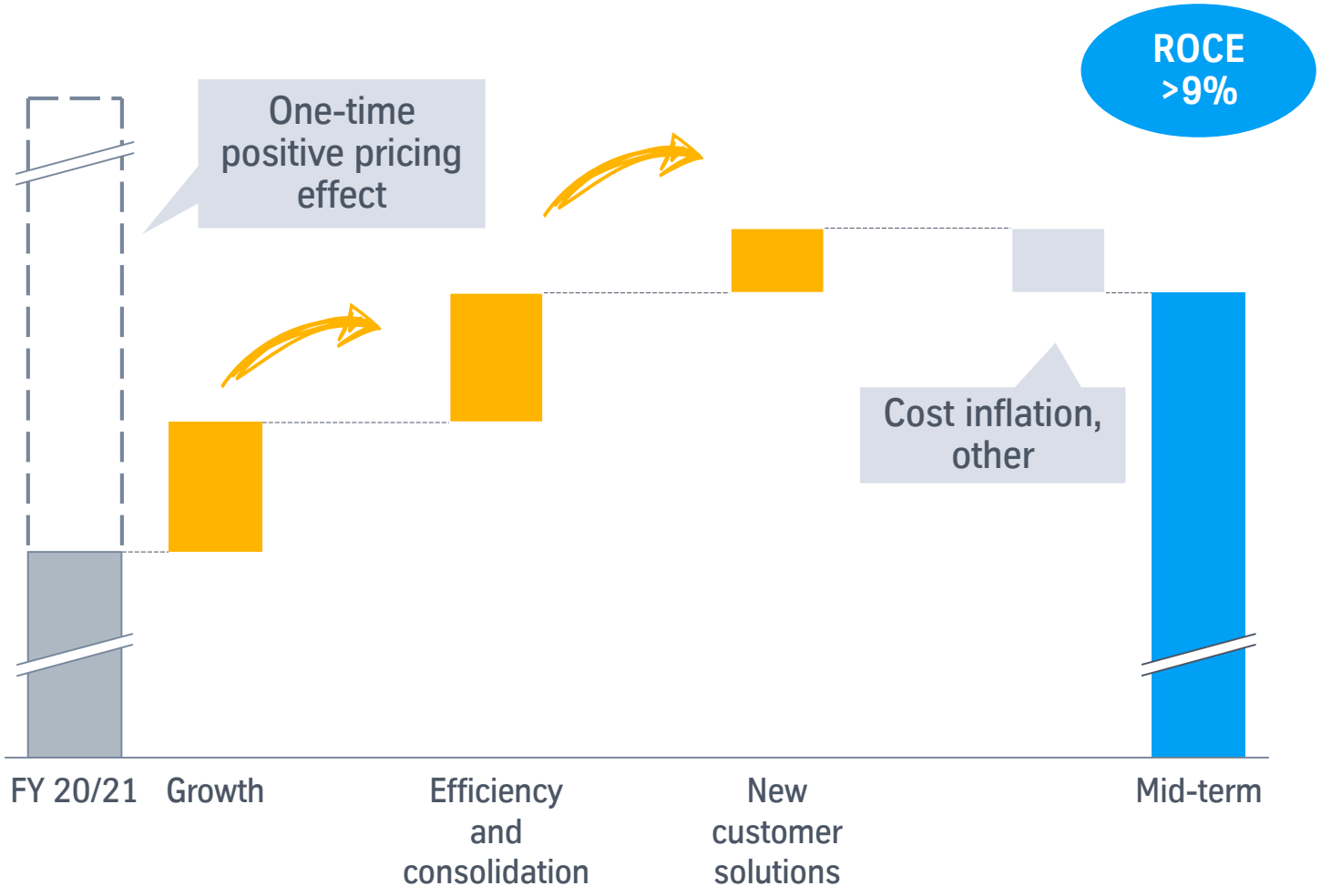
Current outlook stronger than historical level with ROCE above capital costs

	FY 18/19A	FY 19/20A	FY 20/21A	FY 21/22E		Mid-term target
Shipments[1] k tons	5,784	5,087	5,265		• Normalizing after Covid-19 recover near FY 18/19	>6,000
Sales € mn	12,357	9,895	12,315		• Based on constant prices	
Gross margin in % of sales	12.0%	12.1%	15.9%		• Normalization of gross margin but rising higher compared to FY 18/19	
EBIT adjusted € mn	101	(85)	587		• Declining due to normalized gross margin but operationally stronger than before crisis due to strong price discipline and reduced cost quota via restructuring	
EBIT adjusted *in % of sales*	*0.8%*	*(0.9%)*	*4.8%*			2-3%
ROCE	2.2%	(17.8%)	23.0%		• Decreasing due to normalized gross margin but stronger than FY 18/19 by further scaling of assets and thus earning costs of capital	>9%
BCF € mn	33	(870)[2]	106		• Continuously tight NWC management driving cash flow and CCR to a new level	>200
CCR[3]	0.3	n/a	0.2		• Slight increase because of further volume recovery	~0.8
FTE	17,526	15,738	15,547			

1. Only Materials Stockholding and Processing; excl. mainly direct-to-customer business | 2. Includes ~ €1,300 mn reduction of financing instruments (mainly factoring) | 3. CCR (BCF / EBIT adj.)

Growth and new solutions levers increase while maintaining high level of efficiency measures

Adjusted EBIT growth from FY 20/21 to mid-term results in ROCE above cost of capital



	Mid-term target
Shipments[1] k tons	>6,000
EBIT adjusted in % of sales	2–3%
ROCE	>9%
BCF	>200
CCR	~0.8

1. Only Materials Stockholding and Processing; excl. mainly direct-to-customer business

Materials Services: Creating a world in which resources are used in the best possible way, for joint success and a sustainable future

Investment highlights

1

Market leader in attractive markets

Leading, mill-independent materials distributor and service provider with ~250,000 customers across all industry segments and a diverse global supplier base

2

Growth in North America

North America represents an attractive opportunity with a strong growth and margin profile combined with the fragmented nature of the market

3

Improved cost basis in Europe

Efficiency from scale realized via a consolidated logistics and warehousing network enabled by Materials Services' IT backbone and digitalization strategy

4

New customer solutions in digital supply chain management and sustainability

Growth strategy "Materials-as-a-Service" tackling the fast-growing market of supply chain solutions for additional margin upside, higher business resilience

1 Market leader in attractive markets | Market-leading positions in Europe and North America

Attractive growth profile in excess of the expected market growth

Mill-independent materials distributor rankings

tkMX volume growth outperformance[1]

	thyssenkrupp	Market
Europe	3.4%	2.1%
North America	5.4%	3.9%

tkMX key growth drivers

- Specializing in aluminum and other non-ferrous materials allowed tkMX to be a first mover in the strong-growing electric vehicle market
- Global procurement capabilities enable tkMX to increasingly offer flexible and redundant sourcing of materials needed after pandemic disruption of supply chains
- Modest recovery of aerospace build rates, in which tkMX has a leading position
- Greenfield investments become operational

1. Source: IHS Markit. Volume CAGR forecast from FY 20/21 to mid-term projections. tkMX figures exclude Materials Trading activities

2 Growth in North America I Actively pursue organic and inorganic growth opportunities

tkMX will grow its presence in North America due to the relative market dynamics

#3 position in a highly fragmented market presents opportunity to scale

Increasing North America investment share mid-term to **80%** from 30% historically, resulting in an estimated greenfield growth investment of **€110 mn** with **ROCE above 14%**

Stronger market growth of **3.9%** vs. 2.1% in Europe

Strategic M&A in attractive companies to enter **new geographic locations** or **high-growth markets**

Higher margins of **~4%** vs. margins of ~2% in Europe

Woodstock, AL expansion complete

Steel Dynamics mill – Sinton, TX
(Site of future tkMX greenfield project)

3 Improved cost basis in Europe | Consolidation to serve customers more efficiently

Digitalization as well as network and portfolio optimization lead to significantly improved cost base

Optimize existing capacity through **digitalization** without disruption to growth plan

Continued digitalization path to use capex more efficiently, including closing **25% of sites** across Europe with consolidation activities **~70% complete**

Reduction in labor force while providing same level of service to the customer

Boost labor productivity[1] mid-term by **20%** vs. FY 18/19 through the reduction of 2,400 FTEs (80% complete)

Sell / close non-value-adding group companies

Focus on core subsidiaries and **constantly evaluate** the portfolio. Seven companies have been moved out of tkMX or closed, including Acciai Speciali Terni and Infrastructure

1. Measured as tons per full-time equivalent

4 New customer solutions I Driven by megatrends digital supply chain and sustainability

New products with upside in market potential of additionally ~€66 bn

Need for carbon-reduced supply chains in response to public sentiment and climate action adds new potential to already existing supply chain design demand

Covid-19 increased the need for more resilient supply chains that tkMX can fulfill due to its global coverage, supply chain know-how, and procurement power

tkMX to build on first-mover advantage in data-driven materials supply chain design (e.g., Boeing)

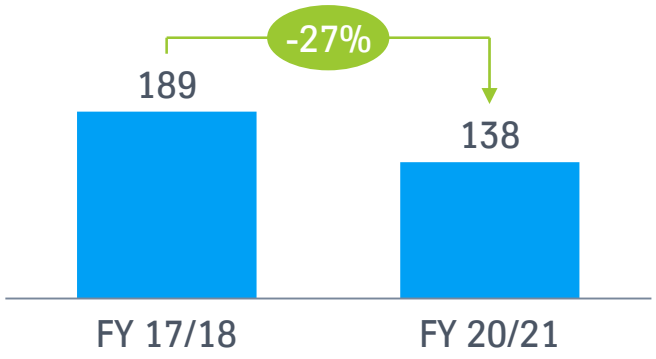
	Market Size	Market CAGR[1]
Growth with sustainability Solutions for the scope 3 CO_2 reduction of our customers	€30 bn	8%
Growth in digital supply chain Optimization services for design, planning, control and, execution of global supply chains	€36 bn	10%
Growth in base business Introduce new value-added services and green products	€167 bn	2%

Source: Expert interviews and external studies | 1. Over the next 5 years

Outperforming in sustainability: Our ESG ambition

Climate strategy

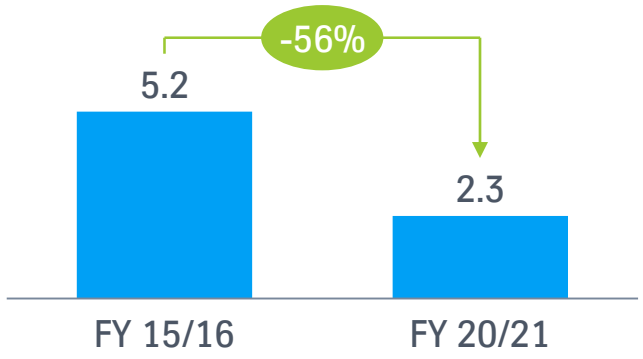
CO_2 emissions (k metric tons)



- We will operate climate-neutral by 2030!
- Energy-efficiency programs including lighting, vehicles, and renewable energy

Health and safety

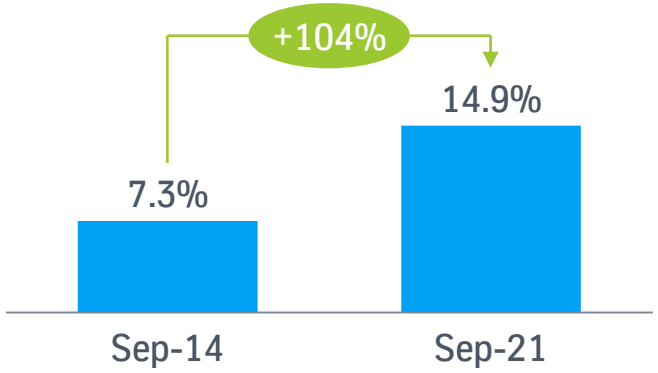
Accident frequency rate[1]



- We have a vision of zero accidents!
- Implementation of safety measures in all operations

Social responsibility

Women in leadership positions



- We foster diversity and enrich the communities we live in!
- Executive pay linked to performance, sustainability, and diversity goals

Ongoing local and global funding activities and volunteering days strengthen our connections to the communities we live in

1. Accident Frequency Rate: Number of accidents with lost days per 1mn working hours: absence longer than 24hrs

Materials Services: Committed to realizing sustainable shareholder value

Conclusion

- **Leading materials processor and service provider** across Europe and North America with ~250,000 customers
- Industry leader providing **new services and products** such as supply chain optimization and new sustainable materials
- Deliver **above-market growth** through organic and inorganic opportunities, especially in North America
- Significantly **improved cost basis** in Europe through digitally driven internal footprint consolidation and operational efficiency measures
- Achieve **ROCE >9% in the mid-term** with efficient use of net working capital
- **Provider of a positive cash flow** to its shareholders even in years of downturns with expected average business cash flow **above €200 mn** for the upcoming years

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