Remarks

by

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of thyssenkrupp AG

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at the RuhrCongress Bochum

Check against delivery

Introduction

Good morning, Ladies and Gentlemen,

The past **fiscal year was a very eventful** one for thyssenkrupp. We signed the contracts for the steel joint venture. In all our businesses we continued to work on achieving our growth and margin targets, but we also suffered some setbacks. And with the decision to separate the company we created clarity for the future of thyssenkrupp.

These are all **important steps forward.** However, last year was a turning point for us all. With all the personnel changes on the Executive Board and also on the Supervisory Board, it was a real challenge.

This – here today – is a first for me: Although we've often met at the Annual General Meeting, this is the first time I'll be addressing you **as CEO**. I'm very pleased that after this year we now have **the chance to exchange views in person**. And so I would like to welcome you – also on behalf of my Executive Board colleagues – to this year's **Annual General Meeting of thyssenkrupp AG** here in Bochum!

I know that for many of you here in the hall, thyssenkrupp is **more than an investment**. Many of you worked at Thyssen, Krupp or Hoesch. Many of you were born and bred in the Ruhr. And many of you **have had close links to our company for years or decades**.

That unites us. For me, too, thyssenkrupp is **more than a job**. I've belonged here for almost eight years. Together we've **mastered many a challenge**: the exit from stainless steel, the solution for Steel Americas, but also forward-looking projects like the steel joint venture with Tata Steel. The company, the region, and the people who work here are very close to my heart – as they are to my Executive Board colleagues.

And that's why we the Board have engaged very actively with this question: What's to become of our, what's to become of your thyssenkrupp?

As you know, in summer last year there were very **different ideas** on this, which led us into a difficult situation. After Heinrich Hiesinger left and Ulrich Lehner resigned, it wasn't clear for weeks where thyssenkrupp was headed.

In this situation the Executive Board **acted**. "Business as usual" was obviously not an option. That was also the clear expectation of our shareholders, employees and the general public.

And so we looked for a solution that would **accommodate the different ideas**. A solution that creates **the best possible future for our businesses**. The best possible solution for you, Ladies and Gentlemen, as owners. But also the best solution for our employees and customers.

You know the outcome: We're dividing thyssenkrupp into two strong companies: a **focused industrials group** <u>and</u> a **leading materials group**, each with better development opportunities and attractive future prospects.

And each with **strong roots in the Ruhr**. Essen, Duisburg, Bochum, Dortmund – we know what home means. We're committed to our roots. That also means we won't be making up any new names for ourselves. **Both companies will remain thyssenkrupp**.

We have developed a clear **timetable** for the separation process, which I will be explaining to you in a moment. In parallel with this we're pressing ahead with the launch of the joint venture with Tata Steel.

These are without doubt the two biggest projects in our restructuring. But the **most important building sites** are currently to be found in our **operating businesses**. In the summer we sharpened our **growth and margin targets** for the individual businesses. In fiscal year 2020/21 we aim to generate a Free Cash Flow of at least a billion euros. These targets continue to apply – also against the background of the separation and the current economic environment. We as a board have made a clear commitment to this, and for this reason we will make it our **top priority** to ensure our businesses achieve what you rightly expect.

You may be asking "**Isn't this too much restructuring at once"**. I can assure you: **We firmly believe** that we can do it. We're all pulling together on this – and that includes everyone here on the platform. We want to complete the restructuring **as quickly and efficiently** as possible. With a result that's good for all of us.

At this point I would therefore like to explicitly thank the Supervisory Board **for their trust and support over recent months**.

In September we were given a unanimous mandate to proceed with the separation. I'm very glad that in particular **both major shareholders** are firmly behind our plans.

My special thanks go to **you, Professor Gather**. The Krupp Foundation backed us and me throughout the entire process, showing that it will support even radical changes and is open to new paths in the interests of the company and its employees.

The **Foundation is not just any shareholder** to us. It represents the history and origins of our company. **This is what makes us special.** That's why the backing of the Foundation is crucial to us and our employees.

I would also like to explicitly thank the **employee representatives on the Supervisory Board**. They supported the two major strategic decisions of the past year: the steel joint venture and the separation of the company. With their approach to these big issues, they have demonstrated that codetermination is indispensable for **modern and responsible corporate governance**.

My particular thanks go to the Vice Chairman of the Supervisory Board, **Markus Grolms**. As Professor Pellens mentioned earlier, after Professor Lehner's departure you temporarily took charge of the Supervisory Board. For your **constructive support** during this time, but also for having the courage to take these decisive steps with us, I would like **to thank you** on behalf of the Executive Board.

The Executive Board would also like to thank you, **Professor Pellens**. After many years as Supervisory Board member, he took on the role of chairman in a difficult situation. That wasn't a given and was good for us and the company.

I would also like to thank **Martina Merz** for agreeing to take on the role of Supervisory Board Chairwoman long-term. You bring with you a great deal of expertise and more than 30 years' experience in industry.

Ms. Merz, I look forward to working with you and wish you and us every success. In the current phase more than ever, thyssenkrupp needs **a strong supervisory board to provide stability**. That is essential for the company and for us as an executive board.

The planned separation is going to place huge demands on the board too. And so we're pleased to have reinforcements. **Johannes Dietsch** is having a pretty unusual first day of work as our new CFO today. Hanno, welcome on board! We're really looking forward to working with you!

Ladies and Gentlemen, our focus as a board is on three topics: the **joint venture, the separation, and performance**. We're devoting every effort to this. And that's why I'd like to use my address to **bring you up-to-date** on precisely these three topics.

Joint venture

Let's begin with the joint venture. A year ago we presented to you our plans for the joint venture with Tata Steel. **In the summer we followed through on those plans**: By signing the joint venture agreements, we established a strong number 2 in the European steel industry. This is a major step for thyssenkrupp. Together with Tata Steel we will move our steel business forward and create a better future for our employees in this area.

Because steel has a future, of that we are certain. But given the global overcapacities, this consolidation step is overdue. There have always been mergers in the steel industry, as the history of our company shows. Thyssen and Rheinstahl, Krupp and Hoesch – and finally Thyssen and Krupp. But now we're taking the **pivotal step across national borders**. We're combining our strengths at European level. This is a game changer for our competitiveness.

Together we can be more successful in steel over the long term and stand up better to competition from Asia. The joint venture is the right answer to the structural overcapacities in this industry.

After signing the agreements we got straight to work on preparing the operational start-up of the joint venture. With the closing of the transaction we will carve our steel business out of the Group. Our aim is to position Steel Europe in such a way **that we are ready for day 1 of the joint venture**. The team is hard at work on this. We're on schedule. We're already close to home on around 90 percent of the tasks.

A few weeks ago we also announced the **future leadership team**. Andreas Goss, currently head of steel at thyssenkrupp, is to be CEO of the joint venture. Premal Desai, currently CFO of thyssenkrupp Steel Europe, is taking on the role of Chief Strategy Officer. From Tata Steel, Hans Fischer and Sandip Biswas will join the management board. That's **four very experienced experts**, embodying engineering expertise, operational excellence, and intercultural understanding. Exactly the skills we need to make the joint venture a success.

In parallel with this the **merger control procedures** are being carried out by **the responsible antitrust authorities**. We have already obtained unconditional approval in the USA, China and a number of other countries.

As expected, the EU Commission started an in-depth examination at the end of October. We're **working closely with the Commission** for the examination. We explicitly share the opinion of Competition Commissioner Vestager: Steel is of enormous importance to the European economy. That's why we need a strong European steel industry. That's what we're representing with the joint venture.

We remain confident that we **can close the transaction in the spring**. We will then immediately start to realize the expected annual synergies of €400 to €500 million as quickly as possible.

Separation of the Group: Strategic rationale and timetable

Ladies and Gentlemen, with the joint venture we have found a good solution for our steel business. At the same time we have prepared the ground for recalibrating our **strategy for thyssenkrupp as a whole**.

We set out seven years ago to build a strong industrial group. Our goal was to become less dependent on the volatile materials business. The joint venture is **a milestone** in this. And now our task is to **complete this journey**. And that's precisely what we are doing with the separation. We are building a strong industrials group and a materials company that holds leading market positions in all its businesses.

The separation is based on an in-depth analysis. In the summer of last year, we as the Executive Board took a close look at all conceivable options.

We **asked** ourselves:

How can thyssenkrupp create more value again?
How can the individual business areas be further developed in the best possible way?
What serves the interests of shareholders, customers and employees alike?
And what is actually feasible in the current situation?

The answers to these questions led **to a clear result**: We separate thyssenkrupp into two companies. This gives us the **strategic clarity** we urgently need. In this way, we enable the businesses to develop faster and more dynamically.

Because that's what we need: The world around us is moving faster. Many industries are undergoing rapid transformation. By focusing on **fewer and more similar businesses**, we are moving **closer to customers and markets**. For example, management can make better and quicker decisions on investments. This is all the more important as we head for more difficult economic times.

At the same time, the separation will create **value for you, our shareholders, through a better valuation of the two parts**. We will **release hidden reserves** and thus be able to provide both future companies with **adequate capital** - without having to ask you to pay for it. We are thus creating the best possible conditions for both companies to **fully develop their potential**.

Both companies will therefore be independent, listed companies in the future. Both will have **direct access to the capital market**. In this way, we can address **investors with very different preferences**. Some are interested in stable cash flows and attractive growth opportunities in industrial goods. Others are more interested in cyclical developments and possible consolidation options in the materials businesses. The separation will enable us to do better justice to these **different market logics** in the future.

And you too can make a **targeted decision in the future** as to whether you want to stay invested in one or the other company - or very gladly in both. Both will have very interesting, but also **very different opportunity-risk profiles**.

So what will the two future thyssenkrupps look like?

On the one hand we will have **thyssenkrupp Industrials AG**, focused firmly on our **world leading engineering and service expertise.**

This will be a pure capital goods group with elevators, the automotive supply business and plant engineering.

In these markets, **global megatrends** determine the **attractive growth opportunities for our businesses**: more cities, more infrastructure, more traffic - with at the same time limited resources and the goal of making the economy climate-neutral. How can this be combined? How can we move more and more people and produce more and more things with less and less use of resources? With our products and services at thyssenkrupp Industrials we will provide answers to these questions.

Because what counts above all are innovations! **The "engineering" in thyssenkrupp makes the difference**. It allows us to differentiate ourselves in all three areas. This is the key to sustainable solutions and long-term growth.

Take, for example, **MAX**, our system for predictive elevator maintenance. It's not just about avoiding downtime or reducing costs. With MAX, we offer a solution that helps to manage the flow of people in buildings safely and efficiently.

Or take the **electric steering systems** in our automotive business. They are basic prerequisites for autonomous driving - and thus for the mobility of the future.

Or **Carbon2Chem**, an example from plant engineering. With this technology, we can convert the CO_2 from steel mills into raw materials for the chemical industry. In all our capital goods businesses we are already working to meet the challenges of tomorrow.

It will also be decisive for the future that we combine our **engineering capabilities** with **digital expertise**. One example of this is the so-called **"digital twin"**, a virtual, multidimensional product model that we can use to try out and test things in advance and optimize ongoing operations. We are using it for high-speed elevators in skyscrapers as well as for stair lifts in homes, for car shock absorbers and for entire industrial plants. It makes us more efficient in our execution and our customers faster in their implementation. And it opens up new, attractive service and business models.

As you can see, **digitization** has long since become our **everyday life**. Our knowledge, our engineering expertise is the basis for this. Nobody knows our products, services and plants better than we do. That is why we are best able to integrate digital elements and applications and convert them into products. Our advantage is that all the businesses need very similar **digital capabilities** and use comparable **digital infrastructures**. Only they use them in very different contexts. So the businesses can benefit significantly from each other by sharing these engineering capabilities.

In the long term, therefore, we see enormous growth opportunities in our capital goods businesses. At the same time, however, we have to acknowledge that we **need to get a lot better** in our **operating performance**.

The three businesses are **well positioned in the market but not outstanding**. In the elevator business, for example, we are number 4 in the world in terms of sales. In terms of margins, competitors are well ahead of us. The situation is similar in the other businesses.

Under the umbrella of thyssenkrupp Industrials we will therefore focus the businesses even **more clearly on performance**. We will create **simpler structures** and move closer to our customers. For example, we are turning Components Technology into a pure automotive business. Industrial Solutions will then concentrate exclusively on plant engineering. These are two very specific examples of how we will make our capital goods business simpler and therefore more effective.

The situation at **thyssenkrupp Materials AG** is quite different. Here we are building a materials group that will essentially comprise the shareholding in the steel joint venture, the materials trading/distribution business - including stainless steel production - and the marine business. Plus our forging operations and the bearings business.

We have a **very good starting position** in all these businesses. In steel, we are already a leader in market position and profitability and in the future will have a 50% stake in a strong number 2 in Europe. Materials Services is the market leader in Germany and among the leading suppliers in the USA. In conventional submarines, the forging business and slewing bearings, we are number 1 worldwide.

In recent years, we may have shifted our focus in the direction of the capital goods businesses but at the same time we have demonstrated that we know how to **successfully develop** the materials businesses.

But are these markets also attractive? The materials markets are known to **grow less dynamically**, particularly in Europe, and to be **subject to strong fluctuations worldwide**. However, our perspective is different. These are businesses that we know very well.

The basis for this is our decades of experience and very strong customer relationships, giving us a lead in the industry and outstanding market positions.

In all these businesses, we **differentiate** ourselves through the **quality of our products and services**, through expertise and technologies. We know how to run these businesses in order to maintain these unique selling propositions in the future. In the materials businesses, we operate **from a position of strength** and so can consolidate and expand our market positions.

The separation also gives us the **strategic flexibility** to actively participate in **consolidation opportunities in these markets** and leverage further synergies.

Ladies and gentlemen, as you can see the separation will **reduce complexity and make us faster and more flexible**. As the Executive Board, we are therefore convinced that we will be **stronger apart.**

Nevertheless, such a transaction raises **many questions**: How exactly will the separation be carried out? How will the debts and pension liabilities be distributed? Who will manage the two companies? You probably also have these questions.

The **technical procedure for the transaction** is already established: the separation will take the form of a spin-off. As shareholders of thyssenkrupp AG, you will hold **shares in two companies** after the separation: thyssenkrupp Materials AG and thyssenkrupp Industrials AG. thyssenkrupp Materials AG will be 100 percent directly owned by you. You will initially hold a **clear majority** in thyssenkrupp Industrials AG. The rest will belong to thyssenkrupp Materials AG - and thus also indirectly to you.

Why not 100 percent? Quite simply: because we want to provide both companies with a **good capital base**. The Industrials business will get it through the release of hidden reserves. The Materials business will get it from an initial minority stake in Industrials.

This stake will be sold over time. In this way both companies will have an **improved capital base**, which will give them both a **good start**.

The many other questions about the separation will be answered in an **orderly manner in the course of the process**. We have set ourselves an **ambitious timetable** for this:

- The aim is to submit the separation of our Group for your approval at the next **Annual General Meeting** in January 2020.

- The basis for this AGM resolution will be the so-called **spin-off report**. This must be published at least six weeks in advance. We assume that we will be able to present it to you before **the end of 2019**.

- For this to succeed, the two companies will have to **commence operations** at the start of the next fiscal year. The effective date for this is therefore October 1, 2019.

- We expect decisions on the cornerstones of the **financial structure**, **brand image** and **strategy** of the two companies in May 2019.

- We intend to make the **personnel decisions** in spring. By the way, for none of us on the Executive Board has it been decided whether we will go to Industrials or Materials. We will remain neutral as long as possible. First the factual issues, then the personnel issues.

- We are currently working at full speed on the **organizational and management structures** of the two companies. These will be announced on February 12 with the figures for the first quarter.

Ladies and gentlemen, as you can see, the separation of the Group is a complex process. Our timetable is **ambitious**. But it is **doable**. And we have it **in our hands**. We are not dependent on external factors. Not on a buyer, nor on joint venture partners. This gives us a high degree of **transaction certainty**.

With our plan we have not only convinced our two major shareholders, we also have the **support of new, long-term investors**. Singapore's sovereign wealth fund, for example, now has a stake of more than 3 per cent in thyssenkrupp. Harris Associates from Chicago has increased its stake to more than 5 percent. Both explicitly support our chosen path!

Assessment of 2017/18 fiscal year

Ladies and Gentlemen, we now come to the third part of my presentation: Performance.

Overall thyssenkrupp is in **good health**. That means we have **solid foundations** which we can build on. But at the same time we see **great potential** for further improvement and future growth in many of our businesses.

In concrete terms: **Order intake** in the past fiscal year once again matched the strong prior-year level, and **sales** actually increased slightly. This shows that despite all the turbulence of the past few months **our employees** continued to show major commitment.

If we look at the earnings side, the picture is less pleasing. We were unfortunately unable to follow on from the positive performance of the past few years. **Adjusted EBIT** of €1.6 billion was less than the target we set ourselves. The same is true of **net income**: It goes without saying that we **cannot be satisfied** with a net profit of only €60 million.

There are different reasons for these results. For one thing, we had to set aside additional **provisions for legacy cartel issues**. For another, we were hampered in the 4th quarter by historically **low Rhine water levels**. In addition there are the 'building sites' in our business areas, which I will come back to shortly.

We again achieved good results with our **efficiency program impact.** Once again we achieved higher savings than planned – in total €890 million. Our target was €750 million.

We also made good progress in reducing our central **administrative costs**, which were down by more than €150 million year-on-year to well below €400 million. That's a decrease of almost 30 percent.

I know that we demanded a lot of the people at our company last year. The way they maintained their motivation and supported us on the Board was very impressive. That makes us proud. And so I would like to take this opportunity to say a big thank you to all our employees at thyssenkrupp.

Against the background of our earnings, we once again propose to pay a **dividend** of 15 cents per share. We believe this amount to be appropriate and financially justifiable. It takes account of the fact that we are not yet where we want to be. But at the same time we are convinced that we are **on the right track**. In the medium term after the separation we will achieve significantly higher earnings, cash flow and value added. That should make it possible to pay higher dividends again.

Of equal importance to you as shareholders is our **stock price**. The events of the past few months have left their mark here. The long period of uncertainty regarding strategy and leadership was a factor in this, as were the weaknesses in our operating business and the slowing of the global economy.

As former CFO I know exactly what the capital market is now expecting of us. We have to achieve our performance targets. If we can do that, our stock will also achieve a **higher valuation**.

Performance: 'Building sites' and progress in the BAs

So irrespective of the separation we are putting all our efforts into further improving the **performance of our individual business areas**.

The good thing is: **We know where our weaknesses are**. We have taken a very close look at the individual business areas. We have identified the challenges and defined clear targets for each business area to be met by 2020/21. That means we have very **concrete expectations** of what now needs to happen in the businesses.

We are paying special attention to the businesses in which we see the most potential. These are the building sites in our capital goods businesses: at **Elevator, Components Technology and Industrial Solutions**.

Here again **a lot has happened** in the past few months.

<u>Let's start with Elevator.</u>

Last year was marked by a difficult economic situation. That is also reflected in the performance of our competitors, especially in Asia. Thanks to our broad regional setup we got off reasonably lightly. Yet our leading competitors still operate **significantly more profitably** than we do.

To systematically address the issues facing our Elevator business we **replaced the CEO of the business area**. The management focus will change as a result. Innovations remain important, because they are the key to long-term growth. But first of all we need to improve our performance.

In Peter Walker we have appointed a hands-on, internationally experienced manager as business area CEO. He is a longstanding expert in the elevator business and has the necessary experience to move the business forward quickly. His priorities are to improve profitability and thus increase margins.

As a first step we are **simplifying our structures**. In recent years, particularly in Europe, we have failed to integrate many small acquisitions adequately and quickly enough. That is one reason for our **comparatively high G&A costs**. We are now working hard to rectify this. At the same time we are also reorganizing our **structures in the Americas**. In North America we will focus in the future on improving our existing business and expanding our service share. By contrast, in South America we will be pursuing a clear growth strategy.

Building site number two is the automotive components business.
We **cannot be satisfied** with the current performance of Components Technology. But we have to differentiate between two causes.

Firstly we had **quality problems** in some areas last year. We addressed these immediately. That's why we are confident **that we will be able to meet our own standards for the quality of our products again quickly.**

The second reason is the **current ramp-up of our new plants.** We have invested substantially in new products and sites over the past few years. We have built nine new plants around the world, for example in China, Hungary and Mexico. These are now being ramped up step by step. During the start-up phase it is normal that margins are not yet what they should be. But we are now starting to translate our enormous order backlog into sales. In the automotive business alone our order books are already over 80% full for the next two to three years, which will ensure very good capacity utilization. As soon as production is up to speed and volumes start to rise this will also be reflected in a higher margin.

We have leading **technologies for the mobility of the future**. And we also have good access to the major OEMs worldwide. That means we are **positioned strongly for the future**. Our components and systems feature in a lot of new platforms. So we have a foot in the door that will enable us to **grow this business further in the coming years**.

However, for this to succeed it is important that there is no further slowing of the automotive economy, and **that the operational ramp-up of our new plants goes smoothly**. This is what we are currently focusing our efforts on.

Building site number three is Industrial Solutions.
This business area definitely has **the greatest potential for improvement** – because we have to admit that things were allowed to go on for too long here. We are now working to turn this around with a new management and a new setup. But it will take some time before the measures start generating results in euros and cents, because the plant engineering business is governed by its own rules.

Delays or problems can quickly shrink margins. That's also the case if costs get out of control, which happened all too often in the past. We focused **too one-sidedly on growth** and accepted orders that we couldn't execute as agreed. And in expectation of growth we built up overly complex structures that make us expensive and slow.

In **Marcel Fasswald** we have now appointed an experienced plant engineer as CEO. He also remains the division's Chief Operating Officer. That is a sign of how closely management is now involved in the operating businesses. We need to get our costs under control, manage our projects better and cost them more realistically. We are now creating the necessary structures for this.

But savings alone will not help us move forward. To achieve the turnaround, what we need above all are **new, more lucrative contracts**. In the past few months we have achieved several successes in this area.

To give the best possible support to the realignment of Industrial Solutions we are also taking the Marine Systems unit out of the business area. **That will allow the management of Industrial Solutions to focus fully on their core plant engineering business**.

Outlook for the 2018/19 fiscal year and summary

As you can see, thyssenkrupp will continue to be **shaped largely by the restructuring of the Group** in fiscal 2018/19. We are making **rapid, as-planned** progress with all our building sites. So overall we look to the future – against a difficult economic background – with **cautious optimism**.

We expect all our business areas to achieve **further progress** with their **initiatives for growth and earnings improvement** in the current fiscal year 2018/19. This is also reflected in our outlook. In the continuing operations we want to achieve **adjusted EBIT of over €1 billion** in the current fiscal year. Continuing operations means that Steel is no longer included. Adjusted EBIT in the past fiscal year came to €706 million.

In around two weeks we will report on the 1st quarter results for the current fiscal year. I can tell you this much in advance: traditionally the 1st quarter is **the weakest** for thyssenkrupp. But we are fully in line with our guidance, which means down from the prior-year quarter.

Ladies and Gentlemen, when we meet again **in a year** and request your approval for the separation, your company **thyssenkrupp will already look very different**. The steel joint venture should then be operating independently. We will have made further progress with our performance building sites in the business areas. All our businesses will by then have made **visible progress toward achieving their growth and margin targets for 2020/21**.

We will then also have reached important milestones in our separation. **thyssenkrupp Materials** and **thyssenkrupp Industrials** will be positioned as separate operating companies – with their own brand, strategy and management.

There's no denying that what we are planning will require **major efforts**.

But we have everything we need to make it work. We have a goal that everyone is united behind. We have a clear plan with a structure and milestones to achieve this goal. But above all we have the right people to ensure that all this work meshes together – you can depend on us!

Ladies and Gentlemen, I'm **not one for making grand statements**. I believe my strengths lie more in **tackling issues and getting things done**. Joint venture, separation and performance – **we know what needs to be done**.

And now I would like to thank you for your attention and look forward to your questions.