Strategy 20-30 designed to tackle the challenges and capitalize on opportunities in the steel market

### Challenges

- **Market environment – Steel industry at cyclical low-point**
  - Increased raw material costs
  - Price pressure for steel products
  - Softer demand (Covid-19 to be considered)
  - Oversupply, intensified by imports

- **SE organization and cost base**
  - Increased personnel costs
  - Organisational inefficiencies, also due to legacy

- **SE production process**
  - Downstream footprint with inefficiencies, too fragmented

### Opportunities

- **Steel Europe with strong USPs**
  - Premium flat steel producer with (one of) the most efficient integrated production sites in Europe

- **Market until 2030**
  - Industry with moderate growth
  - Auto with moderate growth; most profitable segment

- **Auto**
  - Demand for thinner, wider and lighter flat steel products (hot-forming and multiphase steel products)
  - Demand shift from electrolytic to hot-dip galvanized coatings
  - Demand for "specialties" in Europe, e.g. grain-oriented electrical steel for e-engines

### Countermeasures at Steel Europe needed right now!
Steel Europe is (one of) the biggest, most efficient, integrated steel assets in Europe
Steel Europe operations in the Center of Europe and close to its main (auto) customers

Premium flat steel producer
Technology leader and full-service provider for high-quality flat carbon steel products

Duisburg as strategic location with favorable logistics (Rhine)
Within a 500 km radius: ~40% of customers and ~60% of shipments

Strong focus on Europe, global network
Attractive steel products and services available worldwide

Reliable earnings and cash flow contributor
Steel Europe with major contribution to tk’s performance improvements

Further production sites
Steel Europe with fundamental value through premium grade flat carbon steel
Reliable returns by benchmark position in products and processes

**EBIT adj. [€mn]**

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**BCF [€mn]**

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Steel Strategy 20-30

- Performance and cost-reduction with effects in short-term to start NOW
- Immediate preparation of downstream network optimization
- Continue existing path to climate-neutral steel products
- Reliable earnings and Cash Flow
- ROCE ≥ WACC over the cycle
Strategy 20-30: strengthen competitiveness and downcycle resilience

Performance
- Better cost base, higher av. revenues/t,
- Add. ~€200 mn p.a. in EBIT and BCF
- Headcount (FTE) reduction: 1,000 administration (SG&A); 800 production; 200 logistics and maintenance
- Optimization of processes and product quality in downstream network by additional investments of ~€800 mn over 6 years
  - Build on competitiveness of Duisburg production site
  - Close Bochum production site (Castroper Street); additional reduction of up to 1,000 FTE until 2026
  - Readiness for shipments of up to 11.5 mt/a, shift in product portfolio towards highly profitable focus segments
- Add. ~€400 mn p.a. in EBIT and BCF

Portfolio
- Higher share of premium products
- More efficient downstream footprint
- Leverage leading product and technology expertise, support customers particularly in mobility: light-weight high safety; superior surface quality; e-mobility
- Heavy Plate: Execution of „Sell“ or „Close“ until end FY 20/21
- Electrical Steel (GO): turnaround concept; focus on high-end silicon grades for Industry customers in Europe

Ramp-up of add. ~€600 mn p.a. in EBIT and BCF; upside from performance in short-term, from portfolio in mid-term
Portfolio: Holistic approach across entire downstream network

Duisburg
- Concentration and higher utilization of integrated production:
  - Steel mill operations
  - Hot rolling operations
  - Coating processes for auto sheets

Bochum
- Closure of Bochum (Castroper Street) site
  - Reduction of 1,000 FTEs until 2026
- Enabling of Bochum (Essener Street) site for advanced auto products
  - Non-grain-oriented electrical steel for e-engines
  - High-end finishing lines for auto sheets

Target
- FY 17/18: 11.3 mt
- Target: 11.5 mt

Coated, superior surface quality
Hot-forming
Non-grain-oriented electrical steel for e-mobility
Chassis
Multiphase steels

Focus segment products in relation to total shipments
Strategy 20-30: foster fundamental value of Steel Europe

- Build on Steel Europe’s strong USPs
  - technology leader in premium flat carbon steel
  - preferred supplier of German auto OEMs
  - highly efficient integrated production site in Duisburg at river Rhine

- Strengthen competitiveness by securing long-term technology leadership and improving cost base

- Initiate immediate restructuring, reduce headcount by 3,000 FTE in total (2,000 in next 3 years; plus 1,000 until 2026)

- Holistic approach for production network optimization; additional investments of €800 mn over 6 year

- Continue existing path for climate-neutral steel products

~€600 mn EBIT/BCF:
  - short-term ~€200 mn from cost reduction
  - mid-term ~€400 mn from production network optimization
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