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thyssenkrupp and Tata Steel sign memorandum of understanding for a 50/50 joint venture of their European steel activities

Essen, September 20, 2017. thyssenkrupp and Tata Steel today have signed a memorandum of understanding about the combination of their European steel activities in a 50/50 joint venture. The goal is to create a leading European flat steel player with a special focus on quality and technology leadership as well as a sustainably competitive cost base.

As a strong number two in Europe, both companies could achieve significant scale and network advantages together. They would create an integrated production and logistic network in Europe, enabling a better use of facilities. Both company's steel mills belong to the most efficient ones in Europe and complement each other in terms of customer sectors and products. Both companies are operating profitably.

The new company with the name thyssenkrupp Tata Steel, headquartered in the region of Amsterdam, would have pro forma sales of about € 15 billion, annual shipments of about 21 million tons of flat steel and about 48,000 employees at currently 34 sites.

The negotiations about the details of the transaction and the due diligence shall be finalized by signing of the transaction at the beginning of 2018. The signing of the joint venture contract will be subject to approval of the Supervisory Board of thyssenkrupp AG and the Board of Directors of Tata Steel. Besides, the transaction then requires merger approval especially from EU commission.

Through the combination, both companies would benefit from significant synergies of € 400 to € 600 million. In the early years these synergies would primarily derive from an integration of sales and administration, research and development, a joint optimization of procurement, logistics and service centers as well as from an improved capacity utilization of steel processing (downstream activities). In a later stage, the entire production network would be reviewed. Synergies that might potentially result from this have not been quantified thus far.

Both partners expect that in the joint venture up to 2,000 jobs in administration and possibly up to 2,000 jobs in production will have to be reduced. Those impacts shall be jointly shared between both partners.