



**Tata Steel – thyssenkrupp JV: Signing of the definitive agreement  
June 30, 2018**

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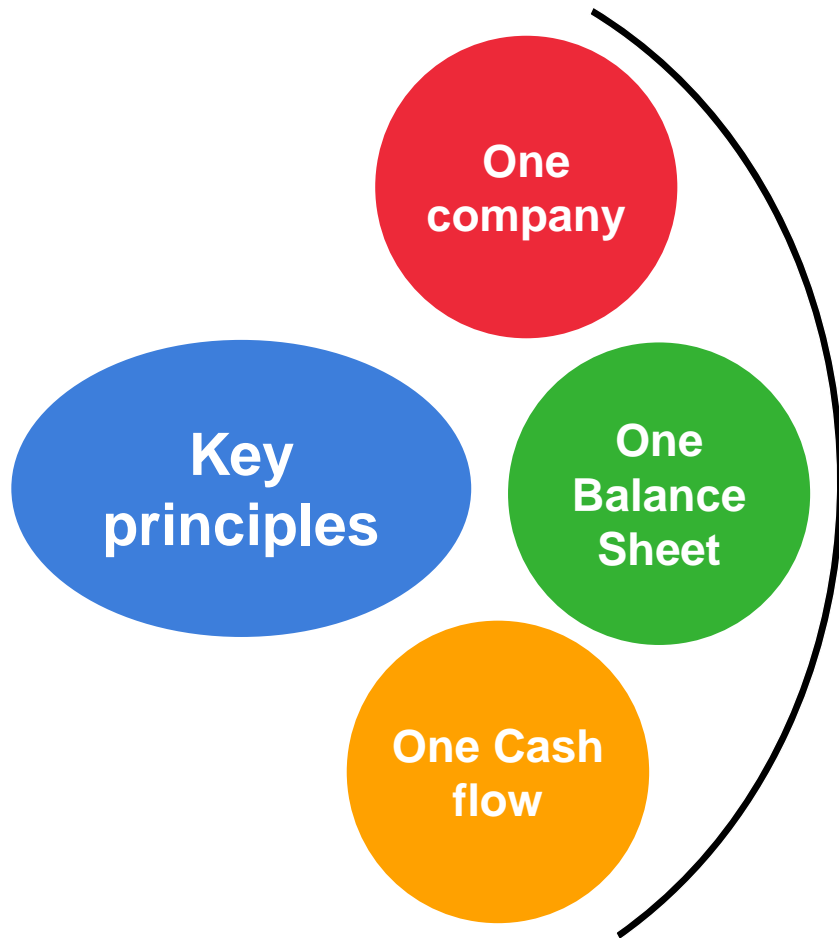
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# Signing of definitive agreement with thyssenkrupp to create European steel champion

- ✓ A 50/50 joint venture between Tata Steel and thyssenkrupp
- ✓ Creating a sustainable European steel enterprise – a strong new #2 in European steel market (Pro forma<sup>1</sup>: ~€17 bn sales, and >21 mn tons shipments)
- ✓ The joint venture to:
  - create significant value for all stakeholders; expected identified annual synergies of €400-500 mn plus synergies on capex & working capital effects
  - focus on quality and technology leadership
- ✓ Capital structure designed to ensure financial robustness of the joint venture
- ✓ JV formation also to result in deconsolidation of Tata Steel Europe from Tata Steel Group balance sheet and facilitate deleveraging

1. Indicative figures as of March 2018

2. The transaction is subject to merger control clearance in several jurisdictions, including the European Union



- **Name** – thyssenkrupp Tata Steel B.V.
- **Headquarters** in the Amsterdam region of the Netherlands
- **Two-tier board structure** (Management Board & Supervisory Board) with equal representation by Tata Steel and thyssenkrupp
- **Governance aspects** – Functional leadership, external financing on holding level only, capital allocation across JV
- **Employee representation structures** will be retained; Employee Executive Committee (EEC) to be established at JV holding level

# Identified synergies of €400-500 mn p.a. plus synergies in capex and working capital

Identified in due diligence

Working capital & capex effects

€400-500 mn

## SG&A

- Merging of activities
- Combined sales network
- Reduction of non personnel costs

## Purchasing and logistics

- Economies of scale
- Inbound logistics
- Optimization of supplier structure & mix

## Downstream Network

- Focus on higher value added products
- Optimization of network structure & utilization
- Combining of maintenance & technical services

## Cost synergies

- Capital structure is designed to ensure financial robustness:
  - Tata Steel will transfer external debt of ~€2.5 billion<sup>1</sup>
  - Pro-forma EBIDTA is of ~€2 billion per annum with identified synergies
  
- In-principle agreement to evaluate options for an Initial Public Offering (IPO) in the future, subject to market conditions
  
- The joint venture will issue warrants equivalent to 10% of equity capital to thyssenkrupp – subject to certain dilution provisions, can be monetised through secondary sale in case of IPO

*1. subject to customary closing adjustments*

## Key steps taken over the last 3 years

- ✓ Launch of European transformation program
- ✓ Restructuring of European steel business
- ✓ Structural restructuring of UK pension scheme through RAA<sup>1</sup>
- ✓ MoU signing with thyssenkrupp for the joint venture

## Milestone achieved on 30<sup>th</sup> Jun, 2018

- ✓ Signing of joint venture definitive agreement with thyssenkrupp
- ✓ Start of merger control procedures and carve out process

## Way forward

- ✓ Complete the regulatory approvals process for JV formation
- ✓ Deconsolidation of Tata Steel Europe and identified liabilities from Tata Steel Group balance sheet
- ✓ Long term commitment for the joint venture

1. Regulated apportionment arrangement



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