Press release

thyssenkrupp in first 9 months 2019/2020 significantly down year-on-year due to coronavirus / stabilization expected in 4th quarter / elevator sale strengthens balance sheet

- Weeks of stoppages and slump in auto sector impact in particular materials and components businesses
- Structural challenges continue to weigh on steel business
- Sales of continuing operations after 9 months down 15 percent year-on-year
- Adjusted EBIT in Q3 significantly negative at €(679) million due to sales slump and resulting capacity underutilization
- Q4 performance expected to be stable quarter-on-quarter; for full year negative adjusted EBIT between €1.7 billion and €1.9 billion likely
- Cash inflow from elevator transaction in Q4 will significantly strengthen balance sheet
- CEO Martina Merz: "With the proceeds from the elevator transaction we can now at last systematically address overdue measures"

thyssenkrupp's performance in the first 9 months of the current fiscal year was significantly impacted by the effects of the coronavirus pandemic. As a result of temporary plant closures at customers, production in many areas came almost to a halt at the start of the 3rd quarter. The materials and components businesses dependent on the auto industry were particularly hard hit. Added to this were structural challenges in the steel business in an already difficult general market environment.

Against this background **order intake**[1] in the first 9 months of the current fiscal year decreased year-on-year by 19 percent to €19.8 billion. **Sales** were down by 15 percent to €21.6 billion. Despite immediate countermeasures in response to the coronavirus pandemic, **adjusted EBIT** after 9 months at €(1,122) million was significantly lower than a year earlier (€42 million). Particularly impacted by the pandemic, the 3rd quarter alone accounts for adjusted EBIT of €(679) million. In its last forecast thyssenkrupp expected a loss for the period April to June in the high three-digit million euro range and could not rule out a figure of up to a good €1 billion.

"We have worked hard to keep our costs under control and secure liquidity. As a result we came through the crisis slightly better than initially feared in the third quarter overall," said Martina Merz, Chief Executive Officer of thyssenkrupp AG. "While we are now seeing signs of stabilization, the forthcoming restructurings and cleaning up of the balance

[1] Unless otherwise stated, all figures relate to the continuing operations, i.e. excluding the elevator business and individual units from Corporate Headquarters reported as discontinued operations.

sheet will continue to weigh on earnings in the current quarter. With the proceeds from the elevator transaction we can now at last systematically address these overdue measures."

Greatest possible flexibility in allocation of funds

In view of the uncertain economic situation caused by the coronavirus, the company will continue to retain the greatest possible flexibility in the concrete allocation of funds from the elevator transaction. Part of the proceeds will be used selectively to develop and restructure businesses where attractive target returns can be achieved in the short term. In addition, thyssenkrupp will repay financial liabilities in line with their maturity profile. Also, the significant fluctuations in net working capital during the course of the year are to be normalized, in particular through reduced use of year-end measures and factoring.

Klaus Keysberg, Chief Financial Officer of thyssenkrupp AG: "Normalizing net working capital will improve comparability between quarters. This will provide greater transparency and make our forecasts more dependable. This will impact our cash flow in the current fiscal year in an amount of altogether around 2.5 billion euros. A year-on-year comparison will thus not be meaningful."

Performance of the businesses in the first 9 months 2019/2020

Automotive Technology was hit particularly hard by the fallout from the coronavirus pandemic. The collapse in demand in the world's biggest auto market China in February was followed from March by further plant shutdowns by big customers as a result of the lockdown particularly in Europe, the US, and Mexico. In China there were signs of a slight recovery from the end of April after the easing of restrictions. Order intake and sales in the first 9 months were down year-on-year by 14 percent and 12 percent respectively. This decline is also reflected in operating income. Adjusted EBIT at €(157) million was significantly lower than a year earlier (€17 million).

At **Industrial Components** the bearings unit continued to perform strongly thanks in particular to the good order situation for wind energy in Germany and China. The forgings business – operating in an already weak market for truck and construction machinery components – was impacted by slowdowns at all major plants in response to the coronavirus pandemic. Overall order intake and sales were down by 21 percent and 17 percent respectively. Adjusted EBIT at €122 million was lower than a year earlier (€168 million).

Plant Technology increased its sales in the first 9 months by 6 percent, with a major contribution coming from chemical plant engineering. Compared with the prior year, which included major mining equipment and fertilizer plant orders, order intake was 38 percent lower, mainly as a result of pandemic-related project deferrals. Despite sales increases in chemical plant engineering, stable service business and positive effects from the cost-saving program, adjusted EBIT decreased to €(135) million (prior year €(114) million). Negative impacts included lower sales due to slower progress on cement projects and deferrals in order intake as a result of the pandemic.

Order intake at **Marine Systems** was down by 7 percent. Sales too were 9 percent lower at €1.2 billion, reflecting temporarily slower progress on submarine projects. However, buoyed by performance measures, adjusted EBIT was positive at €6 million (prior year: €0 million).

Materials Services continued to feel the effects of pandemic-related weak demand and declining prices in virtually all product segments, in particular in the 3rd quarter. The exception was plastics, which profited above all from the sale of transparent plastic sheets as protection against coronavirus. The pandemic-related temporary closure of the Italian stainless steel plant AST from the second half of March had a negative impact. Order intake and sales each decreased by 18 percent. The situation particularly in warehousing and distribution, the auto-related service centers and at aerospace weighed on business and led to negative earnings effects. Accordingly, adjusted EBIT was down year-on-year at €(62) million (prior year: €119 million).

The performance of **Steel Europe** was again characterized by the extremely challenging situation in the steel sector. Demand from the auto industry, which was already noticeably lower in March, slumped further in the course of the 3rd quarter, also due to declining order volumes from other industrial customers. The performance of the packaging steel operations was stable. Overall, order intake and sales after 9 months were down 24 and 20 percent respectively from the prior year. As a result of declining shipments and continuing cost pressure, adjusted EBIT slipped further into negative territory at €(706) million (prior year: €77 million). Launched in March, the Steel Strategy 20-30 aimed at sustainably improving competitiveness will now be implemented even more rigorously.

Presented as a discontinued operation, the **elevator business** recorded order intake and sales level with the prior year in the first 9 months. While the new installations and service business in the USA performed positively, Elevator Technology saw declines in Asia and Europe due to the coronavirus pandemic. Adjusted EBIT at €613 million was slightly lower than a year earlier in particular due to the negative earnings effects in Europe (prior year: €642 million).

Key figures first 9 months 2019/2020 (full group)

In the first 9 months of the 2019/2020 fiscal year thyssenkrupp (incl. discontinued operations) reports a **net loss** of €(1,978) million (prior year €(170) million). This was mainly due to weak operating performance as a result of the coronavirus pandemic. Added to this are restructuring expenses for the implementation of the change process and expenses in connection with the elevator transaction. After deduction of minority interest the net loss was €(1,998) million (prior year: €(207) million); earnings per share came to €(3.21) (prior year: €(0.33).

Free cash flow before M&A also remained clearly negative at €(3.5) billion, down €0.9 billion from the prior year. The main reasons for this were weak operating performance as a result of the pandemic and the payment of the fine in the heavy plate cartel case in the amount of the recognized provisions of €370 million.

As a result of the negative free cash flow before M&A and the effects of the remeasurement of lease liabilities in accordance with IFRS 16 in the amount of €1 billion recorded in the 1st quarter, **net financial debt** increased to €8.5 billion at June 30, 2020 (at September 30, 2019: €3.7 billion). At the end of June 2020 thyssenkrupp had **available liquidity** of €3.9 billion. Mainly due to the net loss, **total equity** at the reporting date was €2.2 billion lower than at September 30, 2019.

The closing of the sale of the elevator business on July 31, 2020 substantially improves the group's balance sheet ratios. The payment of the purchase price results directly in a significant decrease in net financial debt and the creation of net financial assets, and a substantial increase in total equity.

At the beginning of May thyssenkrupp entered into a €1 billion credit facility under the KfW special program to secure liquidity during the coronavirus pandemic until the closing of the elevator transaction. The credit facility was not drawn and ended with the closing of the elevator transaction.

2019/2020 forecast

Despite the cautious resumption of production following the easing of coronavirus measures in key industrial nations, international infection rates remain high and there is a continued risk of further waves of infection in the course of the year. For this reason and due to the continuing disruptions to economic and public life, forecasts for the remaining months of the fiscal year are still subject to major uncertainties.

It is already foreseeable that due to the temporary plant closures and production cutbacks by customers in the automotive industry, **sales from continuing operations** will decline significantly, above all in the 2nd half (prior year, continuing operations: €34.0 billion).

Depending on the speed at which production is restarted by our customers, thyssenkrupp expects almost all businesses, with the possible exception of Steel Europe, to report a stable performance or a slight quarter-on quarter improvement in the 4th quarter. Nonetheless, **adjusted EBIT from continuing operations** is expected to be negative in the mid to high 3-digit million euro range. As a result, full-year negative adjusted EBIT of between €1.7 billion and €1.9 billion is likely. The year-on-year decline in earnings (prior year, continuing operations: €(110) million) is influenced heavily by the high loss in the steel operations of up to a good €1 billion (prior year, Steel Europe: €31 million).

Due to operating performance and the charge from the normalization of net working capital in the amount of around €2.5 billion toward further continuous optimization, the forecast for **free cash flow before M&A of continuing operations** is between €(5.0) billion and €(6.0) billion (prior year, continuing operations: €(1,756) million.

As a result of the elevator transaction the **free cash flow of the group** and the **net income of the group** in the current fiscal year will be significantly positive.

Current footage material can be found here.

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thyssenkrupp in figures – overview of key performance indicators

		Full group				Group – continuing operations[1]			
		9 months ended June 30, 2019	9 months ended June 30, 2020	Change	in %	9 months ended June 30, 2019	9 months ended June 30, 2020	Change	in %
Order intake	million €	30,690	25,895	(4,795)	(16)	24,555	19,781	(4,774)	(19)
Net sales	million €	31,153	27,492	(3,662)	(12)	25,319	21,640	(3,678)	(15)
EBIT[2]	million €	396	(1,066)	(1,461)	--	(193)	(1,592)	(1,399)	--
EBIT margin	%	1.3	(3.9)	(5.1)	--	(0.8)	(7.4)	(6.6)	--
Adjusted EBIT[2]	million €	683	(445)	(1,128)	--	42	(1,122)	(1,164)	--
Adjusted EBIT margin	%	2.2	(1.6)	(3.8)	--	0.2	(5.2)	(5.4)	--
Income/(loss) before tax	million €	124	(1,317)	(1,441)	--	(445)	(1,822)	(1,377)	--
Net income/(loss) or earnings after tax	million €	(170)	(1,978)	(1,808)	--	(548)	(1,949)	(1,401)	--
attributable to thyssenkrupp AG's shareholders	million €	(207)	(1,998)	(1,792)	--	(584)	(1,968)	(1,384)	--
Earnings per share (EPS)	€	(0.33)	(3.21)	(2.88)	--	(0.94)	(3.16)	(2.22)	--
Operating cash flows	million €	(1,709)	(2,502)	(792)	(46)	(2,237)	(3,171)	(935)	(42)
Cash flow for investments	million €	(955)	(978)	(23)	(2)	(809)	(854)	(46)	(6)
Cash flow from divestments	million €	60	50	(9)	(16)	57	45	(12)	(21)
Free cash flow[3]	million €	(2,604)	(3,429)	(825)	(32)	(2,988)	(3,981)	(992)	(33)
Free cash flow before M & A[3]	million €	(2,546)	(3,455)	(910)	(36)	(2,988)	(4,012)	(1,023)	(34)
Net financial debt (June 30)	million €	5,101	8,461	3,360	66				
Total equity (June 30)	million €	2,494	(9)	(2,503)	--				
Gearing (June 30)	%	204.5	—[4]	—	—				
Employees (June 30)		161,740	155,446	(6,294)	(4)				

[1] See preliminary remarks.
[2] See reconciliation in segment reporting (Note 10).
[3] See reconciliation in the analysis of the statement of cash flows.
[4] Due to the reported negative total equity (June 30, 2020), the calculation of a meaningful gearing key ratio is not possible.

		Full group				Group – continuing operations[1]			
		3rd quarter ended June 30, 2019	3rd quarter ended June 30, 2020	Change	in %	3rd quarter ended June 30, 2019	3rd quarter ended June 30, 2020	Change	in %
Order intake	million €	10,219	6,693	(3,527)	(35)	8,221	4,793	(3,428)	(42)
Net sales	million €	10,779	7,710	(3,069)	(28)	8,738	5,765	(2,973)	(34)
EBIT[2]	million €	183	(488)	(671)	--	(39)	(729)	(691)	--
EBIT margin	%	1.7	(6.3)	(8.0)	--	(0.4)	(12.7)	(12.2)	--
Adjusted EBIT[2]	million €	226	(415)	(641)	--	(13)	(679)	(666)	--
Adjusted EBIT margin	%	2.1	(5.4)	(7.5)	--	(0.1)	(11.8)	(11.6)	--
Income/(loss) before tax	million €	80	(574)	(654)	--	(125)	(810)	(685)	--
Net income/(loss) or earnings after tax	million €	(77)	(668)	(591)	--	(213)	(879)	(666)	--
attributable to thyssenkrupp AG's shareholders	million €	(94)	(678)	(584)	--	(229)	(819)	(590)	--
Earnings per share (EPS)	€	(0.15)	(1.09)	(0.94)	--	(0.37)	(1.33)	(0.96)	--
Operating cash flows	million €	218	(489)	(707)	--	(53)	(1,004)	(950)	--
Cash flow for investments	million €	(375)	(292)	82	22	(289)	(241)	48	16
Cash flow from divestments	million €	8	21	13	173	7	21	14	192
Free cash flow[3]	million €	(149)	(760)	(611)	--	(335)	(1,224)	(889)	--
Free cash flow before M & A[3]	million €	(92)	(770)	(678)	--	(335)	(1,238)	(902)	--
Net financial debt (June 30)	million €	5,101	8,461	3,360	66				
Total equity (June 30)	million €	2,494	(9)	(2,503)	--				
Gearing (June 30)	%	204.5	—[4]	—	—				
Employees (June 30)		161,740	155,446	(6,294)	(4)				

[1] See preliminary remarks.
[2] See reconciliation in segment reporting (Note 10).
[3] See reconciliation in the analysis of the statement of cash flows.
[4] Due to the reported negative total equity (June 30, 2020), the calculation of a meaningful gearing key ratio is not possible.

	Order intake million €		Net sales million €		EBIT[1] million €		Adjusted EBIT[1] million €		Employees	
	9 months ended June 30, 2019	9 months ended June 30, 2020	9 months ended June 30, 2019	9 months ended June 30, 2020	9 months ended June 30, 2019	9 months ended June 30, 2020	9 months ended June 30, 2019	9 months ended June 30, 2020	June 30, 2019	June 30, 2020
Automotive Technology[2]	3,897	3,350	3,954	3,477	11	(350)	17	(157)	25,513	24,793
Industrial Components[2]	2,006	1,578	1,882	1,568	149	71	168	122	14,120	12,517
Elevator Technology	6,136	6,112	5,835	5,852	590	568	642	613	53,013	51,090
Plant Technology[2]	2,230	1,385	2,009	2,137	(126)	(148)	(114)	(135)	11,423	10,919
Marine Systems	385	358	1,305	1,190	(1)	1	0	6	5,870	6,161
Materials Services	10,528	8,645	10,590	8,680	106	(87)	119	(62)	20,242	19,239
Steel Europe	6,969	5,317	6,828	5,459	(75)	(841)	77	(706)	27,934	27,559
Corporate Headquarters[2]	1	3	1	3	(198)	(311)	(175)	(169)	1,092	835
Reconciliation[2]	(1,463)	(853)	(1,250)	(874)	(61)	31	(50)	41	2,533	2,333
Full group	**30,690**	**25,895**	**31,153**	**27,492**	**396**	**(1,066)**	**683**	**(445)**	**161,740**	**155,446**
Discontinued elevator operations[2]	6,135	6,114	5,834	5,851	589	526	641	677	53,013	51,090
Group continuing operations[2]	**24,555**	**19,781**	**25,319**	**21,640**	**(193)**	**(1,592)**	**42**	**(1,122)**	**108,727**	**104,356**

[1] See reconciliation in segment reporting (Note 10).
[2] See preliminary remarks.

	Order intake million €		Net sales million €		EBIT[1] million €		Adjusted EBIT[1] million €	
	3rd quarter ended June 30, 2019	3rd quarter ended June 30, 2020	3rd quarter ended June 30, 2019	3rd quarter ended June 30, 2020	3rd quarter ended June 30, 2019	3rd quarter ended June 30, 2020	3rd quarter ended June 30, 2019	3rd quarter ended June 30, 2020
Automotive Technology[2]	1,308	815	1,365	842	2	(142)	(5)	(129)
Industrial Components[2]	661	432	660	452	52	23	69	26
Elevator Technology	1,999	1,898	2,042	1,947	222	192	239	211
Plant Technology[2]	1,048	360	725	644	(63)	(102)	(55)	(97)
Marine Systems	145	123	510	385	(1)	3	0	4
Materials Services	3,336	2,242	3,505	2,245	34	(111)	43	(100)
Steel Europe	2,177	943	2,347	1,455	9	(344)	1	(334)
Corporate Headquarters[2]	1	2	1	1	(59)	(49)	(57)	(40)
Reconciliation[2]	(457)	(121)	(374)	(261)	(13)	41	(10)	43
Full group	**10,219**	**6,693**	**10,779**	**7,710**	**183**	**(488)**	**226**	**(415)**
Discontinued elevator operations[2]	1,999	1,900	2,041	1,946	221	241	238	263
Group continuing operations[2]	**8,221**	**4,793**	**8,738**	**5,765**	**(39)**	**(729)**	**(13)**	**(679)**

[1] See reconciliation in segment reporting (Note 10).
[2] See preliminary remarks.