Press Release

thyssenkrupp progressing well with transformation despite coronavirus pandemic / balance sheet significantly strengthened by Elevator sale / operating performance in 2019/2020 fiscal year impacted by pandemic

- Cash inflow from Elevator sale strengthens balance sheet and facilitates far-reaching transformation; extensive restructurings already underway
- Order intake and sales in 2019/2020 fiscal year down significantly year-on-year due to slump in demand mainly from automotive industry
- Coronavirus impacts and structural challenges particularly in steel business resulted in adjusted EBIT of €(1.6) billion, slightly exceeding revised full-year forecast
- Significant improvement in adjusted EBIT expected for current fiscal year
- Priorities for 2020/2021: performance improvement, solution for steel business, decisions on future of Multi Tracks
- CEO Martina Merz: "Our strengthened balance sheet gives us the opportunity to systematically implement further necessary steps in our plan for the future of thyssenkrupp. We're not yet where we need to be and will therefore keep on working persistently."

thyssenkrupp's performance in the 2019/2020 fiscal year was significantly impacted by the effects of the coronavirus pandemic. The materials and components businesses in particular suffered from the slump in demand from the automotive industry and other sectors. As customers restarted production, business increasingly stabilized between July and September.

For the 2019/2020 fiscal year (to September 30) thyssenkrupp reports **order intake**[1] of €28.2 billion, down 17 percent year-on-year. **Sales** decreased by 15 percent to €28.9 billion. At €(1,6) billion, **adjusted EBIT** was as expected lower than a year earlier (€(110) million). Thanks to the stabilization of business in the 4th quarter and strict measures to secure liquidity and reduce costs, the revised earnings forecast made in August (€(1.7) billion to €(1.9) billion) was slightly exceeded.

Martina Merz, Chief Executive Officer of thyssenkrupp AG: "The coronavirus pandemic is a massive stress test for thyssenkrupp. Our top priority remains the protection of our employees and our businesses. Despite the headwind, we have achieved important milestones in the transformation of the group. In particular, our strengthened balance sheet gives us the flexibility to systematically implement further necessary steps in our plan for the future of thyssenkrupp. But: we're not yet where we need to be. The next steps could be more painful than the previous ones. But we will have to take them."

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

Progress with transformation into high-performing "Group of Companies"

In parallel with the immediate coronavirus measures, thyssenkrupp made further progress with the transformation of the company in the past fiscal year. The elevator business was successfully sold, significantly strengthening the company's balance sheet. In addition, extensive restructurings were initiated – for example at System Engineering, Springs & Stabilizers and the cement plant and aerospace businesses. In the steel business, too, extensive restructurings have been underway since spring. To address the specific market situation and counter the effects of coronavirus, adjustments to the execution of the Steel Strategy 20-30 and also further cost reductions are currently being worked on.

In May 2019 the company announced a reduction of 6,000 jobs over three years necessary for the transformation of the group. As a result of the restructurings begun and implemented in the past year, around 3,600 jobs have already been cut. To address long-term market developments and the effects of coronavirus, thyssenkrupp currently sees the need for a further reduction of altogether 11,000 jobs – measured against the starting situation. These additional 7,400 jobs are to be reduced over the next three years.

Oliver Burkhard, Chief Human Resources Officer of thyssenkrupp AG: "We're in the middle of the biggest restructuring process in the history of thyssenkrupp. Unfortunately, this will involve further job cuts, there is unfortunately no way around it. We will address this together with the employee representatives locally and find suitable instruments – depending on the scale and severity of the economic situation. Compulsory redundancies remain the last resort. However, we cannot explicitly rule them out at this time."

Talks on options in steel business proceeding to plan

To tackle the structural challenges in the steel business and push ahead with the transformation to green steel, thyssenkrupp is exploring various competing options. A fundamental decision on the steel business is expected to be made in spring 2021.

Progress in Multi Tracks businesses

thyssenkrupp made further progress in the Multi Tracks segment: The company has received indicative offers and a number of expressions of interest for various constellations in **Plant Technology** and for the stainless steel plant in Terni, Italy (**AST**). These are currently being examined in detail. In the **Springs & Stabilizers** and **System Engineering** businesses, thyssenkrupp is systematically continuing the initiated restructurings. A sale process is currently being prepared for **Infrastructure**. At **Heavy Plate** the likelihood of the agreed closure is increasing as there are no longer any interested parties in the bidding process. In the **Chemical Process Technologies** (CPT) business, thyssenkrupp is currently experiencing an enormous increase in demand and numerous project announcements. The unit is profiting from strong growth in demand for hydrogen technologies. thyssenkrupp is therefore examining how it can further strengthen CPT's good starting position in this growing market through alliances.

Martina Merz: "We have taken first forceful steps forward in the transformation of thyssenkrupp but we still have a good way to go. We will have to move further into the "red zone" before we have made thyssenkrupp fit for the future. There is still no certainty regarding what will happen with the coronavirus pandemic. For this reason we will work even harder in all units on improving performance. We will also strive to achieve a solution for the steel business and make decisions on the future of our Multi Tracks businesses."

Clear strengthening of balance sheet through Elevator sale

For the 2019/2020 fiscal year thyssenkrupp (incl. discontinued operations) reports **net income** of €9.6 billion (prior year: €260 million loss). This includes the gain from the sale of the elevator business of around €15 billion. This was partly offset by the weak operating performance caused by the coronavirus pandemic. The pandemic was also the main reason for further impairment losses: In the past fiscal year thyssenkrupp wrote down altogether around €3 billion on noncurrent assets – particularly at Steel Europe and Automotive Technology due to weaker medium-term demand from the automotive industry. In addition, net income was impacted by restructuring expenses of around €600 million. Earnings per share came to €15.40 (prior year: €(0.49)).

Due to the net income achieved, thyssenkrupp's **equity** increased to €10.2 billion at September 30, 2020 (prior year: €2.2 billion). As a result, the **equity ratio** improved to 28 percent (prior year: 6 percent).

Klaus Keysberg, Chief Financial Officer of thyssenkrupp AG: "A strengthened balance sheet creates the basis for the future positioning of thyssenkrupp. We laid the foundation stone for the transformation of the company with the proceeds from the Elevator transaction. At the same time – as announced – we were able to reduce previously standard year-end measures for cash management to a normal level and as a result further improve the transparency and continuity of our business performance."

The normalization of net working capital, announced in summer and implemented in the 4th quarter, impacted **free cash flow before M&A** in the amount of around €3 billion. Further negative factors were the payment of the fine in the Heavy Plate cartel case and the weaker operating performance due to the pandemic. Initial cash-out of around €200 million for the initiated restructurings also impacted the indicator. For the 2019/2020 fiscal year thyssenkrupp thus reports free cash flow before M&A for the full group of €(4.8) billion (prior year: €(1.1) billion). On a continuing basis – i.e. excluding the cash contribution of the elevator business – free cash flow before M&A comes to €(5.5) billion (prior year: €(1.8) billion).

As a result of the cash inflow from the Elevator transaction in the amount of around €15 billion the group's **free cash flow** was positive and at €9.1 billion significantly up year-on-year (prior year: €(1.3) billion). Taking into account the effects of the remeasurement of lease liabilities in accordance with IFRS 16 in the amount of €1 billion recorded in the 1st quarter, and the early repayment of a bond originally due in November 2020, thyssenkrupp reports **net financial assets** of €5.1 billion at September 30, 2020 (prior year: net financial debt of €3.7 billion). With cash and cash equivalents and undrawn committed credit lines totaling €13.2 billion, thyssenkrupp has a very good liquidity position.

As the parent-company financial statements of thyssenkrupp AG show an unappropriated loss, no dividend proposal will be presented for resolution to the Annual General Meeting for fiscal year 2019/2020. Also against the background of the existing operating challenges there is no room for a **dividend** this year.

Coronavirus pandemic impacts performance of the businesses

With the exception of the Steering unit – which profited from the ramp-up of new plants and projects – **Automotive Technology** suffered a significant drop in demand due to the pandemic. Order intake and sales fell year-on-year by 12 and 13 percent respectively. This decline was also reflected in operating income. Overall, adjusted EBIT at €(260) million was significantly down from the prior year (€(22) million).

At **Industrial Components,** the bearings business continued to perform strongly, in particular due to the good order situation in Germany and China in the wind energy sector. Business in the forgings unit was impacted – in an already weak market for truck and construction machinery components – by the temporary shutdown/severely restricted operations of all major plants as a result of the coronavirus pandemic. Overall, order intake and sales decreased by 21 and 17 percent respectively. Adjusted EBIT at €138 million was down from the prior year (€230 million).

Plant Technology held its sales at almost the same level as the prior year. The chemical plant business performed very positively, while sales at the cement plant business were down from the prior year. Sales of the Mining and Service units were stable. Compared with the prior year, which was marked by major orders in the mining and fertilizer businesses, order intake fell by 41 percent, mainly due to restraint in the award of large projects. Nevertheless, the chemical plant business recorded growing interest in electrolysis plants and equipment. The cement plant business won orders in the USA and for a low-CO_2 cement production plant in Cameroon. Despite the sales increases in chemical plant construction, the stable performance of the service business and positive effects from the cost reduction program, adjusted EBIT decreased to €(235) million (prior year: €(145) million). Higher construction site costs due to the pandemic and underutilization of project capacities were the main negative factors.

Order intake at **Marine Systems** was steady year-on-year, while sales decreased slightly by 3 percent. A temporary slowdown in progress on submarine projects had a negative impact. However, driven by measures to improve performance, adjusted EBIT came to €18 million, continuing the positive trend for the second year in succession (prior year: €1 million).

Materials Services felt the effects of weak demand and price falls in almost all product segments with the pandemic intensifying the negative trend from the second half of March. The only exception was the Plastics unit, which made gains above all through the sale of clear plastic sheeting as a protection against coronavirus. Negative effects also came from the temporary closure of the Italian stainless steel plant AST due to the pandemic. Order intake and sales declined significantly by 18 and 19 percent respectively. As a result adjusted EBIT at €(110) million was down from the prior year (€107 million).

Business at **Steel Europe** continued to be marked by the extremely challenging situation on the steel market. Following an already noticeable drop in demand from the automotive industry at the beginning of the fiscal year, the effects of the coronavirus pandemic were increasingly felt in the course of the 3rd quarter. Overall, full-year order intake and sales were down year-on-year by 17 and 20 percent respectively. Due to the collapse in shipments and the cost pressure from weak capacity utilization, adjusted EBIT showed a loss of €(946) million compared with a profit of €31 million a year earlier.

The **elevator business,** presented as a discontinued operation, recorded order intake of €6.7 billion up to deconsolidation at July 31, 2020, a slight drop from the comparable prior-year period. While the new installations and service businesses performed positively in the USA, Elevator Technology recorded declines in Asia and Europe due to the coronavirus pandemic. Sales remained steady at €6.5 billion due to the positive performance in the USA. Adjusted EBIT at €693 million was down from the comparable prior year (€719 million), mainly due to the negative earnings effects in Europe and at Access Solutions.

Forecast 2020/2021: significant improvement in adjusted EBIT

Despite the still expected recovery of important markets and the visible structural improvement of the businesses, thyssenkrupp takes an overall cautious view of the **current fiscal year 2020/2021**. The economic and geopolitical uncertainties give the group only limited planning reliability, especially in the cyclical materials and auto components businesses.

Depending on the recovery of the global auto market the Executive Board expects **sales** growth in the low to mid single-digit percentage range (prior year: €28.9 billion).

Against this background thyssenkrupp expects a significant year-on-year improvement in **adjusted EBIT** to a loss in the mid three-digit million euro range (prior year: pro forma[2] €(1.8) billion). With significant progress across all businesses the Multi Tracks segment will impact earnings with a loss in the low to mid three-digit million euro range (prior year: pro forma €(593) million) and Steel Europe with a loss in the low three-digit million euro range (prior year: pro forma €(820) million).

Despite the significant operating improvements, as well as the absence of impairment losses on noncurrent assets from the prior year, thyssenkrupp expects a **net loss** of over €(1) billion (prior year: €(5.5) billion). This again includes expenses for further restructurings in the mid three-digit million euro range.

Free cash flow before M&A is expected to improve significantly but still remain negative in the region of €(1.5) billion (prior year: €(5.5) billion). Multi Tracks is included in this with an amount in the low to mid three-digit million euro range and Steel Europe with a negative amount in the low three-digit million euro range. Inflows will come from operating improvements in all segments and depending on order intake inflows and the payment profile of projects at Marine Systems and the plant construction business. The absence of the charges from the normalization of net working capital and of the fine in the Steel Europe cartel case will also have a positive effect. Continuing restructuring cash-out in the low to mid three-digit million euro range will have a negative impact.

Go here for current footage material.

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2 From the 2020/21 fiscal year, to improve transparency the definition of special items is more strictly in keeping with the treatment under IFRS. Adjustment items are restructuring expenses, impairment losses, and disposal gains/losses.

thyssenkrupp in figures – overview of key performance indicators

THYSSENKRUPP IN FIGURES

		Full group				Group – continuing operations[1]			
		Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change	in %	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change	in %
Order intake	million €	41,994	34,891	(7,103)	(17)	33,825	28,150	(5,675)	(17)
Net sales	million €	41,996	35,443	(6,553)	(16)	34,036	28,899	(5,137)	(15)
EBIT[2]	million €	272	10,475	10,203	++	(511)	(5,255)	(4,744)	--
EBIT margin	%	0.6	29.6	28.9	++	(1.5)	(18.2)	(16.7)	--
Adjusted EBIT[2]	million €	802	(860)	(1,661)	--	(110)	(1,633)	(1,523)	--
Adjusted EBIT margin	%	1.9	(2.4)	(4.3)	--	(0.3)	(5.7)	(5.3)	--
Income/(loss) before tax	million €	(83)	10,112	10,195	++	(855)	(5,593)	(4,739)	--
Net income/(loss) or earnings after tax	million €	(260)	9,592	9,852	++	(1,110)	(5,541)	(4,431)	--
attributable to thyssenkrupp AG's shareholders	million €	(304)	9,585	9,888	++	(1,153)	(5,547)	(4,394)	--
Earnings per share (EPS)	€	(0.49)	15.40	15.88	++	(1.85)	(8.91)	(7.06)	--
Operating cash flows	million €	72	(3,326)	(3,398)	--	(664)	(4,224)	(3,560)	--
Cash flow for investments	million €	(1,443)	(2,352)	(909)	(63)	(1,210)	(2,188)	(977)	(81)
Cash flow from divestments	million €	108	14,766	14,658	++	101	14,783	14,681	++
Free cash flow[3]	million €	(1,263)	9,088	10,351	++	(1,773)	8,371	10,114	++
Free cash flow before M & A[3]	million €	(1,140)	(4,835)	(3,695)	--	(1,756)	(5,515)	(3,759)	--
Net financial debt (assets) (Sept. 30)	million €	3,703	(5,053)	(8,756)	--				
Total equity (Sept. 30)	million €	2,220	10,174	7,954	358				
Gearing (Sept. 30)	%	166.8	—[4]	—	—				
ROCE	%	1.6	59.8	58.1	++				
thyssenkrupp Value Added	million €	(1,068)	9,073	10,141	++				
Dividend per share	€	—	—	—	—				
Dividend payout	million €	—	—	—	—				
Employees (Sept. 30)		162,372	103,598	(58,774)	(36)				

[1] See preliminary remarks.
[2] See reconciliation in segment reporting (Note 24).
[3] See reconciliation in the analysis of the statement of cash flows.
[4] Due to the strongly positive total equity and reported net financial assets, the significance of the gearing key ratio is of no relevance.

ORDER INTAKE

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %	Change on a comparable basis[1] in %
Automotive Technology[2]	5,251	4,610	(12)	(12)
Industrial Components[2]	2,636	2,095	(21)	(19)
Elevator Technology	8,171	6,739	(18)	0
Plant Technology[2]	2,844	1,670	(41)	(40)
Marine Systems	2,192	2,227	2	21
Materials Services	13,868	11,386	(18)	(18)
Steel Europe	8,784	7,325	(17)	(17)
Corporate Headquarters[2]	5	4	(21)	(21)
Reconciliation[2]	(1,758)	(1,165)	—	—
Full group	**41,994**	**34,891**	**(17)**	**(12)**
Discontinued elevator operations[2]	8,169	6,741	(17)	0
Group continuing operations[2]	**33,825**	**28,150**	**(17)**	**(15)**

[1] Excluding material currency and portfolio effects.
[2] See preliminary remarks.

NET SALES

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %	Change on a comparable basis[1] in %
Automotive Technology[2]	5,407	4,702	(13)	(13)
Industrial Components[2]	2,522	2,099	(17)	(16)
Elevator Technology	7,960	6,546	(18)	1
Plant Technology[2]	2,943	2,897	(2)	0
Marine Systems	1,800	1,750	(3)	(3)
Materials Services	13,880	11,300	(19)	(18)
Steel Europe	9,065	7,269	(20)	(20)
Corporate Headquarters[2]	5	9	108	108
Reconciliation[2]	(1,586)	(1,130)	—	—
Full group	**41,996**	**35,443**	**(16)**	**(12)**
Discontinued elevator operations[2]	7,960	6,544	(18)	1
Group continuing operations[2]	**34,036**	**28,899**	**(15)**	**(15)**

[1] Excluding material currency and portfolio effects.
[2] See preliminary remarks.

ADJUSTED EBIT

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %
Automotive Technology[1]	(22)	(260)	--
Industrial Components[1]	230	138	(40)
Elevator Technology	907	693	(24)
Plant Technology[1]	(145)	(235)	(62)
Marine Systems	1	18	++
Materials Services	107	(110)	--
Steel Europe	31	(946)	--
Corporate Headquarters[1]	(252)	(210)	17
Reconciliation[1]	(56)	53	—
Full group	**802**	**(860)**	**--**
Discontinued elevator operations[1]	912	773	(15)
Group continuing operations[1]	**(110)**	**(1,633)**	**--**

[1] See preliminary remarks.