Press Release

Sales stable despite economic headwind / Operating earnings down year-on-year as expected / full-year forecast unchanged

- 1st quarter 2019/2020 sales at prior-year level
- Operating earnings down year-on-year particularly due to market situation at Steel Europe
- Restructuring measures proceeding to plan
- Full-year forecast for current fiscal year unchanged

In a difficult economic environment, thyssenkrupp's **sales** were virtually stable at €9.7 billion in the first three months of the current fiscal year 2019/2020. While the capital goods businesses achieved in some cases double-digit growth rates, the materials businesses were clearly impacted by price and volume losses. This is also reflected in **order intake**, which was 4 percent lower overall at €9.7 billion. **Adjusted EBIT** amounted to €50 million and as expected was down from the prior year (€217 million) particularly due to the situation at Steel Europe and a general weakening of the automotive market.

"The latest figures are not great. But we are convinced that we are on the right track. A decision on the Elevator transaction is imminent, the negotiations with codetermination representatives on the Steel strategy are making progress, and we are improving our performance. The bottom line: We are moving in the right direction," says Martina Merz, Chief Executive Officer of thyssenkrupp AG.

Performance of the businesses in the 1st quarter 2019/2020

In a difficult overall market environment in the automotive sector – dominated by continuing weak sales on the world's biggest market China – the **Automotive Technology**[1] business area's order intake improved by 5 percent and sales by 11 percent year-on-year. The increases mainly reflected the start of production at new plants and projects, particularly for steering systems but also for damper systems and camshaft modules. This pleasing growth was partly offset by negative earnings contributions from the two businesses under review – System Engineering and Springs and Stabilizers. At System Engineering capacity adjustment and cost measures have already been initiated. Overall adjusted EBIT at €21 million was up from the prior year (€13 million).

[1] In connection with the strategic realignment "newtk" Components Technology has been focused on the automotive business since October 1, 2019 and renamed Automotive Technology. A new addition to the business area is System Engineering, which develops among other things production lines for the auto industry and was part of Industrial Solutions up to September 30, 2019. The Bearings and Forged Technologies businesses have been removed from Components Technology. The two units now report under the name Industrial Components. Industrial Solutions has been renamed Plant Technology and comprises our chemical plant, cement plant and mining equipment businesses.

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At **Industrial Components** bearings in particular profited from the good order situation for wind energy. However in the forgings business, where cost-reduction measures have already been introduced, earnings were impacted by lower volumes for truck and construction machinery components. Overall order intake was down by 13 percent and sales by 5 percent. Adjusted EBIT was level with the prior year at €44 million.

Elevator Technology booked orders worth €2.2 billion in the past quarter – a new record high – mainly resulting from new installations and modernization business in the USA. Sales were 6 percent higher year-on-year, with growth above all in North and South America and Asia/Pacific (particularly in China). Adjusted EBIT showed a positive trend in all regions and improved by 12 percent to €228 million. Margin was 0.5 percentage points up at 11.1 percent, not least due to implementation of the performance program.

Plant Technology achieved a 23 percent increase in sales, mainly in chemical plant engineering. Order intake was 15 percent lower year-on-year, reflecting a major mining order in the prior-year period. The chemical and cement plant businesses showed a stable to positive performance. Adjusted EBIT remained negative but at €(18) million was significantly better than in the prior year (€(30) million) due to a slight recovery in chemical and cement plant engineering, proceeds from the sale of a building, and positive effects from the implementation of the transformation program.

Marine Systems maintained its order intake at the prior-year level. Sales were 28 percent higher at €381 million, particularly as a result of sales from the major order for four frigates from North Africa. Operating earnings remained stable at around break-even.

The **Materials Services** business area felt the effects of the weak market environment and further declining prices. Order intake and sales were down clearly by 9 and 10 percent, respectively. Falling market prices and very weak demand, particularly in warehousing and distribution and in the auto-related service centers in Europe and America, impacted business and led to substantial negative effects. Accordingly adjusted EBIT at €11 million was as expected down sharply from the prior year (€22 million).

The performance of **Steel Europe** was also characterized by the structurally extremely challenging situation in the steel sector. The overall slowdown in market momentum was clearly noticeable, in particular due to the significant drop in demand from the auto industry. Order intake and sales were down 10 and 13 percent respectively from the prior year. As a result of declining shipments and continuing cost pressure – driven again in part by higher raw material costs (especially iron ore) – adjusted EBIT slipped into negative territory at €(164) million (prior year: €38 million).

thyssenkrupp is progressing as planned with the reduction of administrative costs at **Corporate Headquarters** and in the regional organization. Adjusted EBIT remained almost stable at €(66) million.

Key figures 1st quarter 2019/2020

thyssenkrupp reports a **net loss** of €(364) million for the 1st quarter 2019/2020 (prior year €68 million). Alongside operating performance, this was due to restructuring expenses in connection with the implementation of "newtk", increased interest expense for financial debt, and one-time expenses in connection with the Elevator transaction. After deducting minority interest, the net loss in the 1st quarter 2019/2020 was €(372) million (prior year €60 million); earnings per share came to €(0.60) (prior year €0.10).

Despite operating improvements in some businesses, **free cash flow before M&A** at €(2.5) billion remained as expected clearly negative and at the prior-year level. The main reasons for this were the payment of the fine in the heavy plate cartel case in the amount of the recognized provisions of €370 million and the increase in net working capital in the materials businesses. As a result of the negative free cash flow before M&A and the remeasurement of lease liabilities in accordance with IFRS 16 in the amount of €1 billion, the Group's **net financial debt** increased to €7.1 billion (September 30, 2019: €3.7 billion). Taking into account available liquidity of €5.1 billion and the balanced maturity structure, thyssenkrupp remains solidly financed.

As a result of the net loss for the period, **total equity** decreased by €286 million compared with September 30, 2019 to €1.9 billion.

2019/2020 forecast

Taking into account the continuing limited visibility and reduced planning reliability, thyssenkrupp is maintaining its **forecast** for the **current fiscal year 2019/2020**. Against the background of progress in the capital goods businesses, overall weaker earnings in the materials businesses and intensified restructuring measures already initiated, the Executive Board expects **adjusted EBIT** to be level with the prior year (prior year €802 million). **Free cash flow before M&A** is expected to be lower year-on-year (prior year €(1,140) million). Expenses for the intensification of restructuring measures (special items in the mid three-digit million euro range) are expected to result in a significantly higher **net loss** for the year than in the prior year (€(260) million).

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thyssenkrupp in figures – overview of key performance indicators

		Group[1]			
		1st quarter ended Dec. 31, 2018	1st quarter ended Dec. 31, 2019	Change	in %
Order intake	million €	10,111	9,660	(450)	(4)
Net sales	million €	9,736	9,674	(63)	(1)
EBIT[2]	million €	181	(115)	(297)	--
EBIT margin	%	1.9	(1.2)	(3.1)	--
Adjusted EBIT[2]	million €	217	50	(167)	(77)
Adjusted EBIT margin	%	2.2	0.5	(1.7)	(77)
Income/(loss) before tax	million €	99	(206)	(305)	--
Net income/(loss) or earnings after tax	million €	68	(364)	(432)	--
attributable to thyssenkrupp AG's shareholders	million €	60	(372)	(432)	--
Earnings per share (EPS)	€	0.10	(0.60)	(0.69)	--
Operating cash flows	million €	(2,245)	(2,144)	101	4
Cash flow for investments	million €	(257)	(327)	(70)	(27)
Cash flow from divestments	million €	25	18	(8)	(30)
Free cash flow[3]	million €	(2,477)	(2,453)	24	1
Free cash flow before M & A[3]	million €	(2,477)	(2,476)	1	0
Net financial debt (Dec. 31)	million €	4,684	7,138	2,454	52
Total equity (Dec. 31)	million €	3,274	1,934	(1,340)	(41)
Gearing (Dec. 31)	%	143.1	369.1	226.1	158
Employees (Dec. 31)		161,496	161,538	42	0

[1] See preliminary remarks.
[2] See reconciliation in segment reporting (Note 08).
[3] See reconciliation in the analysis of the statement of cash flows.

	Order intake million €		Net sales million €		EBIT[1] million €		Adjusted EBIT[1] million €		Employees	
	1st quarter ended Dec. 31, 2018	1st quarter ended Dec. 31, 2019	1st quarter ended Dec. 31, 2018	1st quarter ended Dec. 31, 2019	1st quarter ended Dec. 31, 2018	1st quarter ended Dec. 31, 2019	1st quarter ended Dec. 31, 2018	1st quarter ended Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019
Automotive Technology[2]	1,283	1,353	1,231	1,367	9	(78)	13	21	24,712	25,891
Industrial Components[2]	643	558	573	544	42	43	43	44	14,493	13,528
Elevator Technology	2,143	2,232	1,923	2,045	199	207	204	228	53,285	52,838
Plant Technology[2]	668	568	615	755	(37)	(19)	(30)	(18)	11,113	11,300
Marine Systems	107	103	298	381	0	0	0	0	5,868	6,104
Materials Services	3,370	3,078	3,388	3,046	22	11	22	11	20,378	20,238
Steel Europe	2,341	2,115	2,131	1,851	34	(166)	38	(164)	27,613	28,093
Corporate Headquarters[2]	0	1	0	1	(74)	(103)	(63)	(66)	1,187	1,041
Reconciliation[2]	(443)	(348)	(424)	(316)	(12)	(10)	(11)	(6)	2,847	2,505
Group[2]	**10,111**	**9,660**	**9,736**	**9,674**	**181**	**(115)**	**217**	**50**	**161,496**	**161,538**

[1] See reconciliation in segment reporting (Note 08).
[2] See preliminary remarks.