

# Charts on Q1 2017/18

## Facts & Figures

Ticker: TKA (Share) TKAMY (ADR)

February 2018

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thyssenkrupp

# Strong earnings in Q1 confirming FY expectations

- ▶ **SWF** **Portfolio reshaping towards a Diversified Industrial**
  - Due Diligence and Signing for steel JV on schedule
  - Agreement & approval with IG Metall fully supports synergy concept

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- ▶ **EBIT adj.** **All Business Areas up or steady except IS**  
**Group: €444 mn; +52%<sup>1</sup>**
  - CT: €77mn; +2%; Automotive and constr. equipment robust vs. lower volumes wind energy components, ramp-up costs new plants and adverse FX effects
  - ET: €220 mn; +3%; Profitable growth supported by performance programs; adverse FX effects; continuing pricing and temporary raw materials cost pressure esp. in China
  - IS: €12 mn; -72%; Lower sales, mix-effects and partial underutilization; significant positive impact from restructuring measures expected for H2
  - MX: €51 mn; -1%; and SE: €160 mn; +€132 mn; Both benefitting from positive spot-price env't and performance measures; SE with significant margin expansion and operational improvements
  - Corporate: €(75) mn; +€40 mn; Lower costs Group initiatives, pos. effect real est. disposal (16 mn)

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- ▶ **Order Intake** **CT and ET driven by strong customer demand, Materials benefitting from favorable trading conditions: Group – Q1: €9,741 mn; +1%<sup>1</sup> (+4%)<sup>1,2</sup>**
  - CT: €1,921 mn; +9% (+14%)<sup>1</sup>; Strong demand automotive and constr. equipment vs. slightly lower demand wind energy; adverse FX effects
  - ET: €1,959 mn; 3% (8%)<sup>1</sup>; Driven by US and South Korea; higher units China, but pricing pressure; adverse FX effects
  - IS: €846 mn; -27% (-28%)<sup>1</sup>; Small and mid-size orders; order pipeline continues to be strong
  - MX: €3,363 mn; +7% (+10%)<sup>1</sup> and SE: €2,071 mn; +0% (+0%)<sup>1</sup>; Both benefitting from positive spot-price environment

<sup>1</sup> Group without Steel Americas yoy | <sup>2</sup> Adjusted for FX and portfolio effects



# Strong earnings in Q1 confirming FY expectations – Guidance confirmed

## ► Net income

**Group: €91 mn; €+96 mn<sup>1</sup>**

- Lower special items (€22 mn vs. €103 in prior year)
- Lower interest expenses (€104 mn vs. €114 mn in prior year)
- vs. one-off charge US tax reform (€ 87 mn)

## ► 'impact'

**€140 mn in Q1 enhancing efficiency**

## ► FCF bef. M&A

**Improvements at IS and MX vs. growth at CT; high NWC requirements at Materials**

**Group: €(1,549) mn<sup>1</sup>; €170 mn yoy**

- CT Q1: Higher growth investments and NWC requirements; adverse FX effects - FYE: Higher earnings and lower CAPEX requirements; yoy up
- ET Q1: Temporary higher NWC requirements (higher receivables and raw material prices); adverse FX effects - FYE: Higher earnings vs. restructuring payouts; yoy up
- IS Q1: Milestone payments vs. mature backlog in payout-phase and partial underutilization - FYE: Significantly higher earnings in H2 vs. restructuring payouts; yoy up
- Materials Q1: Favorable market conditions and volatile raw material prices lead to higher than expected NWC requirements - FYE: Lower NWC requirements; yoy up

## ► FY Guidance confirmed

**EBIT adj.: Striving for a significant increase to €1.8 – 2.0 bn**

- Driven by growth and improvements at Capital Goods
- Depending on continuance of favorable materials market environment and possible FX headwinds

**FCF bef. M&A (Group): Positive** due to:

- Higher earnings, lower NWC vs. significantly higher payouts (€200 – 300 mn) for restructuring

**Net income: Significant increase** due to:

- Higher EBIT adj., lower restructuring cost, lower interest line

<sup>1)</sup> Group without Steel Americas yoy



# Strong earnings in Q1 confirming FY expectations

## Portfolio reshaping towards a Diversified Industrial

- Due Diligence and Signing for steel JV on schedule
- Agreement & approval with IG Metall fully supports synergy concept

EBIT adj. of €444 mn +52%<sup>1</sup>

- All Business Areas up or steady except IS

Order Intake of €9,741 mn +1%<sup>1</sup> / +4%<sup>1,2</sup>

- CT and ET significantly up driven by strong customer demand
- Materials benefitting from favorable trading conditions

Net Income of €91 mn +96 mn<sup>1</sup>

- Lower special items and lower interest expenses vs. one-off charge US tax reform

FCF bef. M&A of €(1,549) mn +170 mn<sup>1</sup>

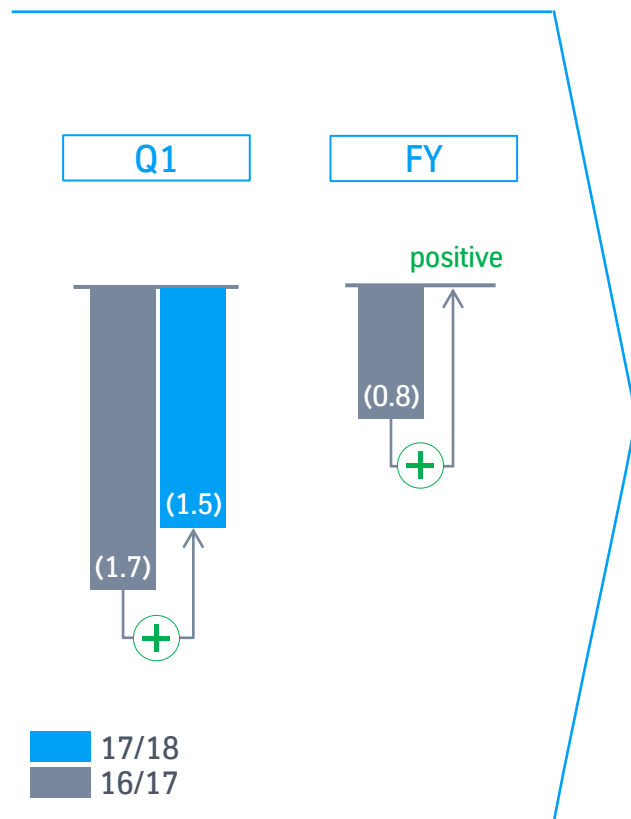
- Improvements at IS and MX vs. growth at CT; high NWC requirements at Materials

<sup>1)</sup> Group without Steel Americas yoy | <sup>2)</sup> Adjusted for FX and portfolio effects



# FCF bef. M&A: Sequential quarterly improvements into positive territory

[€ bn]



CT

**Q1:** Higher growth investments and NWC requirements; adverse FX effects  
**FYE:** Higher earnings and lower CAPEX requirements; yoy up

ET

**Q1:** Temporary higher NWC requirements (higher receivables and raw material prices); adverse FX effects  
**FYE:** Higher earnings vs. restructuring payouts; yoy up

IS

**Q1:** Milestone payments vs. mature backlog in payout-phase and partial underutilization  
**FYE:** Significantly higher earnings in H2 vs. restructuring payouts; yoy up

Mat.<sup>1</sup>

**Q1:** Favorable market conditions and volatile raw material prices lead to higher than expected NWC requirements  
**FYE:** Lower NWC requirements; yoy up

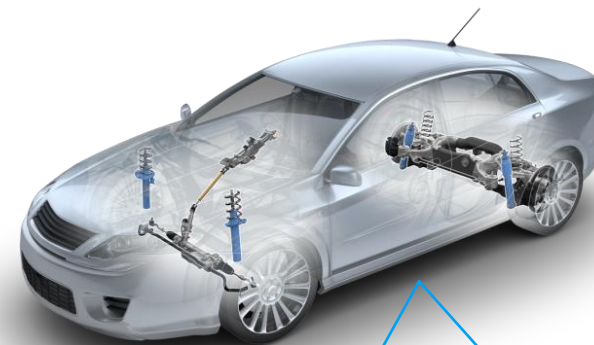
<sup>1)</sup> Materials (SE and MX)



# Continued order intake growth – Components with highest Q1

[€ mn]

Group	Q1 16/17 <sup>1</sup>	Q1 17/18	yoy	yoy (ex F/X <sup>2</sup> )
<b>Group</b>	<b>9,600</b>	<b>9,741</b>	<b>1%</b>	<b>4%</b>
Components Technology (CT)	1,759	1,921	9%	14%
Elevator Technology (ET)	1,903	1,959	3%	8%
Industrial Solutions (IS)	1,159	846	-27%	-28%
Materials Services (MX)	3,131	3,363	7%	10%
Steel Europe (SE)	2,078	2,071	0%	0%



Motion specialist - delivering high-end automotive components

- **CT:** Strong demand for automotive and construction equipment components vs. slightly lower demand for wind energy components; adverse FX effects
- **ET:** Growth driven by US and South Korea; China with higher units but pricing pressure; adverse FX effects
- **IS:** Small and mid-size orders, e.g. refinery plant in Germany and cement plant in Mexico; order pipeline continues to be strong
- **Materials:** Benefitting from positive spot-price environment

<sup>1)</sup> Group without Steel Americas yoy | <sup>2)</sup> Adjusted for FX and portfolio effects



# Sales: Solid start into FY 17/18

[€ mn]

Group	Q1 16/17 <sup>1</sup>	Q1 17/18	yoy	yoy (ex F/X <sup>2</sup> )
Group	9,718	9,817	1%	3%
Components Technology (CT)	1,743	1,906	9%	14%
Elevator Technology (ET)	1,882	1,845	-2%	3%
Industrial Solutions (IS)	1,479	1,091	-26%	-30%
Materials Services (MX)	3,032	3,230	7%	9%
Steel Europe (SE)	1,908	2,171	14%	14%

- **CT:** Sales mirrored the positive order intake
- **ET:** Below prior year due to adverse FX effects; positive development in NI in Asia/Pacific and US; Europe steady
- **IS:** Temporarily lower billing progress esp. at Marine Systems; significant increase still expected for the full year
- **Materials:** Stable shipments and favorable spot-price environment

<sup>1)</sup> Group without Steel Americas yoy | <sup>2)</sup> Adjusted for FX and portfolio effects



# EBIT adj.: Strong start supports FY expectations

[€ mn]

Group	Q1 16/17 <sup>1</sup>	Q1 17/18	yoy
Group	291	444	52%
Components Technology (CT)	75	77	2%
Elevator Technology (ET)	215	220	3%
Industrial Solutions (IS)	42	12	-72%
Materials Services (MX)	51	51	-1%
Steel Europe (SE)	28	160	++
Corporate	(115)	(75)	++



Highlight order in Asia: 54 elevators, thereof 28 TWINs (Symbol photo)

- **CT:** Automotive and constr. equipment components robust vs. lower volumes wind energy components and ramp-up costs new plants; adverse FX effects
- **ET:** Profitable growth with margins up 50 bps supported by performance programs; adverse FX effects; continuing pricing and temporary raw materials cost pressure esp. in China
- **IS:** Lower sales, mix-effects and partial underutilization; significant positive impact from restructuring measures expected for H2
- **Materials:** Benefitting from positive spot-price environment and performance measures; SE with significant margin expansion and operational improvements
- **Corporate:** Lower costs for Group initiatives and positive effects from real estate disposal (16 mn)

<sup>1)</sup> Group without Steel Americas yoy





# Special Items - continued focus on restructuring and future margin upside

[€ mn]

Without Steel Americas

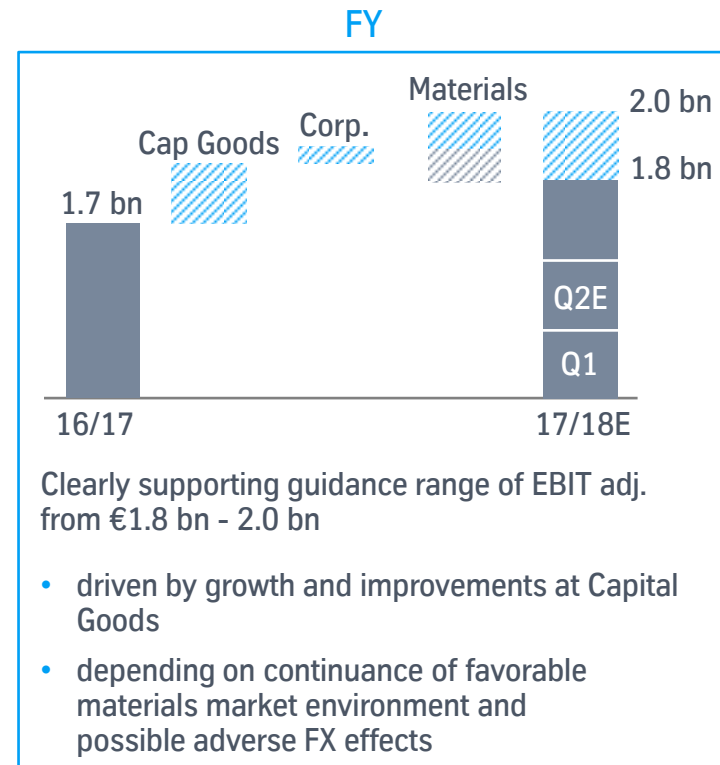
Business Area		2016/17				FY	2017/18	Comments on Q1
		Q1	Q2	Q3	Q4		Q1	
CT	Disposal effect			(1)	(10)	(23)		<ul style="list-style-type: none"> <li>Restructuring &amp; Reorganization Spain, Germany and Americas</li> <li>Sale of investment</li> </ul>
	Impairment	(2)	(10)	(1)	(7)	(41)	(2)	
	Restructuring	(8)	(25)	(1)	(5)	(16)		
	Others	(7)		(4)				
ET	Disposal effect			(1)		(1)		
	Impairment	(1)	(25)		(6)	(32)		
	Restructuring	(15)	(7)	(6)	(78)	(106)	(14)	
	Others	(15)	(7)	(1)	(23)	(46)	(5)	
IS	Disposal effect	(5)	5		(1)	(1)		
	Impairment				(10)	(10)		
	Restructuring	(6)	(4)	(3)	(99)	(112)	(2)	
	Others	(18)	(4)	13	(15)	(24)		
MX	Disposal effect							
	Impairment		(3)	(1)	(10)	(14)		
	Restructuring	(2)	(9)	(4)	(17)	(32)		
	Others	(11)	(16)	(10)	(8)	(45)	(2)	
SE	Disposal effect				(22)	(22)		
	Impairment				(2)	(2)		
	Restructuring	(2)	(1)	(1)	(23)	(27)		
	Others				(4)	(4)		
Corp.	Disposal effect	(4)	(2)	(3)	(3)	(12)	5	
	Impairment				(5)	(5)		
	Restructuring	(1)	(1)		(8)	(10)	(1)	
	Others	(6)	10	(11)	(1)	(8)	(1)	
Consolidation					22	22		
Group		(103)	(99)	(34)	(335)	(572)	(22)	



# Outlook: Q2 and FY with continuing improvements

[€ mn]

EBIT adj.:	yoy		qoq		
	Q2 16/17	Q2E 17/18	Q1 <sup>1</sup> 17/18	Q2E 17/18	Q3E 17/18
<b>Group</b>	<b>427</b>	up towards 500	<b>444</b>	up towards 500	↗
CT	101	↘	77	↗	↗
ET	207	↔	220	↘	↗
IS	23	↔	12	↗	↗
MX	121	↘	51	↗	↗
SE	92	↗	160	↗	↗



FCF bef. M&A

Q2: Significant improvement towards break-even (qoq)

FY: Significant improvement - positive

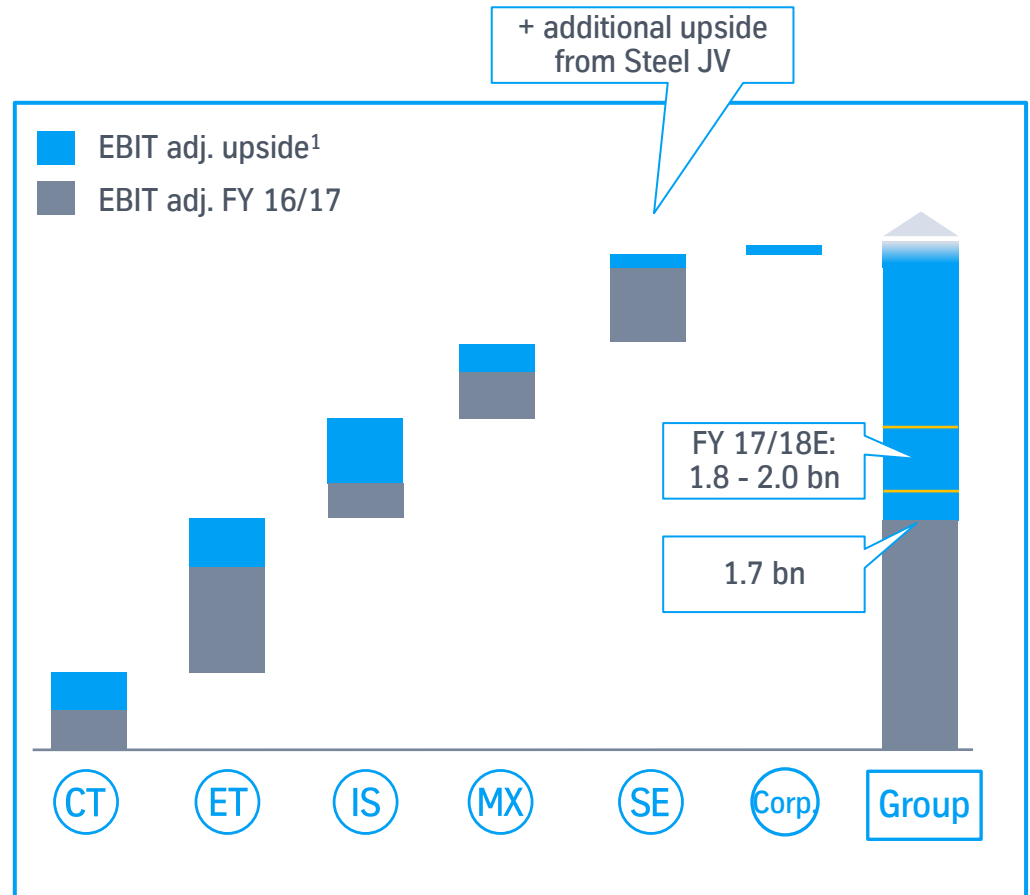
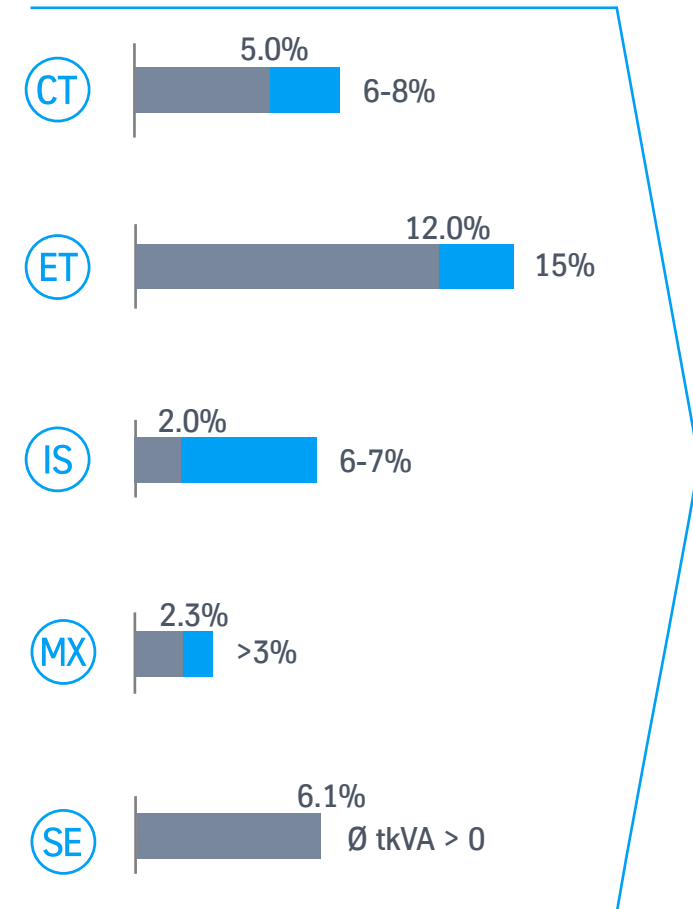
Mid to long-term targets for Group to be specified post Signing of steel JV

<sup>1)</sup> Group without Steel Americas yoy



# Significant EBIT adj. upside by Strategic Way Forward execution

EBIT adj. margin target:



Mid to long-term targets for group to be specified post Signing of steel JV

■ EBIT adj. margins FY 16/17    ■ EBIT adj. margin upside<sup>1</sup>

<sup>1</sup> Including tk growth assumptions



# Key financials (I)

[€ mn]

Group

			2016/17			2017/18
	Q1	Q2	Q3	Q4	FY	Q1
Order intake	9,954	11,993	10,725	11,615	44,288	9,741
Sales	10,087	10,998	10,929	10,958	42,971	9,817
EBITDA	536	469	808	789	2,602	687
EBITDA adjusted	623	715	882	811	3,031	710
EBIT	240	(564)	529	481	687	422
EBIT adjusted	329	427	620	535	1,910	444
EBT	124	(703)	293	348	61	318
Net income/(loss)	15	(870)	134	130	(591)	91
attrib. to tk AG stockh.	8	(879)	120	102	(649)	78
Earnings per share <sup>1</sup> (€)	0.01	(1.55)	0.21	0.18	(1.15)	0.12
Free cash flow	(1,791)	(216)	(445)	2,941	489	(1,535)
FCF before M&A	(1,736)	(212)	(377)	1,528	(798)	(1,549)

<sup>1)</sup> attributable to thyssenkrupp AG's stockholders



# Key financials (II)

[€ mn]

Without Steel Americas

	2016/17					2017/18
	Q1	Q2	Q3	Q4	FY	Q1
Order intake	9,600	11,643	10,213	11,300	42,756	9,741
Sales	9,718	10,617	10,437	10,675	41,447	9,817
EBITDA	447	587	750	474	2,258	687
EBITDA adjusted	549	675	782	777	2,783	710
EBIT	188	313	484	165	1,150	422
EBIT adjusted	291	412	519	500	1,722	444
EBT	74	208	396	87	766	318
Net income/(loss) (net of tax)	(6)	64	268	(55)	271	91
attrib. to tk AG stockh.	(13)	55	254	(84)	212	78
Earnings per share <sup>1</sup> (€)	(0.02)	0.10	0.45	(0.15)	0.37	0.12

<sup>1)</sup> attributable to thyssenkrupp AG's stockholders



# Key financials (III)

[€ mn]

Without Steel Americas

	Q1	Q2	2016/17 Q3	Q4	FY	2017/18 Q1
TK Value Added <sup>1</sup>					(651)	
Ø Capital Employed <sup>1</sup>	16,501	16,856	16,941	16,728	16,728	15,203
Operating cash flow	(1,450)	170	24	1,739	483	(1,276)
Cash flow from divestm.	20	34	8	1,477	1,539	30
Cash flow from investm.	(289)	(346)	(432)	(468)	(1,535)	(290)
Free cash flow	(1,719)	(142)	(400)	2,748	487	(1,535)
FCF before M&A	(1,719)	(139)	(332)	1,335	(855)	(1,549)
Cash and cash equivalents <sup>1</sup> (incl. short-term securities)	2,552	2,970	2,237	5,298	5,298	3,548
Net financial debt <sup>1</sup>	5,433	5,760	6,311	1,957	1,957	3,544
Equity <sup>1</sup>	3,275	2,304	2,242	3,404	3,404	3,280
Employees	153,318	154,431	157,634	158,739	158,739	159,175

<sup>1)</sup> Group figures



# Components Technology

[€ mn]

	2016/17				2017/18	
	Q1	Q2	Q3	Q4	FY	Q1
Order intake	1,759	1,979	2,000	1,936	7,674	1,921
Sales	1,743	1,936	1,970	1,923	7,571	1,906
EBITDA	139	159	176	175	648	156
EBITDA adjusted	154	183	180	187	705	157
EBIT	58	66	93	80	297	75
EBIT adjusted	75	101	99	102	377	77
EBIT adj. margin (%)	4.3	5.2	5.0	5.3	5.0	4.0
tk Value Added					(21)	
Ø Capital Employed	3,624	3,713	3,753	3,740	3,740	3,711
BCF	(192)	(38)	(17)	279	31	(290)
CF from divestm.	1	0	1	1	2	1
CF for investm.	(91)	(136)	(170)	(153)	(551)	(128)
Employees	31,100	31,770	32,469	32,904	32,904	33,152

## Current trading conditions

O/I – Q1 +9% yoy, ex F/X +14: Robust demand for automotive (growth esp. at axle assembly and camshafts modules) and construction equipment components vs. lower demand wind energy and adverse FX effects

- Automotive: Solid growth in China and Western Europe, Brazil recovering from low level
- Bearings: Order intake with weaker demand wind power especially India and Brazil; sales affected by adverse FX effects and lower volumes wind energy China vs. higher volumes construction machinery China
- Forged Technology: Improvement in construction equipment market from low basis; HV recovery NAFTA, Europe solid, increase Brazil from low level

EBIT adj. – Q1 +2% yoy; Robust demand for automotive and constr. equipment components vs. slightly lower volumes wind energy, ramp-up costs new plants and adverse FX effects



# Elevator Technology

[€ mn]

	2016/17				2017/18	
	Q1	Q2	Q3	Q4	FY	Q1
Order intake	1,903	2,111	2,024	1,796	7,834	1,959
Order backlog	5,141	5,384	5,216	4,814	4,814	4,922
Sales	1,882	1,868	1,954	1,971	7,674	1,845
EBITDA	203	188	252	181	824	222
EBITDA adjusted	234	227	260	285	1,007	241
EBIT	184	168	232	153	736	201
EBIT adjusted	215	207	240	260	922	220
EBIT adj. margin (%)	11.4	11.1	12.3	13.2	12.0	11.9
tk Value Added					652	
Ø Capital Employed	1,139	1,156	1,141	1,127	1,127	1,068
BCF	7	316	124	274	720	(123)
CF from divestm.	0	1	1	(1)	1	1
CF for investm.	(36)	(41)	(34)	(34)	(144)	(23)
Employees	51,931	52,378	52,460	52,660	52,660	52,909

## Current trading conditions

Order backlog (excl. Service) €4.9 bn on high level

Order intake in Q1 +3% yoy (ex FX +8%); growth driven by NI and modernization in US, Canada and Korea and muted by FX

Sales below prior year due to FX headwind (-2% yoy; ex F/X +3%); positive development in NI in Asia/Pacific and US; Europe steady

Q1 EBIT adj. margin improvement in line with target range

New installation driven by Americas and Korea; China below prior year level at continued price pressure

Modernization: positive market development in US

Maintenance: growth in all major regions





# Industrial Solutions

[€ mn]

	2016/17					2017/18
	Q1	Q2	Q3	Q4	FY	Q1
Order intake	1,159	1,959	1,031	2,342	6,490	846
Order backlog	9,636	10,309	10,604	11,341	11,341	11,156
Sales	1,479	1,282	1,241	1,520	5,522	1,091
EBITDA	28	35	34	(48)	48	29
EBITDA adjusted	57	37	24	71	190	31
EBIT	13	20	15	(84)	(36)	10
EBIT adjusted	42	23	6	41	111	12
EBIT adj. margin (%)	2.8	1.8	0.5	2.7	2.0	1.1
tk Value Added					(71)	
Ø Capital Employed	82	241	349	430	430	523
BCF	(556)	(51)	(72)	275	(405)	(368)
CF from divestm.	3	10	1	0	14	0
CF for investm.	(17)	(15)	(8)	(41)	(82)	(17)
Employees	19,553	19,349	21,678	21,777	21,777	21,694

## Current trading conditions

Temporarily lower order intake in Q1 at a remaining strong project pipeline

- Chemical plant engineering: medium-size refinery contract in Germany and smaller orders for engineering services and plants
- Mining with small orders; investment in new plant and equipment still subdued
- Cement with medium-size order from customer in Mexico
- Marine Systems with smaller maintenance and service orders
- System Engineering with lively demand for production systems for the automotive industry, above all in Europe

Q1 earnings down yoy: Lower sales, mix effects and partial underutilization; sig. positive impact from restructuring measures expected for H2

Q1 BCF up yoy: Milestone payments vs. mature backlog in payout phase and partial underutilization



# Volume KPI's of Materials Businesses

			2011/12	2012/13	2013/14	2014/15	2015/16	2016/17				2017/18	
			FY	FY	FY	FY	FY	Q1	Q2	Q3	Q4	FY	Q1
MX	Total shipments	kt	10,868	10,669	13,615	13,421	12,605	2,713	2,799	2,718	2,773	11,003	2,705
	Warehousing shipments <sup>1</sup>	kt	5,470	5,300	5,592	5,532	5,518	1,294	1,510	1,426	1,436	5,666	1,339
	Shipments AST <sup>2</sup>	kt	-	-	537	747	848	227	233	201	191	853	217
SE	Crude Steel	kt	11,860	11,646	12,249	12,392	12,021	2,903	2,938	3,209	3,010	12,060	3,076
	Steel Europe AG	kt	8,408	8,487	8,936	9,276	9,336	2,531	2,210	2,418	2,282	9,440	2,373
	HKM	kt	3,452	3,160	3,313	3,116	2,686	373	729	791	728	2,620	703
	Shipments	kt	12,009	11,519	11,393	11,725	11,174	2,724	3,010	2,877	2,823	11,433	2,722
	Cold-rolled	kt	7,906	7,437	7,137	7,182	7,048	1,732	1,892	1,800	1,745	7,169	1,669
	Hot-rolled	kt	4,103	4,082	4,256	4,543	4,126	992	1,117	1,078	1,078	4,265	1,054
	Average Steel revenues per ton <sup>3</sup>		139	127	119	114	107	109	123	129	127	122	127
	USD/EUR	Aver.	1.30	1.31	1.36	1.15	1.11	1.08	1.06	1.10	1.17	1.10	1.18
	USD/EUR	Clos.	1.29	1.35	1.26	1.12	1.12	1.05	1.07	1.14	1.18	1.18	1.20

<sup>1)</sup> Excl. AST/VDM shipments | <sup>2)</sup> Included at MX since March '14 | <sup>3)</sup> Indexed: Q1 2004/2005 = 100 | <sup>4)</sup> Exit in September '17



# Materials Services

[€ mn]

	2016/17				2017/18	
	Q1	Q2	Q3	Q4	FY	Q1
Order intake	3,131	3,683	3,430	3,516	13,760	3,363
thereof Special Materials	484	495	362	419	1,761	410
Sales	3,032	3,649	3,504	3,480	13,665	3,230
thereof Special Materials	434	496	417	389	1,735	438
EBITDA	65	124	85	65	339	75
EBITDA adjusted	79	151	99	94	422	77
thereof Special Materials	26	32	39	20	117	31
EBIT	38	93	57	32	220	48
EBIT adjusted	51	121	73	66	312	51
thereof Special Materials	19	22	32	11	84	23
EBIT adj. margin (%)	1.7	3.3	2.1	1.9	2.3	1.6
thereof Special Materials	4.3	4.4	7.6	2.9	4.8	5.2
tk Value Added					(72)	
Ø Capital Employed	3,611	3,648	3,649	3,652	3,652	3,702
BCF	(389)	304	(148)	190	(43)	(307)
thereof Special Materials	(13)	62	16	2	66	(24)
CF from divestm.	3	4	3	46	57	16
CF for investm.	(19)	(24)	(20)	(69)	(132)	(15)
Employees	19,708	19,800	19,862	19,861	19,861	19,981

## Current trading conditions

Sales in Q1 up yoy: Higher materials warehousing shipments (esp. in Europe and North America) and favorable price environment, more than compensate for lower volumes at AST

EBIT adj. in Q1 stable yoy: Positive market trend and continued earnings-securing measures, partially offset by hedge and IT costs; AST with higher earnings contribution resulting from positive price environment as well as cost and efficiency measures



# Steel Europe

[€ mn]

MoU for JV with Tata  
on Sep. 20<sup>th</sup>;  
signing expected early 2018

	2016/17				FY	2017/18
	Q1	Q2	Q3	Q4		Q1
Order intake	2,078	2,442	2,171	2,277	8,969	2,071
Sales	1,908	2,371	2,337	2,299	8,915	2,171
EBITDA	130	196	335	244	905	266
EBITDA adjusted	133	196	336	292	957	266
EBIT	25	91	231	145	493	160
EBIT adjusted	28	92	232	196	547	160
EBIT adj. margin (%)	1.5	3.9	9.9	8.5	6.1	7.4
tk Value Added					43	
Ø Capital Employed	4,948	5,113	5,248	5,286	5,286	5,448
BCF	(404)	(232)	76	643	82	(469)
CF from divestm.	(4)	(0)	(1)	10	4	(1)
CF for investm.	(121)	(119)	(184)	(141)	(566)	(88)
Employees	27,437	27,400	27,384	27,646	27,646	27,478

## Current trading conditions

EU carbon flat steel market up slightly year-on-year and expected to remain strong in CY 2018, despite

- imports remained high (slight decline since 2<sup>nd</sup> half CY 2017 ex China, up ex other 3<sup>rd</sup> countries particularly India, Turkey)
- market environment remains extremely challenging (global overcapacities, increasing export risks and continued highly volatile raw material prices)

Sales Q1: significantly up yoy, mainly driven by Ø selling prices significantly increased in all products and all end user sectors; shipments of 2.7 m t stable yoy (but due to seasonal weakness lower shipments qoq)

EBIT adj. significantly up yoy: mainly due to higher selling prices and supported by performance-cost measures; qoq EBIT adj. decrease mainly driven by lower shipments



## Corporate

[€ mn]

			2016/17			2017/18
	Q1	Q2	Q3	Q4	FY	Q1
EBITDA	(114)	(103)	(131)	(163)	(511)	(58)
EBITDA adjusted	(103)	(110)	(117)	(151)	(481)	(61)
EBIT	(126)	(117)	(145)	(182)	(569)	(72)
EBIT adjusted	(115)	(123)	(131)	(165)	(535)	(75)
BCF	181	(162)	(114)	(171)	(266)	237
Employees	3,589	3,734	3,781	3,891	3,891	3,961

EBIT adj. includes:

- Corporate Headquarters: Corp. Functions; Executive Board tk AG; Group initiatives
- Regions: Regional headquarters; regional offices; representative offices
- Service Units: Global Shared Services "GSS"; Regional Services Germany; Corporate Services
- Special Units: Asset management of Group's real estate; cross-business area technology projects; non-operating entities

EBIT adj. Q1 17/18  
figures include

- CorpHQ: (75)
- Regions: (8)
- Service Units: (13)
- Special Units: 21

EBIT adj. expected to improve in 17/18 driven mainly by G&A cost reduction and lower costs for transformation programs



# Business Area Overview – Quarterly Order Intake

[€ mn]

Without Steel Americas

	2016/17					2017/18
	Q1	Q2	Q3	Q4	FY	Q1
Components Technology	1,759	1,979	2,000	1,936	7,674	1,921
Elevator Technology	1,903	2,111	2,024	1,796	7,834	1,959
Industrial Solutions	1,159	1,959	1,031	2,342	6,490	846
Materials Services	3,131	3,683	3,430	3,516	13,760	3,363
Steel Europe	2,078	2,442	2,171	2,277	8,969	2,071
Corporate	37	56	97	96	287	91
Consolidation	(468)	(587)	(539)	(663)	(2,257)	(510)
<b>Group</b>	<b>9,600</b>	<b>11,643</b>	<b>10,213</b>	<b>11,300</b>	<b>42,756</b>	<b>9,741</b>



# Business Area Overview – Quarterly Sales

[€ mn]

Without Steel Americas

	2016/17					2017/18
	Q1	Q2	Q3	Q4	FY	Q1
Components Technology	1,743	1,936	1,970	1,923	7,571	1,906
Elevator Technology	1,882	1,868	1,954	1,971	7,674	1,845
Industrial Solutions	1,479	1,282	1,241	1,520	5,522	1,091
Materials Services	3,032	3,649	3,504	3,480	13,665	3,230
Steel Europe	1,908	2,371	2,337	2,299	8,915	2,171
Corporate	58	67	69	83	278	93
Consolidation	(383)	(555)	(639)	(602)	(2,179)	(518)
<b>Group</b>	<b>9,718</b>	<b>10,617</b>	<b>10,437</b>	<b>10,675</b>	<b>41,447</b>	<b>9,817</b>



# Business Area Overview – Quarterly EBITDA and Margin

[€ mn]

Without Steel Americas

	2016/17				2017/18	
	Q1	Q2	Q3	Q4	FY	Q1
Components Technology	139	159	176	175	648	156
%	8.0	8.2	8.9	9.1	8.6	8.2
Elevator Technology	203	188	252	181	824	222
%	10.8	10.1	12.9	9.2	10.7	12.0
Industrial Solutions	28	35	34	(48)	48	29
%	1.9	2.7	2.7	(3.2)	0.9	2.7
Materials Services	65	124	85	65	339	75
%	2.2	3.4	2.4	1.9	2.5	2.3
Steel Europe	130	196	335	244	905	266
%	6.8	8.3	14.3	10.6	10.2	12.2
Corporate	(114)	(103)	(131)	(163)	(511)	(58)
Consolidation	(5)	(10)	(0)	20	5	(2)
<b>Group</b>	<b>447</b>	<b>587</b>	<b>750</b>	<b>474</b>	<b>2,258</b>	<b>687</b>
%	4.6	5.5	7.2	4.4	5.4	7.0





# Business Area Overview – Quarterly EBITDA adj. and Margin

[€ mn]

Without Steel Americas

	Q1	Q2	2016/17		FY	2017/18
			Q3	Q4		Q1
Components Technology	154	183	180	187	705	157
%	8.9	9.5	9.1	9.7	9.3	8.3
Elevator Technology	234	227	260	285	1,007	241
%	12.4	12.2	13.3	14.5	13.1	13.0
Industrial Solutions	57	37	24	71	190	31
%	3.9	2.9	2.0	4.7	3.4	2.9
Materials Services	79	151	99	94	422	77
%	2.6	4.1	2.8	2.7	3.1	2.4
Steel Europe	133	196	336	292	957	266
%	7.0	8.3	14.4	12.7	10.7	12.3
Corporate	(103)	(110)	(117)	(151)	(481)	(61)
Consolidation	(5)	(10)	(0)	(2)	(17)	(2)
<b>Group</b>	<b>549</b>	<b>675</b>	<b>782</b>	<b>777</b>	<b>2,783</b>	<b>710</b>
%	5.6	6.4	7.5	7.3	6.7	7.2



# Business Area Overview – Quarterly EBIT and Margin

[€ mn]

Without Steel Americas

	2016/17				FY	2017/18
	Q1	Q2	Q3	Q4		Q1
Components Technology	58	66	93	80	297	75
%	3.3	3.4	4.7	4.2	3.9	3.9
Elevator Technology	184	168	232	153	736	201
%	9.8	9.0	11.9	7.8	9.6	10.9
Industrial Solutions	13	20	15	(84)	(36)	10
%	0.9	1.6	1.2	(5.5)	(0.7)	0.9
Materials Services	38	93	57	32	220	48
%	1.3	2.6	1.6	0.9	1.6	1.5
Steel Europe	25	91	231	145	493	160
%	1.3	3.8	9.9	6.3	5.5	7.3
Corporate	(126)	(117)	(145)	(182)	(569)	(72)
Consolidation	(4)	(8)	1	21	10	(1)
<b>Group</b>	<b>188</b>	<b>313</b>	<b>484</b>	<b>165</b>	<b>1,150</b>	<b>422</b>
%	1.9	2.9	4.6	1.5	2.8	4.3



# Business Area Overview – Quarterly EBIT adj. and Margin

[€ mn]

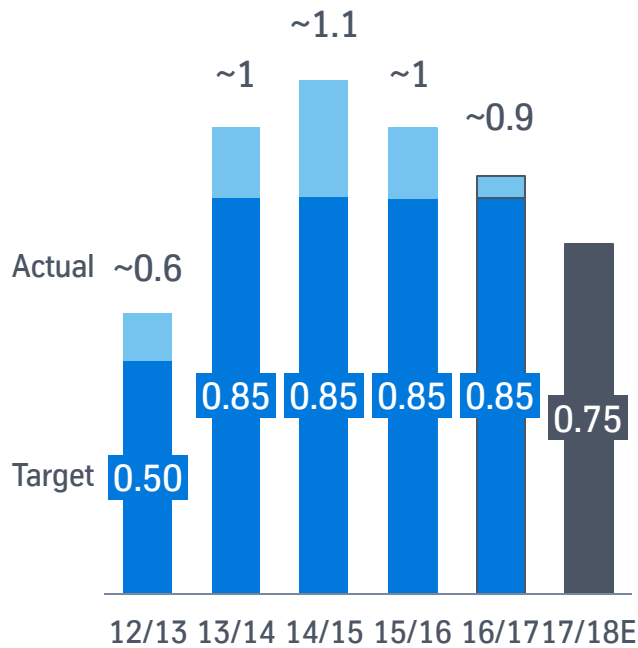
Without Steel Americas

	Q1	Q2	2016/17		FY	2017/18
			Q3	Q4		Q1
Components Technology	75	101	99	102	377	77
%	4.3	5.2	5.0	5.3	5.0	4.0
Elevator Technology	215	207	240	260	922	220
%	11.4	11.1	12.3	13.2	12.0	11.9
Industrial Solutions	42	23	6	41	111	12
%	2.8	1.8	0.5	2.7	2.0	1.1
Materials Services	51	121	73	66	312	51
%	1.7	3.3	2.1	1.9	2.3	1.6
Steel Europe	28	92	232	196	547	160
%	1.5	3.9	9.9	8.5	6.1	7.4
Corporate	(115)	(123)	(131)	(165)	(535)	(75)
Consolidation	(4)	(8)	1	(1)	(12)	(1)
<b>Group</b>	<b>291</b>	<b>412</b>	<b>519</b>	<b>500</b>	<b>1,722</b>	<b>444</b>
%	3.0	3.9	5.0	4.7	4.2	4.5



# Operational improvements – €750 mn ‘impact’ effects targeted for FY 17/18

[€bn]



~50% from procurement

- ET** ‘elevate’ 5 lever performance program
- NI and Manufacturing
  - Service
  - Purchasing
  - Product harmonization
  - SG&A efficiency

- CT** Continuation of performance program ‘pace’
- Procurement (e.g. eAuctions, value chain engineering)
  - Operational (e.g. best practice transfer, process engineering)
  - Optimized plant network

- IS** Transformation program ‘planets’ focusing on 5 levers
- Fix cost reduction
  - Project margin improvement
  - Procurement Excellence
  - Execution Excellence
  - Top line support by innovation

- MX** ‘focus X’ driving execution of performance measures
- Procurement excellence
  - Restructurings/site consolidations
  - Logistics & network optimizations
  - Process optimization
  - Freight cost reduction
  - Sales excellence

- SE** ‘one steel’ impact contributions
- Raw materials
  - Procurement
  - Energy
  - Logistics
  - Quality, M&R, CIP

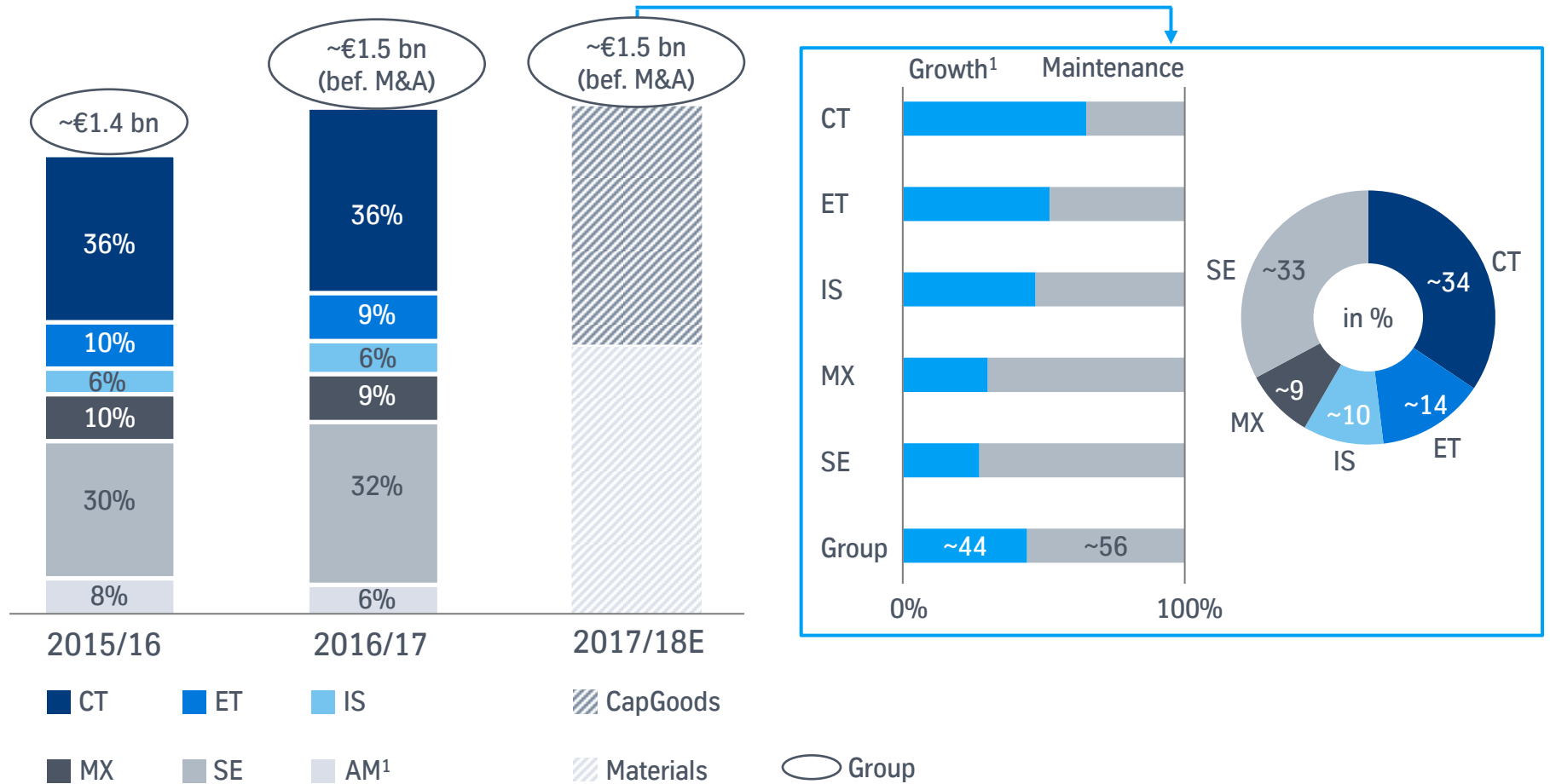
- Corp.** Focus on G&A cost reduction
- Process cost reduction
  - Streamline organization
  - Leverage shared services

CT, ET, IS and SE with triple-digit mn contribution



# Capex allocation

## Cash flows from investing activities

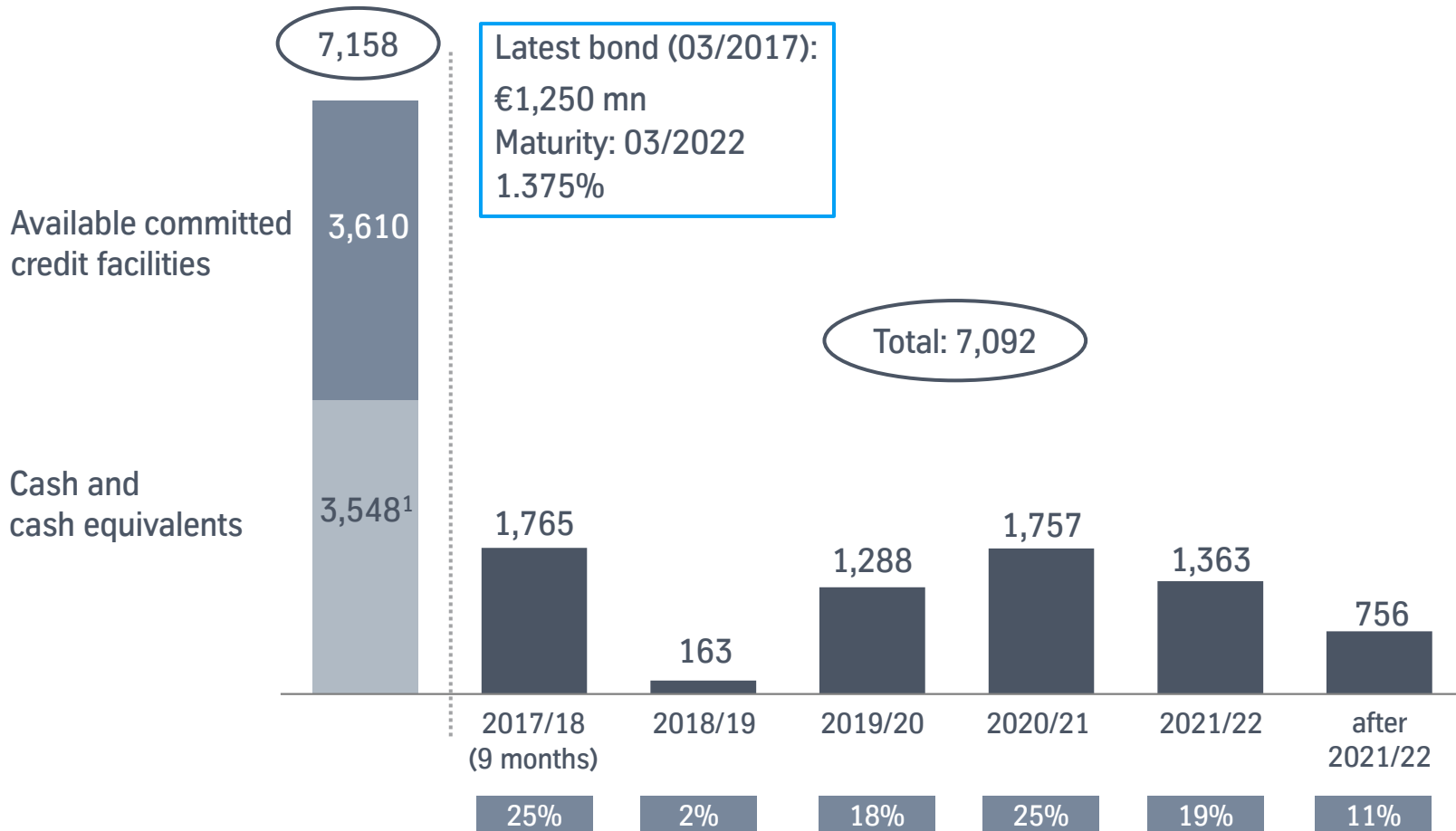


Business Area shares referring to capex excl. Corporate | <sup>1</sup> including order related investments | <sup>2</sup> Sold in Q4 of FY 16/17



# Solid financial situation

Liquidity analysis and maturity profile of gross financial debt as of December 31, 2017  
[€ mn]



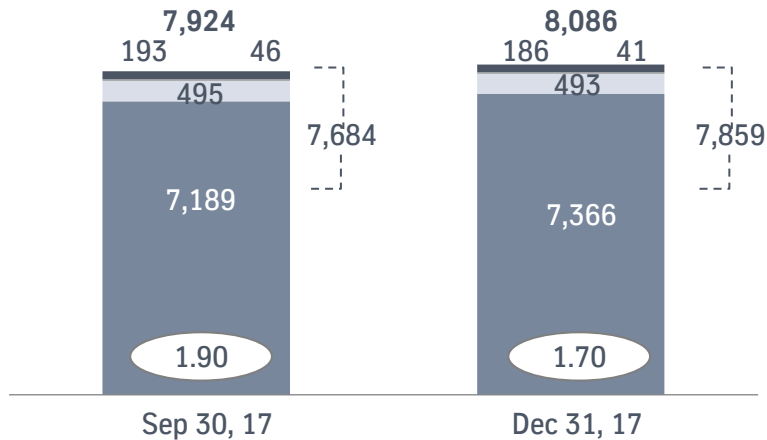
<sup>1</sup> incl. securities of €6 mn



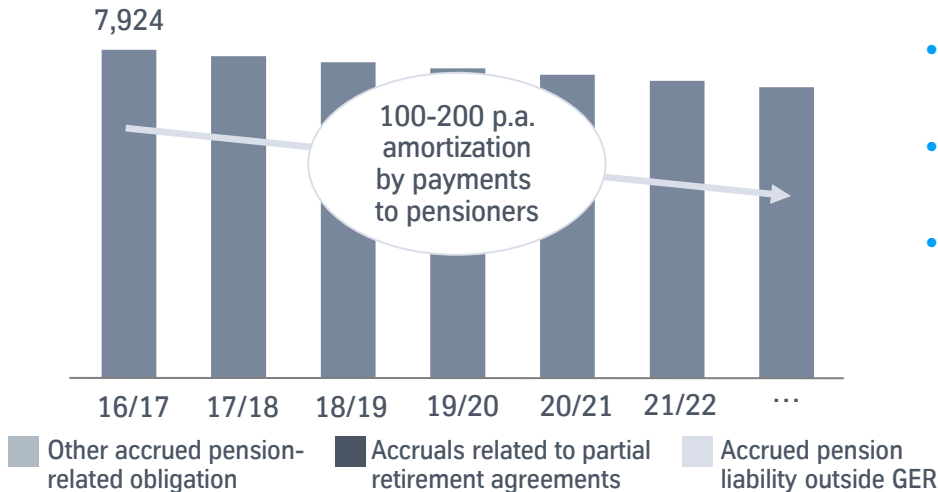
# Pensions: “patient” long-term financial debt with gradual amortization

[€ mn]

## Accrued pension and similar obligations



## Development at unchanged discount rate (schematic)



## Fluctuations in accrued pensions

- are mainly driven by increases / decreases in discount rates in Germany (>90% of accrued pensions in Germany)
- do not change payouts to pensioners
- do not trigger funding situation in Germany; and not necessarily funding changes outside Germany
- are recognized directly in equity via OCI

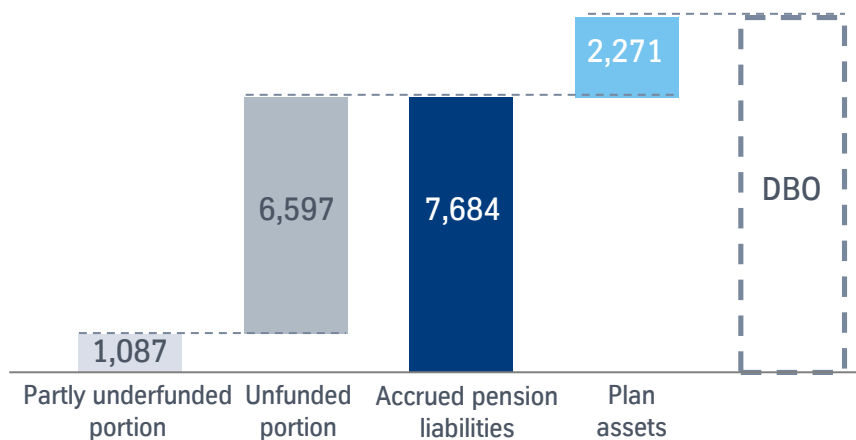
- IFRS requires determination of pension discount rate based on AA-rated corporate bonds
- Pension discount rate significant lower than interest rates of tk corporate bonds
- >90% of accrued pensions in Germany; thereof ~64% owed to exist. pensioners (average age ~76 years)



# Germany accounts for majority of pension plans

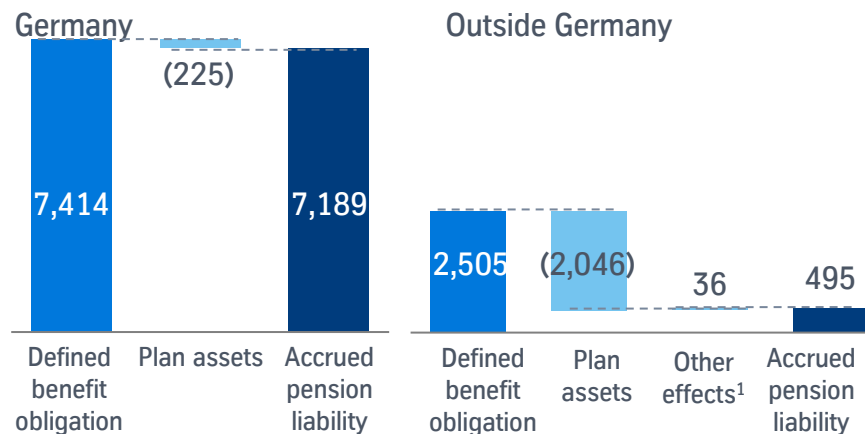
[FY 16/17; € mn]

## Funded status of defined benefit obligation



- >95% of the unfunded portion in Germany; German pension regulations do not require funding of pension obligations with plan assets; therefore funding is mainly done by tk's operating assets

## Reconciliation of accrued pension liabilities by region



- Plan assets outside Germany mainly attributable to UK (~33%) and USA (~29%)
- Plan asset classes include national and international stocks, fixed income securities of governments and non-governmental organizations, real estate as well as highly diversified funds

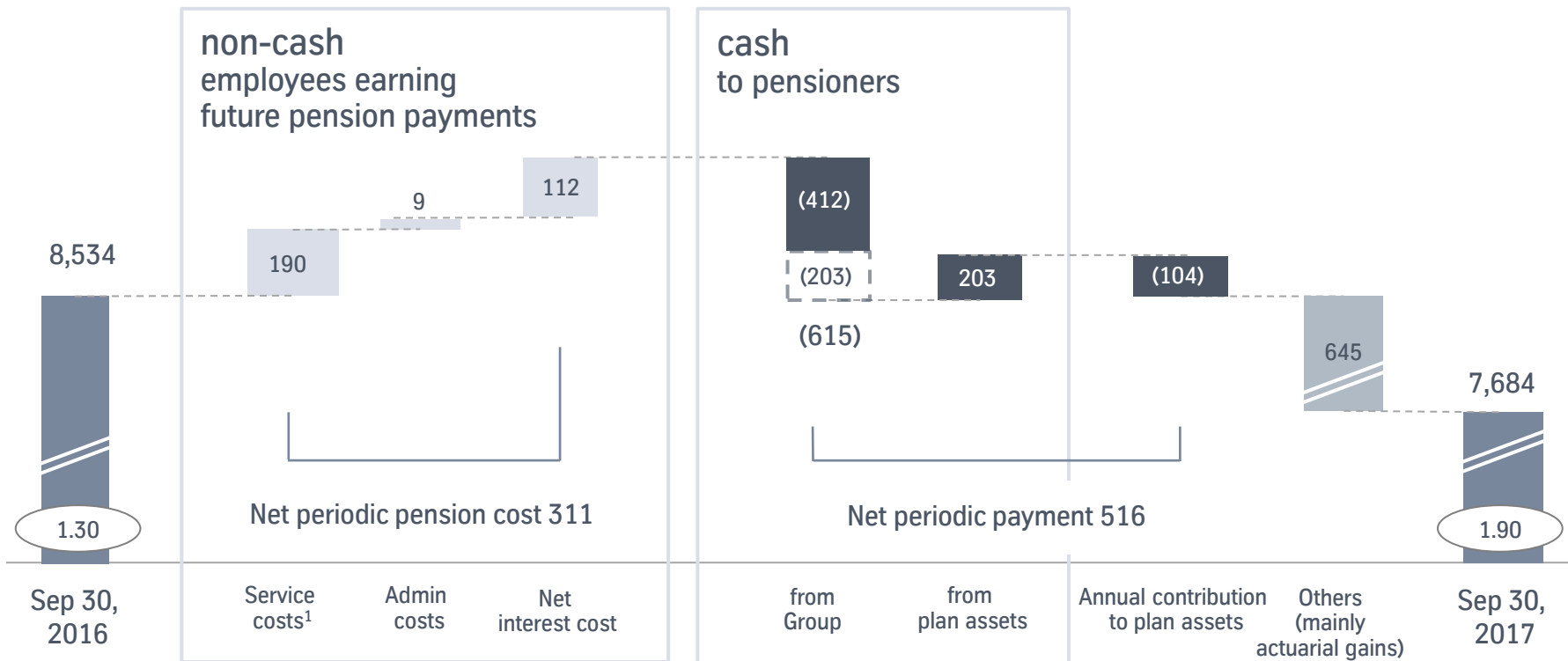
<sup>1</sup> other non-financial assets



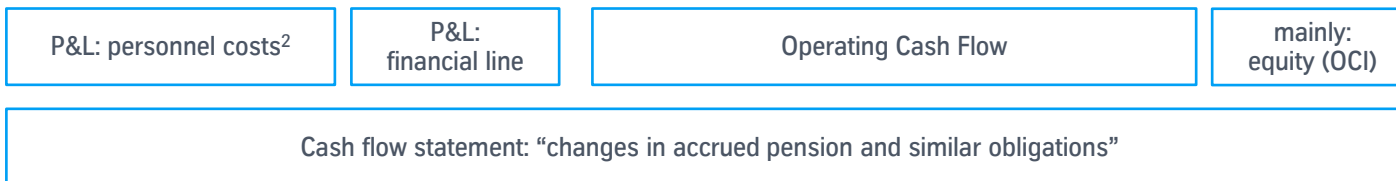


# Mature pension scheme: payments amortize liability by ~ €200 mn

## Reconciliation of accrued pension [€ mn]



In financial statements



○ German discount rate

<sup>1)</sup> including past service cost and curtailments

<sup>2)</sup> additional personnel expenses include €161 mn net periodic pension cost for defined contribution plans



# Reconciliation of EBIT Q1 17/18 from Group p&l

## Continuing Operations

### P&L structure

Net sales	9,817
Cost of sales	(8,129)
SG&A, R&D	(1,338)
Other income/expense	42
Other gains/losses	7
<b>= Income from operations</b>	<b>398</b>

Income from companies using equity method 6

Finance income/expense (86)

**= EBT 318**

### EBIT definition

Net sales	9,817
Cost of sales	(8,129)
SG&A, R&D	(1,338)
Other income/expense	42
Other gains/losses	7
Income from companies using equity method	6
Adjustm. for oper. items in fin. income/expense (18)	
<b>= EBIT</b>	<b>422</b>

Operating items in fin. income/expense 18

**= EBT 318**



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- (i) market risks: principally economic price and volume developments,
- (ii) dependence on performance of major customers and industries,
- (iii) our level of debt, management of interest rate risk and hedging against commodity price risks;
- (iv) costs associated with, and regulation relating to, our pension liabilities and healthcare measures,
- (v) environmental protection and remediation of real estate and associated with rising standards for real estate environmental protection,
- (vi) volatility of steel prices and dependence on the automotive industry,
- (vii) availability of raw materials;
- (viii) inflation, interest rate levels and fluctuations in exchange rates;
- (ix) general economic, political and business conditions and existing and future governmental regulation; and
- (x) the effects of competition.

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