Press Release

thyssenkrupp presses ahead with Group restructuring / Weaker global economic dynamic weighs on earnings in fiscal year 2018/2019

- Newly formed Executive Board sets priorities for Group restructuring: performance, elevator, steel and organization
- ET transaction: strong interest from strategic and financial investors; internal preparations for IPO to be completed by end of year
- Order intake and sales both up 1 percent in fiscal year 2018/2019, achieved revised earnings target with adjusted EBIT of €802 million
- Cautious forecast for 2019/2020: adjusted EBIT expected at previous year's level

In the past fiscal year thyssenkrupp achieved slight growth in a difficult economic environment. **Order intake** and **sales** both rose to €42.0 billion, up 1 percent year-on-year. The capital goods businesses made a major contribution to this growth overall. In the materials businesses, on the other hand, growth was slowed by the increasingly weaker global economy, the substantial slowdown in the automotive sector and continued high import pressure on steel. This was accompanied by a massive rise in raw material prices. These factors also impacted operating earnings - particularly in the auto components and materials businesses. The Group's **adjusted EBIT**[1] of €802 million (previous year: €1.4 billion) is in line with the forecast adjusted in August 2019 ("around €0.8 billion").

"The performance of many of our businesses is not satisfying. This is also due to the fact that necessary structural improvements and restructuring measures were not implemented with the necessary consequence. We will now tackle this. Swiftly and systematically," says Martina Merz, CEO of thyssenkrupp AG.

Against this background, the newly formed Executive Board has set itself four clear priorities and is focusing on the performance topic, the Elevator transaction, the future viability of the steel business and the further development of the organization.

[1] The reclassification of the steel activities as "continued operations" leads to retrospective recognition of the previously suspended scheduled depreciation. Earnings in the first half of 2018/2019 were subsequently negatively impacted by €228 million, while earnings in the fourth quarter of 2017/2018 were negatively impacted by €107 million (both before taxes).

"Performance first": further decisions taken

The company's primary objective continues to be increasing the performance of its businesses. Numerous measures are already underway in all areas.

Martina Merz: "We currently leave no stone unturned in the company. We see many businesses in which improving performance is an everyday practice. We don't have to practice being the best everywhere. There are group companies that are among the best in their industries. But that should not cover up the urgent need for action that we see in other businesses."

The Executive Board has taken further decisions in this regard in recent weeks: Industrial Solutions will focus on the operational turnaround. At the same time, thyssenkrupp sees opportunities to further develop the various plant engineering businesses together with partners or under a new roof. To that end, information on the businesses is currently being prepared in the form of so-called fact books in order to quickly establish a solid basis for discussions with potential interested parties.

At System Engineering, the restructuring process has already begun. There will be a reduction of approx. 640 jobs. Overall, thyssenkrupp has earmarked a mid triple-digit million € amount for pending restructuring measures in the current fiscal year.

thyssenkrupp expects all the performance measures initiated to result in operational improvements which will not yet however take full effect in the current fiscal year. In addition, the current weak economy will continue to weigh on business margins. Furthermore, possible portfolio changes will have an impact on the Group's key financial figures. This will change the overall basis for achieving the Group's goals. thyssenkrupp will therefore not achieve the medium-term targets set in August 2018 in fiscal 2020/2021 as planned. However, the level of ambition associated with the medium-term targets remains unchanged. But the businesses will achieve their targets at different times according to their specific cycles.

"Dual Track" for Elevator: Preparations on schedule

To increase the financial leeway for the restructuring of the Group, thyssenkrupp is pressing ahead with the planned Elevator transaction as a second priority. The Group remains on the "dual track" and is working on all options. The preparations are timed in such a way that thyssenkrupp is expected to be able to make a sound decision in the first quarter of 2020 on which options to pursue primarily. Internal preparations for an

IPO will be completed by the end of the year. thyssenkrupp has already received indicative offers from strategic and financial investors. Based on a due diligence, thyssenkrupp expects binding offers as a basis for potential negotiations in the next year.

Future concept for steel in progress

As the number three priority, the Group will address performance issues and structural challenges in the steel sector. The aim is to give steel a long-term perspective. To this end, the Steel Executive Board is currently working on a concept for the future which will initially be presented to the Supervisory Board of thyssenkrupp Steel Europe AG in December and discussed with co-determination bodies.

Organization: Headquarters with new role - businesses streamlined

The fourth priority is the further development of the organization. With flatter hierarchies and a more direct style of collaboration, a new organization should further strengthen the direct responsibility of the businesses. At the end of September, thyssenkrupp had already presented the framework of the future structure internally. For example, the Group is eliminating the matrix organization. At Components Technology and Industrial Solutions, the management companies will essentially be dissolved. At headquarters, the number of corporate functions will be trimmed from 15 to 10. The staff at our headquarters of almost 800 employees will be reduced to around 430 within the next 12 months.

Past financial year 2018/2019 strongly impacted by external effects

Despite the increasingly weaker market dynamics in the course of the year - particularly in the automotive sector - the **Components Technology** business area significantly improved its order intake and sales year-on-year. The increases resulted mainly from industrial components (wind energy, construction machinery, heavy trucks). By contrast, the weak performance of passenger car components in China was evident. Demand also declined in Western Europe and in the US. This had a negative impact on the business area's operating result. Earnings continued to be impacted by negative earnings contributions from springs and stabilizers. Thanks to the positive performance of the industrial components business, Components Technology's total adjusted EBIT of €233 million was nevertheless significantly higher than the prior-year figure (€197 million), which was impacted by quality issues.

In the business area **Elevator Technology**, thyssenkrupp booked orders worth €8.2 billion in the past fiscal year - a new record high. Contributing factors included several major projects in China and another project in Sydney, Australia. The service business grew mainly in the USA and Asia. Sales increased by 5 percent compared with the previous year. Adjusted EBIT also improved by 5 percent to €907 million. Key factors were the implementation of the performance program, which made positive contributions through performance optimization and restructuring, and the significant growth of the service business. A noticeably improved adjusted EBIT in China largely compensated for higher material prices in the US. In particular, the significant margin improvements in the second half of the year confirm the recent positive trend.

Industrial Solutions increased its sales by 10 percent in the past fiscal year. The construction of chemical plants was a major contributor to this increase. Order intake was lower than in the previous year due to the restrained awarding of major projects. Earnings were weaker than in the previous year. This was due to lower margins on projects in progress and a partial underutilization of capacity. Overall, Industrial Solutions recorded an adjusted EBIT of €(170) million (previous year: €(127) million).

The marine business more than tripled its order intake in the past fiscal year. A major order for four frigates from North Africa in the fourth quarter had a particularly positive effect. Sales also increased significantly. This and the absence of one-off project expenses in the previous year led to a significantly improved operating result. **Marine Systems** closed fiscal year 2018/2019 with a slightly positive result of €1 million (previous year: €(128) million). Adjusted EBIT, however, continues to be impacted by the low margins on projects in progress.

The **Materials Services** business area also felt the impact of economic uncertainties and the difficult market environment in the automotive sector. Order intake and sales were significantly negative. Decreasing market prices and a very weak demand, above all in the stockholding and direct trade businesses as well as in the automotive-related service centers in Europe, had a negative impact on business and led to significant negative effects. The positive development in North America was not able to compensate for this. Accordingly, adjusted EBIT of € 107 million was significantly below the high level of the previous year (€ 317 million).

Steel Europe's business performance was influenced in particular at the beginning of the past fiscal year by special factors - especially the historic low tide of the Rhine and the new WLTP emissions test, which caused temporary production losses in the auto industry. As the year progressed, the business was also hit by the overall slowdown in market momentum, in particular due to a noticeable drop in demand from the automotive industry. Order intake and sales were down on the previous year. Adjusted EBIT decreased to €31 million (previous year: €687 million). In addition to the significant decline in shipments, drastically higher raw material costs, especially for iron ore, and negative exchange rate effects also had an impact.

thyssenkrupp is making progress with the reduction of administrative costs at headquarters and in the regional organization significantly faster than planned. As a result, **corporate** costs in the past fiscal year were overall reduced to €(306) million (previous year: €(377) million).

Key Figures of fiscal 2018/2019

All in all, thyssenkrupp posted a **net loss** of €(260) million for fiscal year 2018/2019 (previous year: €(12) million). This also includes the increase in the provision for risks from antitrust proceedings and restructuring expenses in the second quarter. After deducting minority interest, the net loss was €(304) million (prior year: €(62) million); earnings per share were €(0.49) (prior year: €(0.10)).

At € (1.1) billion, **free cash flow before M&A** for the full year was well below the prior-year figure (€(134) million). The main reason for the significant cash outflow was the increase in funds tied up, particularly in the materials businesses, in the first nine months of the year. The strong final quarter with positive cash inflows totaling €1.4 billion – coming especially from the materials businesses, Components Technology and Elevator Technology – could not compensate for this development.

The Group's **net financial debt** amounted to €3.7 billion at September 30, 2019 (previous year: €2.4 billion). Taking into account free liquidity of €7.3 billion and a balanced maturity structure, thyssenkrupp remains well financed.

Equity decreased from €3.2 billion to €2.2 billion year-on-year. This was partly due to the net loss for the year. Additionally, to the negative effects of lower interest rates, required a revaluation of pension obligations. Gearing, the ratio of net financial debt to equity, was around 167 percent at September, 30, 2019 (previous year: around 74 percent). The gearing threshold agreed with the financing banks was thus met.

Against the background of the weak operating performance and the financial situation, the Executive Board and Supervisory Board will propose to the Annual General Meeting on 31 January 2020 not to pay a **dividend** for the 2018/2019 fiscal year.

Forecast 2019/2020

thyssenkrupp is generally cautious about the **current fiscal year 2019/2020**. Economic and geopolitical uncertainties provide the Group with only limited visibility. Particularly in the cyclical materials and automotive components businesses, this leads to limited predictability.

Against the background of overall progress in the capital goods businesses and a weaker earnings trend in the materials businesses, the Executive Board expects **adjusted EBIT** to be at the prior-year level. **Free cash flow before M&A** is expected to be below the prior-year level. Inflows will come from operating improvements, depending on order intake inflows and the payment profile of projects in plant construction and at Marine Systems. The expected antitrust fine and the significantly higher payments for restructuring in the mid triple-digit million € range as a result of the implementation of "newtk" will have a negative impact. The expenses for the intensification of restructuring (special effects) will result in a significantly higher **net loss** for the year than in the previous year.

Please find current footage material.

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thyssenkrupp in figures - Overview of key performance indicators

thyssenkrupp in figures

		Group[1) 2)]			
		Year ended Sept. 30, 2018	Year ended Sept. 30, 2019	Change	in %
Order intake	million €	41,486	41,994	507	1
Net sales	million €	41,534	41,996	462	1
EBIT[3)]	million €	937	272	(665)	(71)
EBIT margin	%	2.3	0.6	(1.6)	(71)
Adjusted EBIT[3)]	million €	1,444	802	(642)	(44)
Adjusted EBIT margin	%	3.5	1.9	(1.6)	(45)
Income/(loss) before tax	million €	561	(83)	(644)	--
Net income/(loss) or earnings after tax	million €	(12)	(260)	(248)	--
attributable to thyssenkrupp AG's shareholders	million €	(62)	(304)	(241)	--
Earnings per share (EPS)	€	(0.10)	(0.49)	(0.39)	--
Operating cash flows	million €	1,184	72	(1,113)	(94)
Cash flow for investments	million €	(1,386)	(1,443)	(58)	(4)
Cash flow from divestments	million €	87	108	22	25
Free cash flow[4)]	million €	(115)	(1,263)	(1,149)	--
Free cash flow before M & A[4)]	million €	(134)	(1,140)	(1,007)	--
Net financial debt (Sept. 30)	million €	2,364	3,703	1,339	57
Total equity (Sept. 30)	million €	3,203	2,220	(983)	(31)
Gearing (Sept. 30)	%	73.8	166.8	93.0	126
ROCE	%	6.0	1.6	(4.3)	(73)
thyssenkrupp Value Added	million €	(322)	(1,068)	(746)	--
Dividend per share	€	0.15	—[5)]	—	—
Dividend payout	million €	93	—[5)]	—	—
Employees (Sept. 30)		161,096	162,372	1,276	1

1) Prior-year figures have been adjusted due to the adoption of IFRS 15.
2) See preliminary remarks.
3) See reconciliation in segment reporting (Note 24).
4) See reconciliation in the analysis of the statement of cash flows.
5) Proposal to the Annual General Meeting.

Order intake by business area

million €	Year ended Sept. 30, 2018[2]	Year ended Sept. 30, 2019	Change in %	Change on a comparable basis[1] in %
Components Technology	6,595	6,996	6	5
Elevator Technology	7,853	8,171	4	2
Industrial Solutions[3]	4,541	3,735	(18)	(18)
Marine Systems[3]	648	2,192	238	238
Materials Services	14,544	13,868	(5)	(6)
Steel Europe	9,157	8,784	(4)	(4)
Corporate	190	198	4	4
Consolidation	(2,042)	(1,951)	—	—
Group[3]	**41,486**	**41,994**	**1**	**0**

[1] Excluding material currency and portfolio effects.
[2] Prior-year figures have been adjusted due to the adoption of IFRS 15.
[3] See preliminary remarks.

Net sales by business area

million €	Year ended Sept. 30, 2018[2]	Year ended Sept. 30, 2019	Change in %	Change on a comparable basis[1] in %
Components Technology	6,610	6,871	4	2
Elevator Technology	7,552	7,960	5	4
Industrial Solutions[3]	3,633	4,002	10	10
Marine Systems[3]	1,389	1,800	30	30
Materials Services	14,705	13,880	(6)	(7)
Steel Europe	9,470	9,065	(4)	(5)
Corporate	329	308	(6)	(6)
Consolidation	(2,154)	(1,889)	—	—
Group[3]	**41,534**	**41,996**	**1**	**0**

[1] Excluding material currency and portfolio effects.
[2] Prior-year figures have been adjusted due to the adoption of IFRS 15.
[3] See preliminary remarks.

Adjusted EBIT by business area

million €	Year ended Sept. 30, 2018[2]	Year ended Sept. 30, 2019	Change in %
Components Technology	197	233	18
Elevator Technology	865	907	5
Industrial Solutions[1]	(127)	(170)	(34)
Marine Systems[1]	(128)	1	++
Materials Services	317	107	(66)
Steel Europe	687	31	(95)
Corporate	(377)	(306)	19
Consolidation	10	(1)	—
Group[1]	**1,444**	**802**	**(44)**

[1] See preliminary remarks..
[2] Prior-year figures have been adjusted due to the adoption of IFRS 15.