



Strategic realignment of thyssenkrupp making progress / growth course continued in first 9 months / full-year forecast revised

- Performance first: medium-term targets confirmed; businesses with disproportionately high negative cash flow under review
- Flexible portfolio: IPO of elevator business on schedule; clear interest from investors; expressions of interest being examined
- Efficient organization: Group to operate in new structure from start of 2020; further reduction of administrative costs targeted
- 9-month figures: growth course continued; weak auto market and dislocations in materials businesses weighing on operating earnings
- Full-year forecast revised: adjusted EBIT 2018/2019 of around €0.8 billion expected (previously €1.1 – 1.2 billion)

The materials and capital goods group thyssenkrupp is proceeding with its fundamental strategic realignment according to plan. With the presentation of its figures for the first 9 months of the current fiscal year, the Group is announcing initial decisions and a timetable for the further development of the realignment resolved in May 2019. The aim is to significantly improve the Group's performance and build a fundamentally new thyssenkrupp in which its businesses develop in the best possible way and hold leading market positions.

“In view of the increasing economic headwind, we changed direction in good time and are pressing ahead forcefully with the restructuring of thyssenkrupp,” says Guido Kerkhoff, CEO of thyssenkrupp AG. “The focus of the first phase is on the structural stabilization of the businesses, which will also require an efficient leadership and organizational model. With this we are preparing the groundwork so that in the second phase we can position our businesses for long-term profitable growth.”

The new thyssenkrupp (“newtk”) follows three basic principles: “performance first”, “flexible portfolio” and “efficient organization”:

Performance first: medium-term targets confirmed

Improving performance is the first priority in all business areas. The previously stated medium-term targets continue to apply. To achieve these, thyssenkrupp has initiated comprehensive performance programs in all business areas, including continuously monitoring the progress of measures already underway to determine whether additional programs are needed.

In addition thyssenkrupp has identified businesses which, despite intensive efforts, are currently not competitive or where their current market situation calls into question a competitive positioning from today's perspective. These businesses have been placed under review by thyssenkrupp. Specifically this concerns:

- **Springs and stabilizers:** chassis components for the automotive industry in the Components Technology business area
- **System Engineering:** construction of production lines for the automotive industry in the Industrial Solutions business area
- **Heavy plate:** solid steel plate among other things for the construction industry, shipbuilding or pipelines in the Steel Europe business area

These three businesses represent four percent of the Group's sales but a quarter of the negative cash flow expected in the current fiscal year. A team of experts will now develop restructuring plans for these businesses under review. If restructuring proves unsuccessful or impossible, the company will examine other strategic options.

Guido Kerkhoff: "We will assess the potential of the three businesses. We definitely see opportunities for their further development but not necessarily under the umbrella of thyssenkrupp. We will not allow a situation to continue where businesses with no clear prospects permanently burn money and destroy value that other areas have created."

The steel business faces particular challenges. After the prohibition of the joint venture by the European Commission, the new business area board is working hard on a sustainable strategy for the future. The aim is to address the structural problems in the European steel industry and at the same time mitigate the impacts of the current market dislocations, characterized by weaker demand and extremely high ore prices.

Improving thyssenkrupp's performance will also require cutting 6,000 jobs as announced in May, including up to 2,000 in the steel division. thyssenkrupp will decide the details of the job cuts in the course of the reorganization (see "flexible organization").

thyssenkrupp will announce more details regarding the businesses under review, the future plan for steel, and the job reductions before the end of the calendar year.

Flexible portfolio: IPO of elevator business planned in fiscal 2019/2020

A set-up in which the businesses can develop in the best possible way it is essential to the success of newtk. To this end, as announced in May, thyssenkrupp is considering the right portfolio strategy for the businesses.

For the automotive businesses, size is key when it comes to the transition to electric vehicles and autonomous driving. In plant engineering, increasing competitive pressure, particularly from Asia, raises the question as to whether the businesses can perform better through partnerships or combinations. In the materials businesses the Group continues to consider consolidation options.

The most important portfolio measure is the planned partial IPO of Elevator Technology. This will allow thyssenkrupp to sustainably strengthen its capital base and make the value of its elevator business visible. By retaining a majority interest, the Group will also continue to profit from future value growth. With the expected proceeds, the Group will increase its financial leeway for necessary restructuring and securing the future of its businesses.

Preparations for the flotation of the elevator business are on schedule. The carve-out is to be completed by the end of 2019. Depending on the capital market environment, the Group aims to carry out the IPO in the 2019/2020 fiscal year. Guido Kerkhoff: "We are preparing the IPO for Elevator but are also examining the expressions of interest made by potential interested parties. This also applies to the other businesses."

Efficient organization: significant and direct contribution to efficiency

To enable them to operate more successfully in the market, the businesses will be given more entrepreneurial freedom but also more accountability under the strategic realignment. The Group's organizational set-up will be leaner, faster, simpler and more flexible. Joint teams from the Group headquarters, the business areas, and the operating units are currently developing the future organizational structure. The aim is to start operating in the new structure from the beginning of 2020. Employee representatives will be closely involved in the implementation process.

Central administrative costs are to be reduced to below €200 million by fiscal year 2020/2021 (fiscal year 2017/2018: around €380 million). thyssenkrupp expects further savings from the streamlining of structures and cost reductions in the individual business areas, whose administrative costs currently add up to around €2 billion.

Key figures 9 months 2018/2019

In the first 9 months of fiscal year 2018/2019 thyssenkrupp continued to grow in a difficult economic environment. Order intake increased by 2 percent to €30.7 billion. Sales improved year-on-year by 1 percent to €31.2 billion. Growth was slowed by increasingly weaker global economic momentum, a marked downturn in the automotive sector and continued high import pressure for steel. Added to this was the massive increase in raw material prices, especially for iron ore. These factors are reflected in operating earnings,

particularly in the auto components and materials businesses. 9-month adjusted EBIT¹ at €683 million was significantly down from the prior year (€1.3 billion).

“Overall we cannot be satisfied with our performance in the first 9 months,” says Kerkhoff. “In the capital goods businesses we are seeing a continued good order intake and a positive sales trend despite the headwind. This shows that our action plans are taking effect. However we were unable to offset the impacts of the current auto market weakness and the ore price trend. This makes it clear that with our corporate strategy clearly focused on improving performance we have set the right priorities at the right time.”

Growth in the capital goods businesses, materials under pressure

The growth in orders and sales in the first 9 months was due solely to the capital goods businesses. Elevator Technology again recorded a significant increase in orders thanks to several major projects in Asia-Pacific and Europe. In particular, the elevator business in the USA drove sales growth. Industrial Solutions increased its order intake and sales mainly in chemical plant construction, while Components Technology achieved growth particularly in industrial components. At Marine Systems, order intake was lower but sales were significantly higher than a year earlier. The Materials Services and Steel Europe businesses were affected by the overall slowdown in market momentum, in particular due to a noticeable drop in demand from the auto industry.

These factors also weighed on operating earnings. At Components Technology, adjusted EBIT decreased to €183 million (prior year: €267 million). China and Western Europe in particular, as well as business with springs and stabilizers, were weaker. Business with industrial components was higher year-on-year. Elevator Technology was able to offset adverse material and selling price developments with performance measures and maintain adjusted EBIT at €642 million, level with the prior year (€641 million). Industrial Solutions reported adjusted EBIT of €(112) million (prior year: €(107) million). This was due to lower margins on projects currently being implemented and delayed customer orders at System Engineering. Marine Systems improved its earnings and broke even (prior year: €(117) million), while Materials Services was unable to maintain its prior-year earnings level (€119 million compared with €235 million in the prior year), mainly due to declining prices and volumes.

¹ The reclassification of the steel operations as “continuing operations” leads to retroactive recognition of previously suspended depreciation and amortization, resulting in a €228 million negative adjustment to earnings in the 1st half 2018/2019 and a €107 million negative adjustment in the 4th quarter 2017/2018.

At Steel Europe, significantly higher raw material costs (especially for iron ore), lower demand from the auto industry and the historically low Rhine water levels led to a drop in earnings to €77 million from €586 million a year earlier. thyssenkrupp is making significantly faster progress than planned in reducing central administrative costs. Expenses at Corporate were reduced in the first 9 months from €(237) million to €(219) million.

The development of operating earnings resulted in a net loss in the first 9 months of €(170) million (prior year: net income of €229 million). This includes the increase in the provision for risks from antitrust proceedings in the 2nd quarter. After deducting minority interest, net loss amounted to €(207) million (prior year: net profit of €189 million); earnings per share came to €(0.33) (prior year: €0.30).

Free cash flow before M&A improved in the 3rd quarter compared with the prior-year quarter but remained significantly negative in the first 9 months at €(2.5) billion (prior year €(1.6) billion). The main reason for the cash outflow was increased net working capital, in particular at the materials businesses.

Revised forecast 2018/2019: adjusted EBIT expected at around €0.8 billion

Against the background of weaker than expected economic growth and in particular higher raw material costs for iron ore, thyssenkrupp has adjusted its forecast for the current fiscal year 2018/2019. The negative volume and margin effects are having a particular impact on the auto components and materials businesses.

Adjusted EBIT is expected to be around €0.8 billion (previously: €1.1 to 1.2 billion; prior year: €1.4 billion). The revised adjusted EBIT outlook is also reflected in free cash flow before M&A. Here the Group expects cash outflows of more than €1 billion (previously: negative in the high 3-digit million euro range; prior year: €(134) million). thyssenkrupp continues to expect negative net income (prior year, before €107 million adjustment for catch-up depreciation and amortization: €60 million).

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thyssenkrupp in figures – overview of key performance indicators

		Group ¹⁾²⁾				Group ¹⁾²⁾			
		9 months ended June 30, 2018	9 months ended June 30, 2019	Change	in %	3rd quarter ended June 30, 2018	3rd quarter ended June 30, 2019	Change	in %
Order intake	million €	30,171	30,690	520	2	10,554	10,219	(335)	(3)
Net sales	million €	30,755	31,153	398	1	10,771	10,779	8	0
EBIT ³⁾	million €	1,096	396	(701)	(64)	243	183	(60)	(25)
EBIT margin	%	3.6	1.3	(2.3)	(64)	2.3	1.7	(0.6)	(25)
Adjusted EBIT ³⁾	million €	1,274	683	(591)	(46)	331	226	(105)	(32)
Adjusted EBIT margin	%	4.1	2.2	(2.0)	(47)	3.1	2.1	(1.0)	(32)
Income/(loss) before tax	million €	813	124	(688)	(85)	157	80	(78)	(49)
Net income (loss) or income (loss) net of tax	million €	229	(170)	(399)	--	(114)	(77)	37	32
attributable to thyssenkrupp AG's shareholders	million €	189	(207)	(396)	--	(131)	(94)	38	29
Earnings per share (EPS)	€	0.30	(0.33)	(0.64)	--	(0.21)	(0.15)	0.06	29
Operating cash flows	million €	(797)	(1,709)	(912)	--	60	218	157	261
Cash flow for investments	million €	(855)	(955)	(100)	(12)	(293)	(375)	(81)	(28)
Cash flow from divestments	million €	78	60	(18)	(24)	34	8	(27)	(77)
Free cash flow ⁴⁾	million €	(1,573)	(2,604)	(1,031)	(66)	(199)	(149)	49	25
Free cash flow before M & A ⁴⁾	million €	(1,592)	(2,546)	(954)	(60)	(211)	(92)	119	56
Net financial debt (June 30)	million €	3,808	5,101	1,292	34				
Total equity (June 30)	million €	3,339	2,494	(845)	(25)				
Gearing (June 30)	%	114.0	204.5	90.5	79				
Employees (June 30)		159,655	161,740	2,085	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 09).

⁴⁾ See reconciliation in the analysis of the statement of cash flows.

	Order intake ²⁾ million €		Net sales ²⁾ million €		EBIT ¹⁾²⁾³⁾ million €		Adjusted EBIT ¹⁾²⁾³⁾ million €		Employees	
	9 months ended June 30, 2018	9 months ended June 30, 2019	9 months ended June 30, 2018	9 months ended June 30, 2019	9 months ended June 30, 2018	9 months ended June 30, 2019	9 months ended June 30, 2018	9 months ended June 30, 2019	June 30, 2018	June 30, 2019
Components Technology	4,939	5,188	4,927	5,059	231	158	267	183	34,126	35,036
Elevator Technology	5,814	6,136	5,536	5,835	590	590	641	642	52,683	53,010
Industrial Solutions ³⁾	2,340	2,945	2,606	2,786	(131)	(124)	(107)	(112)	15,794	16,020
Marine Systems ³⁾	483	385	987	1,305	(119)	(1)	(117)	0	5,789	5,870
Materials Services	10,957	10,528	11,023	10,590	214	106	235	119	20,148	20,242
Steel Europe	7,030	6,969	7,061	6,828	597	(75)	586	77	27,090	27,934
Corporate	242	135	245	203	(292)	(250)	(237)	(219)	4,025	3,628
Consolidation	(1,635)	(1,596)	(1,631)	(1,451)	6	(9)	6	(6)	0	0
Group³⁾	30,171	30,690	30,755	31,153	1,096	396	1,274	683	159,655	161,740

¹⁾ See reconciliation in segment reporting (Note 09).

²⁾ Prior-year figures have been adjusted due to the adoption of IFRS 15.

³⁾ See preliminary remarks.

	Order intake ²⁾ million €		Net sales ²⁾ million €		EBIT ¹⁾²⁾³⁾ million €		Adjusted EBIT ¹⁾²⁾³⁾ million €	
	3rd quarter ended June 30, 2018	3rd quarter ended June 30, 2019	3rd quarter ended June 30, 2018	3rd quarter ended June 30, 2019	3rd quarter ended June 30, 2018	3rd quarter ended June 30, 2019	3rd quarter ended June 30, 2018	3rd quarter ended June 30, 2019
Components Technology	1,696	1,754	1,717	1,753	69	54	100	65
Elevator Technology	1,981	1,999	1,937	2,042	202	222	217	239
Industrial Solutions ³⁾	883	1,265	815	996	(108)	(64)	(106)	(55)
Marine Systems ³⁾	170	145	440	510	(108)	(1)	(107)	0
Materials Services	3,818	3,336	3,846	3,505	75	34	84	43
Steel Europe	2,475	2,177	2,492	2,347	239	9	227	1
Corporate	73	47	74	69	(124)	(75)	(82)	(70)
Consolidation	(542)	(504)	(550)	(442)	(2)	3	(2)	3
Group³⁾	10,554	10,219	10,771	10,779	243	183	331	226

¹⁾ See reconciliation in segment reporting (Note 09).

²⁾ Prior-year figures have been adjusted due to the adoption of IFRS 15.

³⁾ See preliminary remarks.