

### **thyssenkrupp plans to split the group into two independent, listed companies**

- Focused set-up to enable better development of industrial goods and materials businesses
- Both businesses to have direct access to capital markets
- Supervisory Board to decide on Management Board proposal on Sunday

At an extraordinary meeting on Sunday, September 30, 2018, the Executive Board of thyssenkrupp AG will propose to the Supervisory Board that the Group be split into two much more focused and efficient companies. The capital goods and materials businesses shall be managed in future as independent, listed companies with direct access to the capital markets. The Management Board is convinced that this new structure will allow the businesses to develop better and concentrate on their strengths. Both companies will continue to use the name thyssenkrupp.

Guido Kerkhoff, Chairman of the Management Board of thyssenkrupp AG: "In recent weeks, a wide variety of strategic options for thyssenkrupp have been discussed in public and very often exaggerated. But the world is not black and white. There is not only 'Continue like this' and destruction, but always alternatives that take into account the responsibility both for our employees and for the future viability of the company. That's exactly what we were looking for as management board - without fear and dreaming. We are now proposing a solution that not only creates value for our shareholders, but also significantly improves the development prospects of our businesses".

The separation into two companies will take the form of a spin-off. After the split, thyssenkrupp AG shareholders will hold two shares: one of the future thyssenkrupp Materials AG (formerly thyssenkrupp AG) and one of the new thyssenkrupp Industrials AG. Existing stockholders will continue to hold 100 percent of thyssenkrupp Materials AG and initially a clear majority of thyssenkrupp Industrials AG. The remaining stake will initially be held by thyssenkrupp Materials AG. This will ensure an adequate capital base of thyssenkrupp Materials AG. Liabilities and pension obligations are allocated adequately to both companies. This shall provide both entities with a better capital base, giving them a good start.

## Two entities with a clear profile and clear focus

The separation into two independent companies combines industrial logic with the requirements of the capital market and is economically viable - in the interests of customers, employees and the region:

thyssenkrupp Industrials will consist of three units: firstly the elevator business, secondly the automotive supplier business and thirdly core plant construction. The elevators remain unchanged in their current configuration. Components Technology will focus on the automotive business. The slewing (Bearings) and the forging business (Forged Technologies) will be spun off from the division. A new addition is the System Engineering division, which builds production lines for cars, for example, and is currently part of Industrial Solutions. We are thus bundling the automotive expertise. The third pillar of our industrial business will in future be the focused core plant construction. thyssenkrupp Industrials will therefore be a pure capital goods business.

The other part - thyssenkrupp Materials - will consist of the following units: Materials Services, the 50 percent interest in the future steel joint venture, the slewing bearings and forging businesses as well as the marine business. The result is a materials group that combines steel and stainless steel production, materials trading and steel-related processing, that has a leading market position in Europe and can also take advantage of consolidation opportunities from a position of strength.

Guido Kerkhoff: "We are planning to create two independent companies with a common DNA and strong roots from over 200 years of common history. But we have more in common than just history - a common understanding of performance and values. Above all, we are driven by a strong desire to be a technology leader. Acting responsibly with our employees is at the heart of our culture. We are committed to social partnership and to our location in North Rhine-Westphalia. That will not change. Both companies will remain 'thyssenkrupp'."

The two companies will be of comparable size: Based on pro forma figures for fiscal 2016/17, thyssenkrupp Industrials AG would generate sales of around €16 billion with around 90,000 employees. thyssenkrupp Materials AG<sup>1</sup> would have sales of around €18 billion with just under 40,000 employees.

Upon approval by the Supervisory Board the exact structure of the separation, such as the transaction structure, the financing concept and the management models of both companies, will be worked out in a diligent process. The separation must then be decided by the Annual Stockholders' Meeting of thyssenkrupp AG. This could take place in 12 to 18 months.

### **Both companies to have direct access to the capital market**

A separate listing on the stock exchange reduces the complexity of thyssenkrupp stock. In the future, investors with different approaches can be addressed: Investors who focus on industrial goods are interested in stable cash flows and attractive growth prospects. The materials businesses, on the other hand, are of interest to investors who are more interested in cyclical business and consolidation. Both companies will thus become more attractive for investors.

Regardless of the intended separation, thyssenkrupp will continue to work continuously to improve the performance of all its businesses. The growth and profitability targets set for the individual business areas at the beginning of August 2018 remain valid and are to be achieved by the end of the 2020/21 fiscal year. thyssenkrupp is also adhering to the already known savings target for corporate administrative costs.

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<sup>1</sup> figures excluding steel joint venture, as accounted at equity