

thyssenkrupp closes 2017/18 fiscal year with solid results and will focus firmly on raising performance during separation process

- Solid growth in order intake and sales in 2017/2018 fiscal year
- At €1.6 billion adjusted EBIT down from prior year (€1.7 billion)
- Savings significantly higher than planned at almost €890 million: Corporate costs reduced by almost 30 percent
- Roadmap presented for separation
- Preparations for steel joint venture on schedule
- Forecast for 2018/2019: Increase in adjusted EBIT of continuing operations

The industrial and technology group thyssenkrupp registered solid growth in order intake and sales despite negative currency effects in fiscal 2017/2018: At €42.8 billion **order intake**¹ matched the high prior-year level, while **sales** increased slightly. **Adjusted EBIT** came to €1.6 billion (prior year: €1.7 billion) and was therefore below the revised forecast made at the end of July. **Net income** at €60 million was also down from the year before (€271 million). **Free cash flow (FCF) before M&A** showed a clear year-on-year improvement but as expected the full-year figure remained negative (€(134) million).

Guido Kerkhoff, CEO of thyssenkrupp AG: “The past fiscal year was a turbulent and challenging one for thyssenkrupp. We initiated one of the biggest realignments in the history of the company. At the same time we identified potential for further improvements in all businesses which we are now systematically addressing. We are fully committed to our performance targets. Measures to achieve them have been agreed with the business areas. This will raise the performance of thyssenkrupp as a whole.”

Roadmap presented for the separation of the Group

The Executive Board today presented the roadmap for the announced separation of the Group. In September 2018 thyssenkrupp decided to divide the Group into two much more focused and efficient companies: As thyssenkrupp Materials AG and thyssenkrupp Industrials AG the materials and capital goods businesses are to be managed as independent listed companies with direct access to the capital market. As well as reducing complexity, the separation will enable the two companies, operating independently of each other, to respond to their respective customers and markets faster and more effectively and address investors with different interests.

¹ Figures relate to the Group in its current structure (without Steel Americas, including Steel Europe).

thyssenkrupp aims to have the separation approved by the Annual General Meeting in January 2020. The spin-off documents required for this is to be presented at the annual press conference in the fourth quarter 2019. For this to succeed, the two companies must be operating largely as separate enterprises as of October 1, 2019. Appointments to the two management teams will be decided in spring 2019.

Guido Kerkhoff: "We are convinced that in this new set-up the businesses will be able to develop better and concentrate on their strengths. With the roadmap in place, we will now press on with the separation of the Group: A year from now our two thyssenkrupps will be ready for a future in which they are stronger, more focused, and faster."

The creation of the transaction structures for the separation of the Group will weigh heavily on net income and free cash flow in the 2018/2019 fiscal year. Based on current, still provisional, calculations, the Group expects costs in the high three-digit million euro range.

However, on completion of the separation the leveraging of hidden reserves will have a positive impact on equity and the balance sheet.

Joint venture with Tata on schedule

With the signing of the joint venture agreement to combine the European steel activities with Tata Steel, thyssenkrupp achieved an important milestone in the past fiscal year. Preparations for the launch of the 50/50 joint venture are progressing on schedule. In parallel with this the merger control processes are being carried out by the regulatory authorities. In addition thyssenkrupp continues to work on structuring the steel business as an independent entity to prepare the way for the joint venture.

The contribution of the European steel activities to the joint venture will significantly improve thyssenkrupp's key balance-sheet ratios. After the closing, the transaction is expected to have a positive effect on equity and therefore also on the Group's net income. At the same time the Group's pension obligations will decrease by around 50 percent.

Until the closing of the steel joint venture, the Group expects Steel Europe (discontinued operation) to provide a clearly positive contribution to the Group's adjusted EBIT. At the same time the normal seasonal build-up of net working capital is expected to weigh on FCF in the mid to high three-digit million euro range.

Solid performance in fiscal 2017/2018

Despite negative currency effects, the Group's **order intake** in the 2017/2018 fiscal year matched the high prior-year level (€42.8 billion); adjusted for currency and portfolio effects, orders grew by 2 percent. **Sales** increased by 3 percent to €42.7 billion (prior year €41.4 billion). On a comparable basis sales were 5 percent higher. Among the **capital goods businesses**, Components Technology performed positively among other things in car components and components for heavy trucks in Western Europe and China. Order intake reached a new high. Elevator Technology also continued its positive performance above all in North America and built on its high prior-year order level. Orders in the largely project-based business of Industrial Solutions were down due to a slowdown in major project awards. At the **materials businesses**, both Materials Services and Steel Europe profited from continued stable and high prices on the materials markets.

The Group's **adjusted EBIT** at €1,551 million was down from the year before (€1,722 million). On the capital goods side, mainly the inadequate order situation and project expenses at Industrial Solutions in the 3rd quarter weighed on earnings (down €366 million to €(255) million). At Components Technology, provisions for quality issues, negative currency effects, and the rise in material costs over the course of the year impacted earnings (down 48 percent to €197 million). The latter also resulted in lower than expected earnings at Elevator Technology (down 6 percent to €866 million). The materials businesses registered clearly positive earnings effects, reflecting continued stable and high prices on the materials markets. Materials Services improved slightly on the high year-earlier earnings level (up 2 percent to €317 million). Steel Europe reported a strong rise in earnings even though production restrictions caused by low water levels on the Rhine and declining shipments due to new emissions standards in the auto industry impacted earnings in the final quarter (up 26 percent to €687 million). Corporate costs improved to well below €400 million (down 29 percent, adjusted EBIT €(377) million). The measures to reduce G&A costs at Group level were implemented considerably faster than planned. The **efficiency program "impact"** therefore made a significant contribution to earnings again in the past fiscal year: With EBIT effects of €890 million, savings again clearly exceeded the Group's target of €750 million.

At €60 million, **net income** was below the prior-year level (€271 million). Alongside the Group's operating performance, this reflects a provision for antitrust risks. Additional impacts resulted from the once-only tax liability recognized in June in connection with the joint venture, while net interest income improved.

The Executive Board and Supervisory Board are proposing to the Annual General Meeting on February 1, 2019 the distribution of a **dividend** of €0.15 per share for the 2017/2018 fiscal year.

FCF before M&A improved clearly year-on-year (prior year €(855) million), but the full-year figure remained negative (€(134) million), mainly due to the lower order intake and high expenditures from orders in hand at Industrial Solutions. The strong final quarter with positive cash inflows across all business areas could no longer offset these effects.

Accordingly, the Group's **net financial debt** at €2.4 billion was higher than the prior-year figure (€2.0 billion). Taking into account available liquidity of €6.6 billion and the balanced maturity structure, thyssenkrupp remains solidly financed.

The Group's **equity** decreased year-on-year from €3.4 billion to €3.3 billion. Positive effects included particularly the net income achieved. Negative effects came from currency translation losses and the lower interest rate level, which required a remeasurement of pension obligations.

Forecast for 2018/2019

thyssenkrupp is cautiously optimistic overall with regard to the **current fiscal year 2018/2019**. The Group aims to achieve **adjusted EBIT** from the continuing operations² of over €1 billion (2017/2018: €706 million), with support from the programs initiated to improve performance in all business areas. As a result of the earnings improvement, **FCF before M&A of the continuing operations** should improve significantly year-on-year, but will remain negative overall (2017/2018: €(678) million). Progress will depend mainly on order intake and payment profiles of individual major projects at Marine Systems.

The full Group's **net income** is forecast to increase significantly year-on-year (2017/2018: €60 million). It is expected that the expenses from preparations to separate the Group will be clearly outweighed by earnings improvements at the continuing operations and the positive effects associated with the closing of the steel joint venture.

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² Full Group excluding discontinued steel operations (Steel Europe business area, thyssenkrupp MillServices &Systems GmbH from the Materials Services business area and individual companies from Corporate)

thyssenkrupp in figures - Overview of key performance indicators

thyssenkrupp in figures

		Full Group				Group without Steel Americas (AM)			
		Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Change	in %	Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Change	in %
Order intake	million €	44,288	42,754	(1,534)	(3)	42,756	42,754	(3)	0
Net sales	million €	42,971	42,745	(226)	(1)	41,447	42,745	1,298	3
EBIT	million €	687	1,045	358	52	1,150	1,045	(105)	(9)
EBIT margin	%	1.6	2.4	0.8	53	2.8	2.4	(0.3)	(12)
Adjusted EBIT	million €	1,910	1,551	(359)	(19)	1,722	1,551	(171)	(10)
Adjusted EBIT margin	%	4.4	3.6	(0.8)	(18)	4.2	3.6	(0.5)	(13)
Income/(loss) before tax	million €	61	668	607	++	765	668	(97)	(13)
Net income/(loss) or earnings after tax attributable to thyssenkrupp AG's shareholders	million €	(591)	60	650	++	271	60	(211)	(78)
Earnings per share (EPS)	€	(1.15)	0.01	1.16	++	0.37	0.01	(0.36)	(96)
Operating cash flows	million €	610	1,184	575	94	483	1,184	701	145
Cash flow for investments	million €	(1,666)	(1,386)	280	17	(1,535)	(1,386)	149	10
Cash flow from divestments	million €	1,545	87	(1,458)	(94)	1,539	87	(1,452)	(94)
Free cash flow	million €	489	(115)	(603)	--	487	(115)	(602)	--
Free cash flow before M & A	million €	(798)	(134)	665	83	(855)	(134)	721	84
Net financial debt (Sept. 30)	million €	1,957	2,364	407	21				
Total equity (Sept. 30)	million €	3,404	3,274	(130)	(4)				
Gearing (Sept. 30)	%	57.5	72.2	14.7	26				
ROCE	%	4.1	6.6	2.5	61				
thyssenkrupp Value Added	million €	(651)	(217)	434	67				
Dividend per share	€	0.15	0.15 ¹⁾	—	—				
Dividend payout	million €	93	93 ¹⁾	—	—				
Employees (Sept. 30)		158,739	161,096	2,357	1				

¹⁾ Proposal to the Annual General Meeting

thyssenkrupp in figures

		Group - continuing operations			
		Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Change	in %
Order intake	million €	35,357	35,133	(224)	(1)
Net sales	million €	33,993	34,777	785	2
EBIT	million €	658	464	(194)	(29)
EBIT margin	%	1.9	1.3	(0.6)	(31)
Adjusted EBIT	million €	1,164	706	(459)	(39)
Adjusted EBIT margin	%	3.4	2.0	(1.4)	(41)
Income/(loss) before tax	million €	329	163	(165)	(50)
Income/(loss) (net of tax)	million €	12	(198)	(210)	--
attributable to thyssenkrupp AG's shareholders	million €	(39)	(245)	(206)	--
Earnings per share (EPS)	€	(0.07)	(0.39)	(0.33)	--
Operating cash flows	million €	27	185	157	++
Cash flow for investments	million €	(959)	(935)	24	2
Cash flow from divestments	million €	1,511	66	(1,445)	(96)
Free cash flow	million €	579	(684)	(1,264)	--
Free cash flow before M & A	million €	(763)	(678)	84	11
Employees (Sept. 30)		129,441	131,606	2,165	2

Order intake by business area

million €	2016 / 2017	2017 / 2018	Change in %	Change on a comparable basis ¹⁾ in %
Components Technology	7,674	7,861	2	6
Elevator Technology	7,834	7,853	0	5
Industrial Solutions	6,490	5,188	(20)	(21)
Materials Services	13,760	14,544	6	8
Steel Europe	8,969	9,157	2	3
Corporate	287	190	(34)	(34)
Consolidation	(2,257)	(2,040)	—	—
Group without AM	42,756	42,754	0	2
Discontinued operations Steel Americas	1,531	0	--	--
Full Group	44,288	42,754	(3)	(1)
Discontinued steel operations	7,399	7,621	3	—
Discontinued operations Steel Americas	1,531	0	--	--
Group continuing operations	35,357	35,133	(1)	2

¹⁾ Excluding material currency and portfolio effects

Net sales by business area

million €	2016 / 2017	2017 / 2018	Change in %	Change on a comparable basis ¹⁾ in %
Components Technology	7,571	7,875	4	8
Elevator Technology	7,674	7,554	(2)	4
Industrial Solutions	5,522	5,020	(9)	(10)
Materials Services	13,665	14,652	7	9
Steel Europe	8,915	9,470	6	7
Corporate	278	329	18	18
Consolidation	(2,179)	(2,156)	—	—
Group without AM	41,447	42,745	3	5
Discontinued operations Steel Americas	1,525	0	--	--
Full Group	42,971	42,745	(1)	2
Discontinued steel operations	7,454	7,968	7	—
Discontinued operations Steel Americas	1,525	0	--	--
Group continuing operations	33,993	34,777	2	5

¹⁾ Excluding material currency and portfolio effects

Adjusted EBIT by business area

million €	2016 / 2017	2017 / 2018	Change in %
Components Technology	377	197	(48)
Elevator Technology	922	866	(6)
Industrial Solutions	111	(255)	--
Materials Services	312	317	2
Steel Europe	547	687	26
Corporate	(535)	(377)	29
Consolidation	(12)	117	—
Group without AM	1,722	1,551	(10)
Discontinued operations Steel Americas	189	0	--
Full Group	1,910	1,551	(19)
Discontinued steel operations	558	846	52
Discontinued operations Steel Americas	189	0	--
Group continuing operations	1,164	706	(39)