Press release

thyssenkrupp announces leadership structures for future companies / growth track continues in first quarter / full-year forecast confirmed

- Next milestone for separation: efficient leadership structures clearly oriented towards business requirements of both companies
- Preparations to separate the Group fully on schedule
- 1st quarter 2018/2019: order intake and sales increased further
- Operating earnings down year-on-year as expected; net income higher at €145 million
- Full-year forecast confirmed

thyssenkrupp has taken the next step on the path to the planned separation of the company. Today the Group announced the leadership structures of the two future companies, creating the framework for the concrete organization of thyssenkrupp Industrials and thyssenkrupp Materials.

Guido Kerkhoff, CEO of thyssenkrupp AG: “With the separation we will create strategic clarity and enable the businesses to develop more dynamically. The new leadership structures are key to this. The new set-up is tailored to business requirements and reflects the different market logics. Both thyssenkrupps will become leaner, faster and better.”

The two thyssenkrupps will be more efficient and able to act more effectively on the market. The aim is to implement projects and innovations more quickly. In addition the companies will be closer to customers and better able to respond to market changes. To this end the two companies will give their businesses the greatest possible scope for decision-making. At the same time – particularly at thyssenkrupp Industrials – they will leverage joint strengths across business areas. That means: both companies will be leaner. In both future companies the leadership structures will be clearly simplified.

At each company the number of board directorates will be reduced to three, and central functions will be combined. From 17 corporate and service functions today, there will be just 14 at thyssenkrupp Industrials and just 10 at thyssenkrupp Materials. The current matrix structure will be dissolved. In the future there will be no regional structure besides the business areas at headquarters level. The tasks in the regions will be performed by the operating units or central functions. The shared service units will also be allocated according to business requirements and focused more closely.

The Group is anticipating relatively low dissynergies from the separation. Countermeasures should make it possible to avoid cost increases as far as possible. The measures already planned to reduce G&A costs will be continued. In the 2020/2021 fiscal year, the central G&A costs of the two companies together should be below €300 million (fiscal year 2017/2018: around €380 million).

As agreed with the employee representatives, there will be no compulsory redundancies on account of the separation.

Differences in the leadership structures

thyssenkrupp Industrials will comprise the elevator, automotive, and plant engineering businesses – i.e. the businesses driven by megatrends. What counts here is above all innovative strength. This is where the "engineering" at thyssenkrupp makes the difference, providing the key to sustainable solutions and long-term growth: in big cities, in mobility, and in infrastructures of the future.

That means it is important here to build on thyssenkrupp's strengths. It is also important in these businesses in particular to systematically improve performance. Both these goals will be easier to achieve in a much more focused Industrials set-up. All three business areas of thyssenkrupp Industrials follow similar market logics.

The future leadership structure will therefore be a differentiated model. On the one hand responsibility will be delegated to the organization. At the same time certain tasks will also be centralized where synergies can be leveraged – for example in the area of recruitment, talent management, or innovation. In the future the headquarters and the business areas will work together in integrated teams in some areas.

thyssenkrupp Materials AG will be a company that holds leading market positions in the materials businesses. It combines Materials Services, the share in the steel joint venture and Marine Systems, plus the forging operations and bearings business. The common factor of these businesses is that they operate in mature markets in which we differentiate ourselves through long-standing customer relationships and high quality and technology standards. However, the businesses within thyssenkrupp Materials differ widely in their requirements. There are fewer synergies here. The businesses are distinct and can develop independently of each other.

For this reason thyssenkrupp Materials will have only a very lean corporate headquarters. We are limiting the headquarters to the main, legally required activities and systematic performance controlling. It will also be the task of the headquarters to further develop the Materials portfolio. We will therefore for example be combining the Strategy and M&A functions.

Further timetable for the separation

thyssenkrupp had set itself an ambitious timetable for the separation of the Group. The final vote on the plans is to take place at the Annual General Meeting in January 2020. With the announcement of the leadership structures, the preparations are proceeding swiftly and on schedule. The composition of the two management teams is to be decided in spring 2019. Details of the financial structure, brand identity and strategy of the two new companies will be announced in May. Both companies are to commence operations at the start of the next fiscal year on October 1, 2019.

Growth course continued in 1st quarter 2018/2019

In the first three months of the current fiscal year 2018/2019 thyssenkrupp followed on seamlessly from its positive performance of previous quarters. Despite rising economic uncertainties, **order intake** and **sales** of the continuing operations[1] grew further. In the 1st quarter 2018/2019 thyssenkrupp received new orders worth €8.1 billion – up 6 percent year-on-year. Sales were 3 percent higher at €7.9 billion. Operating earnings of the continuing operations (**adjusted EBIT**) amounted to €168 million and were therefore as expected below the high level of the prior-year quarter.

“The continuing growth in order intake and sales shows that thyssenkrupp is operating in attractive markets and our fundamental growth drivers are intact. But the figures also show that we have to keep on pressing forward with our performance programs in all business areas. We are fully focused on doing so and are confident that we will make clear progress this fiscal year towards our growth and margin targets for 2020/2021,” says Guido Kerkhoff.

Order intake and sales of all continuing operations higher

The capital goods businesses in particular contributed to the pleasing **order intake** of the continuing operations in the 1st quarter. Thanks to several major projects in the Asia/Pacific region, Elevator Technology reported a new record high of €2.1 billion. The other capital goods businesses also achieved clear growth in order intake. Components Technology registered increases particularly in industrial components.

[1] Full Group without the steel operations to be contributed to the joint venture with Tata Steel

Industrial Solutions received orders mainly for chemical plant construction and mining. Order intake at Marine Systems was also higher, while Materials Services remained at the prior-year level. Regarding **sales,** all continuing operations contributed to the increase in the 1st quarter, with the elevator business in Europe and the USA the main growth driver.

Adjusted EBIT of the continuing operations in the 1st quarter was €168 million and thus as expected down from the strong prior year (€265 million). At Components Technology higher start-up costs for customer projects and a weaker performance at Springs and Stabilizers among other things resulted in decreased earnings (down 36 percent to €49 million). Earnings at Elevator Technology were also lower year-on-year (down 7 percent to €204 million) due to higher material costs in China and tariffs on material imports into the USA. At Industrial Solutions adjusted EBIT fell to €(23) million (prior year: €13 million) mainly due to lower margins on projects currently under execution. Marine Systems remained stable at around break-even, while Materials Services was unable to match the prior year's high earnings level due to declining prices (down 57 percent to €22 million).

The historically low water levels on the Rhine and temporarily lower demand from the auto industry following the introduction of new emissions standards severely impacted the **earnings of the discontinued business area Steel Europe** in the 1st quarter 2018/2019. Adjusted EBIT came to €38 million compared with €163 million in the prior-year period.

Significant improvement in net income

thyssenkrupp's **net income** in the 1st quarter 2018/2019 came to €145 million. In the prior year (€93 million) the US tax reform in particular had a negative one-time impact on net income. After deducting minority interest, net profit in the 1st quarter 2018/2019 was €136 million (prior year €81 million); earnings per share came to €0.22 (prior year €0.13).

As expected, the **free cash flow before M&A** of the continuing operations was lower year-on-year at €(1.6) billion (prior year €(1.1) billion). The main reason for the cash outflow was a seasonal increase in net working capital, in particular at Materials Services. This also led to negative effects on free cash flow at the discontinued steel operations. The Group's **net financial debt** increased accordingly to €4.7 billion (September 30, 2018: €2.4 billion). Taking into account available liquidity of €4.9 billion, thyssenkrupp remains solidly financed.

Compared with September 30, 2018, **total equity** improved slightly by €148 million to €3.4 billion. The net income achieved in the period had a positive effect. Negative effects came from the reduced interest rate level, which required a remeasurement of pension obligations.

2018/2019 forecast: adjusted EBIT to increase to more than €1 billion

thyssenkrupp has **confirmed** its **forecast** for the **current fiscal year 2018/2019** but at the same time economic and political uncertainties are growing. For **adjusted EBIT of the continuing operations** the Group aims to achieve a figure above €1 billion (prior year: €706 million). Reflecting the earnings improvement, **FCF before M&A of the continuing operations** should improve significantly year-on-year but is still expected to be negative overall (prior year: €(678) million). This will depend above all on order intake and the payment profile of individual major projects at Marine Systems.

Net income is forecast to increase significantly year-on-year (2017/2018: €60 million). It is expected that the costs of preparing the separation of the Group will be significantly outweighed by the earnings improvements at the continuing operations and by the positive effects arising at the closing of the steel joint venture.

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thyssenkrupp in figures – overview of key performance indicators

		Full Group[1]				Group – continuing operations[1][2]			
		1st quarter ended Dec. 31, 2017	1st quarter ended Dec. 31, 2018	Change	in %	1st quarter ended Dec. 31, 2017	1st quarter ended Dec. 31, 2018	Change	in %
Order intake	million €	9,398	10,111	713	8	7,690	8,131	441	6
Net sales	million €	9,543	9,736	194	2	7,725	7,942	217	3
EBIT[3]	million €	426	296	(129)	(30)	236	142	(94)	(40)
EBIT margin	%	4.5	3.0	(1.4)	(32)	3.1	1.8	(1.3)	(42)
Adjusted EBIT[3]	million €	448	333	(115)	(26)	265	168	(97)	(37)
Adjusted EBIT margin	%	4.7	3.4	(1.3)	(27)	3.4	2.1	(1.3)	(38)
Income/(loss) before tax	million €	322	215	(108)	(33)	151	77	(74)	(49)
Net income (loss) or income (loss) net of tax	million €	93	145	52	55	(24)	58	82	++
attributable to thyssenkrupp AG's shareholders	million €	81	136	55	69	(37)	51	88	++
Earnings per share (EPS)	€	0.13	0.22	0.09	69	(0.06)	0.08	0.14	++
Operating cash flows	million €	(1,276)	(2,245)	(969)	(76)	(902)	(1,485)	(583)	(65)
Cash flow for investments	million €	(289)	(257)	33	11	(199)	(170)	29	15
Cash flow from divestments	million €	30	25	(5)	(17)	18	14	(4)	(22)
Free cash flow[4]	million €	(1,535)	(2,477)	(941)	(61)	(1,083)	(1,641)	(558)	(52)
Free cash flow before M & A[4]	million €	(1,549)	(2,477)	(928)	(60)	(1,097)	(1,641)	(545)	(50)
Net financial debt (Dec. 31)	million €	3,544	4,684	1,140	32				
Total equity (Dec. 31)	million €	3,282	3,422	140	4				
Gearing (Dec. 31)	%	108.0	136.9	28.9	27				
Employees (Dec. 31)		159,175	161,496	2,321	1				

[1] Prior-year figures have been adjusted due to the adoption of IFRS 15.
[2] Cf. Note 02.
[3] See reconciliation in segment reporting (Note 08).
[4] See reconciliation in the analysis of the statement of cash flows.

	Order intake[2] million €		Net sales[2] million €		EBIT[1][2] million €		Adjusted EBIT[1][2] million €		Employees	
	1st quarter ended Dec. 31, 2017	1st quarter ended Dec. 31, 2018	1st quarter ended Dec. 31, 2017	1st quarter ended Dec. 31, 2018	1st quarter ended Dec. 31, 2017	1st quarter ended Dec. 31, 2018	1st quarter ended Dec. 31, 2017	1st quarter ended Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
Components Technology	1,578	1,653	1,564	1,580	76	44	77	49	33,152	34,662
Elevator Technology	1,959	2,143	1,844	1,923	201	199	220	204	52,909	53,282
Industrial Solutions[3]	788	940	835	840	10	(31)	13	(23)	15,841	15,656
Marine Systems[3]	58	107	256	298	(1)	0	(1)	0	5,853	5,868
Materials Services	3,363	3,370	3,288	3,388	49	22	52	22	19,981	20,378
Steel Europe	2,071	2,341	2,181	2,131	162	34	163	38	27,478	27,613
Corporate	91	51	93	63	(72)	(91)	(75)	(77)	3,961	4,037
Consolidation	(510)	(495)	(518)	(487)	(1)	119	(1)	119	0	0
Full Group	**9,398**	**10,111**	**9,543**	**9,736**	**426**	**296**	**448**	**333**	**159,175**	**161,496**
Discontinued steel operations	1,707	1,980	1,818	1,794	190	155	183	165	29,144	29,354
Group continuing operations[3]	**7,690**	**8,131**	**7,725**	**7,942**	**236**	**142**	**265**	**168**	**130,031**	**132,142**

[1] See reconciliation in segment reporting (Note 08).
[2] Prior-year figures have been adjusted due to the adoption of IFRS 15.
[3] See preliminary remarks.