Press Release

thyssenkrupp

Capital Market Day 2021: thyssenkrupp describes further transformation steps and announces mid-term targets

- Positive interim assessment of transformation to a high-performing group of companies
- Ambitious mid-term targets for the company as a whole: Adjusted EBIT margin of 4 to 6 percent and significantly positive free cash flow before M&A
- Mid-term targets for segments: Growth expected to result especially from digitization and the green transformation in businesses such as Bearings, Automotive Technology and Materials Services; IPO planned for UCE
- CEO Martina Merz: "We're now also working on the next phase of our transformation in which we will again increase our focus on the growth opportunities in our businesses."
- CFO Klaus Keysberg: "We still have a great deal to do when it comes to improving our performance. We will therefore consistently pursue our chosen path. Our stated aim is to achieve a sustainably positive cash flow."

thyssenkrupp regards itself as being well on track in its transformation to a high-performing group of companies. Two years after starting the extensive transformation, the company's Executive Board and the segment management teams delivered a positive interim assessment at the virtual Capital Market Day entitled "Transforming to sustained value creation." Speaking to investors and analysts, the company delivered a detailed outlook for the next milestones on its transformation and communicated ambitious mid-term targets, for both the group and the individual segments.

Martina Merz, CEO of thyssenkrupp AG: "We're getting thyssenkrupp back on track – with competitive businesses that can earn money and grow profitably. Despite the challenges of the coronavirus pandemic and current supply chain issues, we're making good progress. The measures we have initiated are starting to take effect and others are being prepared. We're now also working on the next phase of our transformation in which we will again increase our focus on the growth opportunities in our businesses."

In an optimistic **forecast for the current fiscal year** issued in November, thyssenkrupp described how the efforts of the last few years were having an increasingly positive impact on the company's figures. Despite ongoing challenges at the start of the new fiscal year, the group aims to raise adjusted EBIT to a figure between €1.5 and 1.8 billion (prior year: €796 million) and improve net income to more than €1 billion (prior year: net loss of €25 million). thyssenkrupp also intends to halt cash outflows and plans a significant increase in free cash flow before M&A to around break-even from €(1.3) billion a year earlier.

At the Capital Market Day, the company confirmed its forecast and delivered an **overview of its mid-term financial targets.** The adjusted EBIT margin for the group is expected to increase to between 4 and 6 percent in the medium term. Further progress in performance is likely to result in a significantly positive figure for free cash flow before M&A. Another clearly defined target is restoring the company's ability to consistently pay a dividend.

CFO Klaus Keysberg: "Over the past two years, we have initiated major structural changes and operational improvements in all areas of the company and we have made good progress. However, we still have a great deal to do when it comes to improving our performance. We will therefore consistently pursue our chosen path. Our stated aim is to achieve a sustainably positive cash flow."

thyssenkrupp provided further details about the major transformation of the company in May 2020, which has the goal of creating a high-performing group of companies with strong autonomous businesses and a clearly structured portfolio. The transformation is continuing along a curve consisting of three phases: Focus, Improve and Scale.

In light of the very different starting positions in the businesses, the group is addressing the different phases of the transformation curve simultaneously. Until now, the emphasis was mainly on Focus and Improve. As the transformation progresses, thyssenkrupp is increasingly turning its attention to Scale.

Focus: Progress in portfolio and performance measures

The first phase – Focus – is primarily aimed at structuring the company's portfolio and sharpening its focus. To this end, thyssenkrupp is continuously reviewing the development potential of the individual businesses and assessing the options that will give them the best value-creating opportunities in the future.

Materials Services, Industrial Components and Automotive Technology will remain a part of the thyssenkrupp group. The company also intends to grow Steel Europe organically but, at the same time, is investigating how a stand-alone solution for the steel business might offer it a better long-term perspective. For Marine Systems, thyssenkrupp is considering possible partnerships and consolidation options alongside a stand-alone scenario as a way of strengthening the position of German and European shipyards in the global market.

Those businesses for which thyssenkrupp is primarily pursuing development paths outside the group have been brought together in the Multi Tracks segment. In the past fiscal year, having agreed and in some cases completed the divestments of the Mining, Infrastructure, Carbon Components and AST businesses and closed the heavy plate plant in Duisburg, thyssenkrupp already found solutions for a first package that accounted for 50 percent of Multi Tracks sales. In the current fiscal year, the group expects these transactions and measures to have positive effects in the high-triple-digit million euro range on its net financial position and pension liabilities. In a second package, thyssenkrupp has started preparing the divestments

of Automotive Engineering and Springs and Stabilizers. In the medium term, the company will be taking decisions about the future of the chemical and cement plant construction – both large units that, with their technologies and products, could benefit from the green transformation.

Improve: Achieving improvements in key financial performance indicators and sustainability

The second phase – Improve – is focused on strengthening the performance of all the company's businesses. The goal is to achieve competitive margins on a par with those of the best competitors in each business. Here, too, thyssenkrupp has made good progress. For example, the company has fine-tuned the indicators and logic used to steer its businesses as well as the associated compensation systems. It has identified value drivers in all businesses and initiated specific measures and initiatives to systematically support its targets and plans. In the course of the Improve phase, thyssenkrupp launched the largest restructuring program in the company's history. Over the past two fiscal years, it has already found socially acceptable solutions for 7,800 of the more than 12,000 jobs that are to be reduced by fiscal year 2023/2024.

Scale: Growth potential from digitization and the green transformation

In line with the success achieved in improving the performance of its businesses, thyssenkrupp will again increase its focus on growth opportunities. With its extensive technological expertise and innovative products and services, the group sees potential above all in supporting its customers in digitization and the green transformation of industry. This is also reflected in the **segments' mid-term targets**.

At **Materials Services**, thyssenkrupp aims to increase shipment volumes to more than 6 million tons. In the medium term, it is targeting an adjusted EBIT margin of 2 to 3 percent and ROCE of more than 9 percent. To achieve this, the segment is focusing especially on automation, digitization and artificial intelligence. In this way, Materials Services is evolving from a materials seller to a supply chain manager characterized by close long-term customer relationships and higher value creation.

In the **Industrial Components** segment, thyssenkrupp aims to achieve an adjusted EBIT margin of at least 10 percent in the medium term. As the global market leader, the Bearings business is expecting to increase sales by an average of at least 5 percent each year. The company is seeking further growth on the basis of its market and technology leadership in bearings for wind turbines and intends to defend its strong position in various industrial end markets. In the Forged Technologies business, thyssenkrupp aims to grow by developing its market share and launching new products, enabling it to generate very good margins in comparison with its competitors and, at the same time, focus on powertrain-independent products.

thyssenkrupp's **Automotive Technology** segment is the enabler of electromobility and already generates 80 percent of its sales with components that are not used in combustion engines. With both new and existing products, Automotive Technology aims to grow faster than the market and is strengthening its position as a chassis system provider for leading OEMs. In the medium term, thyssenkrupp is aiming for an adjusted EBIT margin of 7 to 8 percent in this segment.

At **Steel Europe**, thyssenkrupp is systematically implementing the Steel Strategy 20/30 in order to achieve a sustainable improvement in the steel business's competitiveness through investment, modernization and restructuring. At the same time, thyssenkrupp is pressing ahead with the green transformation of steel and considers this to be a major lever for reducing greenhouse gas emissions. In the medium term, thyssenkrupp aims to increase shipment volumes of Steel Europe to around 11 million tons. Adjusted EBITDA per ton is expected to improve to around €100, which is equivalent to an adjusted EBIT margin of 6 to 7 percent.

In the **Marine Systems** segment, thyssenkrupp expects strong competition and, in the medium term, is seeking to achieve average annual sales growth of 6 percent on the basis of its products' strong market position. Close customer proximity, the development of new technologies and the continuation of its program to improve operational excellence and performance are expected to increase the adjusted EBIT margin to between 6 and 7 percent.

At **Uhde Chlorine Engineers (UCE)**, thyssenkrupp sees great potential in the field of water electrolysis and aims to benefit from the high demand for green hydrogen. For this reason, the company is looking intensively at the best way to optimize the hydrogen business. thyssenkrupp is currently planning an initial public offering (IPO) as the preferred solution and would retain a majority interest in the business. The company will be publishing further information about this business at a separate Capital Market Day on January 13, 2022.

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