Coronavirus pandemic already impacts thyssenkrupp in first half 2019/2020 / sales down despite robust capital goods businesses / operating earnings lower year-on-year

- Sales in 1st half 2019/2020 down year-on-year despite mainly robust capital goods businesses
- Operating earnings lower year-on-year mainly due to coronavirus pandemic and negative market situation at Steel Europe
- Progress with transformation: steel strategy and restructurings underway
- Elevator transaction on schedule: already 8 of 13 required antitrust approvals obtained without conditions

thyssenkrupp's performance in the 1st half of the current fiscal year 2019/2020 was significantly impacted by the initial effects of the coronavirus pandemic. In addition, the weak automotive market in particular as well as price and volume losses in the materials businesses had a negative impact on performance. In **order intake**[1] this is reflected in an 8 percent year-on-year decrease to €15 billion. **Sales** were down by 4 percent to €15.9 billion. Despite immediate countermeasures in response to the coronavirus pandemic, **adjusted EBIT** at €(433) million was significantly lower than a year earlier (€55 million) particularly due to the situation at Steel Europe.

Martina Merz, Chief Executive Officer of thyssenkrupp AG: "The coronavirus pandemic presents us with enormous challenges. The full impact of the crisis on our businesses is not yet foreseeable. But it is already clear that the economic disruptions will leave very deep marks. We have made a lot of progress with our transformation in the last few months. The company has delivered. We have sold the elevator business and negotiated and begun implementing the steel strategy. We have also found solutions for all our businesses under review. The initiated restructurings are well on track. So things are moving forward. Coronavirus is slowing things down but we are keeping our foot on the gas."

The elevator transaction required financially for this is expected to be closed by the end of the fiscal year 2019/2020. Of 13 required antitrust approvals, 8 have already been received without conditions.

[1] Unless otherwise stated, all figures relate to the continuing operations, i.e. excluding the Elevator Technology business area and individual units from Corporate Headquarters reported as discontinued operations.

In parallel with preparing the closing, thyssenkrupp continues to work on its planned strategy update: “We have developed a clear plan for the future and will be presenting the key elements to the Supervisory Board in the coming week. We will use the proceeds from the elevator transaction in the best possible way for the company. But it’s already clear now that the coronavirus will significantly reduce our leeway,” says Merz.

Performance of the businesses in the 1st half 2019/2020

After a generally positive performance in the 1st quarter, **Automotive Technology** was hit particularly hard by the fallout from the coronavirus pandemic in the 2nd quarter. Demand shortfalls starting in February in the world’s biggest auto market China continued in March in Europe with plant shutdowns by the business’s biggest customers.

Despite positive effects from the production start-up of new plants and projects particularly for steering systems, damper systems and camshaft modules, order intake in the 1st half was down slightly by 2 percent year-on-year. However, sales were up slightly by 2 percent. Earnings were impacted by the negative contributions of the two businesses under review – System Engineering and Springs and Stabilizers. Adjusted EBIT at €(28) million was lower than a year earlier (€22 million). At System Engineering capacity adjustment and cost measures are already underway. At Springs and Stabilizers a comprehensive restructuring of the business unit’s German sites was decided at the end of April. This includes the closure of the Olpe site and a total of 490 job cuts.

At **Industrial Components** the bearings unit continued to perform strongly thanks in particular to the good order situation for wind energy. The forgings business – operating in a market for truck and construction machinery components already characterized by lower volumes – was impacted by closures/slowdowns at all major plants in response to the coronavirus pandemic. Overall order intake was down by 15 percent and sales by 9 percent. Adjusted EBIT at €96 million was slightly lower year-on-year.

Plant Technology increased its sales by 16 percent, with a major contribution coming from chemical plant engineering. Order intake was 13 percent lower than the prior-year comparative – here it should be taken into account that a major mining order was booked in the prior-year period. Adjusted EBIT at €(38) million was significantly better than in the prior year (€(60) million) due to a slight recovery in chemical and cement plant engineering as well as positive effects from the implementation of the transformation program.

Marine Systems maintained its order intake at the prior-year level. Sales were 1 percent higher at €805 million, mainly due to sales in the surface vessel area. Adjusted EBIT came in slightly positive at €2 million.

The **Materials Services** business area continued to feel the effects of the weak market environment and declining prices in virtually all product segments. Added to this were negative effects from the pandemic-related temporary closure of the Italian stainless steel plant AST in the second half of March. Order intake and sales were down by 11 and 9 percent respectively. The situation particularly in warehousing and distribution and in the auto-related service centers in Europe and America impacted business and led to negative effects. Accordingly adjusted EBIT at €38 million was also as expected down from the prior year (€75 million).

The performance of **Steel Europe** was also again characterized by the structurally extremely challenging situation in the steel sector. The overall market slowdown is making itself particularly felt in lower price levels. Demand from the auto industry was already noticeably lower at the beginning of the quarter and slumped further in the second half of March due to the pandemic. Order intake and sales were down 9 and 11 percent respectively. As a result of the pandemic-related decline in shipments and continuing cost pressure, adjusted EBIT slipped into negative territory at €(372) million (prior year: €76 million). At the end of March, the agreement reached with IG Metall fired the starting shot for the immediate implementation of the Steel Strategy 20-30, aimed at securing technology leadership and competitiveness on a long-term basis.

Presented as a discontinued operation, the **elevator business** recorded growth in both order intake (2 percent) and sales (3 percent) in the 1st half, resulting mainly from new installations and service business in the USA. The 2nd quarter saw a decline in both key figures in China and in sales in Europe, also as a result of the coronavirus pandemic. Thanks partly to a strong 1st quarter in all regions, adjusted EBIT remained stable overall at €402 million.

Key figures 1st half 2019/2020

thyssenkrupp (incl. discontinued operations) reports a **net loss** of €(1,310) million for the 1st half 2019/2020 (prior year €(93) million). Alongside operating performance, this was due to restructuring expenses in connection with the implementation of “newtk”. After deduction of minority interest the net loss was €(1,320) million (prior year €(113) million). Earnings per share came to €(2.12) (prior year €(0.18)).

Free cash flow before M&A (incl. discontinued operations) remained clearly negative at €(2.7) billion, down €0.2 billion from the prior year. The main reasons for this were the operating performance of the businesses and the payment of the fine in the heavy plate cartel case in the amount of the recognized provisions of €370 million.

As a result of the negative free cash flow before M&A and the effects of the remeasurement of lease liabilities in accordance with IFRS 16 in the amount of €1 billion recorded in the 1st quarter, the Group's **net financial debt** increased to €7.5 billion (September 30, 2019: €3.7 billion). At March 31, 2020 thyssenkrupp had available liquidity of €4.5 billion.

On May 8, 2020 the company concluded a credit line of €1 billion from the KfW special program with a consortium of KfW and other banks. The credit line will additionally secure liquidity during the coronavirus pandemic until the cash inflow from the Elevator transaction.

As a result of the net loss for the period, **total equity** decreased by around €1 billion compared with September 30, 2019 to €1.2 billion.

2019/2020 forecast

Against the background of the coronavirus pandemic and the associated impacts on the economy as a whole, the sales and earnings performance of thyssenkrupp's businesses for the remaining months of the fiscal year cannot currently be predicted in full. It was for this reason that the company withdrew its forecast for the current fiscal year at the end of March.

It is already foreseeable that due to the temporary plant closures and production cutbacks by customers in the automotive industry, **sales from continuing operations** will decline significantly, above all in the 2nd half (prior year, continuing operations: €34.0 billion). As a result, **adjusted EBIT from continuing operations** is expected to be strongly negative (prior year, continuing operations: €(110) million). In the 3rd quarter a loss in the high three-digit million € range is likely and up to a good €1 billion cannot be ruled out.

Due to the cash inflow from the elevator transaction the **Group's free cash flow** in the current fiscal year will be significantly positive. The closing of the elevator transaction will also have a significant positive effect on net income, with a corresponding positive effect on the equity and net financial debt of the full Group.

Current footage material can be found here.

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thyssenkrupp in figures – overview of key performance indicators

		Full Group				Group – continuing operations[1]			
		1st half ended March 31, 2019	1st half ended March 31, 2020	Change	in %	1st half ended March 31, 2019	1st half ended March 31, 2020	Change	in %
Order intake	million €	20,471	19,203	(1,269)	(6)	16,334	14,988	(1,346)	(8)
Net sales	million €	20,374	19,781	(593)	(3)	16,581	15,876	(705)	(4)
EBIT[2]	million €	213	(578)	(791)	--	(154)	(863)	(708)	--
EBIT margin	%	1.0	(2.9)	(4.0)	--	(0.9)	(5.4)	(4.5)	--
Adjusted EBIT[2]	million €	457	(30)	(487)	--	55	(443)	(498)	--
Adjusted EBIT margin	%	2.2	(0.2)	(2.4)	--	0.3	(2.8)	(3.1)	--
Income/(loss) before tax	million €	45	(743)	(787)	--	(320)	(1,012)	(693)	--
Net income/(loss) or earnings after tax	million €	(93)	(1,310)	(1,217)	--	(335)	(1,130)	(795)	--
attributable to thyssenkrupp AG's shareholders	million €	(113)	(1,320)	(1,207)	--	(355)	(1,140)	(785)	--
Earnings per share (EPS)	€	(0.18)	(2.12)	(1.94)	--	(0.57)	(1.83)	(1.26)	--
Operating cash flows	million €	(1,927)	(2,013)	(86)	(4)	(2,183)	(2,168)	16	1
Cash flow for investments	million €	(580)	(685)	(105)	(18)	(520)	(613)	(93)	(18)
Cash flow from divestments	million €	52	29	(23)	(44)	50	24	(26)	(52)
Free cash flow[3]	million €	(2,455)	(2,669)	(214)	(9)	(2,653)	(2,756)	(103)	(4)
Free cash flow before M & A[3]	million €	(2,454)	(2,685)	(231)	(9)	(2,653)	(2,774)	(121)	(5)
Net financial debt (March 31)	million €	4,834	7,549	2,715	56				
Total equity (March 31)	million €	2,882	1,174	(1,707)	(59)				
Gearing (March 31)	%	167.8	642.9	475.2	283				
Employees (March 31)		161,153	160,090	(1,063)	(1)				

[1] See preliminary remarks.
[2] See reconciliation in segment reporting (Note 10).
[3] See reconciliation in the analysis of the statement of cash flows.

thyssenkrupp

		Full Group				Group – continuing operations[1]			
		2nd quarter ended March 31, 2019	2nd quarter ended March 31, 2020	Change	in %	2nd quarter ended March 31, 2019	2nd quarter ended March 31, 2020	Change	in %
Order intake	million €	10,360	9,542	(818)	(8)	8,366	7,559	(807)	(10)
Net sales	million €	10,638	10,108	(530)	(5)	8,768	8,247	(521)	(6)
EBIT[2]	million €	32	(462)	(494)	--	(137)	(561)	(424)	--
EBIT margin	%	0.3	(4.6)	(4.9)	--	(1.6)	(6.8)	(5.2)	--
Adjusted EBIT[2]	million €	240	(80)	(320)	--	41	(266)	(308)	--
Adjusted EBIT margin	%	2.3	(0.8)	(3.0)	--	0.5	(3.2)	(3.7)	--
Income/(loss) before tax	million €	(55)	(537)	(482)	--	(224)	(630)	(406)	--
Net income/(loss) or earnings after tax	million €	(161)	(946)	(784)	--	(272)	(688)	(416)	--
attributable to thyssenkrupp AG's shareholders	million €	(173)	(948)	(775)	--	(284)	(691)	(407)	--
Earnings per share (EPS)	€	(0.28)	(1.52)	(1.25)	--	(0.46)	(1.11)	(0.65)	--
Operating cash flows	million €	319	132	(187)	(59)	72	(58)	(130)	--
Cash flow for investments	million €	(323)	(359)	(35)	(11)	(286)	(318)	(32)	(11)
Cash flow from divestments	million €	27	11	(15)	(58)	26	6	(20)	(77)
Free cash flow[3]	million €	22	(215)	(237)	--	(188)	(371)	(183)	(97)
Free cash flow before M & A[3]	million €	23	(209)	(232)	--	(188)	(370)	(182)	(97)
Net financial debt (March 31)	million €	4,834	7,549	2,715	56				
Total equity (March 31)	million €	2,882	1,174	(1,707)	(59)				
Gearing (March 31)	%	167.8	642.9	475.2	283				
Employees (March 31)		161,153	160,090	(1,063)	(1)				

[1] See preliminary remarks.
[2] See reconciliation in segment reporting (Note 10).
[3] See reconciliation in the analysis of the statement of cash flows.

	Order intake million €		Net sales million €		EBIT[1] million €		Adjusted EBIT[1] million €		Employees	
	1st half ended March 31, 2019	1st half ended March 31, 2020	1st half ended March 31, 2019	1st half ended March 31, 2020	1st half ended March 31, 2019	1st half ended March 31, 2020	1st half ended March 31, 2019	1st half ended March 31, 2020	March 31, 2019	March 31, 2020
Automotive Technology[2]	2,589	2,535	2,589	2,634	9	(208)	22	(28)	24,984	25,572
Industrial Components[2]	1,345	1,147	1,223	1,117	98	47	100	96	14,350	13,318
Elevator Technology	4,137	4,215	3,793	3,905	368	375	402	402	52,918	52,567
Plant Technology[2]	1,181	1,025	1,284	1,492	(63)	(46)	(60)	(38)	11,107	11,218
Marine Systems	240	235	795	805	0	(2)	0	2	5,859	6,133
Materials Services	7,191	6,403	7,084	6,434	72	24	75	38	20,302	20,023
Steel Europe	4,792	4,374	4,481	4,005	(84)	(497)	76	(372)	27,882	27,869
Corporate Headquarters[2]	1	1	1	1	(139)	(262)	(118)	(129)	1,119	969
Reconciliation[2]	(1,005)	(732)	(876)	(613)	(48)	(10)	(40)	(2)	2,632	2,421
Full Group	**20,471**	**19,203**	**20,374**	**19,781**	**213**	**(578)**	**457**	**(30)**	**161,153**	**160,090**
Discontinued elevator operations[2]	4,137	4,214	3,793	3,905	368	285	402	413	52,918	52,567
Group continuing operations[2]	**16,334**	**14,988**	**16,581**	**15,876**	**(154)**	**(863)**	**55**	**(443)**	**108,235**	**107,523**

[1] See reconciliation in segment reporting (Note 10).
[2]) See preliminary remarks.

	Order intake million €		Net sales million €		EBIT[1] million €		Adjusted EBIT[1] million €	
	2nd quarter ended March 31, 2019	2nd quarter ended March 31, 2020	2nd quarter ended March 31, 2019	2nd quarter ended March 31, 2020	2nd quarter ended March 31, 2019	2nd quarter ended March 31, 2020	2nd quarter ended March 31, 2019	2nd quarter ended March 31, 2020
Automotive Technology[2]	1,306	1,182	1,358	1,267	0	(130)	9	(49)
Industrial Components[2]	702	589	650	573	56	5	57	52
Elevator Technology	1,995	1,982	1,869	1,860	169	168	198	174
Plant Technology[2]	513	457	669	737	(26)	(27)	(30)	(21)
Marine Systems	133	132	497	423	0	(2)	0	2
Materials Services	3,821	3,325	3,696	3,389	51	14	53	28
Steel Europe	2,451	2,259	2,350	2,154	(118)	(332)	37	(208)
Corporate Headquarters[2]	1	0	1	1	(64)	(159)	(55)	(63)
Reconciliation[2]	(562)	(384)	(452)	(297)	(36)	0	(29)	4
Full Group	**10,360**	**9,542**	**10,638**	**10,108**	**32**	**(462)**	**240**	**(80)**
Discontinued elevator operations[2]	1,994	1,983	1,870	1,861	169	98	198	186
Group continuing operations[2]	**8,366**	**7,559**	**8,768**	**8,247**	**(137)**	**(561)**	**41**	**(266)**

[1] See reconciliation in segment reporting (Note 10).
[2] See preliminary remarks.