thyssenkrupp with continued strong momentum in 2nd quarter 2020/2021 – full-year forecast raised again

- 2nd-quarter order intake, sales and adjusted EBIT higher year-on-year
- Performance measures taking effect: significant year-on-year improvement in almost all segments
- Free cash flow before M&A as expected negative; noticeable increase in working capital as a result of market recovery and corresponding demand, additionally impacted by cash outflows for restructuring and investment
- Full-year forecast raised: sales growth in low 2-digit percentage range and adjusted EBIT in mid 3-digit million euro range expected
- Martina Merz: "We made up more ground in the 2nd quarter. But the realignment of thyssenkrupp remains a journey of many small steps – and we're taking those steps"

thyssenkrupp was able to build on its good 1st-quarter performance in the 2nd quarter of the current fiscal year 2020/2021. The group's **order intake**[1] was up 14 percent against the comparable prior-year period at €8.6 billion. **Sales** in the 2nd quarter also increased by 4 percent to €8.6 billion (prior year: €8.2 billion). **Adjusted EBIT** came to €220 million, up significantly from the prior-year figure of €(279) million. Almost all segments contributed to this earnings improvement. Positive effects from the restructuring and efficiency measures supported this growth. In light of the good 1st half performance, thyssenkrupp has raised its **forecast** for the current fiscal year for both sales and earnings.

Martina Merz, CEO of thyssenkrupp AG: "We made up more ground in the 2nd quarter. On the one hand we were helped by the recovery in many of our markets. On the other, our performance measures are having the planned effect. That's good and gives us confidence. But we also know that we still have a lot of work to do. So we're not sitting back. The realignment of thyssenkrupp remains a journey of many small steps – and we're taking those steps."

Performance of the segments in the 2nd quarter 2020/2021

At **Materials Services** order intake increased by 9 percent in the 2nd quarter, while sales were down slightly by 3 percent year-on-year. At €126 million, adjusted EBIT was significantly higher than a year earlier (€29 million). Key factors here were the increase in finished and stainless steel prices caused by the materials shortage and also the effects of the systematic implementation of the transformation: As part of the ongoing network optimization, since 2019 the segment has reduced the number of logistics sites by 39, including five in the reporting

[1] Unless otherwise stated, all figures relate to the continuing operations, i.e. excluding the elevator business and individual units from Corporate Headquarters sold at the end of July 2020.

quarter. As a result, productivity (warehouse sales per employee) increased significantly. As a further element of thesite network optimization, in April Materials Services opened a new logistics center in Rotenburg, which with its high degree of automation and digitization will further increase the company's efficiency.

Industrial Components increased its order intake by 11 percent and sales by 9 percent. The bearings unit is reaping the benefits of its continuous growth investments to adapt and increase production capacities above all in the area of wind energy. The business continues to profit clearly from a good order situation – particularly in China. The forgings business, too, saw a significant recovery in all regions in both car and truck components and undercarriages for construction machinery after the pandemic-related global market collapse in the prior year. As a result of the good market situation, the expanded product offering, improved productivity and effects from cost-reduction measures, adjusted EBIT at €97 million was significantly higher than a year earlier (€52 million).

At **Automotive Technology** 2nd-quarter order intake and sales were up year-on-year by 9 percent and 6 percent respectively. With a generally good demand situation in China, the increases resulted mainly from the automotive original equipment business – particularly in steering systems, camshaft modules and damper systems. Without the bottlenecks in the supply of semiconductor products, these growth rates could have been much higher. At €75 million, adjusted EBIT was significantly higher than a year earlier (€(8) million). All business units contributed to these good earnings, above all thanks to efficiency improvements in production (lower reject rates and non-conformance costs, improved cycle times) as well as the successful implementation of restructurings, e.g. at Automotive Body Solutions (previously part of System Engineering).

In a continued structurally challenging market environment, order intake and sales at **Steel Europe** were up 13 percent and 8 percent respectively from the prior year. As a result of catch-up effects above all from the automotive industry and strong demand from restocking particularly at steel processors, business continued to pick up. Adjusted EBIT improved significantly to €47 million (prior year: €(181) million). Reasons for this were higher capacity utilization combined with an improved product mix and positive price trend as well as initial effects of the ongoing restructuring and the initiated performance measures.

Marine Systems significantly improved its order intake in the 2nd quarter to €405 million (prior year: €133 million). Positive effects included the receipt of a submarine order from the Italian Navy. Sales at €689 million were also clearly up from the prior year (€424 million), mainly due to the handover of the third F125 frigate to the German Navy. Adjusted EBIT came in slightly positive at €2 million, level with the prior year (€3 million).

Reflecting their very different and specific challenges, the businesses combined in the **Multi Tracks**[2] segment again show a very mixed picture in the 2nd quarter: The stainless steel business recorded continuing good demand, but market-related developments on the price and cost side weighed on earnings. The plant engineering business and the Automation Engineering business (formerly part of System Engineering) recorded higher order intake. However, sales were still impacted by the lower order intake of prior periods and in the plant engineering business by a concentration on fewer but more attractive market segments. In the heavy plate business, business was down before the planned closure. Overall, order intake at Multi Tracks increased by 7 percent, while sales fell by 5 percent. Adjusted EBIT came to a total of €(80) million and was thus significantly improved from the prior year and also from the prior quarter (prior year €(100) million, prior quarter €(111) million). The performance and restructuring measures in the individual businesses with clearly defined cost and personnel reduction targets are already producing a significant improvement. The total of 640 measures in the 1st half had a €62 million impact on earnings, €29 million of which in the 2nd quarter. The main areas of restructuring in the current fiscal year are the plant engineering business, Springs & Stabilizers, and Automation Engineering in Germany. In addition, one site closure was implemented in Brazil (Infrastructure) and one initiated in Germany (Carbon Components).

General and administrative expenses were further reduced as planned in the 2nd quarter. The adjusted EBIT of **Corporate Headquarters** came to €(49) million (prior year: €(59) million, prior quarter €(54) million).

2nd quarter 2020/2021: Key figures for the full group (incl. discontinued operations)

thyssenkrupp significantly increased its **net income** by €758 million to €(187) million in the 2nd quarter 2020/2021. Included in this are restructuring expenses of around €260 million. After deducting minority interest, net income in the 2nd quarter was €(211) million (prior year: €(948) million); earnings per share came to €(0.34) (prior year: €(1.52)).

After the positive 1st quarter of the current fiscal year, **free cash flow before M&A** in the 2nd quarter was as expected negative at €(750) million, down €541 million from the prior year. This reflects in particular the market recovery-related catch-up effects in working capital, but also further cash-outs for restructuring as well as investments in growth projects in all segments and in ongoing projects at Steel Europe in connection with the implementation of Strategy 20-30. The group's **net financial assets** decreased accordingly compared with December 31, 2020 (financial assets of €5.1 billion) to €4.2 billion. With cash and cash equivalents and undrawn committed credit lines totaling €11.3 billion, thyssenkrupp continues to have a very good liquidity position.

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[2] Since October 1, 2020 thyssenkrupp has combined in the Multi Tracks segment the minority investment in TK Elevator, the former thyssenkrupp Elevator, and certain businesses from various industries for the majority of which other ownership structures are being considered in the short to medium term. This could involve, for example, the complete or partial sale or also the continuation of the business together with one or more external partners.

Klaus Keysberg, CFO of thyssenkrupp AG: "We want and need to return to positive cash flow as quickly as possible. At the same time we must continue to invest in the future of our businesses in a targeted and prudent manner in order to best exploit market developments and opportunities in our segments. We are doing this with the necessary focus on the resilience of our cash flow. With the necessary restructurings and investments in growth we are creating the conditions to make thyssenkrupp successful in the long term. We are therefore on the right track with this transformation."

Total equity improved from €9.9 billion on December 31, 2020 to €10.4 billion. The net loss for the period was offset in particular by positive effects from the remeasurement of pension obligations made necessary by higher interest rates.

Forecast for the 2020/2021 fiscal year raised again

For the current fiscal year thyssenkrupp expects a further continuing economic recovery and a visible structural improvement in our businesses. After the positive trend in the 1st half of the current fiscal year, this trend should continue in the 2nd half, albeit with subdued momentum.

Against this background the company has again raised its full-year forecast in corresponding ranges:

Depending in particular on the further progression of the coronavirus pandemic, **sales** are expected to grow in the low two-digit percentage range but remain clearly below the pre-crisis level (previous forecast: growth in the high single-digit percentage range; prior year: €28.9 billion).

As a result of expected improvements in all segments, thyssenkrupp expects **adjusted EBIT** to increase significantly towards a positive result in the mid 3-digit million euro range (previously; almost breakeven; prior year: pro forma[3] €(1.8) billion).

As previously forecast, **free cash flow before M&A** will improve and move towards €(1) billion (prior year: €(5.5) billion). Alongside the earnings improvement, this will also depend on the increase in net working capital required for sales growth and dependent on raw materials prices, cash-out for restructurings and investments (exceeding depreciations), and cash inflows from orders received and the payment profiles of projects.

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[3] From fiscal year 2020/2021, in the interests of improved transparency the definition of special items is based more strictly on the treatment under IFRS. Restructuring expenses, impairment losses/reversals, and disposal gains and losses are eliminated.

Despite the clear improvements, thyssenkrupp expects a **net loss** of up to a mid 3-digit million euro amount (previously: net loss in the high 3-digit million euro range; prior year €(5.5) billion). This includes restructuring expenses in the mid 3-digit million euro range.

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thyssenkrupp in figures – overview of key performance indicators

		Full group				Group – continuing operations[1]			
		1st half ended March 31, 2020	1st half ended March 31, 2021	Change	in %	1st half ended March 31, 2020	1st half ended March 31, 2021	Change	in %
Order intake	million €	19,203	16,491	(2,712)	(14)	14,988	16,491	1,502	10
Net sales	million €	19,781	15,899	(3,883)	(20)	15,876	15,899	23	0
EBITDA	million €	232	390	158	68	(127)	406	533	++
EBIT[2]	million €	(578)	(49)	529	92	(863)	(33)	830	96
EBIT margin	%	(2.9)	(0.3)	2.6	89	(5.4)	(0.2)	5.2	96
Adjusted EBIT[1, 2]	million €	(64)	298	362	++	(465)	298	763	++
Adjusted EBIT margin	%	(0.3)	1.9	2.2	++	(3.1)	1.9	5.0	++
Income/(loss) before tax	million €	(743)	(217)	525	71	(1,012)	(202)	811	80
Net income/(loss) or earnings after tax	million €	(1,310)	(313)	997	76	(1,130)	(297)	833	74
attributable to thyssenkrupp AG's shareholders	million €	(1,320)	(356)	964	73	(1,140)	(340)	800	70
Earnings per share (EPS)	€	(2.12)	(0.57)	1.55	73	(1.83)	(0.55)	1.28	70
Operating cash flows	million €	(1,981)	(212)	1,769	89	(2,168)	(209)	1,958	90
Cash flow for investments	million €	(685)	(602)	83	12	(613)	(602)	11	2
Cash flow from divestments	million €	(3)	908	911	++	(8)	908	916	++
Free cash flow[3]	million €	(2,669)	94	2,763	++	(2,788)	97	2,885	++
Free cash flow before M & A[3]	million €	(2,685)	(718)	1,967	73	(2,774)	(718)	2,056	74
Net financial debt (assets) (March 31)	million €	7,549	(4,229)	(11,778)	--				
Total equity (March 31)	million €	1,174	10,414	9,240	++				
Gearing (March 31)	%	642.9	—[4]	—	—				
Employees (March 31)		160,090	102,306	(57,784)	(36)				

[1] See preliminary remarks.
[2] See reconciliation in segment reporting (Note 08).
[3] See reconciliation in the analysis of the statement of cash flows.
[4] Due to the strongly positive total equity and the reported net financial receivables, the significance of the gearing key ratio is of no relevance.

		Full group				Group – continuing operations[1]			
		2nd quarter ended March 31, 2020	2nd quarter ended March 31, 2021	Change	in %	2nd quarter ended March 31, 2020	2nd quarter ended March 31, 2021	Change	in %
Order intake	million €	9,542	8,646	(896)	(9)	7,559	8,646	1,086	14
Net sales	million €	10,108	8,577	(1,530)	(15)	8,247	8,577	331	4
EBITDA	million €	(6)	158	164	++	(136)	170	306	++
EBIT[2]	million €	(462)	(69)	393	85	(561)	(57)	503	90
EBIT margin	%	(4.6)	(0.8)	3.8	82	(6.8)	(0.7)	6.1	90
Adjusted EBIT[1, 2]	million €	(95)	220	315	++	(279)	220	499	++
Adjusted EBIT margin	%	(0.8)	2.6	3.4	++	(3.2)	2.6	5.8	++
Income/(loss) before tax	million €	(537)	(124)	413	77	(630)	(112)	518	82
Net income/(loss) or earnings after tax	million €	(946)	(187)	758	80	(688)	(175)	513	75
attributable to thyssenkrupp AG's shareholders	million €	(948)	(211)	737	78	(691)	(199)	492	71
Earnings per share (EPS)	€	(1.52)	(0.34)	1.18	78	(1.11)	(0.32)	0.79	71
Operating cash flows	million €	151	(476)	(627)	--	(58)	(474)	(415)	--
Cash flow for investments	million €	(359)	(328)	30	8	(318)	(328)	(10)	(3)
Cash flow from divestments	million €	(7)	35	43	++	(13)	35	48	++
Free cash flow[3]	million €	(215)	(769)	(554)	--	(390)	(767)	(377)	(97)
Free cash flow before M & A[3]	million €	(209)	(750)	(541)	--	(367)	(750)	(383)	--
Net financial debt (assets) (March 31)	million €	7,549	(4,229)	(11,778)	--				
Total equity (March 31)	million €	1,174	10,414	9,240	++				
Gearing (March 31)	%	642.9	—[4]	—	—				
Employees (March 31)		160,090	102,306	(57,784)	(36)				

[1] See preliminary remarks.
[2] See reconciliation in segment reporting (Note 08).
[3] See reconciliation in the analysis of the statement of cash flows.
[4] Due to the strongly positive total equity and the reported net financial receivables, the significance of the gearing key ratio is of no relevance.

	Order intake million €		Net sales million €		EBIT[1] million €		Adjusted EBIT [1], [2] million €		Employees	
	1st half ended March 31, 2020	1st half ended March 31, 2021	1st half ended March 31, 2020	1st half ended March 31, 2021	1st half ended March 31, 2020	1st half ended March 31, 2021	1st half ended March 31, 2020	1st half ended March 31, 2021	March 31, 2020	March 31, 2021
Materials Services[2]	5,596	5,579	5,664	5,256	33	143	42	131	16,984	15,495
Industrial Components	1,147	1,318	1,117	1,247	47	188	95	198	13,318	13,005
Automotive Technology[2]	2,213	2,341	2,283	2,382	(73)	191	38	184	21,409	20,719
Steel Europe[2]	4,219	4,845	3,875	4,155	(438)	(138)	(308)	68	27,059	25,912
Marine Systems	242	664	811	1,054	0	8	4	7	6,165	6,466
Multi Tracks[2]	2,597	2,785	2,937	2,622	(254)	(317)	(192)	(191)	19,293	18,305
Corporate Headquarters[2]	1	2	1	9	(156)	(110)	(124)	(103)	971	642
Reconciliation[2]	(1,025)	(1,042)	(812)	(827)	(22)	3	(19)	4	2,324	1,762
Group continuing operations[2]	**14,988**	**16,491**	**15,876**	**15,899**	**(863)**	**(33)**	**(465)**	**298**	**107,523**	**102,306**
Discontinued elevator operations[2]	4,214	0	3,905	0	285	(16)	401	0	52,567	0
Full group	**19,203**	**16,491**	**19,781**	**15,899**	**(578)**	**(49)**	**(64)**	**298**	**160,090**	**102,306**

[1] See reconciliation in segment reporting (Note 08).
[2] See preliminary remarks.

	Order intake million €		Net sales million €		EBIT[1] million €		Adjusted EBIT[1] million €	
	2nd quarter ended March 31, 2020	2nd quarter ended March 31, 2021	2nd quarter ended March 31, 2020	2nd quarter ended March 31, 2021	2nd quarter ended March 31, 2020	2nd quarter ended March 31, 2021	2nd quarter ended March 31, 2020	2nd quarter ended March 31, 2021
Materials Services[2]	2,845	3,096	2,975	2,888	21	132	29	126
Industrial Components	589	656	573	626	5	90	52	97
Automotive Technology[2]	1,065	1,158	1,101	1,167	(80)	74	(8)	75
Steel Europe[2]	2,165	2,437	2,078	2,238	(307)	(161)	(181)	47
Marine Systems	133	405	424	689	(1)	3	3	2
Multi Tracks[2]	1,268	1,360	1,495	1,422	(110)	(133)	(100)	(80)
Corporate Headquarters[2]	0	0	1	5	(73)	(56)	(59)	(49)
Reconciliation[2]	(507)	(468)	(401)	(457)	(14)	(7)	(15)	1
Group continuing operations[2]	**7,559**	**8,646**	**8,247**	**8,577**	**(561)**	**(57)**	**(279)**	**220**
Discontinued elevator operations[2]	1,983	0	1,861	0	98	(12)	184	0
Full group	**9,542**	**8,646**	**10,108**	**8,577**	**(462)**	**(69)**	**(95)**	**220**

[1] See reconciliation in segment reporting (Note 08).
[2] See preliminary remarks.