# engineering. tomorrow. together.

Annual Report 2016 / 2017

thyssenkrupp

# thyssenkrupp at a glance

## THYSSENKRUPP IN FIGURES
(continuing operations)

| | | 2016/2017 | Change in % |
|---|---|---|---|
| Order intake | € million | **42,756** | 18 |
| Sales | € million | **41,447** | 9 |
| Adjusted EBIT | € million | **1,722** | 15 |
| Net income | € million | **271** | –24 |
| Earnings per share | € | **0.37** | –32 |
| Free cash flow before M & A | € million | **–855** | – |
| Net financial debt [1] | € million | **1,957** | –44 |
| tkVA [1] | € million | **–651** | – |
| Market capitalization | € million | 15,613 | 30 |
| Dividend per share | € | **0.15** [2] | – |

[1] Full Group [2] Proposal to the Annual General Meeting

## ORDER INTAKE
**in € million**

**42,756**

Order intake in the 2016/2017 fiscal year was the best since the start of our Strategic Way Forward.

**~€41.5 billion**

sales generated by thyssenkrupp in fiscal 2016/2017

**6 regional HQs**

**79 countries**

**~2,000 locations**

**158,739**

employees work every day to ensure thyssenkrupp can implement unique projects.

(as at September 30, 2017)

## BUSINESS AREAS

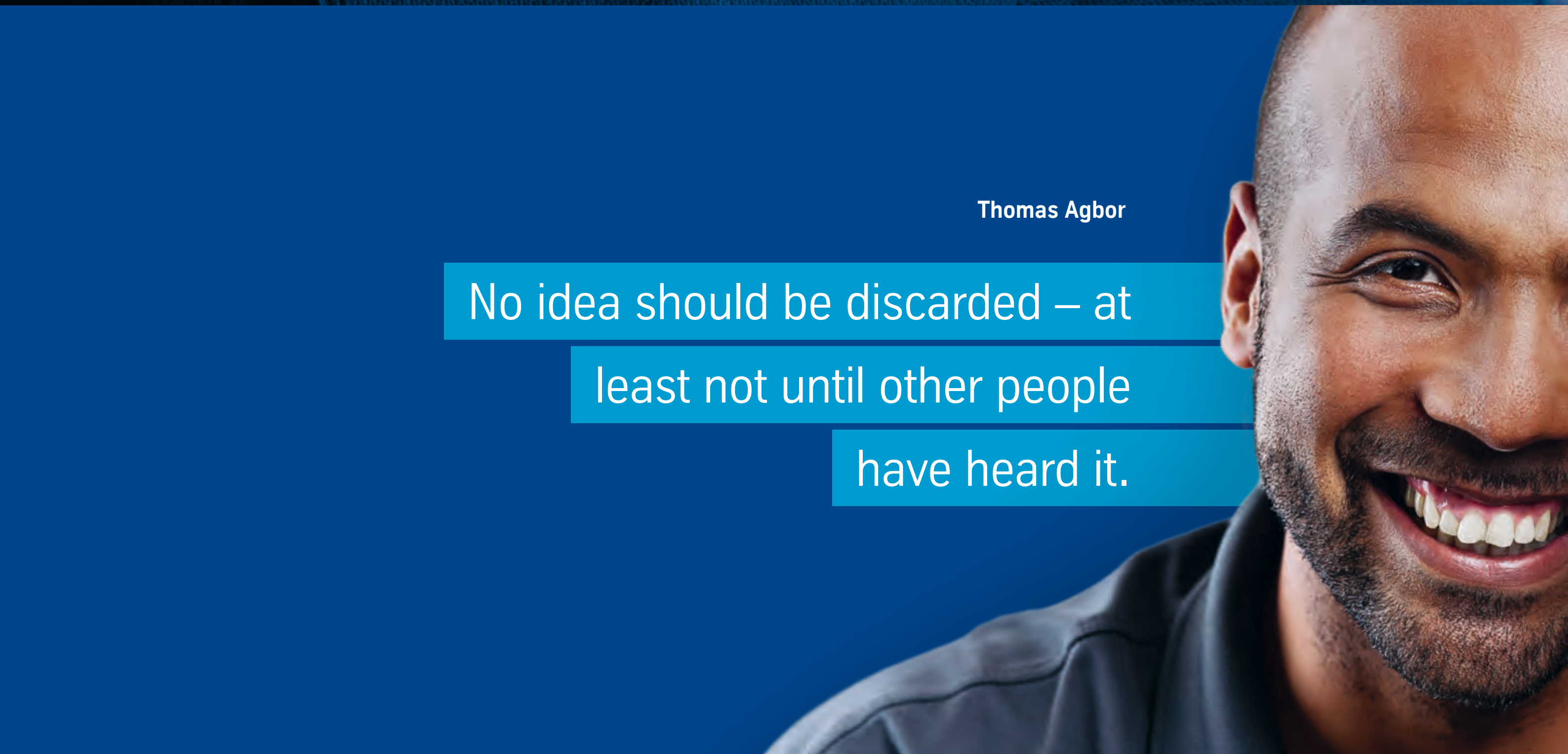
- CT – Components Technology
- ET – Elevator Technology
- IS – Industrial Solutions
- MX – Materials Services
- SE – Steel Europe

At thyssenkrupp we work closely with our customers to develop solutions for the digital age. From steering systems that permit autonomous driving to elevators that can move sideways to assembly lines for battery modules – there are many examples of how we as a diversified group are providing concrete answers to the global questions posed by digitization, urbanization and mobility. And key to what everyone at thyssenkrupp does – from shop floor to boardroom – is sustainability.

In all our efforts to find new solutions, the most important element is our people. They are what makes the difference; with their curiosity, creativity and intuition they are a unique asset, now and in the future. We are convinced that we do things better when we work together – in our own teams, with customers and with partners.

We call it: engineering. tomorrow. together.


Yufeng Jiang
It takes great people to do great work.


Thomas Agbor
No idea should be discarded – at least not until other people have heard it.

**Gülay Pircher**

We know what is needed to make progress – passion, thinking outside the box, and of course: collaboration.

**Nicole Narobe**

It's the "We" that makes us different. It's the way we work together that makes us better.


## The visionary

For Andreas Meschede, thyssenkrupp's digital future starts in the analogue world. Up to his ankles in straw at a German farmyard, on the steamy streets of Singapore, or on the floor of a conference room, surrounded by Lego bricks and people building with them: The physicist regularly works at places that help him inspire thyssenkrupp employees to shift perspective in a playful way. Meschede coordinates the Groupwide foresight process, in which thyssenkrupp taps into the creativity of its employees to develop future scenarios. "It's not possible to project or calculate the distant future in a straight line. We have to allow ideas that go beyond what we can imagine today but are still logically and physically possible." Interdisciplinary collaboration is a key factor for the success of the innovation process. With around 160 colleagues from all business areas, external experts and lateral thinkers Meschede develops scenarios for living and working further into the future. Megacities, mobility, agriculture, air, water and energy are the themes they address. According to Meschede, the central questions are: "What is important in the long term, what can become established and shape people's lives? And what will our customers need from us then?"

The "Future of production" is one theme with two fundamentally different assumptions: "What would happen if in 2030 we had total data freedom and placed huge trust in machines? And at the other extreme, what would happen if industry never made it to 4.0 but was deliberately stopped at 3.5? What impact would that have on production and distribution?" According to Meschede, defining alternative scenarios allows us to think ahead along more concrete lines and come up with solutions today that customers will need tomorrow. "The aim is to make strategic innovation decisions that will culminate in new projects, research and applications."

So far around 270 ideas have been developed in this way. The thyssenkrupp team working on the Industrial Data Space project (see page on the right) has also taken part in the Foresight process and produced initial results for Industry 4.0.

## The data guardian

Industry 4.0, the linking of industrial production with modern information and communications technology, is one of the most important areas of development for strong, forward-looking industrial enterprises. But without people like Mona Wappler, companies would quickly get bogged down. "I want to make a contribution to the digitization of thyssenkrupp," she says. With a background in economics she is helping the company gradually learn one of the key skills of the new information era: how to share acquired data in the right way with the right partners. As head of the Industrial Data Space project at thyssenkrupp, she knows that anyone who loses control over their data will also lose out in the race to digitization. The Industrial Data Space (IDS) aims to permit the secure exchange of data between companies while enabling them to maintain sovereignty over their data. Anyone exchanging data in the Industrial Data Space can define exactly which partner may use what data and for how long. The Industrial Data Space research project and the user association of the same name are driving the development of a standard for the safe and sovereign exchange of data. Twelve Fraunhofer Institutes and more than 70 companies – among them thyssenkrupp – are now on board.

It's a challenge in which Mona Wappler's perseverance, willingness to learn and analytical skills are a great advantage. Because it is now time to test the IDS on real projects, such as enhancing the efficiency of transportation and logistics at the company's steel plant in Duisburg. A new information system connecting trucks and the plant records the position of the trucks every ten minutes, calculates their arrival time in Duisburg and automatically suggests a new loading or unloading slot to vehicles that are delayed. This information is shared via the IDS.

"We're still piloting the project, analyzing the first results and processing what we learn," says Wappler. Initial findings and feedback from the logistics companies have been very promising. There has also been praise for the project from Reinhold Achatz, Chief Technology Officer at thyssenkrupp and chairman of the Industrial Data Space Association. "Our application is just a first example of the possibilities offered by the Industrial Data Space," says Achatz. "It will quickly be followed by many more applications from other companies."

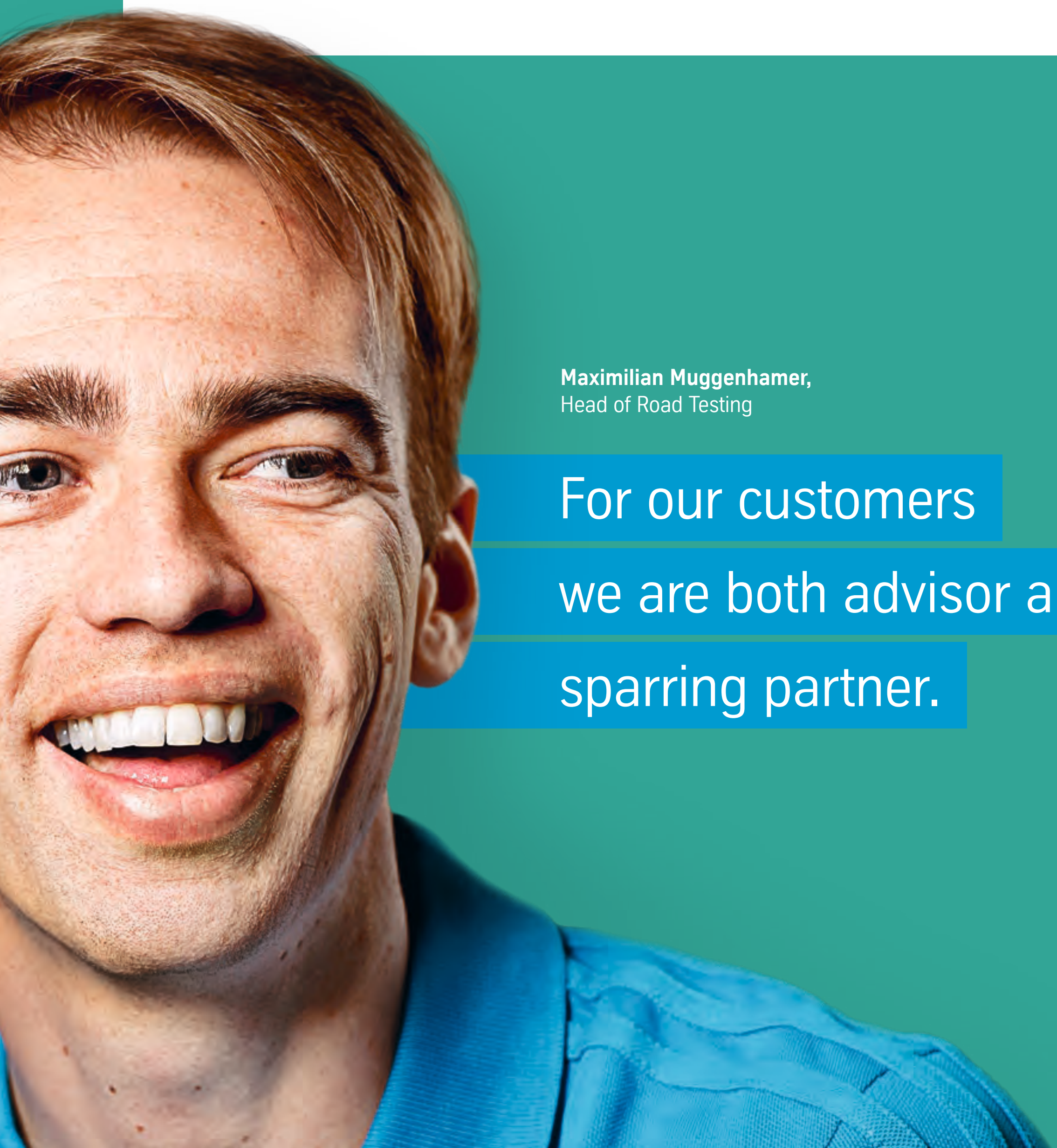
## The customer champion

One thing Maximilian Muggenhamer needs to be able to do really well is listen. As head of Road Testing at thyssenkrupp, the job of the 33-year-old vehicle engineer is to understand his customers and their needs.

"As a supplier of electric steering systems we create the right steering and drive feel for each model. It involves an intensive development process with our customers until finally driving and steering feel the way they are supposed to feel," says Muggenhamer. Although based at thyssenkrupp's Eschen site in Liechtenstein, he gets about a lot: "Increasingly we are carrying out tests with our customers all over the world – from winter tests in Sweden to hot climate testing in Arizona." This close cooperation between customer and developer from the earliest stages pays off, because a joint development process can be tailored exactly to provide the greatest customer benefit. Or as Muggenhamer puts it: "For our customers we are both advisor and sparring partner."

As a chassis and steering specialist, thyssenkrupp creates products that are deeply integrated in the overall car system. Long gone are the days when engineers like Muggenhamer were only involved in developing components. Important component suppliers like thyssenkrupp also need to optimize the interplay of software and hardware in the vehicle, for example to produce the right steering feel. "Intelligent" steering systems are also an important prerequisite for driver assistance systems such as park assist, lane assist and distance warning systems.

With their work Muggenhamer and his colleagues are paving the way for the mobility of the future: thyssenkrupp's steer-by-wire system is an important prerequisite for autonomous driving.



**Maximilian Muggenhamer,**
Head of Road Testing

For our customers we are both advisor and sparring partner.

## “We will only be successful if we really think together.”

Throughout its over 200-year history our company has always helped shape change – in the first, second and third industrial revolutions. Digitization now represents the fourth revolution. It is advancing rapidly and no-one knows exactly where it will lead. We at thyssenkrupp are convinced that digitization will present new opportunities. We have long been working with our customers on solutions for the future: MULTI, steer-by-wire and additive manufacturing are examples of our company’s innovative abilities. To make sure we keep on shaping the future, thyssenkrupp is establishing a culture that encourages everyone to take responsibility, share knowledge, and explore new paths together. Only in this way will we fulfill our brand promise.

**Dr. Heinrich Hiesinger,**
CEO

## “We believe it takes a lot of great people to do great work.”

Digitization, demographic change, greater workforce diversity – as companies we face numerous megatrends that in part will also bring about major changes in the world of work. We need to create the space for flexibility and agility while at the same time providing a secure framework for our employees. That will allow us to see dynamic change processes as an opportunity, a basis for innovations. Key to this is a culture and an understanding of leadership that provide the right balance between performance requirements and shared values. We are convinced that this is the right way to attract the best and right people to thyssenkrupp.

**Oliver Burkhard,**
CHRO, Labor Director

## “We believe no-one will reach new heights if they do not allow others to challenge them.”

Credibility is our capital – in dealings with our customers, partners, employees, shareholders and the general public. It’s the only way to build confidence in our company and our abilities.

That’s why we expect our employees to speak out if they believe transparency or our values and rules are being threatened. In some cases that can also be a challenge. But if we all share the same understanding of what we at thyssenkrupp stand for, we can do it. That’s our goal.

**Dr. Donatus Kaufmann,**
Chief Legal and Compliance Officer

## “Our employees’ ideas are the platform for profitable growth.”

We want to create sustainable value – for our customers, our shareholders and our employees. With their energy and ideas, our employees create the basis for long-term, profitable growth. For this it is important that we have a clear focus in our businesses, speed up our processes and make our IT structure more efficient. That will give us the scope to make investments in the future that will deliver sustainable benefits.

We will stick to this path rigorously. Only by evolving further, having goals and not losing sight of them, and having the courage to seize opportunities will we be successful in the international marketplace.

**Guido Kerkhoff,**
CFO

**Thinking the future of production** At our TechCenter Additive Manufacturing we print customized 3D parts in metal and plastic.

**Sporting research** We are using our lightweight demonstration vehicle Roding Roadster to test innovative technologies for the future of driving.

**246 meters of innovation** With twelve shafts, the test tower in Rottweil offers unique opportunities to research the latest elevator generations.

**Smart factory** The digitally controlled processing machine “M9” cuts steel with very high precision to even the smallest sizes.


**Strong presence** At IAA 2017 thyssenkrupp demonstrated its automotive innovations and entered into dialogue with its customers on the mobility of the future.

**Mechanical colleague** Industrial robots are already taking over heavy-duty jobs from their human colleagues. The next step at thyssenkrupp is human-robot collaboration, where people and machines work hand in hand to provide the best possible results.v

## Making a difference

One thing's for sure: The world is moving on. Digitization in particular has already changed our lives fundamentally – and will continue to do so. So only those who think ahead will achieve long-term success. That's why today thyssenkrupp is already developing solutions for tomorrow.

Take the transformation of the automotive sector, for example. Over the past three years thyssenkrupp has invested more than a billion euros in its automotive division, among other things for the development of a digital factory. Or intelligent mobility in cities and buildings: In the 246 meter test tower in Rottweil, which opened in December 2016, we research, develop and certify high-speed elevators that enable cities to offer the best quality of life worldwide. Or the opening of the thyssenkrupp TechCenter Additive Manufacturing, where experts are pushing the boundaries of traditional production processes.

For thyssenkrupp, these projects are not an end in themselves, they are a way of carefully finding out which solutions will deliver sustainable growth. That's something both our customers and our employees expect of us. It's the only way to give our best together and create something great.

## The disruptor

Markus Jetter wouldn't say so, but he has made history. Or at least he has helped his employer thyssenkrupp make history. Jetter is head of product development in thyssenkrupp's elevator division and part of the team that developed MULTI, the first rope-free, sideways moving elevator. MULTI spells the end of the monopoly held by conventional elevators – 160 years after they were first invented. Using linear motor technology, it is now possible for the first time to operate cabs vertically and horizontally in the same shaft. This will enable architects to come up with more creative, taller and more user-friendly building designs. The first MULTI system will be installed in the planned East Side Tower in Berlin.

"The MULTI project presents me with new challenges in all areas of my work as an engineer and a manager," says Jetter. "New technologies, new methods and processes also call for a new way of thinking." Mastering all this with an excellent and dynamic team of engineers was a fantastic experience.

Jetter's work regularly takes him to another spectacular thyssenkrupp project: the test tower for elevator innovations in the southern German town of Rottweil. The spiraling fiber glass shell of the tower gives it a fascinating appearance, while the 12 elevator shafts in the interior allow elevator solutions of the future to be tested. Here, Jetter can do what he likes best: Researching and testing technologies and applications with his team of engineers. The latest project brings together MULTI and MAX. MAX is the first big data solution for the preventive maintenance of elevators. thyssenkrupp developed the system in teamwork with Microsoft. Sensors in the elevators send data to the cloud, where the remaining lifetime of key components and systems is calculated to determine where maintenance is required. Anything unusual is reported to service technicians so that problems can be eliminated before they occur. The aim is to reduce elevator downtimes by around 50 percent – and in so doing also reduce maintenance costs for customers.

Markus Jetter recognizes the potential of this development, in particular in combination with a product like MULTI: There's no point getting machines to generate and process huge amounts of data if they do not form the basis for new insights, structures and business models. So Jetter and his team are working to use online data storage, connected machines and a new technology to develop a disruptive innovation that is exciting the entire sector.


## The ideas man

Steffen Schwartz-Höfler can still clearly remember the minutes before his job interview. It was February 2008, and the sustainability expert stood in the cold rain looking at the Duisburg steel mill and asked himself: "Am I doing the right thing?" Back then the industrial group still had a negative environmental image, was seen as "old" industry and was struggling to achieve effective sustainability. But despite all that Schwartz-Höfler – 34 years old with a trademark pale green suit – has never regretted joining thyssenkrupp: "I'd rather be somewhere I can really make a difference." And thanks to people like Steffen Schwartz-Höfler, thyssenkrupp began to successfully change the way it thought and acted.

Today Schwartz-Höfler, who has a PhD in political science, is part of thyssenkrupp's Technology, Innovation and Sustainability team. With his colleagues he develops and supports the company's sustainability strategy. He is more than happy to reel off examples of how awareness in the company has changed. "Today a product like EnviNOx, which neutralizes harmful nitrous oxide in fertilizer production, is part of our core business." Or take the Carbon2Chem project, in which $CO_2$ is converted chemically into a raw material. "It takes courage to even try that out!" Or what about the great strides made in energy efficiency... These efforts have also attracted the attention of neutral experts: In 2017 the non-governmental organization CDP included thyssenkrupp on its Climate A List of the world's most climate-friendly companies for the second time – something CEO Heinrich Hiesinger is keen to mention in his speeches.

From climate protection and innovations to health & safety, employee satisfaction and long-term profitability – the subject of sustainability covers a broad area at thyssenkrupp. "The exciting thing about sustainability is that it can be related to almost every aspect of the Group," says Schwartz-Höfler. A keenness to discuss things and understand new areas is vital for the job – and sometimes it calls for a fair bit of patience when it comes to changing existing processes. "We're still far from perfect," says Schwartz-Höfler. "But thanks to our joint efforts thyssenkrupp has already become a better company. And we're working hard to improve even more."

**Sanja Velten,**
Apprentice

Right now I'm learning how to operate digital systems. One day I'd like to understand how they work.

## The knowledge-seeker

Deep in concentration, Sanja Velten sits at her PC and enters commands on the keyboard. The virtual machine on her monitor starts to move. Sanja (20) is a third-year apprentice toolmaker at thyssenkrupp System Engineering in Lockweiler. Learning and using programming languages is an important part of her training. Later, when she has perfected the commands she is currently giving to her animated friend, she will work with computer-controlled machines in the apprentice workshop.

In manufacturing operations – such as those in Lockweiler for the production of tooling for the automotive sector – digitized and automated processes are steadily growing in importance: Robots are not replacing humans but helping them, working side by side in the same production shop, on the same production line. Collaboration with these machines, which weigh hundreds of kilograms, is increasingly becoming an everyday occurrence for Sanja Velten and her colleagues and making many things easier. Robots are the ideal solution when very heavy parts have to be lifted every couple of minutes. But slotting an intricate part into a very small opening calls for human dexterity. And human skills are also called for when it comes to optimizing and programming the steel colleagues.

"Right now I'm learning how to operate digital systems," says Velten. "But one day I'd like to understand exactly how they work." When we ask the apprentice what she wants to achieve with her work, she sets the bar high: "I'd like to help use new technologies and play a part in shaping the future."

Whether it's in development, production or sales, an industrial group like thyssenkrupp needs employees who are prepared to face the challenges of the future, perform their work with passion, and have the courage to do something new. It's people like this that make the difference. Every innovation starts with human creativity and curiosity. And central to our innovations and developments are the needs of our customers. We are a catalyst for their transformation. engineering. tomorrow. together.

# Contents



Our fiscal year begins on October 1 and ends on September 30 of the following year.

# To our shareholders

# Letter to shareholders


thyssenkrupp steer-by-wire concept vehicle // **Dr. Heinrich Hiesinger**, CEO

*Dear Shareholders,*
*Ladies and Gentlemen,*

The past fiscal year 2016 / 2017 was a year of major decisions. We sold the Brazilian steel mill CSA and signed a memorandum of understanding with Tata Steel on a joint venture for our European steel activities. These were two important milestones on thyssenkrupp's Strategic Way Forward towards becoming a diversified industrial group. With the capital increase in September we increased our financial leeway. Overall we exceeded our growth and earnings targets for the 2016 / 2017 fiscal year. At the same time improving our free cash flow remains an ongoing task.

We also underpinned our brand promise with compelling milestones in the past fiscal year and further increased our spending on research and development:

- **Engineering.** An impressive demonstration of our innovative abilities and engineering expertise is our new test tower in Rottweil. Since August 2017 we have been using it to present elevator solutions of the future to our customers.
- **Tomorrow.** In 2017 the non-governmental organization CDP included thyssenkrupp on its Climate A List of the world's most climate-friendly companies for the second time.
- **Together.** At this year's IAA International Motor Show thyssenkrupp presented itself with several of its business areas as an innovative partner to the international auto industry. We demonstrated solutions such as electric power assisted steering systems, steer-by-wire solutions and adaptive damper systems that pave the way for autonomous driving.

Alongside these investments in the future there were two business decisions in the past fiscal year I would like to look at again in more detail. In February we reached agreement with Ternium on the sale of the Brazilian steel mill CSA. With the closing in September 2017 we not only brought the loss-making chapter of "Steel Americas" to an end but also offered the business and its employees the key to a sustainable future. At the same time we reduced future risks for thyssenkrupp as a whole and opened important options for our European steel business. Conditions for our materials businesses continue to be challenging. Demand for steel in Europe is lacking momentum, while supply is characterized by structural overcapacities that lead to underutilization in parts of the value chain. Upcoming regulatory decisions carry additional risks. To date there has been no change to this situation.

Only with substantial consolidation in the European steel industry will we succeed in addressing these structural problems. That is why in September 2017 we signed a memorandum of understanding with Tata Steel to combine our European steel activities in a 50/50 joint venture. A joint venture with Tata is the best strategic option for thyssenkrupp. For you as shareholders, because it will create substantial added value through synergies and offer further value growth potential. For employees, because we are creating a strong new number 2 in Europe, which will finally provide clarity and safeguard tens of thousands of jobs over the long term. For the steel business, because it will address the structural problems and, despite necessary cutbacks, offer the business a sustainable future. And for thyssenkrupp as a whole, because it will further reduce our dependency on the volatile steel business.

We still have some way to go before the start of the joint venture: In parallel with an intensive due diligence process, we have to agree the details of our future collaboration. For this we entered into talks with the employee representatives immediately after signing the memorandum of understanding. It is part of our tradition and our understanding of our role as a responsible employer to work towards good solutions with the employees.

We aim to sign an agreement with Tata in early 2018. With the approval of the regulatory authorities, the transaction is to be closed at the end of 2018. From this time the steel business would no longer be included on our balance sheet. This would result in a significant improvement to key balance sheet ratios for thyssenkrupp, particularly our equity ratio and gearing, the ratio of net financial debt to equity. So with the planned joint venture we are not only shaping the future of steel but also improving the outlook for our capital goods businesses.

However, it will take time for the positive effects to feed through to our balance sheet. We intend to use this time to further strengthen our capital goods businesses. For this reason at the end of the past fiscal year we increased the company's capital stock by 10%. This increased our financial leeway, allowing us to support the organic growth of our capital goods businesses in the key areas of digitization, urbanization, mobility and service, and at the same time accelerate necessary restructuring initiatives.

This is fully in line with the aim of our Strategic Way Forward of enabling optimum development of all business areas so as to strengthen the performance of the Group as a whole. To this end we have defined clear targets based on sector benchmarks for each business area. All our units are working on concrete measures to achieve these targets and made significant progress again in the past fiscal year:

Components Technology further increased its adjusted EBIT margin to 5%, taking it ever closer to its target range of 6% to 8%. The growth drivers are future trends such as autonomous driving, electric vehicles and digitized manufacturing, which open up enormous opportunities for us as an automotive supplier. Elevator Technology also succeeded in further increasing its adjusted EBIT margin to now 12%. In this area too we are systematically investing in new technologies such as MULTI, the world's first rope-free, sideways-moving elevator, which is meeting with very great interest worldwide. In our third capital goods division, Industrial Solutions, the slump in orders from the prior year weighed heavily on earnings and margin but the restructuring introduced under our "planets" transformation program is taking effect. The clear upturn in order intake shows that the business area has passed its lowest point.

Thanks to an increase in materials prices, Materials Services more than doubled its adjusted EBIT year-on-year. After successful restructuring, our Italian stainless steel subsidiary AST made a positive contribution to this. Steel Europe, too, profited with a time lag from much higher prices on the flat steel market. In conjunction with the measures initiated to safeguard income, earnings improved significantly.

Overall we exceeded our earnings targets for the past fiscal year. This is true of both the Group as a whole with adjusted EBIT of €1,910 million and the continuing operations (without Steel Americas) with adjusted EBIT of €1,722 million. Once again our Groupwide efficiency program "impact" played a key role in this. At Group level we again clearly exceeded our €850 million target with savings of €930 million. That we are reporting a net loss is due to the sale of the Brazilian steel mill CSA. This transaction led to a negative earnings effect of €0.9 billion. However, with the closing of the transaction in September 2017 we received a clear cash inflow which significantly reduced our net financial debt and improved our balance sheet ratios.

In view of the strategic progress and our further operating improvement under the Strategic Way Forward, the Executive Board and Supervisory Board will propose the distribution of a dividend of €0.15 per share to the Annual General Meeting. We consider this an appropriate and economically justifiable payment. The proposal also takes into account the expected further improvement in our key financials, particularly a further significant increase in earnings with clearly positive net income.

I would particularly like to take this opportunity to express thanks to our more than 158,000 employees around the world. It was not an easy year. It was a year with numerous uncertainties and profound changes. Together as a team we clearly improved our operating KPIs and made significant progress on our way to becoming a diversified industrial group.

A year of major decisions will now be followed by systematic implementation of the measures initiated, with a positive impact on our key figures. For the current fiscal year we aim to achieve a strong increase in adjusted EBIT to €1.8 billion to €2.0 billion.

Thank you for your trust and support.

Yours,

Dr. Heinrich Hiesinger
Chief Executive Officer

Essen, November 2017

# Executive Board

## Oliver Burkhard

*1972 | Responsible for Human Resources, Labor Director | Appointed until January 2021

## Dr. Heinrich Hiesinger

*1960 | Chairman | Appointed until September 2020

## Dr. Donatus Kaufmann

*1962 | Responsible for Legal & Compliance | Appointed until January 2022

## Guido Kerkhoff

*1967 | Responsible for Finance | Appointed until March 2021

Résumés of the Executive Board members can be found at

thyssenkrupp.com > Company > Management > Executive Board

# Supervisory Board

## Members of the Supervisory Board

### Prof. Dr. Ulrich Lehner, Düsseldorf
Chairman // Member of the Shareholders' Committee of Henkel AG & Co. KGaA
Appointed until 2020 // German

### Markus Grolms, Frankfurt/Main
Vice Chairman // Trade union secretary at IG Metall
Appointed until 2019 // German

### Achim Hass, Kiel
(since February 7, 2017)
Power electronics technician // Chairman of the Works Council of thyssenkrupp Marine Systems GmbH (Kiel) // Chairman of the General Works Council of thyssenkrupp Marine Systems GmbH // Vice Chairman of the Works Council Union Industrial Solutions
Appointed until 2019 // German

### Dr. Ingrid Hengster, Frankfurt/Main
Member of the Executive Board of KfW Bankengruppe
Appointed until 2020 // Austrian

### Susanne Herberger, Dresden
Engineer (FH) – information technology // Chairwoman of the Works Council of thyssenkrupp Aufzüge GmbH (Dresden) // Chairwoman of the Works Council Union Elevator Technology // Vice Chairwoman of the Group Works Council of thyssenkrupp AG
Appointed until 2019 // German

### Tanja Jacquemin, Frankfurt/Main
Dipl.-Kauffrau // Head of the Company Policy and Codetermination Department at IG Metall
Appointed until 2019 // German

### Prof. Dr. Hans-Peter Keitel, Essen
Former Chairman of the Executive Board of Hochtief AG
Appointed until 2020 // German

### Ernst-August Kiel, Blumenthal
(until January 31, 2017)
Fitter // Chairman of the Works Council of thyssenkrupp Marine Systems GmbH (Kiel) // Chairman of the General Works Council of thyssenkrupp Marine Systems GmbH // Chairman of the Works Council Union Industrial Solutions
Appointed until 2017 // German

### Dr. Norbert Kluge, Ratingen
Diplom-Sozialwirt // Head of Codetermination Support Department at the Hans Böckler Foundation
Appointed until 2019 // German

### Tekin Nasikkol, Ratingen
Bachelor of Arts (Business Administration) // Vice Chairman of the Works Council of thyssenkrupp Steel Europe AG (Duisburg-Hamborn) // Vice Chairman of the General Works Council of thyssenkrupp Steel Europe AG // Vice Chairman of the Group Works Council of thyssenkrupp AG
Appointed until 2019 // German

### Dr. Ralf Nentwig, Essen
Member of the Executive Committee of the Alfried Krupp von Bohlen und Halbach Foundation
Appointed until 2020 // German

### René Obermann, Berlin
Partner at Warburg Pincus LLC
Appointed until 2020 // German

### Prof. Dr. Bernhard Pellens, Bochum
Professor of Business Studies and International Accounting, Ruhr University Bochum
Appointed until 2020 // German

### Peter Remmler, Wolfsburg
Wholesale and export trader // Chairman of the Works Council of thyssenkrupp Schulte GmbH (Braunschweig) // Chairman of the Works Council Union Materials Services
Appointed until 2019 // German

### Carola Gräfin v. Schmettow, Düsseldorf
CEO of HSBC Trinkaus & Burkhardt AG
Appointed until 2020 // German

### Wilhelm Segerath, Duisburg
Automotive body maker // Chairman of the Group Works Council of thyssenkrupp AG
Appointed until 2019 // German

### Carsten Spohr, Munich
Chairman of the Executive Board of Deutsche Lufthansa AG
Appointed until 2020 // German

### Dr. Lothar Steinebach, Leverkusen
Former member of the Management Board of Henkel AG & Co. KGaA
Appointed until 2018 // German

### Jens Tischendorf, Zurich
Partner and Director of Cevian Capital AG
Appointed until 2020 // German

### Friedrich Weber, Schöndorf
Machine setter // Chairman of the General Works Council of thyssenkrupp Bilstein GmbH // Chairman of the Works Council Union Components Technology
Appointed until 2019 // German

### Isolde Würz, Mülheim/Ruhr
Attorney // General Counsel and Head of Governance, Corporate Function Legal at thyssenkrupp AG
Appointed until 2019 // German

## Supervisory Board Committees

### Executive Committee
Prof. Dr. Ulrich Lehner (Chair)
Markus Grolms
Prof. Dr. Hans-Peter Keitel
Wilhelm Segerath

### Mediation Committee under § 27 (3) Codetermination Act
Prof. Dr. Ulrich Lehner (Chair)
Markus Grolms
Prof. Dr. Hans-Peter Keitel
Wilhelm Segerath

### Personnel Committee
Prof. Dr. Ulrich Lehner (Chair)
Markus Grolms
Prof. Dr. Hans-Peter Keitel
Wilhelm Segerath

### Audit Committee
Prof. Dr. Bernhard Pellens (Chair)
Markus Grolms
Tanja Jacquemin
Prof. Dr. Ulrich Lehner
Dr. Ralf Nentwig
Wilhelm Segerath

### Strategy, Finance and Investment Committee
Dr. Lothar Steinebach (Chair)
Markus Grolms
Susanne Herberger
Prof. Dr. Hans-Peter Keitel
Prof. Dr. Ulrich Lehner
Peter Remmler
Wilhelm Segerath
Jens Tischendorf

### Nomination Committee
Prof. Dr. Ulrich Lehner (Chair)
Prof. Dr. Hans-Peter Keitel
Dr. Ralf Nentwig
Prof. Dr. Bernhard Pellens

# Report by the Supervisory Board

**Prof. Dr. Ulrich Lehner,** Chairman of the Supervisory Board

## Dear Shareholders,

In the following I would like to inform you about the work of the Supervisory Board and its committees in the 2016 / 2017 fiscal year:

### Cooperation between Supervisory Board and Executive Board

In fiscal year 2016 / 2017 the Supervisory Board again regularly advised the Executive Board on the management of the Company and continuously supervised its conduct of business. We satisfied ourselves that the Executive Board's work complied with all legal and regulatory requirements at all times. The Executive Board fulfilled its duty to inform and furnished us with regular written and verbal reports containing up-to-date and comprehensive information on all issues of relevance to the Company and the Group relating to strategy, planning, business performance, the risk situation and compliance. This also included information on variances between actual performance and previously reported targets as well as on budget variances (follow-up reporting). In the committees and in full Supervisory Board meetings, the members of the Supervisory Board always had ample opportunity to critically examine the reports and resolution proposals submitted by the Executive Board and contribute suggestions. In particular, we discussed intensively and examined the plausibility of all transactions of importance to the Company on the basis of written and verbal reports by the Executive Board. On numerous occasions the Supervisory Board dealt at length with the risk situation of the Company, the liquidity planning and the equity situation. Thanks to an analysis of the value potential of the Group's businesses and the opportunities and risks of strategic steps, critical operating issues were presented to the Supervisory Board in a clear and differentiated way. Where required by law, the Articles of Association or the rules of procedure for the Executive Board, the Supervisory Board provided its approval of individual business transactions.

In the periods between meetings, the Supervisory Board Chairman and the Chairmen of the Audit Committee and the Strategy, Finance and Investment Committee engaged in a close and regular exchange of views and information with the Executive Board and were informed about major developments. The Supervisory Board Chairman and Audit Committee and Strategy, Finance and Investment Committee Chairmen reported on important findings immediately in the following Supervisory Board or Committee meeting.

Before the Supervisory Board meetings the shareholder and the employee representatives each held separate meetings to discuss the agenda items. Before two meetings of the Supervisory Board's Strategy, Finance and Investment Committee, a conflict of interest was disclosed in each case by one member. In the meetings transactions were discussed involving contractual partner companies at which the Supervisory Board member in each case holds a comparable supervisory board seat. The member did not take part in these discussions and abstained from voting. As a precaution the confidentiality of the content of the meetings was again called to the attention of all members of the committee. Further conflicts of interest of Executive Board and Supervisory Board members, which must be disclosed to the Supervisory Board immediately, did not occur.

## Supervisory Board meetings

Five Supervisory Board meetings were held in the reporting year. The average attendance rate at the meetings of the Supervisory Board and its committees was 97%. No Supervisory Board member attended fewer than half the meetings of the Supervisory Board and the relevant committees. The members of the Executive Board took part in the Supervisory Board meetings unless otherwise determined by the Supervisory Board Chairman.

**97%**

Average attendance rate at Supervisory Board and committee meetings was 97%.

In its first meeting in the reporting year on November 23, 2016 the Supervisory Board dealt firstly with the business and earnings situation in fiscal year 2015 / 2016. A further item on the agenda focused on the parent-company and consolidated financial statements for the year ended September 30, 2016. On the recommendation of the Audit Committee and after discussion with the auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), the Supervisory Board approved the consolidated and parent-company financial statements for the 2015 / 2016 fiscal year. Further, the corporate and investment planning for the 2016 / 2017 fiscal year was adopted. We also discussed and adopted the agenda for the Annual General Meeting on January 27, 2017 and addressed Executive Board matters.

On January 26, 2017, the day before the Annual General Meeting, the Supervisory Board members convened for a meeting in which the Executive Board first reported on the situation of the Group. Other topics were the next day's Annual General Meeting, questions relating to Executive Board compensation, and a detailed report on the activities and strategy of the Industrial Solutions business area, which was subsequently discussed by the full Supervisory Board.

On February 21, 2017, the Supervisory Board addressed the status of negotiations on the sale of the thyssenkrupp Companhia Siderúrgica do Atlântico (CSA) steel mill and approved the sale to Ternium. In the meeting on May 17, 2017 the Group's business situation and Strategic Way Forward were discussed on the basis of a comprehensive report by the Executive Board. Further topics were the 2016 EMIR compliance audit pursuant to § 20 WpHG, the implementation of the governance@thyssenkrupp project in the Group, the status of the acquisition of Atlas Elektronik, the handling of the sale of CSA, and Executive Board matters, including the establishment of a new target for the share of women on the Executive Board of thyssenkrupp AG.

In the Supervisory Board meeting on September 23, 2017 the Group's operating situation and Strategic Way Forward with particular reference to the business areas were again central topics. The focus was on thyssenkrupp Steel Europe AG's planned joint venture with Tata Steel and the memorandum of understanding signed on the project. As in previous years, current developments in corporate governance were again addressed at this year's September meeting. After reviewing observance of the recommendations and suggestions of the Corporate Governance Code, as amended on February 7, 2017, the Supervisory Board resolved to issue an unqualified declaration of conformity. The Executive Board and Supervisory Board's joint declaration of conformity has been permanently available on the thyssenkrupp website since October 1, 2017. In addition, the Executive Board – also on behalf of the Supervisory Board – reports on corporate governance at thyssenkrupp in the corporate governance report and the corporate governance statement.

The Supervisory Board training program includes tours of the Group's production sites to provide a direct impression of production conditions and the work of management at local level. In this connection the Supervisory Board visited the Steering business unit, a plant of the Components Technology business area in Eschen/Liechtenstein on June 23, 2017.

At thyssenkrupp compliance is a central component of good corporate governance and means much more than just abiding by the law: At thyssenkrupp compliance is a question of mindset. For this reason at each of its meetings the Supervisory Board obtained a report on compliance from the Executive Board and discussed the strategic compliance measures at thyssenkrupp.

## Report on the work of the committees

The primary task of the Supervisory Board's six committees is to prepare decisions and topics for discussion at the full meetings. The Supervisory Board has delegated decision-making powers to the committees where this is legally permissible. The powers of the committees and the requirements on committee members are set out in the rules of procedure for the respective committees. The chairmen of the committees provided the Supervisory Board with regular detailed reports on the work of the committees in the reporting year. With the exception of the Audit Committee and the Strategy, Finance and Investment Committee, all committees are chaired by the Supervisory Board Chairman. The compositions of the six committees are shown in the section "Supervisory Board".

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Six Supervisory Board committees prepare decisions and topics for the full meetings.

The **Executive Committee (Praesidium)** met six times in the past fiscal year. In addition to preparing the full Supervisory Board meetings, the main subjects of deliberation were the financial position and earnings performance of the Group, the strategic development of the individual business areas, and the Groupwide projects to optimize effectiveness, efficiency and performance. As chairman of the committee, I was also in close contact with the other members of the Executive Committee outside meetings to agree on special projects.

The **Personnel Committee** held five meetings in the 2016 / 2017 fiscal year to prepare the personnel decisions of the Supervisory Board. Where required, resolutions were passed or recommendations for resolutions were made to the Supervisory Board. The meetings addressed general Executive Board matters and – in fulfilment of our duty of care – succession planning. In addition, proposals for establishing the performance bonus and additional bonus and the structuring of pensions for the members of the Executive Board were dealt with. Details of Executive Board compensation are presented in the compensation report.

The **Audit Committee** met seven times in the 2016 / 2017 fiscal year. Alongside Executive Board members, the meetings were also attended by representatives of the auditors PwC, who were elected by the 2017 Annual General Meeting and subsequently appointed by the Audit Committee. The auditors declared to the Audit Committee that no circumstances exist that could lead to the assumption of prejudice on their part. The Audit Committee obtained the required auditors' statement of independence, reviewed their qualification, and concluded the fee agreement. In addition a Groupwide survey of auditing quality was carried out; the results of this as well as the additional services provided by PwC alongside the audit of the financial statements were discussed in the Audit Committee. The Chairman of the Audit Committee was also in regular contact with the auditors between meetings. Heads of corporate functions were also available to provide reports and take questions in committee meetings on individual agenda items.

In the reporting year the committee's work focused on examining the 2016 / 2017 parent-company and consolidated financial statements along with the combined management report, the proposal for the appropriation of net income and the auditors' reports, and preparing the Supervisory Board resolution on these items. In addition, the interim financial reports (half-year and quarterly reports) were also discussed in detail and adopted, taking into account the auditors' review report. With regard to PwC the catalogue of non-audit services by the financial statement auditor requiring approval was established, and the budget for the performance of non-audit services for the 2016 / 2017 fiscal year was set at a maximum amount of 30% of the agreed audit fee. In addition PwC reported in detail on the new rules for audit reports and on procedures and quality management in connection with the audit of the financial statements.

In several meetings the Audit Committee monitored the accounting process and discussed the effectiveness of the internal control system and optimizations made to it, the risk management system and the internal auditing system. It also dealt in detail with the main legal disputes and compliance in the Group and discussed at length the strategic compliance measures at thyssenkrupp. In addition in the presence of the head of Corporate Internal Auditing the committee discussed the internal audit results, the audit processes and the audit planning of the Group internal auditing team for the 2016 / 2017 fiscal year. Further main topics were the equity capital and rating situation, particularly in view of the interest rate situation, the balance-sheet impact and follow-up process of the sale of the CSA steel mill, the EMIR compliance audit for the 2015 / 2016 fiscal year in accordance with § 20 WpHG, and the status of the tax inspections. Regular reports were provided on the status of the corporate initiatives. Furthermore the committee members dealt in detail with the implications of the CSR Directive Implementation Act for reporting, progress made with IFRS 15 and 16 (revenue recognition and leases), as well as currency and commodity price risk management in the thyssenkrupp Group.

Discussions focused on the strategic development of thyssenkrupp and portfolio optimization.

The **Strategy, Finance and Investment Committee** held five meetings in the 2016 / 2017 fiscal year. Discussions focused on the strategic development of thyssenkrupp and portfolio optimization measures. The committee also discussed in detail the reports presented previously to the Supervisory Board on the business activities and strategy of the individual business areas and corporate functions. Further, the Group's corporate and investment planning for the reporting year was discussed, taking into account the Group's current rating and financial situation, and corresponding Supervisory Board resolutions were prepared.

At two meetings of the Supervisory Board's Strategy, Finance and Investment Committee, a conflict of interest was disclosed in each case by one member. In the meetings transactions were discussed involving contractual partner companies at which the Supervisory Board member in each case holds a comparable supervisory board seat. The member did not take part in these discussions and abstained from voting. As a precaution the confidentiality of the content of the meetings was again called to the attention of all members of the committee. Further conflicts of interest of Executive Board and Supervisory Board members, which would have had to be disclosed to the Supervisory Board immediately, did not occur.

The members of the **Nomination Committee** convened for two meetings in the past fiscal year. Discussions focused on succession planning for the Supervisory Board – taking into account the recommendations of the German Corporate Governance Code – and the preparation of a competency profile.

There was once again no cause to convene the **Mediation Committee** under § 27 (3) Codetermination Act in the reporting year.

## Audit of the parent-company and consolidated financial statements

Elected by the Annual General Meeting on January 27, 2017 to audit the financial statements for the 2016 / 2017 fiscal year, PwC audited the parent-company financial statements for the fiscal year October 1, 2016 to September 30, 2017 prepared by the Executive Board in accordance with HGB (German GAAP) rules, and the management report on thyssenkrupp AG, which is combined with the management report on the Group. The auditors issued an unqualified audit opinion. In accordance with § 315a HGB, the consolidated financial statements of thyssenkrupp AG for the fiscal year from October 1, 2016 to September 30, 2017, and the management report on the Group, which is combined with the management report on the Company, were prepared on the basis of International Financial Reporting Standards (IFRS) as applicable in the European Union. The consolidated financial statements and the combined management report were also given an unqualified audit opinion by PwC. The auditors also confirmed that the Executive Board has installed an appropriate reporting and monitoring system which is suitable in its design and handling to identify at an early stage developments which could place the continued existence of the Company at risk.

The financial-statement documents and audit reports for the 2016 / 2017 fiscal year were discussed in detail in the meetings of the Audit Committee on November 20, 2017 and the Supervisory Board on November 22, 2017. The auditors reported on the main findings of their audit. They also outlined their findings on the internal control system and risk management in relation to the accounting process and were available to answer questions and provide additional information. The Chairman of the Audit Committee reported in depth at the full Supervisory Board meeting on the Audit Committee's examination of the parent-company and consolidated financial statements. Following examination and discussion of the parent-company financial statements, the consolidated financial statements, and the combined management report by the Supervisory Board no objections were raised. In line with the recommendation by the Audit Committee, the Supervisory Board then approved the result of the audit by the financial statement auditors. Following completion of our examination we came to the conclusion that no objections were to be raised and we established the financial statements of thyssenkrupp AG and approved the consolidated financial statements. Following our own examination and taking the earnings and financial situation into account, the Supervisory Board concurred with the Executive Board's proposal for the appropriation of net income. Together with the Executive Board, we propose to the Annual General Meeting that a dividend of €0.15 per share be paid for the 2016 / 2017 fiscal year.

## Personnel changes on the Supervisory Board

At the close of January 31, 2017 Ernst-August Kiel left the Supervisory Board of thyssenkrupp AG. The members of the Supervisory Board thanked Ernst-August Kiel for his good work over many years. Effective February 7, 2017 Achim Hass became a new member of the Supervisory Board by court appointment.

The Supervisory Board thanks the Executive Board members, all employees of the Group worldwide and the employee representatives of all Group companies for their efforts and achievements in the 2016 / 2017 fiscal year.

The Supervisory Board

Prof. Dr. Ulrich Lehner
Chairman
Essen, November 22, 2017

# Corporate governance

In the following section, the Executive Board and Supervisory Board report on corporate governance at thyssenkrupp in accordance with section 3.10 of the German Corporate Governance Code. This section also includes the compensation report.

## Corporate governance overview

### Further development of corporate governance in the Group

thyssenkrupp continuously develops its understanding of good and responsible corporate governance. One element of this is the project governance@thyssenkrupp, in which we are harmonizing the corporate governance structures throughout the Group and optimizing them beyond the established understanding of corporate governance defined in the German Corporate Governance Code. The focus is on strengthening the transparency and reliability of our binding internal regulations and supporting managers in the use of internal corporate governance instruments.

### Implementation of the German Corporate Governance Code

In the reporting year the Executive Board and Supervisory Board of thyssenkrupp AG again dealt intensively with the requirements of the German Corporate Governance Code, taking into account the changes and additions to the Code made by the Government Commission on the German Corporate Governance Code in February 2017. These changes came into force on publication in the official section of the Federal Gazette ("Bundesanzeiger") on April 24, 2017. In accordance with § 161 (1) Stock Corporation Act (AktG), the Executive Board and Supervisory Board issued a joint declaration of conformity in the reporting year, which was published on October 1, 2017. It is available on the company's website at **www.thyssenkrupp.com > Company > Management > Corporate Governance**.

www.thyssenkrupp.com > Company > Management > Corporate Governance

In this reporting year thyssenkrupp AG once again complies with all recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection, and will continue to comply with these recommendations in the future.

In addition, thyssenkrupp AG complies with all suggestions of the German Corporate Governance Code. The declarations of conformity issued in the last five years are permanently available on our website.

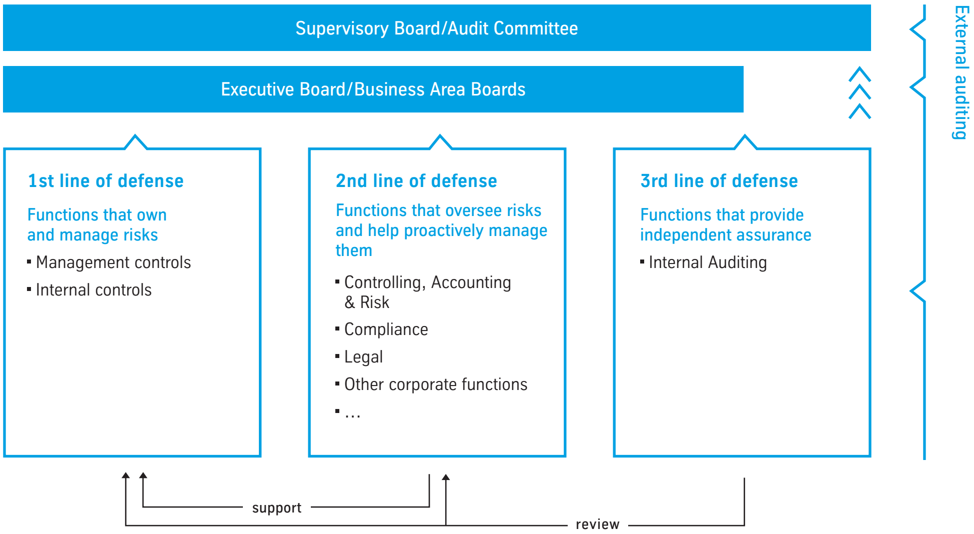
Our listed subsidiary Eisen- und Hüttenwerke AG also complies with the Code, taking into account the particularities of its membership of the Group. Individual deviations are presented and explained in the company's declaration of conformity of October 1, 2017.

## Three lines of defense model as framework for Groupwide risk management

An integrated governance, risk management and compliance (GRC) model, embedded in the Groupwide GRC Policy, provides the basis for professional and efficient management and control in the Group. As a framework for this internal oversight system, thyssenkrupp uses the internationally established three lines of defense model adapted to the Group's specific organizational structure. The GRC model shows at which level (line) the various responsibilities for risk management lie within the Group. At the same time it serves to define responsibilities within the GRC model.

The risk management system is designed in line with international standards.

### THREE LINES OF DEFENSE MODEL




The first line of defense involves preventing risks where they occur, and where this is not practicable identifying and reducing them to an appropriate level. In the reporting period we continued to improve the internal control system in the Group by strengthening systematic risk management on the first line of defense with automated internal controls in the business processes wherever possible. As there are cases where this is not fully possible, further control measures have to be performed by management to ensure the effectiveness of the control system.

The second line of defense includes functions such as Controlling, Accounting & Risk, Compliance, and Legal. These provide the framework for the internal control system, the risk management system, and compliance – for example via policies and other binding internal documents – and support the first line of defense with implementation. At the same time these functions oversee and manage the Group's risk landscape from the viewpoint of the Group as a whole. Close integration of the internal control system, risk management system and compliance maximizes the efficiency of risk prevention and management.

The third line of defense is Corporate Function Internal Auditing, which independently reviews the appropriateness and efficiency of the risk management processes and systems implemented by the first two lines of defense. The head of Corporate Internal Auditing reports directly to the CEO and takes part in meetings of the Audit Committee once a year. Internal Auditing itself is subject to an external quality audit every five years; the last audit took place in spring 2015.

The three lines of defense model is subject to external supervision by the financial statement auditors.

## Risk management and internal control system

Corporate governance at thyssenkrupp involves dealing responsibly with risks, because the continuous and systematic management of business risks – but also opportunities – is fundamental to professional governance. Management of opportunities and risks helps ensure that risks are identified, evaluated and managed at an early stage and that opportunities available to the company are exploited.

The Executive Board reports regularly to the Supervisory Board and Audit Committee about the status of the main risks in the Group and progress with the further development of the internal control system. The Audit Committee deals regularly with monitoring the effectiveness of the accounting process and the internal control, risk management and internal auditing system, as well as monitoring the independence of the financial statement auditors. thyssenkrupp continuously enhances the individual systems and adapts them to changing conditions.

Key features of our control and risk management system are described in the opportunity and risk report.

## Compliance

Compliance, in the sense of all Groupwide measures to ensure adherence to statutory requirements and binding internal regulations, is a key management and oversight duty at thyssenkrupp.

The Executive Board of thyssenkrupp AG has unequivocally expressed its rejection of antitrust violations and corruption in the thyssenkrupp Compliance Commitment. Any violations, in particular antitrust or corruption violations, will be met with zero tolerance. Compliance is a question of mindset.

**compliance**

Compliance is a question of mindset.

The importance attached to compliance at thyssenkrupp is underlined by the fact that a dedicated Executive Board member is responsible for the corporate functions Legal & Compliance. This Board member reports regularly to the Supervisory Board and Audit Committee on compliance issues. The Chief Compliance Officer is responsible for the management of the compliance program and reports directly to the Executive Board member for Legal & Compliance.

More information on compliance at thyssenkrupp can be found in the “Compliance” section of the combined management report.

## Supervisory Board targets for its own composition

Under the German Corporate Governance Code, the Supervisory Board must be composed in such a way that its members have the knowledge, skills and professional experience needed to perform their tasks properly. The Supervisory Board sets targets for its own composition. The election recommendations made to the Annual General Meeting must take these targets into account in the same way as the requirements of the law, the Articles of Association, and the German Corporate Governance Code. As this was the case in the election of the shareholder representatives at the Annual General Meeting on January 30, 2015, the current composition of the Supervisory Board meets these targets. Only the proportion of women on the Supervisory Board remains slightly short of target at currently 25%. The concrete targets most recently updated in September 2016 are as follows:

- Supervisory Board to have sufficient members with international experience, in particular in the expansion markets and Supervisory Board members as a whole to be familiar with the sectors in which thyssenkrupp operates;
- Consideration of special knowledge and experience in the application of accounting principles and internal control processes, expertise in the areas of accounting and auditing, also consideration of technical expertise, and knowledge of financing strategies and financial instruments;
- Experience in corporate management and the development and formulation of corporate strategies;
- Avoidance of significant and non-temporary conflicts of interest (existing conflicts of interest or conflicts of interest to be expected in the future) and appropriate handling of other conflicts of interest;
- Supervisory Board members to serve no more than a maximum three periods of office, and an age limit of 75 (i.e. Supervisory Board members to stand down from the Supervisory Board at the end of the Annual General Meeting after they reach 75);
- Increase in the proportion of women to at least 30%;
- At least fifteen independent Supervisory Board members.

In the assessment of the Supervisory Board the appropriate number of independent members on the shareholder representative side is at least five. In addition to the employee representatives, the following members representing shareholders are independent: Ingrid Hengster, Hans-Peter Keitel, Ulrich Lehner, Ralf Nentwig, René Obermann, Bernhard Pellens, Carola Gräfin v. Schmettow, Carsten Spohr, Lothar Steinebach and Jens Tischendorf.

The appropriate number of independent members on the shareholder representative side is at least five.

In addition the Supervisory Board has drawn up a competency profile for the entire Board as recommended by the German Corporate Governance Code since 2017. Future election proposals will be based – as in the past – on this competency profile.

## Avoiding conflicts of interest

In the reporting year there were no consulting or other service agreements between Supervisory Board members and the Company. Information on conflicts of interest and how they were dealt with is provided in the section “Report by the Supervisory Board”. Details of the other directorships held by Executive Board and Supervisory Board members on statutory supervisory boards or comparable German and non-German control bodies of business enterprises are provided in the sections of the same name under “Additional information”. Details of related party transactions are given in Note 22 to the consolidated financial statements.

## Directors' dealings

Members of the Executive Board and Supervisory Board and persons close to them are required to disclose the purchase and sale of thyssenkrupp AG shares and debt certificates or related financial instruments whenever the value of the transactions amounts to €5,000 or more within a calendar year. No transactions were reported to us in the 2016 / 2017 fiscal year.

At September 30, 2017 the total volume of thyssenkrupp AG shares held by all Executive Board and Supervisory Board members amounted to less than 1% of the shares issued by the Company.

## Shareholders and Annual General Meeting

The shareholders of thyssenkrupp AG exercise their rights at the Company's Annual General Meeting, which is chaired by the Chairman of the Supervisory Board in accordance with the Articles of Association. The Annual General Meeting takes place once a year. Each share confers one vote and has an accounting par value of €2.56.

Shareholders can exercise their voting rights at the Annual General Meeting in person or by proxy, for which they can authorize a person of their choice or a Company-nominated proxy acting on their instructions. Proxy voting instructions to Company-nominated proxies can be issued via the internet before and during the Annual General Meeting. Shareholders can also cast their votes in writing by postal vote – without authorizing a proxy. The Annual General Meeting can be viewed live and in full on the Company's website. Also on our website we make all documents and information on the Annual General Meeting available to shareholders in good time. In addition, questions can be addressed to members of our Investor Relations department via an infoline or e-mail.

The Annual General Meeting can be viewed live and in full on the Company's website.

## Transparency through high-quality information

The dialogue between Investor Relations and the capital market is aimed at presenting key performance indicators and further valuation-relevant facts in the highest quality to all target groups fully, equally and quickly. To guarantee this Investor Relations is directly established under the CFO. Together with the CFO, the CEO and the business area management teams, Investor Relations conducts a regular and intensive dialogue with capital market participants on roadshows, at investors' conferences, at the Capital Market Day, in conference calls held on publication of the interim reports and Annual Report, and to report on current developments. All dates and venues, presentations, audio and video recordings of conference calls and events together with a wide range of further in-depth information can be found on the Investor Relations section of our website.

Also on our website we report on the latest developments in the Group. Visitors to our website will find for example press releases and stock exchange (ad hoc) announcements, a live stream of our annual press conference, the Company's Articles of Association, annual reports and interim reports. Anyone interested can subscribe to an electronic newsletter which reports news from the Group.

## Deductible in D&O insurance

The Company has taken out directors and officers (D&O) liability insurance for the members of the Executive Board and Supervisory Board with an appropriate deductible pursuant to § 93 (2) sentence 3 Stock Corporation Act (AktG) (Executive Board members) and the German Corporate Governance Code (Supervisory Board members).

## Accounting and financial statement auditing

In line with European Union requirements, thyssenkrupp prepares the consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS). However, the parent-company financial statements of thyssenkrupp AG, on which the dividend payment is based, are drawn up in accordance with German GAAP (HGB).

For the reporting period the Supervisory Board once again agreed with the financial statement auditors that the Chairman of the Audit Committee would be informed immediately of any possible grounds for exclusion or bias of the auditors arising during the audit insofar as they are not immediately eliminated, and that the auditors would report immediately on any findings or occurrences coming to their attention during the audit which have a significant bearing on the duties of the Supervisory Board. It was also agreed that the auditors would inform the Supervisory Board or make a note in the audit report of any facts ascertained during their examination that conflict with the declaration of conformity issued.

In accordance with the statutory provisions the auditor is elected each year by the Annual General Meeting for a period of one year. At the proposal of the Supervisory Board, the Annual General Meeting on January 27, 2017 elected PwC to audit the annual financial statements and review the interim financial reports for fiscal year 2016 / 2017 and to review the interim financial reports for fiscal year 2017 / 2018 drawn up before the 2018 Annual General Meeting. PwC has been auditing the parent-company financial statements and consolidated financial statements of thyssenkrupp AG since fiscal 2012 / 2013. PwC was engaged in 2012 following an external bidding process. The signatory auditors for the parent-company and consolidated financial statements of thyssenkrupp AG are Prof. Dr. Norbert Winkeljohann (since fiscal year 2012 / 2013) and Michael Preiß (since fiscal year 2015 / 2016). The statutory provisions and rotation requirements under §§ 319 and 319a HGB are fulfilled.

PwC audits the parent-company and consolidated financial statements of thyssenkrupp AG.

# Compensation report

The following compensation report is part of the combined management report.

## Performance-based compensation system for the Executive Board

The current compensation system for the Executive Board members of thyssenkrupp AG has been in place since fiscal year 2014 / 2015. It was approved by the Annual General Meeting on January 30, 2015 with a majority of 98.79% of the capital represented.

Based on this, compensation for the Executive Board members comprises fixed and variable components. The former are the fixed compensation, fringe benefits and pension plans, while the latter are the performance bonus (Short Term Incentive Plan – STI) and the Long Term Incentive Plan (LTI). These components are described in more detail in the following passages.

The variable components are mainly based on performance over several years.

The Supervisory Board – based on preparation by the Personnel Committee – is responsible for determining individual Executive Board member compensation. Criteria for the appropriateness of the compensation include the duties of the individual Executive Board members, their personal performance, the business situation, the success and prospects of the Company and also the prevailing level of compensation at peer companies and the compensation structure applying in the Company. The variable components are mainly based on performance over several years. They therefore set long-term incentives and focus the compensation structure on the sustainable development of the Company. In the case of exceptional performance or achievements, the Supervisory Board can award an additional discretionary bonus.

All Executive Board member contracts provide for a severance payment in the event of early termination without cause. The severance payment is limited to a maximum of two years' compensation including fringe benefits (severance payment cap) and compensates no more than the remaining term of the employment agreement. This also applies in the event of early termination due to a change of control.

## Fixed compensation and fringe benefits

Fixed compensation is paid in monthly installments as a salary. Since the last review at October 1, 2014 it has been €700,000 per year for an ordinary Executive Board member, and €1,340,000 per year for the Executive Board chairman. The Executive Board members also receive fringe benefits, mainly comprising a company car, security services, and insurance premiums. The benefits apply in principle to all Executive Board members; the amount varies according to personal situation.

## Performance bonus

The first component of variable compensation is the performance bonus. The amount of the performance bonus is dependent on three of the Group's key performance indicators: Earnings before interest and taxes (EBIT) and free cash flow before M & A (FCF before M & A) each have a weighting of 40%, ROCE (return on capital employed) accounts for the remaining 20%.

The target figures for these indicators are taken from the corporate planning (budget); in addition threshold values are defined for each indicator, above or below which a further improvement or deterioration of the result has no effect on the level of target achievement. The Supervisory Board reviews and if necessary adjusts the target and threshold amounts at the beginning of every fiscal year in order to maintain challenging targets. In addition to the three weighted performance indicators, a multiplicative correction factor is used in the calculation. This permits the Supervisory Board to adapt and individually differentiate the overall target achievement level within a +/−20% range. The correction factor is made up equally of a sustainability multiplier and a discretionary factor. The sustainability multiplier is based on Indirect Financial Targets from the areas employees, innovations, environment, and suppliers. The discretionary factor is set by the Supervisory Board to evaluate overall performance. The payout amount is limited to a maximum of 200% of the target level; there is no minimum bonus.

The sustainability multiplier is based on Indirect Financial Targets from the areas employees, innovations, environment, and suppliers.

## Long Term Incentive plan (LTI)

The second component of variable compensation is the LTI, which has a long-term incentive effect. Decisive factors here are value generation, measured on the basis of thyssenkrupp Value Added (tkVA), and the performance of the Company's stock.

For an initial value (in euros) specified in the individual awards, the Executive Board members are granted so-called stock rights (virtual shares). The number of stock rights issued is calculated from the specified initial value divided by the average stock price in the 1st quarter of the three-year tkVA performance period, beginning on October 1 of the fiscal year in which the stock rights were granted. The number of stock rights issued is adjusted at the end of the tkVA performance period – depending on the performance of average tkVA in these three years compared with a target set by the Supervisory Board: The number of stock rights increases by 1% for every €20 million of average tkVA above the target value and decreases by 1% for every €10 million below the target. The payout amount is then based on this adjusted number and the average thyssenkrupp share price in the 1st quarter of the fiscal year immediately after the tkVA performance period. If tkVA and the share price perform positively, the maximum payout amount is 250% of the initial value; in the event of a very negative performance, the number of stock rights can decrease to zero, in which case no payout is made.

In the case of the LTI, too, the Supervisory Board reviews and if necessary adjusts the target and threshold values for each new annual installment at the beginning of each fiscal year in order to maintain challenging targets. For the LTI installment granted to the Executive Board members in January 2017, the Supervisory Board set the target average tkVA at zero. This relates to the tkVA performance period 2016 / 2017 up to and including 2018 / 2019.

## Compensation caps

Under the recommendation of the German Corporate Governance Code (section 4.2.3 (2), sentence 6), the compensation of Executive Board members must be capped both in total and with regard to its variable components. In addition to the maximum thresholds applying for variable compensation components, thyssenkrupp has therefore also established caps for overall compensation. These are €9 million per fiscal year for Dr. Heinrich Hiesinger and €4.5 million per fiscal year for Guido Kerkhoff, Oliver Burkhard and Dr. Donatus Kaufmann.

In line with the recommendation of the German Corporate Governance Code thyssenkrupp has established caps for the overall compensation of Executive Board members.

## Pensions

Pensions are paid to former Executive Board members who have either reached pension age or become permanently incapacitated for work. thyssenkrupp does not pay transitional allowances upon premature termination or non-renewal of service contracts.

The Executive Board members Dr. Heinrich Hiesinger and Guido Kerkhoff have a pension entitlement of 50% of their respective fixed salaries in fiscal 2014 / 2015. The pension entitlement of the Executive Board members Oliver Burkhard and Dr. Donatus Kaufmann is based on a defined-contribution pension plan; the annual pension contribution (“module”) is currently 40% of their annual fixed salaries. It was additionally agreed with Oliver Burkhard that his maximum pension entitlement will be capped at 50% and his annual defined contribution at 40% of his fixed salary in fiscal 2014 / 2015.

The pension normally becomes payable on expiry of the Executive Board contract on or after the member’s 60th birthday. Current pensions are adjusted annually in line with the consumer price index in the case of Dr. Heinrich Hiesinger and Guido Kerkhoff, and increased at a rate of 1% per year in the case of Oliver Burkhard. Dr. Donatus Kaufmann’s pension will be paid in principle as a lump sum.

Under the surviving dependants’ benefits plan, a surviving partner receives 60% of the pension and each dependent child 20%, up to a maximum of 100% of the pension amount. In the case of Dr. Donatus Kaufmann, surviving dependants will receive the amount of the pension contributions plus interest at the time the pension becomes payable.

## Total Executive Board compensation 2016 / 2017

We disclose compensation for individual Executive Board members on the basis of the standardized model tables recommended in the German Corporate Governance Code (as amended). A key feature of these model tables is the separate statement of the benefits granted (Table 1) and the actual allocations (Table 2). For the benefits granted, the target values (payable on 100% target achievement) and the minimum and maximum values that can be achieved are also stated. In addition, stock-based compensation is stated separately (Table 3).

### TABLE 1: EXECUTIVE BOARD COMPENSATION 2016/2017 (BENEFITS GRANTED)

| | | Dr. Heinrich Hiesinger | | | | Guido Kerkhoff | | | | Oliver Burkhard | | | | Dr. Donatus Kaufmann | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Chairman of the Executive Board since January 21, 2011 | | | | Ordinary member of the Executive Board since April 01, 2011 | | | | Ordinary member of the Executive Board since February 01, 2013 | | | | Ordinary member of the Executive Board since February 01, 2014 | | | |
| all figures in €000s | | 2015/ 2016 Initial value | 2016/ 2017 Initial value | 2016/ 2017 Mini-mum | 2016/ 2017 Maxi-mum [1] | 2015/ 2016 Initial value | 2016/ 2017 Initial value | 2016/ 2017 Mini-mum | 2016/ 2017 Maxi-mum [1] | 2015/ 2016 Initial value | 2016/ 2017 Initial value | 2016/ 2017 Mini-mum | 2016/ 2017 Maxi-mum [1] | 2015/ 2016 Initial value | 2016/ 2017 Initial value | 2016/ 2017 Mini-mum | 2016/ 2017 Maxi-mum [1] |
| Fixed compensation | | 1,340 | 1,340 | 1,340 | 1,340 | 700 | 700 | 700 | 700 | 700 | 700 | 700 | 700 | 700 | 700 | 700 | 700 |
| Fringe benefits | | 304 | 83 | 83 | 83 | 71 | 51 | 51 | 51 | 149 | 34 | 34 | 34 | 80 | 54 | 54 | 54 |
| **Total** | | **1,644** | **1,423** | **1,423** | **1,423** | **771** | **751** | **751** | **751** | **849** | **734** | **734** | **734** | **780** | **754** | **754** | **754** |
| Variable compensation | Performance bonus (cash) | 1,250 | 1,250 | – | 2,500 | 655 | 680 | – | 1,360 | 630 | 630 | – | 1,260 | 630 | 630 | – | 1,260 |
| | 7th installment LTI 2016/2017 – 2019/2020 | – | 2,137 | – | 5,000 | – | 1,122 | – | 2,625 | – | 1,015 | – | 2,375 | – | 1,015 | – | 2,375 |
| | 6th installment LTI 2015/2016 – 2018/2019 | 1,656 | – | – | – | 828 | – | – | – | 786 | – | – | – | 786 | – | – | – |
| **Total** | | **4,550** | **4,810** | **1,423** | **8,923** | **2,254** | **2,553** | **751** | **4,736** | **2,265** | **2,379** | **734** | **4,369** | **2,196** | **2,399** | **754** | **4,389** |
| Service cost [2)3)] | | 1,768 | 2,254 | 2,254 | 2,254 | 513 | 716 | 716 | 716 | 827 | 1,198 | 1,198 | 1,198 | 315 | 291 | 291 | 291 |
| **Total** | | **6,318** | **7,064** | **3,677** | **11,177** | **2,767** | **3,269** | **1,467** | **5,452** | **3,092** | **3,577** | **1,932** | **5,567** | **2,511** | **2,690** | **1,045** | **4,680** |
| | | | | | | | | | | | | | | | | | |
| HGB total [4)] | | 4,280 | 4,709 | – | – | 2,113 | 2,498 | – | – | 2,129 | 2,328 | – | – | 2,060 | 2,348 | – | – |

[1)] In addition to the individual caps stated in the "Maximum" column, total annual compensation is limited to €9.0 million (Dr. Heinrich Hiesinger) and €4.5 million (Guido Kerkhoff, Oliver Burkhard and Dr. Donatus Kaufmann).

[2)] All figures in accordance with IFRS. Service costs in accordance with HGB are €1,349K for Dr. Heinrich Hiesinger (prior year: €1,321K), €348K for Guido Kerkhoff (prior year: €343K), €513K for Oliver Burkhard (prior year: €522K), and €256K for Dr. Donatus Kaufmann (prior year: €296K). The present values of the obligations amount to €14,267K (IFRS)/€10,134K (HGB) for Dr. Heinrich Hiesinger (prior year: €13,742K [IFRS]/€8,015K [HGB]), €3,970K (IFRS)/€2,459K (HGB) for Guido Kerkhoff (prior year: €3,966K [IFRS]/€1,885K [HGB]), €5,753K (IFRS)/€3,367K (HGB) for Oliver Burkhard (prior year: €5,467K [IFRS]/€2,398K [HGB]), and €1,094K (IFRS)/€1,003K (HGB) for Dr. Donatus Kaufmann (prior year: €818K [IFRS]/€701K [HGB]). Cf. footnote 3 for calculation method.

[3)] To improve the comparability of the final salary-based and defined-contribution pension plans as well as comparability with the prior-year figures, service cost and present value are prorated in line with Executive Board membership in the fiscal year. To take account of the vesting of contractual pension rights of Executive Board members, further provisions were recognized for Dr. Heinrich Hiesinger and Guido Kerkhoff in the past. Taking these provisions into account and without proration, the service costs are €5K (IFRS)/€3K (HGB) for Dr. Heinrich Hiesinger (prior year: €7K [IFRS]/€5K [HGB]), and €3K (IFRS)/€1K (HGB) for Guido Kerkhoff (prior year: €3,699K [IFRS]/€2,272K [HGB]). The present values of the obligations are then €19,380K (IFRS)/€13,762K (HGB) for Dr. Heinrich Hiesinger (prior year: €21,548K [IFRS]/€12,555K [HGB]) and €9,466K (IFRS)/€5,848K (HGB) for Guido Kerkhoff (prior year: €11,028K [IFRS]/€5,216K [HGB]).

[4)] Total compensation in accordance with HGB. In deviation from the amounts shown above for the performance bonuses, this includes the amounts paid out in accordance with Table 2. In accordance with HGB, service cost is not included.

## TABLE 2: EXECUTIVE BOARD COMPENSATION 2016/2017 (ALLOCATIONS)

| | | Dr. Heinrich Hiesinger | | Guido Kerkhoff | | Oliver Burkhard | | Dr. Donatus Kaufmann | |
|---|---|---|---|---|---|---|---|---|---|
| | | Chairman of the Executive Board since January 21, 2011 | | Ordinary member of the Executive Board since April 01, 2011 | | Ordinary member of the Executive Board since February 01, 2013 | | Ordinary member of the Executive Board since February 01, 2014 | |
| all figures in €000s | | 2015/2016 | 2016/2017 | 2015/2016 | 2016/2017 | 2015/2016 | 2016/2017 | 2015/2016 | 2016/2017 |
| Fixed compensation | | 1,340 | 1,340 | 700 | 700 | 700 | 700 | 700 | 700 |
| Fringe benefits | | 304 | 83 | 71 | 51 | 149 | 34 | 80 | 54 |
| **Total** | | **1,644** | **1,423** | **771** | **751** | **849** | **734** | **780** | **754** |
| One-year variable compensation | Performance bonus (cash) | 980 | 1,149 | 514 | 625 | 494 | 579 | 494 | 579 |
| Multi-year variable compensation | Performance bonus in stock rights 2013/2014 – 2016/2017 | – | 642 | – | 321 | – | 321 | – | 214 |
| | Performance bonus in stock rights 2012/2013 – 2015/2016 | 481 | – | 240 | – | 160 | – | – | – |
| | Additional bonus in stock rights 2013/2014 – 2016/2017 | – | 538 | – | 269 | – | 269 | – | 179 |
| | Additional bonus in stock rights 2012/2013 – 2015/2016 | 674 | – | 337 | – | 225 | – | – | – |
| | 4th installment LTI 2013/2014 – 2016/2017 | – | 2,239 | – | 1,120 | – | 1,120 | – | 746 |
| | 3rd installment LTI 2012/2013 – 2015/2016 | 1,662 | – | 831 | – | 554 | – | – | – |
| **Total** | | **5,441** | **5,991** | **2,693** | **3,086** | **2,282** | **3,023** | **1,274** | **2,472** |
| Service cost [1] | | 1,768 | 2,254 | 513 | 716 | 827 | 1,198 | 315 | 291 |
| **Total** | | **7,209** | **8,245** | **3,206** | **3,802** | **3,109** | **4,221** | **1,589** | **2,763** |

[1] For calculation of service cost, see footnotes 2 and 3 to Table 1.

## TABLE 3: STOCK-BASED EXECUTIVE BOARD COMPENSATION 2016/2017

(number of stock rights granted and cost of stock-based compensation in fiscal year)

| | | Dr. Heinrich Hiesinger | | Guido Kerkhoff | | Oliver Burkhard | | Dr. Donatus Kaufmann | |
|---|---|---|---|---|---|---|---|---|---|
| | | Chairman of the Executive Board since January 21, 2011 | | Ordinary member of the Executive Board since April 01, 2011 | | Ordinary member of the Executive Board since February 01, 2013 | | Ordinary member of the Executive Board since February 01, 2014 | |
| | | 2015/2016 | 2016/2017 | 2015/2016 | 2016/2017 | 2015/2016 | 2016/2017 | 2015/2016 | 2016/2017 |
| Number of stock rights granted | LTI 2016/2017 – 2019/2020 | – | 91,241 | – | 47,901 | – | 43,339 | – | 43,339 |
| | LTI 2015/2016 – 2018/2019 | 109,709 | – | 54,855 | – | 52,112 | – | 52,112 | – |
| Cost of stock-based compensation in fiscal year in €000s | | 5,479 | 2,495 | 2,771 | 1,304 | 2,623 | 1,187 | 2,237 | 1,138 |

Total compensation for Executive Board members active in the respective fiscal year calculated in accordance with German GAAP (HGB) for work in the reporting year amounted to €11.9 million. The corresponding prior-year value was €10.6 million. The requirement for appropriateness was also taken into account when determining the individual variable compensation. No further benefits have been promised to any Executive Board members in the event that they leave their post. thyssenkrupp has no knowledge of benefits or corresponding promises given to members of the

Executive Board by third parties in connection with their Executive Board positions. As in previous years, no loans or advance payments were granted to members of the Executive Board, nor were any guarantees or other commitments entered into in their favor.

The 4th installment of the LTI fell due in the reporting year. It was the final LTI installment for which performance of average tkVA over the performance period compared with the prior years (delta tkVA) was the main factor alongside the performance of the Company's share price in determining the payout amount. On account of the performance of tkVA and the share price over the applicable performance period 2013 / 2014 to 2016 / 2017 compared with the relevant comparative period of the fiscal years 2010/2011 to 2012/2013, this led to a payout amounting to over 224% of the initial value for each beneficiary. As a result an amount of €2,239,062 was paid to Dr. Heinrich Hiesinger and €1,119,542 each to Guido Kerkhoff and Oliver Burkhard. Dr. Donatus Kaufmann, whose contract commenced on February 1, 2014, received a corresponding prorated amount of €746,332. In January 2017 the Executive Board members were granted new stock rights under the 7th installment of the LTI. Under the 5th to 7th installments of the LTI, the Executive Board members now have a total of 728,747 stock rights which have been awarded but are not yet payable.

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €14.5 million (prior year: €17.4 million). For pension obligations benefiting former Executive Board members and their surviving dependants, €270.1 million (prior year: €304.1 million) was accrued in the financial statements under IFRS and €208.2 million (prior year: €207.3 million) in the financial statements under German GAAP (HGB).

## Stock-based compensation for further executives

Alongside the Executive Board, further selected executives of the Group worldwide receive part of their remuneration in the form of stock-based compensation (LTI). Since fiscal year 2014 / 2015 this is comparable with the LTI described above for the Executive Board, with the initial values adjusted accordingly.

thyssenkrupp uses this long-term compensation instrument to strengthen executives' identification with thyssenkrupp and loyalty to the Company. As the LTI amount is linked to both the share price and tkVA, it promotes value-based management geared to achieving the corporate goals.

The LTI amount is linked to both the share price and tkVA.

In the reporting year, the LTI program for further executives resulted in expense of altogether €40.8 million (prior year: €76.2 million).

## Supervisory Board compensation

The compensation of the Supervisory Board is subject to § 14 of the Articles of Association. In addition to reimbursement of their expenses and a meeting attendance fee of €500, Supervisory Board members receive annual base compensation of €50,000.

The annual compensation for the Supervisory Board Chairman is €200,000 and for the Vice Chairman €150,000. This also covers membership and chairs of committees. The other Supervisory Board members receive premiums for the chairs/membership of specified committees which are also defined in § 14 of the Articles of Association. Supervisory Board members who serve on the Supervisory Board or a committee for only part of the fiscal year receive prorated compensation.

The members of the Supervisory Board will receive total compensation, including meeting attendance fees, for the reporting year of €1.68 million (prior year: €1.69 million). This includes compensation paid to Supervisory Board members for directorships at Group companies in the amount of €55,618 (prior year: €69,302).

The individual members will receive the amounts listed in the following table:

## SUPERVISORY BOARD COMPENSATION 2016 / 2017

| in € [1] | Fixed compensation | Compensation for committee work | Meeting attendance fees | from directorships within the Group | Total compensation |
|---|---|---|---|---|---|
| Prof. Dr. Ulrich Lehner | 200,000 | – [2] | 12,000 | – | 212,000 |
| (Chairman) | (200,000) | (–) [2] | (10,000) | (–) | (210,000) |
| Dr. Sabine Maaßen | – | – [2] | – | – | – |
| (Vice Chairwoman until March 15, 2016) | (75,000) | (–) [2] | (3,500) | (–) | (78,500) |
| Markus Grolms | 150,000 | – [2,3] | 11,000 | – | 161,000 |
| (Vice Chairman since April 8, 2016) | (100,000) | (16,250) | (8,000) | (–) | (124,250) |
| Martin Dreher | – | – | – | – | – |
| (until May 31, 2016) | (33,333) | (–) | (1,500) | (15,202) | (50,035) |
| Achim Hass | 33,333 | – | 1,500 | 12,613 | 47,446 |
| (until February 7, 2017) | (–) | (–) | (–) | (–) | (–) |
| | 50,000 | – | 2,500 | – | 52,500 |
| Ingrid Hengster | (50,000) | (–) | (2,000) | (–) | (52,000) |
| | 50,000 | 12,500 | 5,000 | 16,000 | 83,500 |
| Susanne Herberger | (50,000) | (25,833) | (5,500) | (16,000) | (97,333) |
| Tanja Jacquemin | 50,000 | 20,000 | 4,500 | – | 74,500 |
| (since March 30, 2016) | (29,167) | (6,667) | (2,000) | (–) | (37,834) |
| | 50,000 | 50,000 | 7,500 | – | 107,500 |
| Prof. Dr. Hans-Peter Keitel | (50,000) | (50,000) | (6,500) | (–) | (106,500) |
| Ernst-August Kiel | 16,667 | – | 1,000 | 5,305 | 22,972 |
| (until January 31, 2017) | (50,000) | (–) | (2,000) | (16,000) | (68,000) |
| | 50,000 | – | 2,500 | – | 52,500 |
| Dr. Norbert Kluge | (50,000) | (–) | (2,000) | (–) | (52,000) |
| Tekin Nasikkol | 50,000 | – | 2,500 | – | 52,500 |
| (since June 1, 2016) | (16,667) | (–) | (500) | (–) | (17,167) |
| | 50,000 | 32,500 | 7,000 | – | 89,500 |
| Dr. Ralf Nentwig | (50,000) | (32,500) | (5,000) | (–) | (87,500) |
| | 50,000 | – | 2,500 | – | 52,500 |
| René Obermann | (50,000) | (–) | (2,000) | (–) | (52,000) |
| | 50,000 | 52,500 | 7,500 | – | 110,000 |
| Prof. Dr. Bernhard Pellens | (50,000) | (52,500) | (5,000) | (–) | (107,500) |
| | 50,000 | 12,500 | 5,000 | 16,250 | 83,750 |
| Peter Remmler | (50,000) | (12,500) | (3,500) | (16,500) | (66,000) |
| | 50,000 | – | 2,500 | – | 52,500 |
| Carola Gräfin v. Schmettow | (50,000) | (–) | (2,000) | (–) | (52,000) |
| | 50,000 | 57,500 | 11,000 | – | 118,500 |
| Wilhelm Segerath | (50,000) | (50,208) | (8,000) | (–) | (108,208) |
| | 50,000 | – | 2,500 | – | 52,500 |
| Carsten Spohr | (50,000) | (–) | (1,500) | (–) | (51,500) |
| | 50,000 | 25,000 | 5,500 | – | 80,500 |
| Dr. Lothar Steinebach | (50,000) | (25,000) | (4,500) | (–) | (79,500) |
| | 50,000 | 12,500 | 4,000 | – | 66,500 |
| Jens Tischendorf | (50,000) | (12,500) | (4,500) | (–) | (67,000) |
| | 50,000 | – | 2,500 | 5,450 | 57,950 |
| Friedrich Weber | (50,000) | (–) | (2,000) | (5,300) | (57,300) |
| | 50,000 | – | 2,500 | – | 52,500 |
| Isolde Würz | (50,000) | (–) | (2,000) | (–) | (52,000) |
| | 1,250,000 | 275,000 | 106,500 | 55,617 | 1,687,117 |
| **Total** | **(1,254,167)** | **(283,958)** | **(83,500)** | **(69,302)** | **(1,690,927)** |

[1] Prior-year figures in brackets
[2] Covered by fixed compensation in accordance with § 14 (3) of the Articles of Association
[3] Committee compensation paid on a prorated basis.
The employee representatives who belong to trade unions have stated that they will transfer their compensation to the Hans Böckler Foundation in accordance with the policies of the German Federation of Trade Unions.

In the reporting year Supervisory Board members received no further compensation or benefits for personal services rendered, in particular advisory and agency services. As in previous years, no loans or advance payments were granted to members of the Supervisory Board, nor were any guarantees or other commitments entered into in their favor.

# thyssenkrupp stock

## KEY DATA OF THYSSENKRUPP STOCK

| | | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 |
|---|---|---|---|---|---|---|
| Capital stock | million € | 1,317 | 1,449 | 1,449 | 1,449 | 1,593 |
| Number of shares (total) | million shares | 514.5 | 565.9 | 565.9 | 565.9 | 622.5 |
| Market capitalization end September | million € | 9,096 | 11,754 | 8,873 | 12,008 | 15,613 |
| Closing price end September | € | 17.68 | 20.78 | 15.68 | 21.22 | 25.08 |
| High | € | 19.05 | 22.72 | 26.30 | 22.27 | 26.83 |
| Low | € | 13.16 | 16.60 | 15.25 | 12.84 | 19.77 |
| | | | | | | |
| Dividend per share | € | — | 0.11 | 0.15 | 0.15 | 0.15[1] |
| Dividend yield | % | — | 0.5 | 1.0 | 0.7 | 0.6[1] |
| Dividend payout | million € | — | 62 | 85 | 85 | 93[1] |
| | | | | | | |
| Earnings per share (EPS) | € | (2.79) | 0.38 | 0.55 | 0.52 | (1.15) |
| Number of shares (outstanding[2]) | million shares | 514.5 | 557.1 | 565.9 | 565.9 | 566.3 |
| | | | | | | |
| Trading volume (daily average) | million shares | 3.7 | 2.4 | 2.6 | 2.7 | 2.6 |

[1] Proposal to the Annual General Meeting
[2] Weighted average

### thyssenkrupp stock master data

| ISIN [1] | |
|---|---|
| Shares | DE 000 750 0001 |
| ADRs [2] | US88629Q2075 |
| **Symbols** | |
| TKA | Frankfurt, Düsseldorf |
| TKAMY | ADRs (over-the-counter trading) |

[1] International Stock Identification Number
[2] American Depositary Receipt

In fiscal year 2016 / 2017 thyssenkrupp's stock continued its upward trend, closing on September 30, 2017 18% higher than at the start of the fiscal year. At the beginning of the fiscal year the stock continued to profit from the brightening mood on the steel market. Provisional tariffs on hot-rolled steel and heavy plate from China, higher steel prices, increasing speculation about potential consolidation steps in the European steel industry, and the sale of CSA had a positive impact on our share price. In the second half of the fiscal year thyssenkrupp's stock initially profited from the expectation of further economic impetus following the US election.

In the 2nd quarter with the signing of the deal to sell CSA, the share price was buoyed by the visible progress in our Strategic Way Forward. In the 3rd quarter a general rise in share prices led to profit-taking by investors, with thyssenkrupp's stock affected disproportionately. Towards the end of the 3rd quarter and in the 4th quarter thyssenkrupp's stock closed the gap on the indexes. With the signing of the memorandum of understanding with Tata Steel on a joint venture for the European steel activities, thyssenkrupp's stock at times significantly outperformed the indexes.

At the end of the fiscal year thyssenkrupp's stock slipped against the DAX due to profit taking. This was due not least to speculation about a capital increase, which weighed on thyssenkrupp's share price.

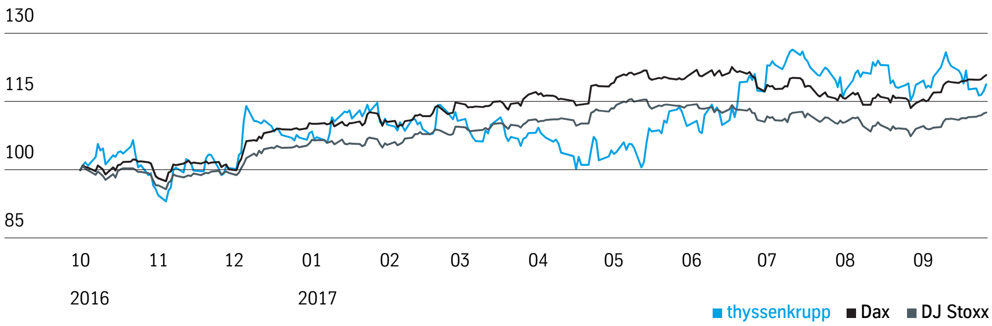
On July 13, 2017 the stock reached its fiscal year high of €26.83. At September 30, 2017 the stock stood at €25.08, a year-on-year increase of 18%; the DAX and STOXX indexes improved by 22% and 13% respectively in this period.

**€26.83**

was the fiscal year high (2016/2017) for thyssenkrupp's stock.

**PERFORMANCE OF THYSSENKRUPP STOCK RELATIVE TO DAX AND DJ STOXX**

indexed, fiscal year 2016/2017




## Investor confidence confirmed by capital increase

On September 25, 2017 the Executive Board of thyssenkrupp AG decided to increase the capital stock of the company, under exclusion of shareholder subscription rights, by a nominal €144,880,112.64, i.e. 10% of the capital stock, by issuing 56,593,794 new shares. Two thirds of the newly issued shares were placed on the same day with British and US investors in an accelerated bookbuilding process at a price of €24.30 per share. One third was placed mainly with investors from continental Europe including Germany. The placement resulted in net proceeds of around €1.4 billion, which will be used in particular to drive the organic growth of the capital goods businesses in the key areas of urbanization, mobility and service as well as necessary restructuring initiatives. The prompt placement on the same day with mainly long-term investors confirms the trust of investors in the value potential of thyssenkrupp's strategy.

Following the capital increase the capital stock of thyssenkrupp AG is €1,593,681,256.96 and is divided into 622,531,741 no par bearer shares. Each share grants one vote at the Annual General Meeting.

## Shareholder structure

The biggest shareholder in thyssenkrupp AG after the capital increase is still the Alfried Krupp von Bohlen und Halbach Foundation, Essen, which according to a voluntary disclosure holds a slightly lower share of around 21% of the capital stock. Cevian Capital, Stockholm and Zurich, holds 15.08% of the capital stock according to a disclosure under the Securities Trading Act (WpHG) of March 2014. The share held by the Krupp Foundation is not included in the free float. Private investors hold an estimated 10% of the capital stock. The remaining shares are widely held internationally, with a focus on North America and the United Kingdom.

thyssenkrupp AG currently holds no treasury shares. The free float generally taken into account in the weighting of thyssenkrupp's stock in stock indexes accounts for around 79% of the capital stock.

## Buy and hold recommendations predominate

The clear progress on the Strategic Way Forward is assessed very positively by the 24 financial analysts who cover thyssenkrupp and issue investment recommendations. Their recommendations and the resultant stock price targets reflect above all the upside potential of thyssenkrupp's stock from the company's transformation into a diversified industrial group. At September 30, 2017 over 90% of the analysts recommended holding or buying the stock.

## Dividend proposal of €0.15 per share

The Executive Board and Supervisory Board will propose to the Annual General Meeting on January 19, 2018 that a dividend of €0.15 per share be paid for the 2016 / 2017 fiscal year. In the reporting year thyssenkrupp reached further important milestones on the Strategic Way Forward. In the restructuring of the Group, the sale of the Brazilian steel mill CSA to Ternium was followed by the signing of a memorandum of understanding with Tata Steel to combine our European steel activities in a 50 / 50 joint venture. However, the sale of the Brazilian steel mill CSA to Ternium resulted in one-time impairment charges resulting in a net loss for the year at Group level. Nonetheless, alongside strategic progress we also reported pleasing earnings improvements: Our adjusted EBIT was once again higher year-on-year, clearly exceeding the target we set at the start of the fiscal year.

In view of the strategic progress we therefore consider it appropriate and financially justifiable to pay a dividend in the proposed amount. The proposal also takes account of the further improvement of relevant indicators in connection with our Strategic Way Forward, in particular another clear increase in earnings and correspondingly clearly positive net income for the year.

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# Combined management report

# Preliminary remarks

## Combined management report

This management report combines the management report on the Group and the management report on thyssenkrupp AG. In it we report on the course of business including business performance as well as the position and the expected development of the Group and of thyssenkrupp AG. The information on thyssenkrupp AG is presented in a separate section of the report on the economic position with disclosures in accordance with HGB. The German Accounting Standard 20 (GAS 20) "Group Management Report" was applied.

Following the sale of CSA, the focus is on the continuing operations unless explicit reference is made to CSA or the Group as a whole.

The links are not part of the management report unless otherwise stated.

# Fundamental information about the Group

## Profile and organizational structure

We work with passion and expertise to develop high-quality products and intelligent industrial processes and services that promote efficient use of resources and help create sustainable infrastructures. Our technologies and innovations are key to meeting the wide-ranging needs of our customers and markets around the world, achieving growth on the markets of the future, and generating strong and stable earnings, cash flows and value added. Engineering expertise, group synergies, diversity and global reach define thyssenkrupp. We engage as entrepreneurs with a passion to perform.

The high standards we set ourselves and our shared values are documented in our mission statement, which can be found on our website.

www.thyssenkrupp.com > Company > Corporate culture

### Capability profile

By combining our engineering expertise with our traditionally strong materials capabilities, we aim to create value for our customers around the world and utilize the wide-ranging opportunities in the markets of the future. Together with our customers we develop competitive solutions to the challenges of the future in their individual sectors. In our capital goods businesses for example we develop and manufacture high-quality components for the automotive, machinery, and energy sectors. We also produce innovative technological goods and service solutions for our customers such as modern elevator systems and electric power assisted steering systems. Our plant engineering portfolio extends from the engineering and construction of complete industrial facilities and maintenance through our global service network to advanced naval technology. Our materials businesses offer custom material solutions, efficient materials manufacturing and processing, and materials services.

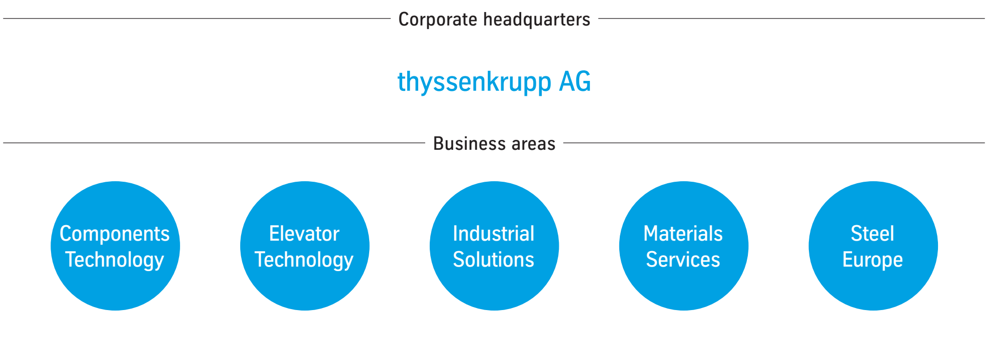
## Organizational and management structure

Our business operations are organized in five business areas: Components Technology, Elevator Technology, Industrial Solutions, Materials Services and Steel Europe. With the sale of the Brazilian steel mill CSA in February 2017 the former sixth business area Steel Americas is reported as a discontinued operation until the closing of the sale in September 2017. The business areas are divided into business units and operating units. In 79 countries, 461 companies and 25 investments accounted for by the equity method are included in the consolidated financial statements.

**79**

Companies in 79 countries are included in the consolidated financial statements.

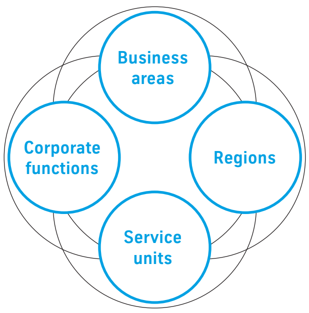
### THYSSENKRUPP GROUP




The Group is led strategically by thyssenkrupp AG. Founded in 1999 as a stock corporation under German law, the company has dual domiciles in Essen and Duisburg. Our corporate headquarters is in Essen. The Executive Board of thyssenkrupp AG sets the strategy for the Group's development and steers the business areas, the corporate functions, the regions and the service units. We define our strategic growth regions as North and South America, India, Asia/Pacific, Greater China, the Middle East and Africa. Our headquarters in these growth regions are located in Chicago, São Paulo, Mumbai, Beijing, Singapore and Istanbul. The regions of West Europe, Central and East Europe, the Commonwealth of Independent States, and the German-speaking region are managed from our headquarters via the various corporate functions.

The Group's Strategic Way Forward is focused on concrete goals for the individual business areas and increased global connectedness and cooperation. Accordingly we operate in a multidimensional management structure (matrix structure) made up of operating businesses, corporate functions, regions, and service units. Within this structure clear roles and responsibilities, rules and standards for cooperation, and processes and reporting lines have been defined. The "Global Shared Services" unit combines the main transaction and administration processes in in-house service centers – this ensures that on the administrative side too we stay competitive in terms of efficiency and performance. These are generally site-independent tasks such as certain

### Multidimensional management structure with network character




**Business areas**
- Global corporate responsibility for businesses
- Support for cross-business measures

**Corporate functions**
- Strategic development of the Group
- Governance framework
- Coordination and support

**Regions**
- Support for growth strategies
- Advice and support for businesses in the regions

**Service units**
- Standardization and provision of transactional processes with focus on efficiency
- Transparent costs, performance and pricing

accounting, IT, real estate service and HR sub-processes. Alongside the two German locations in Essen and Bochum we also operate regional service centers in Gdansk (Poland), Porto Alegre (Brazil), Alpharetta (USA) and Thane (India). A further center is currently being established in China.

The Group's structure is routinely reviewed as part of the annual strategy process and adapted if required. This ensures that we remain competitive in line with current market conditions.

# Strategy

## Positioning as a diversified industrial group

Our positioning as a diversified industrial group is linked to the ambition to generate strong and stable earnings, cash flow and value added. We diversify our businesses in several ways: through our presence in numerous markets worldwide, a customer base spanning a range of sectors with different cycles, and the different business models of our business areas. This diversified approach enables us to seize growth opportunities worldwide and at the same time increase the stability of our company in a volatile environment.

www.thyssenkrupp.com > Company > Strategy

To boost our earnings strength, we are working on two levels: developing concrete measures to achieve profitable growth in our business areas while systematically leveraging synergies within the Group through cross-business initiatives. In the process we are increasingly focusing thyssenkrupp on profitable capital goods and service businesses in global growth regions and sectors.

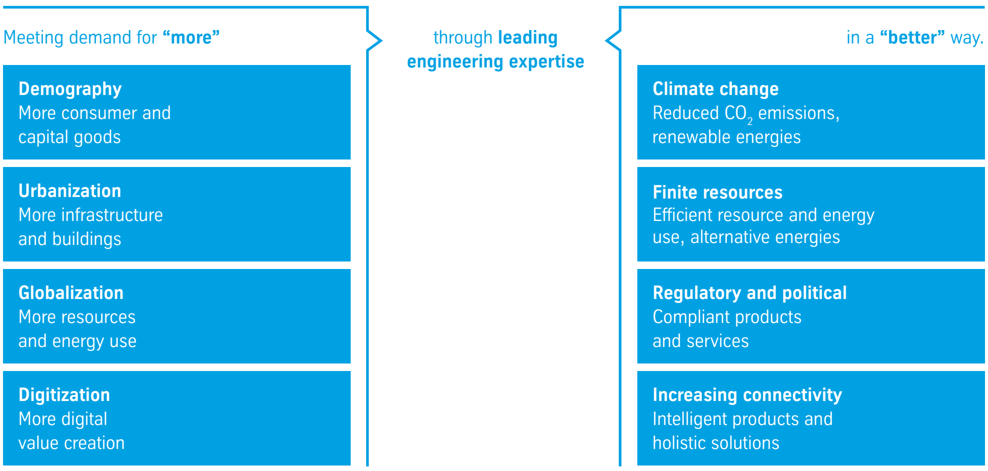
The 2016 / 2017 fiscal year was a year of major strategic decisions for thyssenkrupp. In particular in February 2017 we reached agreement with Ternium on the sale of our Brazilian steel mill CSA; the sale was completed in September 2017. This also now means that a key condition has been met for contributing our European steel operations to a joint venture with Tata Steel. A memorandum of understanding was signed on September 20, 2017. We expect several clear advantages from the joint venture:

- for our steel business we are creating a sustainable future in a challenging market environment
- for thyssenkrupp, key balance sheet ratios – particularly equity ratio and gearing – will improve significantly with the launch of the joint venture
- and our capital goods businesses will gain more latitude to act flexibly and seize growth opportunities.

Business opportunities are resulting for thyssenkrupp from global market trends that require more and better solutions: Demographic change, urbanization, the rapid growth of mega cities, and globalization mean that global demand is rising (“more”). At the same time the requirements to be met by the solutions offered are increasing (“better”). The result is that we need to use resources efficiently, reduce the environmental impact of producing consumer and capital goods, and build more sustainable infrastructure. At the same time an increasingly connected world requires intelligent products and solutions.

Business opportunities are resulting from global market trends that require more and better solutions.

## BUSINESS OPPORTUNITIES FOR THYSSENKRUPP




We use our engineering expertise to develop tailored technological and business solutions to meet the current and future requirements of our customers and markets and to satisfy the demand for “more” in a “better” way. We do this in many areas with our technologies, materials, industrial processes and services, both in industrialized countries and in emerging markets. We want to create value for – and with – our customers and gain a clear competitive edge.

## Successful implementation of the Strategic Way Forward

Our program for positioning thyssenkrupp as a diversified industrial group is the Strategic Way Forward, which we have been implementing rigorously since 2011.

The four action areas of our Strategic Way Forward:

Our Strategic Way Forward focuses on four action areas.

**Culture change:** We work in a matrix structure and have set ourselves high standards in our mission statement. Alongside a strong focus on customers and performance, our interactions are based on a clear set of values, transparency, openness and mutual respect. Reliability, honesty, consistency, integrity, and full compliance with the law and internal policies define everything we do.

**HR strategy:** Our HR work is aimed at strengthening cooperation and trust, training, and talent development, as well as providing an efficient service for our businesses. We practice a culture that strengthens our employees' personal responsibility and gives them room for personal development. Integrity and dependability are central to our work together.

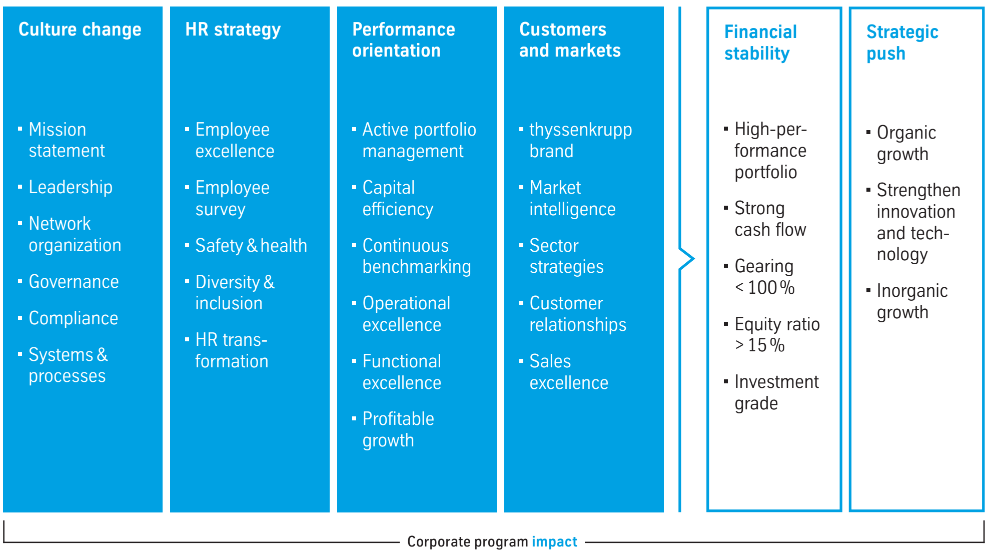
**Performance orientation:** For all our businesses we have defined clear targets based on peer benchmarks for earnings, cash flow and value added. The initiatives and measures to achieve them are combined in our Groupwide efficiency program "impact". In the 2016 / 2017 fiscal year we reviewed in particular the Group's general and administrative costs, processes and structures and compared them with those of external competitors. As a result we are convinced that our general and administrative costs at €2.4 billion are too high. We are therefore aiming to reduce them by €400 million by the end of the 2019 / 2020 fiscal year.

**€930 million**

With savings of €930 million, the 2016 / 2017 "impact" target of €850 million was again clearly exceeded.

**Customers & markets:** Our aim is to grow with our markets and advance our customers by providing competitive tailored technological solutions that create value for them. To this end we deliberately and systematically use the strength of the integrated Group. A key role in this is played by the initiative to strengthen our brand and our brand promise, summed up in our slogan "engineering.tomorrow.together."

## THYSSENKRUPP – STRATEGIC WAY FORWARD




By systematically addressing these four strategic action areas we are steadily improving the financial situation of the Group. That in turn will provide freedom for strategic investments and research and development, and thus for future growth. In the coming years we aim to continue to expand profitably in the emerging growth regions and in the industrialized countries.

# Management of the Group

The indicators used throughout the Group for profitability, value added and liquidity form the basis for operational and strategic management decisions at thyssenkrupp. We use them to set targets, measure performance and determine variable components of management compensation. For us, the most important financial indicators – the key performance indicators in accordance with GAS 20 – are adjusted earnings before interest and taxes (adjusted EBIT), thyssenkrupp Value Added (tkVA) and free cash flow before M & A (FCF before M & A).

As part of the annual strategy process the Group's Executive Board defines long-term targets, also for the business areas. These form the framework for the short and medium term financial targets and also for the budget and medium term plans which have to be prepared by all units.

### THYSSENKRUPP – KEY PERFORMANCE INDICATORS

| Profitability | Value added | Liquidity |
|---|---|---|
| **Operating earnings**<br>+/– operational components of financial income | **EBIT**<br>+/– cost of capital | **Operating cash flow**<br>+/– cash flows from investing activities |
| **EBIT**<br>+/– special items | **tkVA** | **Free cash flow**<br>+/– cash inflows / outflows from material M & A transactions |
| **Adjusted EBIT** | | **Free cash flow before M & A** |

## Adjusted EBIT

EBIT provides information on the profitability of a unit. It contains all elements of the income statement relating to operating performance. This also includes items of financial income/expense that can be characterized as operational, including income and expense from investments where there is a long-term intention to hold the assets. Adjusted EBIT is EBIT adjusted for special items, i.e. excluding disposal losses/gains from M & A (mergers & acquisitions) transactions, restructuring expenses, impairment charges/impairment reversals and other non-operating expenses and income. It is more suitable than EBIT for comparing operating performance over several periods.

The adjusted EBIT of the Group and the business areas and the special items are described in detail in the sections "Group review" and "Business area review" in the report on the economic position. Please also refer to the reconciliation in the segment reporting (Note 23).

## tkVA

tkVA is the value created in a reporting year. This indicator enables us to compare the financial performance of businesses with different capital intensity. tkVA is calculated as EBIT minus or plus the cost of capital employed in the business. Capital employed mainly comprises fixed assets, inventories and receivables. Deducted from this are certain non-interest-bearing liability items such as trade accounts payable. To obtain the cost of capital, capital employed is multiplied by the weighted average cost of capital (WACC), which includes equity, debt and the interest rate for pension provisions.

Capital employed x WACC = cost of capital

Information on tkVA in the reporting year can also be found in the section "Group review".

## FCF before M & A

FCF before M & A permits a liquidity-based assessment of performance in a period by measuring cash flows from operating activities excluding income and expenditures from material portfolio measures. It is measured as operating cash flow less cash flows from investing activities excluding cash inflows or outflows from material M & A transactions. This too links more directly to operating activities and facilitates comparability in multi-period analyses.

A reconciliation and details on the development of FCF before M & A are provided in the analysis of the statement of cash flows in the section "Results of operations and financial position".

# Targets

Ambitious targets for our financial indicators and systematic improvements in strategic areas, including via Indirect Financial Targets, are important elements of the Strategic Way Forward with a view to achieving our minimum requirement.

## Financial targets

We are confident that we will generate strong, stable positive value added and free cash flow before M & A again in order to provide the funds to expand our growth businesses and pay a solid dividend to our shareholders. For this we need adjusted EBIT of at least €2 billion related to the current continuing operations of the Group. We are convinced that we will achieve the earnings growth needed for this minimum requirement and beyond by strictly following the Strategic Way Forward in all business areas and at Group level. We have defined clear targets for this based on comparisons with best-in-class peers:

**€2 billion**

Adjusted EBIT of €2 billion is our minimum requirement.

- **Components Technology** – Profitable growth, medium- to long-term return to adjusted EBIT margins of 6% to 8% through successful ramp-up of new plants and continuation of efficiency and restructuring measures

- **Elevator Technology –** Profitable growth and efficiency and restructuring measures for continuing improvements to EBIT margin by 0.5 to 0.7 percentage points per year to 15% and an EBIT contribution of over €1 billion
- **Industrial Solutions –** With implementation of the "planets" transformation program, long-term sales expansion by on average 5% per year to an absolute target level of €8 billion and an adjusted EBIT margin of 6% to 7%; (details on "planets" can be found in the "Business area review" section of the Report on the economic position)
- **Materials Services –** Return to higher margin levels of 3 to 4% with the recovery of the materials markets, through further efficiency measures and the successful restructuring of AST
- **Steel Europe –** EBIT improvement through efficiency measures and differentiation initiatives to sustainably earn more than the cost of capital across the sector cycle

We expect that further progress on our Strategic Way Forward will again be reflected positively in our key performance indicators in fiscal 2017 / 2018. However, it must be borne in mind that sales and earnings in large parts of our materials and components businesses may be subject to short-term fluctuations. Nevertheless we expect a further strong improvement in adjusted EBIT and tkVA and once again positive free cash flow before M & A.

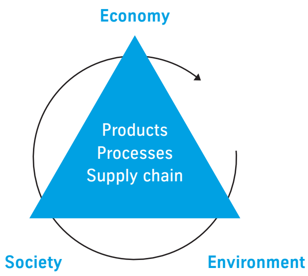
More information on our key performance indicators can be found in this section under "Management of the Group", and details on the forecast for the current fiscal year are provided in the forecast report.

## Sustainability and Indirect Financial Targets

Sustainability is a core component of our corporate strategy. As a diversified industrial group we aim to supply innovative products, technologies and services worldwide that contribute to the sustainable success of our customers.

Together with our customers we are looking to the future, and our decision-making processes include both business considerations and ecological and social aspects. The basis for this is a 360 degree view of our value and production chains. In this way we improve our performance and strengthen the future of our company.

**Our understanding of sustainability**




### Anchoring in the organization

Sustainability activities in the Group are managed and developed by the Sustainability Committee, which is made up of the Group Executive Board, the CEOs of the business areas and heads of various corporate functions. The interests of our stakeholders play an important role in the orientation of our activities. In the reporting year thyssenkrupp conducted an extensive stakeholder survey to obtain an assessment of the key issues from the perspective of customers and investors, for example. The findings of this survey were discussed, including at an internal sustainability conference, and are now feeding gradually into the development of targets, measures and reporting.

### Indirect Financial Targets to secure continuous improvement

thyssenkrupp aims to continuously improve its sustainability performance. To this end the Sustainability Committee has set Indirect Financial Targets (IFTs) in the areas technology and innovations, environment, climate, energy, purchasing and people. Progress towards these targets is measured annually and factored into variable compensation for management via the sustainability multiplier (more information can be found in the Compensation report).

In the reporting year the IFTs for energy efficiency and occupational safety and health were adjusted. Details on the individual targets can be found in the sections of this Annual Report listed in the table and on our website.

www.thyssenkrupp.com > Company > Sustainability

## OVERVIEW OF INDIRECT FINANCIAL TARGETS

| | | Sept. 30, 2016[1] | Sept. 30, 2017[2] | Change | Section |
|---|---|---|---|---|---|
| Annual energy efficiency gains of 125 GWh in 2016 / 2017 and 150 GWh in 2017 / 2018 | GWh | – | 330 | – | Environment, energy, climate |
| 100% of relevant activities covered by ISO 50001 energy management system by 2019 / 2020 | % | 54 | 66 | +12 % points | Environment, energy, climate |
| 100% of relevant activities covered by ISO 14001 environmental management system by 2019 / 2020 | % | 78 | 85 | +7 % points | Environment, energy, climate |
| Sustainable adjusted R&D intensity of around 2.5% | % | 2.7 | 2.7 | +/−0 % points | Technology and innovations |
| 15% share of women in leadership positions by 2019 / 2020 | % | 11.0 | 11.6 | +0.6 % points | Employees |
| 2.0 accidents per million hours worked by 2020 / 2021 and improvement of at least 10% a year | Accidents per million hours worked | 3.8 | 3.1 | (18)% | Employees |
| 100 supplier sustainability audits each year | # | 179 | 161 | (18) | Purchasing |

[1] On comparable basis excl. Steel Americas
[2] Continuing operations only

# Report on the economic position

## Macro and sector environment

### Global economy gaining momentum – political risks remain high

Global economic growth in the 1st half was stronger than initially anticipated; for the first time in some time virtually all major economies are experiencing an upturn. From just 3.0% in 2016, global GDP growth is expected to accelerate sharply to 3.5% in 2017 and 3.6% in 2018. Particularly in the advanced economies, sentiment indicators are high. While confidence in the emerging countries has not yet returned to the high level of previous years, it is clearly up from the lows recorded in mid-2016. With continuing expansionary monetary policy, the average growth rate in the industrialized countries is expected to be above 2% in both 2017 and 2018, while in the emerging markets the pace of expansion should also be significantly higher than in 2016 at around 4.5% (2017) and almost 5% (2018).

**3.5%**

The global economy is expected to grow at a rate of 3.5% in 2017 and accelerate further in 2018.

However, the global growth outlook remains marked by major uncertainty. Current risk factors include in particular the geopolitical imponderables resulting from the numerous flashpoints and possible dislocations in connection with the targeted normalization of monetary policy – particularly in the USA – which if it fails could lead to heightened uncertainty on the financial markets and a slowing of the global economy. Also the future economic policy of the USA, with the aim of renegotiating trade agreements such as NAFTA if necessary to the disadvantage of other industrialized nations, represents a substantial risk for the performance of the global economy. A sharper slowdown in China could additionally have a dampening effect on growth. Dependent on the price situation for oil and raw materials, the economy in oil and raw materials exporting countries is fragile. Following the Brexit referendum, uncertainty over the further course of the exit negotiations could weigh on investment – above all in Britain itself but also in the other countries of the EU.

Economic activity in the euro zone has accelerated perceptibly. GDP growth was strong in the first half of 2017. Various leading indicators point to a continuation of the positive underlying trend in the second half of the year. Key factors in this will be a further improvement in the labor market situation and continued favorable financing conditions which should further strengthen consumer and business spending. Overall therefore we expect the rate of economic growth in the euro zone to increase from 1.7% in 2016 to 2.1% in 2017 and 2.0% in 2018.

The German economy also showed strong growth in the 1st half of 2017. With capacity utilization already above average, it is on the verge of a boom. The upturn has broadened. Alongside consumer spending, business investment and exports are gradually also helping drive the upswing. Based on the solid outlook for sales and earnings, capital spending is expected to intensify; household consumption will profit from the continuing favorable labor market situation and solid growth in disposable income. For the German economy overall, growth rates of 2.0% in 2017 and 2.1% in 2018 are forecast.

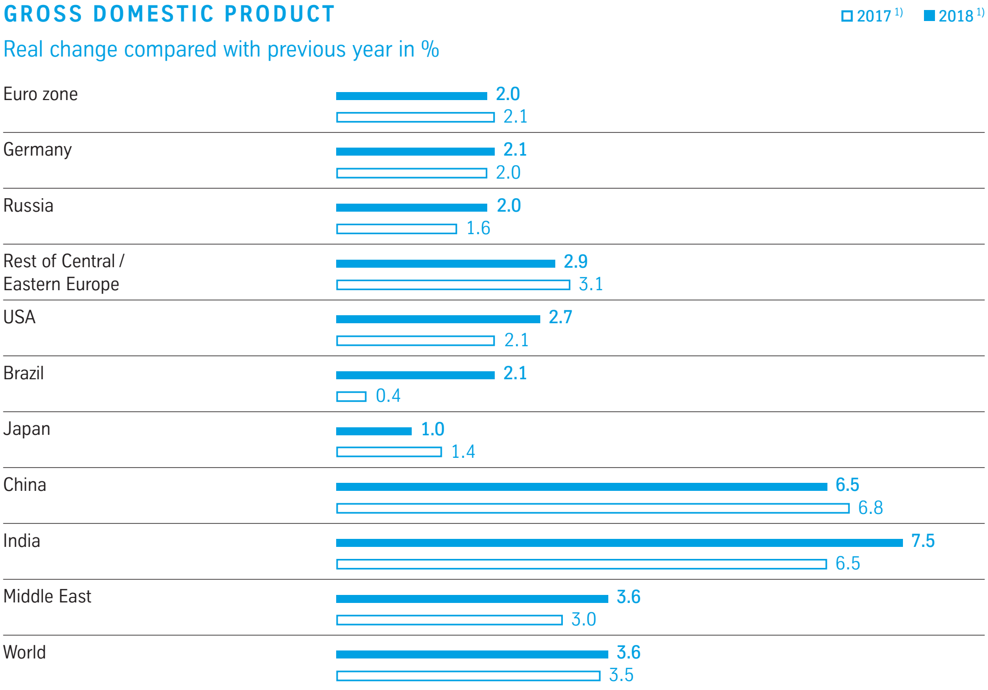
The US economy has also gained momentum over the course of the year to date. After a weak start, the pace of growth has noticeably picked up. At the time of reporting, indicators point to continued strong expansion. With interest rates remaining low and incomes rising, domestic demand will continue to increase strongly. Overall the US economy is expected to expand by 2.1% in 2017 and 2.7% in 2018. The impact of the hurricane season on economic growth is difficult to estimate at present but represents a downside risk for the forecast.

The US economy has also gained momentum over the course of the year to date.

After 6.7% growth last year, economic growth in China is expected to increase slightly to 6.8% in 2017 – mainly on the back of government stimulus programs. For 2018 slightly weaker growth of 6.5% is forecast. In view of the successful stabilization of the economy in the form of expansionary fiscal policies, the Chinese government is now expected to turn its attention to curbing the rise in debt and supporting the structural change towards a higher value-added service economy. India's economy is being temporarily held back but the underlying trend remains strong. After demonetization noticeably slowed economic activity at the turn of 2016 / 2017, the introduction of a single national sales tax dampened growth in the 2nd quarter. For this reason Indian GDP will grow by only 6.5% in 2017 but by 7.5% in 2018. Brazil found its way out of recession in the 1st half of 2017. Against a background of stronger global growth and higher raw materials prices, the recovery is likely to continue but not develop any great momentum due to continued high unemployment and household debt. After 0.4% in 2017, GDP growth of 2.1% is forecast for 2018. Russia's economy also rallied further in the 1st half of 2017. However, the uncertain political situation and structural factors will inhibit growth. Economic output is expected to increase by 1.6% in 2017 and 2.0% in 2018.

**GROSS DOMESTIC PRODUCT**

Real change compared with previous year in %




[1] Forecast

## Heterogeneous trend in industrial activity

**Automotive –** Global car and light truck production will continue to rise – albeit at a slower pace. In 2017 output is expected to increase by 2% to 92 million units. For 2018 moderate growth of just below 1% is currently forecast, bringing total production in 2018 to 93 million units. Once again this growth will be very unevenly distributed: After strong growth in the past, frontrunner China is expected to achieve a steady 1% increase to up to 27.5 million units in the next two years. In Western Europe production growth of almost 2% is forecast for 2017 and 1% for 2018. In Germany we anticipate a slight decline of 1% in 2017 and almost 2% in 2018. In the USA a 7% decline in output is expected in 2017. In 2018 US output could stabilize with modest growth of 1%. This year's growth is happening across the border in Mexico. The 16% rise in output reflects the increasing importance of Mexico as a production location and sales market in the NAFTA region. For auto production in India we forecast strong growth of more than 5% in 2017 and over 8% in 2018. After a recovery in auto production in Brazil, growth of over 18% is anticipated in 2017 and 7% in 2018, albeit from a very low baseline in 2016.

**92 million**

Global car and light truck production to reach around 92 million units in 2017.

## IMPORTANT SALES MARKETS

| | 2016 | 2017[1] | 2018[1] |
|---|---|---|---|
| **Vehicle production, million cars and light trucks** | | | |
| World | 90.6 | 92.0 | 93.0 |
| Western Europe (incl. Germany) | 14.6 | 14.8 | 15.0 |
| Germany | 5.9 | 5.8 | 5.7 |
| USA | 12.0 | 11.1 | 11.2 |
| Mexico | 3.5 | 4.0 | 4.2 |
| Japan | 8.8 | 9.2 | 8.8 |
| China | 27.0 | 27.2 | 27.5 |
| India | 4.1 | 4.3 | 4.7 |
| Brazil | 2.0 | 2.4 | 2.6 |
| | | | |
| **Machinery production, real, in % versus prior year** | | | |
| Germany | 0.0 | 3.0 | 3.0 |
| USA | (3.8) | 3.5 | 2.3 |
| Japan | 1.9 | 9.6 | 2.5 |
| China | 6.6 | 8.8 | 5.4 |
| | | | |
| **Construction output, real, in % versus prior year** | | | |
| Germany | 4.0 | 3.0 | 2.5 |
| USA | 3.5 | 3.0 | 4.1 |
| China | 6.8 | 5.4 | 4.8 |
| India | 4.2 | 5.2 | 6.7 |

[1] Forecast
Sources: IHS Markit, Oxford Economics, national associations, own estimates

**Machinery –** After comparatively weak growth in 2016, global machinery production will pick up pace in 2017 thanks to a clear improvement in demand for capital goods and show moderate growth in 2018. In China the growth rate will increase to around 9%, remaining solid in 2018 at around 5.4%. After a weak year in 2016, the US machinery sector could achieve clear 3.5% growth in production in 2017, on the back of increased demand for mining machinery in particular. For 2018 slightly slower growth is expected. In Europe, too, moderate growth in machinery production in 2016 will be followed by stronger growth of 3.5% in 2017, and only slightly slower growth in 2018.

Significantly stronger growth in global machinery production thanks to improved capital goods demand.

The output of the export-oriented German machinery sector stagnated in 2016. Against expectations there are signs of a clear upward trend for the current year. The revised year-on-year forecast is based mainly on the strong growth in orders from partner countries in the euro zone and good business in China. Cumulatively over the first six months, German machinery exports were around 6% higher year-on-year. At almost 88% in mid-2017, capacity utilization was also above the long-term industry average for the first time since 2012. On account of the clearly improved order situation and the generally positive sentiment indicators, production is expected to increase by around 3% in both 2017 and 2018.

**Construction –** Construction activity in the euro zone is expected to grow by around 2.5% in both 2017 and 2018. German construction output increased by 4% in 2016 and has shown even stronger year-on-year growth in 2017 to date. The continuing trend towards urbanization, a solid labor market, and persistently low mortgage rates should continue to boost housing construction, while public sector construction should also increase due to higher investment in roads, railways and waterways. Commercial construction should additionally contribute to the sector's growth, driven particularly by increased investment activity in manufacturing industry. Construction output in Germany will grow by at least 3.0% in 2017 and 2.5% in 2018. Construction growth in China will slow slightly due to regulatory interventions by the government that have dampened the rise in house prices. Growth of 5.4% is forecast for 2017, falling to 4.8% in 2018 due to slightly slower economic momentum. The US real estate market has lost some of its momentum recently. Both building permits and building starts have been trending downwards over recent months. US construction output is forecast to grow by 3% in 2017 and 4% in 2018.

2.5%

Construction activity in the euro zone expected to grow by around 2.5% in both 2017 and 2018.

**Steel –** With economic growth accelerating, steel demand has risen more robustly in many regions in 2017 than we expected at the start of the year. There are signs that in real terms, adjusted for statistical effects in China, demand worldwide will increase by 3% versus 2016, corresponding to a total volume of around 1.6 billion tons of finished steel. Above all the steel market in China continued to expand – by 3% in real terms. This and the fact that at the same time Chinese exports decreased contributed to an increase in the relevant raw materials and steel prices worldwide. But in most industrialized countries too, steel demand rose faster than anticipated. Year-on-year growth of over 2% is expected for the EU and Germany, and 5% for the USA. However the situation for the industry remains difficult: Structural overcapacities worldwide, rising protectionism and resulting dislocations in international steel trade flows, extremely volatile raw materials markets and continuing political uncertainties continue to characterize the environment and overshadow the economic recovery particularly in our core European market.

Higher steel demand but continued overcapacities and extremely volatile raw materials markets.

In the period January to August 2017, the flat carbon steel market in the EU recorded moderate 1% growth year-on-year. With continuing robust economic growth, steel demand in the relevant sectors increased; against expectations the auto industry was again a driving force. Nevertheless the competitive situation for the European steel industry remained challenging. European manufacturers were unable to take advantage of the increased demand and their sales in the EU even fell slightly year-on-year, while import pressure increased further. On average over the first eight months of 2017 flat steel imports to the EU from third countries increased 10% against the year before, though from June the trend was moderately down. While imports from China and Russia fell sharply over the full period on account of the trade measures introduced, imports from other countries which are not the focus of the EU trade measures increased all the more sharply. This chiefly concerned India and Turkey, both of which massively expanded their flat steel shipments to the EU. The EU also recorded significantly higher imports from other Asian countries compared with the year before.

On the European spot market the strong uptrend in steel prices continued in the first quarter of 2017, not least due to the increase in raw materials prices. Subsequently the prices for flat steel slipped temporarily – with raw materials prices extremely volatile. However, from August they recovered again following a strong price surge in China and a renewed increase in raw materials prices.

Global steel demand is expected to trend slowly upwards again in 2018 with economic growth prospects remaining favorable. However, unlike in 2017, no further impetus will come from China, as the Chinese steel market is expected to stagnate at a high level. However, in the other emerging countries, e.g. India, Brazil, the ASEAN nations and Turkey, we expect accelerated market growth. In the industrialized countries only a slight increase in steel demand is anticipated. For the USA, the EU and Germany, we expect steel market growth of around 1% versus 2017. As there are no signs that the global overcapacities can be reduced quickly and protectionism is likely to increase further, steel trade flows will continue to be diverted towards the EU, so import pressure on the European steel market will remain high.

# Summarized assessment by the Executive Board

## Important milestones reached on Strategic Way Forward – gearing significantly reduced

thyssenkrupp achieved important milestones on the Strategic Way Forward in the reporting year. As part of the Group's transformation the sale of the Brazilian steel mill CSA to Ternium was followed on September 20, 2017 by the signing of a memorandum of understanding with Tata Steel to combine our European steel activities in a 50 / 50 joint venture. Alongside these strategic steps forward we recorded pleasing earnings improvements: adjusted EBIT increased year-on-year in each quarter and the target set at the start of the fiscal year was significantly exceeded. This positive operating performance was also reflected in our revised earnings forecast in the half-year report. It was supported by EBIT effects from cost reductions and efficiency gains of €930 million under the corporate program "impact" as well as by the increasing focus on the higher-margin and less volatile capital goods businesses.

However, impairment charges due to the sale of the Brazilian steel mill CSA to Ternium impacted the earnings of the discontinued operations. Adjusted EBIT of the continuing operations showed a clear increase year-on-year.

The significantly higher net working capital requirement of our materials businesses due to the dislocations on the raw materials markets, the payment profile of orders at Industrial Solutions, and the growth and commissioning of new plants at Components Technologies resulted in clearly negative FCF before M & A after 9 months. Strongly positive FCF before M & A with positive business cash flow contributions from all business areas in the final quarter was unable to offset this; full-year FCF before M & A was therefore significantly lower year-on-year.

The Group's net financial debt at €2.0 billion was significantly lower than the prior-year figure (€3.5 billion), mainly reflecting the Group's positive free cash flow after the closing of the CSA transaction and the cash inflow from the capital increase.

**€2 billion**

Net financial debt significantly lower year-on-year.

The Group's equity increased to €3.4 billion (prior year €2.6 billion) mainly as a result of the capital increase and the remeasurement of pensions due to higher interest rates. This was partly offset by the net loss reported for the year.

Gearing was therefore reduced significantly in the reporting year to 57.5% (prior year: 134.2%). With cash and cash equivalents and undrawn committed credit lines totaling €9.1 billion (September 30, 2017) and a balanced and extended maturity profile, thyssenkrupp is solidly financed.

## Further significant improvement to performance and risk profile

thyssenkrupp's performance and risk profile again improved significantly in many areas of the Group in the past fiscal year. With a slight margin improvement, Components Technology substantially increased its adjusted EBIT and continued its growth and regionalization strategy. Major customer awards for our delivery performance and development efforts are proof of our customers' trust in us. Elevator Technology again significantly improved its earnings and margin and presented an innovative product in MULTI for which a first order has been received. At the same time there are signs of a turnaround at Industrial Solutions with a strong project pipeline and strong order intake. The widening of the efficiency program on top of previously initiated measures is expected to reduce costs by a three-digit million euro amount. Materials Services introduced further measures for the digital transformation and made major progress in implementing the business plan for the stainless steel producer AST. Steel Europe increased its earnings and margin significantly thanks to higher average net selling prices, supported by efficiency measures and differentiation initiatives. The signing of a memorandum of understanding with Tata Steel to combine our European steel activities in a 50 / 50 joint venture will create a sustainable future and tackle the structural challenges facing the European steel industry. The sale of CSA to Ternium completed the exit of Steel Americas, a further important milestone on our Strategic Way Forward. Future measures at Corporate and in all business areas are expected to reduce general and administrative expenses by around €400 million by the end of fiscal year 2019 / 2020.

In view of what has been achieved we look forward to the new fiscal year with optimism and expect a further increase in earnings. We will systematically continue thyssenkrupp's transformation into a powerful, profitable and value-creating diversified industrial group.

We look forward to the new fiscal year and further earnings increases with optimism.

More information on our target achievement in the reporting year can be found in the "Forecast-actual comparison". Details of our business performance are included in the "Group review" and "Business area review". Details of our forecast for the current fiscal year and our opportunities and risks are contained in the "Forecast, opportunity and risk report".

Key figures for the full Group and the continuing operations versus the prior year are shown in the following table:

## THYSSENKRUPP IN FIGURES

| | | Full Group | | | | Continuing operations | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change | in % | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change | in % |
| Order intake | million € | 37,424 | 44,288 | 6,864 | 18 | 36,125 | 42,756 | 6,631 | 18 |
| Net sales | million € | 39,263 | 42,971 | 3,709 | 9 | 38,000 | 41,447 | 3,447 | 9 |
| EBIT [1] | million € | 1,189 | 687 | (502) | (42) | 1,209 | 1,150 | (59) | (5) |
| EBIT margin | % | 3.0 | 1.6 | (1.4) | — | 3.2 | 2.8 | (0.4) | — |
| Adjusted EBIT [1] | million € | 1,469 | 1,910 | 441 | 30 | 1,500 | 1,722 | 222 | 15 |
| Adjusted EBIT margin | % | 3.7 | 4.4 | 0.7 | — | 3.9 | 4.2 | 0.2 | — |
| EBT | million € | 652 | 61 | (591) | (91) | 691 | 765 | 73 | 11 |
| Net income/(loss) / Income/(loss) (net of tax) | million € | 261 | (591) | (852) | -- | 357 | 271 | (86) | (24) |
| attributable to thyssenkrupp AG's shareholders | million € | 296 | (649) | (946) | -- | 311 | 212 | (99) | (32) |
| Earnings per share (EPS) | € | 0.52 | (1.15) | (1.67) | -- | 0.55 | 0.37 | (0.17) | (32) |
| Operating cash flows | million € | 1,387 | 610 | (777) | (56) | 1,310 | 483 | (827) | (63) |
| Cash flow for investments | million € | (1,387) | (1,666) | (279) | (20) | (1,277) | (1,535) | (258) | (20) |
| Cash flow from divestments | million € | 191 | 1,545 | 1,354 | ++ | 189 | 1,539 | 1,350 | ++ |
| Free cash flow [2] | million € | 191 | 489 | 297 | 155 | 222 | 487 | 265 | 119 |
| Free cash flow before M&A [2] | million € | 198 | (798) | (996) | -- | 228 | (855) | (1,083) | -- |
| Net financial debt (Sept. 30) | million € | 3,500 | 1,957 | (1,543) | (44) | | | | |
| Total equity (Sept. 30) | million € | 2,609 | 3,404 | 796 | 31 | | | | |
| Gearing (Sept. 30) | % | 134.2 | 57.5 | (76.7) | — | | | | |
| ROCE | % | 7.5 | 4.1 | (3.4) | — | | | | |
| thyssenkrupp Value Added | million € | (85) | (651) | (566) | -- | | | | |
| Dividend per share | € | 0.15 | 0.15 [3] | — | — | | | | |
| Dividend payout | million € | 85 | 93 [3] | — | — | | | | |
| Employees (Sept. 30) | | 156,487 | 158,739 | 2,252 | 1 | | | | |

[1] See reconciliation in segment reporting (Note 23).
[2] See reconciliation in the analysis of the statement of cash flows.
[3] Proposal to the Annual General Meeting

# Forecast-actual comparison

Earnings targets achieved; value added and cash flow lower than planned.

We exceeded both the earnings target for the Group formulated at the start of the reporting year and the earnings target for the continuing operations presented in the half-year report after the sale of CSA. Our efficiency program "impact" played a key role in this. The Group's earnings target as revised in the half-year report also takes into account in particular the profitable growth at Components Technology and Elevator Technology and the good performance of Steel Americas.

The main reason that we did not achieve the clear improvement in net income and tkVA targeted at the start of the fiscal year was the negative earnings impact of the sale of CSA. This effect was also taken into account in the revised forecast in the half-year report.

The target for free cash flow before M&A (FCF before M&A) formulated at the start of the fiscal year was conditional on there being no sustained dislocations on the raw materials markets. As these dislocations did come about, causing a significant increase in net working capital at our materials businesses due to higher volumes and prices, we were unable to meet our target. This was anticipated in the revised forecast in the half-year report. In addition, delays in order intake at Industrial Solutions resulted in a prolonged period of underutilization and a much lower than expected contribution to earnings and cash flow. Also, the earlier than expected closing of the sale of CSA to Ternium in the 4th quarter meant that the originally anticipated higher net working capital release from CSA towards the end of the fiscal year was absent. The correspondingly adjusted forecast for FCF before M&A presented in the report on the first 9 months was achieved.

The Group's positive business performance was again strongly supported by our corporate program.

In general the Group's positive business performance was again strongly supported by our corporate program: The "impact" target of reducing costs by €850 million that we set for 2016 / 2017 at the beginning of the fiscal year was again substantially exceeded with savings of €930 million.

More information on the factors that influenced the development of earnings is contained in the sections "Group review" and "Business area review".

The following chart contains details on the forecasts, updated in each case on publication of the interim reports on the 1st half and the first 9 months of the reporting year, and the actual results in 2016 / 2017:

## FORECAST AND ACTUAL RESULTS FOR FISCAL YEAR 2016 / 2017

| | Forecast in annual report 2015 / 2016 | Update in interim report 1st half 2016 / 2017 | Update in interim report 9 months 2016 / 2017 | Actual fiscal year 2016 / 2017 |
|---|---|---|---|---|
| **Group sales** | **Growth on comparable basis in single-digit % range** | **Growth on comparable basis in high single-digit % range** | | **On comparable basis: +9%** |
| **Sales of continuing operations** (from 1st half 2016 / 2017) | | | | **On comparable basis: +9%** |
| Components Technology | Capital goods businesses on comparable basis in single-digit % range, slight decline at Industrial Solutions | | On comparable basis in single-digit % range | On comparable basis: +11% |
| Elevator Technology | | | | On comparable basis: +3% |
| Industrial Solutions | | | Decline in single-digit % range | On comparable basis: (6)% |
| Materials Services | | On comparable basis in two-digit percentage range | | On comparable basis: +15% |
| Steel Europe | | | | On comparable basis: +17% |
| Steel Americas (from 1st half 2016 / 2017 discontinued operation) | | | | On comparable basis: +32% |
| **Adjusted EBIT (Group)** | **Around €1.7 billion** | **Around €1.8 billion** | | **Year-on-year improvement by €441 million to €1,910 million** |
| **Adjusted EBIT of continuing operations** (from 1st half 2016 / 2017) | | **Around €1.7 billion** | | **Year-on-year improvement by €222 million to €1,722 million** |
| Components Technology | Improvement from slight increase in sales and margin | Improvement from significant increase in sales and margin | | Improvement by €42 million to €377 million |
| Elevator Technology | Improvement through slight sales growth and improvement in margin by 0.5 to 0.7 percentage points | | | Improvement by €62 million to €922 million with 0.5 percentage point improvement in margin to 12.0% |
| Industrial Solutions | Decline in adjusted EBIT | | | Decline by €244 million to €111 million with 4.2 percentage point decline in margin to 2.0% |
| Materials Services | Significant improvement versus prior year | | | Improvement by €184 million to €312 million |
| Steel Europe | | | | Improvement by €232 million to €547 million |
| Steel Americas (from 1st half 2016 / 2017 discontinued operation) | At prior-year level | Significant improvement versus prior year | | Improvement by €219 million to €186 million |
| **Net income (Group)** | **Significant improvement** | **Clearly negative due to negative earnings impact of sale of CSA** | | **Decline by €852 million to €(591) million** |
| **tkVA (Group)** | **Significant improvement** | **Clearly negative due to negative earnings impact of sale of CSA** | | **Decline by €566 million to €(651) million** |
| **FCF before M & A (Group)** | **Slightly positive** | **Negative in mid three-digit million euro range** | **Negative in mid to higher three-digit million euro range** | **Decline by €996 million to €(798) million** |
| **Investments (Group)** | **Around €1.5 billion** | | | **Increase versus prior year by €279 million to €1,666 million** |

# Group review

## Course of business

### Order intake, sales and adjusted EBIT significantly higher year-on-year

In the past fiscal year the order intake of the thyssenkrupp Group reached its highest level since the start of the Strategic Way Forward. Order intake in the components business and elevator division reached new record levels, while Industrial Solutions achieved its biggest order intake in five years. The Group's sales increased year-on-year by 9%, with the sales of the capital goods businesses growing in total and sales of the materials businesses Materials Services and Steel Europe exceeding the prior-year figures, mainly due to higher prices. Adjusted EBIT of the Group and the continuing operations was likewise significantly higher than in fiscal year 2015 / 2016.

The Group achieved its highest order intake since the start of the Strategic Way Forward.

ORDER INTAKE BY BUSINESS AREA

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change in % | Change on a comparable basis[1] in % |
|---|---|---|---|---|
| Components Technology | 6,740 | 7,674 | 14 | 14 |
| Elevator Technology | 7,631 | 7,834 | 3 | 3 |
| Industrial Solutions | 3,461 | 6,490 | 88 | 84 |
| Materials Services | 11,840 | 13,760 | 16 | 16 |
| Steel Europe | 8,146 | 8,969 | 10 | 10 |
| Corporate | 243 | 287 | 18 | 18 |
| Consolidation | (1,936) | (2,257) | — | — |
| **Order intake of the continuing operations** | **36,125** | **42,756** | **18** | **18** |
| Steel Americas | 1,525 | 1,874 | 23 | 29 |
| Consolidation | (226) | (343) | — | — |
| **Total order intake** | **37,424** | **44,288** | **18** | **18** |

[1] Excluding material currency and portfolio effects

### Strong rise in order intake

The order intake of the capital goods businesses Components Technology, Elevator Technology and Industrial Solutions showed double-digit growth rates overall. In the elevator division order intake reached a new record level. Orders in hand also reached a high level again (€4.8 billion excl. service). At the same time there were signs of a turnaround at Industrial Solutions with a strong project pipeline and strong order intake. In the Marine Systems unit this was reflected by two major orders in the submarine and surface vessel business. In addition we were nominated as exclusive strategic partner for the Norwegian-German submarine program. Despite a continuing volatile market environment, the cement plant business was stable and demand for chemical plants and the Mining business showed first signs of a market recovery. Numerous smaller and midsize orders for machinery, plants and services as well as several major orders contributed to the positive trend in order intake. In the System Engineering business order intake reached a new record level, mainly thanks to continued high demand for production systems for the auto industry.

Order intake of the capital goods businesses showed double-digit growth rates overall.

We also achieved new records in the components business. Overall robust demand growth for car components in Western Europe and China offset a mainly destocking-led decline in demand in the USA. The market environment for heavy trucks was positive following subdued demand a year earlier. There was also a slight recovery in demand, albeit at a low level, for construction equipment components.

We also achieved new records in the components business.

Particularly pleasing was the customer recognition we received for our steering business from Ford with the "World Excellence Award" for outstanding customer support and development, and the "Volkswagen Group Award", which we received among other things for outstanding product launches.

At our materials businesses Materials Services and Steel Europe order intake was significantly higher year-on-year, reflecting above all the trend reversal in the 2nd fiscal half. The improvement was primarily due to sharply increased prices on the materials markets.

## NET SALES BY BUSINESS AREA

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change in % | Change on a comparable basis[1] in % |
|---|---|---|---|---|
| Components Technology | 6,807 | 7,571 | 11 | 11 |
| Elevator Technology | 7,468 | 7,674 | 3 | 3 |
| Industrial Solutions | 5,744 | 5,522 | (4) | (6) |
| Materials Services | 11,886 | 13,665 | 15 | 15 |
| Steel Europe | 7,633 | 8,915 | 17 | 17 |
| Corporate | 255 | 278 | 9 | 9 |
| Consolidation | (1,793) | (2,179) | — | — |
| **Sales of the continuing operations** | **38,000** | **41,447** | **9** | **9** |
| Steel Americas | 1,489 | 1,848 | 24 | 32 |
| Consolidation | (227) | (323) | — | |
| **Total net sales** | **39,263** | **42,971** | **9** | **9** |

[1] Excluding material currency and portfolio effects

### Strong sales growth

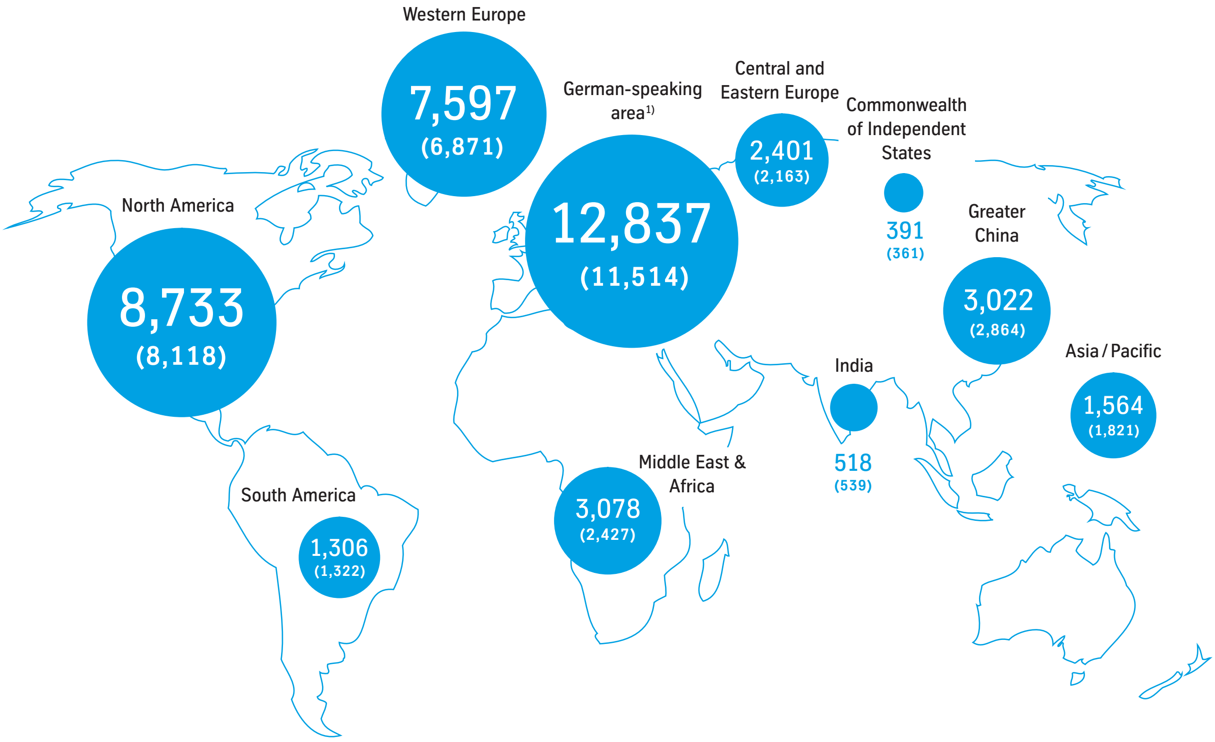
Sales of the capital goods businesses overall were once again higher year-on-year. Components Technology recorded rising shipments of auto components. At Elevator Technology sales were up from an already high prior-year level mainly due to numerous installations of elevators and escalators in the USA and South Korea. At Industrial Solutions, Marine Systems, System Engineering and cement plant engineering increased their sales year-on-year but a lower number of billed project milestones in the chemical plant engineering and Mining businesses resulted in a decline in sales.

Overall sales of the capital goods businesses were significantly higher year-on-year.

The materials businesses Materials Services and Steel Europe increased their sales significantly. At Steel Europe the recovery of average net selling prices from the 2nd quarter along with rising shipments resulted in a clear increase in sales.

## SALES BY REGION

in million € (prior-year figures in brackets)




[1)] Germany, Austria, Switzerland, Liechtenstein

## SALES BY CUSTOMER GROUP 2016/2017

in %

The regional breakdown of sales of the continuing operations was largely stable. The most important sales market for thyssenkrupp with a slightly higher 31% of sales was once again the German-speaking region (Germany, Austria, Switzerland and Liechtenstein). Sales to customers in North America gained in absolute importance; here growth at Components Technology and Elevator Technology outweighed the decline at Industrial Solutions. Sales growth in the Middle East & Africa is mainly attributable to our cement plant construction business.

Accounting for a share of now 27% of sales, the automotive industry remained the most important customer group for our continuing operations, particularly for our components and steel businesses. It is followed by steel and related processing and trading. The share of sales accounted for by the construction industry remained stable at 11%, while the engineering sector gained relatively in importance.

### Adjusted EBIT up significantly year-on-year

In an environment marked by high political uncertainty and volatile raw material prices the adjusted EBIT of the Group and the continuing operations increased at a double-digit rate in the reporting year and was significantly higher year-on-year in all quarters. At Group level EBIT effects from cost reductions and efficiency gains of €930 million under the corporate program "impact" made a major contribution to this. The "impact" target of €850 million set at the beginning of the reporting year was again significantly exceeded.

## ADJUSTED EBIT BY BUSINESS AREA

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change in % |
|---|---|---|---|
| Components Technology | 335 | 377 | 12 |
| Elevator Technology | 860 | 922 | 7 |
| Industrial Solutions | 355 | 111 | (69) |
| Materials Services | 128 | 312 | 143 |
| Steel Europe | 315 | 547 | 74 |
| Corporate | (497) | (535) | (8) |
| Consolidation | 4 | (12) | — |
| **Adjusted EBIT of the continuing operations** | **1,500** | **1,722** | **15** |
| Steel Americas | (33) | 186 | ++ |
| Consolidation | 2 | 3 | — |
| **Total adjusted EBIT** [1] | **1,469** | **1,910** | **30** |

[1] See reconciliation in segment reporting (Note 23).

Despite sustained efficiency and cost-reduction measures, adjusted EBIT of the capital goods businesses was slightly lower year-on-year. Profitable growth at Components Technology and growth and continued margin and earnings improvements at Elevator Technology were unable to offset the temporary decline at Industrial Solutions. While adjusted EBIT margin at Components Technology increased slightly to 5.0% in the reporting year, Elevator Technology once again improved its margin by 0.5 points to 12.0%, increasing its earnings and margin year-on-year in the final quarter for the 20th time in a row. Adjusted EBIT at Industrial Solutions was significantly lower year-on-year due to weak order intake in previous years, partial underutilization and low earnings contributions from Marine Systems. Marine Systems and the chemical plant engineering business recorded a substantial temporary decline in margin and earnings. Adjusted EBIT margin at Industrial Solutions came to 2.0% overall in the reporting year, well below the target range of 6 to 7%.

Adjusted EBIT of the materials businesses was significantly higher year-on-year.

Adjusted EBIT at the materials businesses Materials Services and Steel Europe was significantly higher year-on-year, also supported by cost saving programs. Materials Services increased its adjusted EBIT significantly year-on-year in all quarters, more than doubling it overall. A positive contribution to this was made by the Italian company AST, which despite volatile stainless steel prices continued to make good progress in implementing its business plan and achieved sustainable restructuring gains. While sharply rising raw material prices above all in the 1st quarter and a blast furnace reline at Hüttenwerke Krupp Mannesmann GmbH (HKM) impacted earnings at Steel Europe, earnings and margin began to improve from the 2nd quarter, mainly due to higher selling prices. Overall the significantly higher average selling prices and slight increase in shipments bolstered earnings in the materials businesses.

Adjusted EBIT at Corporate came to €(535) million in fiscal 2016 / 2017, down by €38 million from the prior year. It continued to include project expenses in connection with the digital initiatives.

At Steel Americas (discontinued operation) adjusted EBIT increased significantly year-on-year, mainly due to higher prices.

### Earnings impacted by special items

The impacts on EBIT were mainly caused by the sale of CSA.

The Group's EBIT was impacted by special items totaling €1,224 million in the reporting year. A large portion of this was attributable to negative earnings effects in connection with the sale of Steel Americas (discontinued operation) in the 2nd quarter. In addition there were special items at Steel Americas due to the updating of a long-term freight contract. The impacts on the continuing operations were significantly higher in the reporting year than a year earlier; they were mainly caused by restructuring and reorganization measures at Elevator Technology and Industrial Solutions.

## SPECIAL ITEMS BY BUSINESS AREA

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change |
|---|---|---|---|
| Components Technology | 84 | 80 | (4) |
| Elevator Technology | 90 | 185 | 96 |
| Industrial Solutions | 22 | 147 | 126 |
| Materials Services | 52 | 91 | 39 |
| Steel Europe | (1) | 55 | 56 |
| Corporate | 45 | 35 | (10) |
| Consolidation | 0 | (22) | — |
| **Special items from continuing operations** | **291** | **572** | **281** |
| Steel Americas | (11) | 630 | 641 |
| Consolidation | 0 | 22 | — |
| **Total special items** | **280** | **1,224** | **944** |

In the reporting period there were special items on a notable scale at Components Technology caused by restructurings and capacity adjustments at Forging & Machining in Brazil, at the "Heavy Crankshafts" business in Germany and in construction equipment components in Italy, as well as by non-period expenses in the steering systems business. At Elevator Technology there were special items relating to restructuring and reorganization in Europe and the Middle East. At Industrial Solutions there were special items in connection with restructuring measures in the plant engineering business and the reorganization. Further mainly restructuring-related special items occurred at Materials Services and due to the winding down of Gleistechnik. At Steel Europe special items mainly reflected restructuring expenses in the heavy plate unit. At Corporate the special items mainly resulted from expenses in connection with disposal projects.

### thyssenkrupp Value Added (tkVA) down sharply from prior year

In the 2016 / 2017 fiscal year the tkVA of the thyssenkrupp Group remained negative. The positive trend as a result of our operating performance could not offset the negative earnings impact connected with the sale of CSA. The highest tkVA was once again generated by Elevator Technology. While earnings at Components Technology improved significantly, capital employed also increased due to the growth investments. At Industrial Solutions capital employed was also significantly higher; with negative operating earnings tkVA was down sharply from the year before. Mainly on the back of strong earnings improvements, tkVA for the materials businesses was clearly higher year-on-year but remained negative. At Materials Services we also succeeded in lowering capital employed by reducing net working capital. At Steel Europe capital employed was slightly higher year-on-year, mainly due to the price-related increase in net working capital. Details on tkVA and its main components are shown in the following table.

## THYSSENKRUPP VALUE ADDED (TKVA) BY BUSINESS AREA

| | Year ended Sept. 30, 2016 | | | | Year ended Sept. 30, 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | EBIT (million €) | Capital employed (million €) | WACC (%) | tkVA (million €) | EBIT (million €) | Capital employed (million €) | WACC (%) | tkVA (million €) | Change tkVA (million €) |
| **Group** | **1,189** | **15,933** | **8.0** | **(85)** | **687** | **16,728** | **8.0** | **(651)** | **(566)** |
| Thereof: | | | | | | | | | |
| Components Technology | 251 | 3,587 | 8.5 | (54) | 297 | 3,740 | 8.5 | (21) | 32 |
| Elevator Technology | 771 | 1,197 | 7.5 | 681 | 736 | 1,127 | 7.5 | 652 | (29) |
| Industrial Solutions | 333 | (475) | 8.0 | 371 | (36) | 430 | 8.0 | (71) | (442) |
| Materials Services | 76 | 3,861 | 8.0 | (233) | 220 | 3,652 | 8.0 | (72) | 161 |
| Steel Europe | 316 | 5,012 | 8.5 | (110) | 493 | 5,286 | 8.5 | 43 | 154 |
| Steel Americas | (22) | 2,145 | 10.0 | (236) | (444) | 1,654 | 10.0 | (609) | (373) |

More information on the importance of tkVA and EBIT for the management of the Group is contained in the section "Fundamental information about the Group", subsection "Management of the Group".

# Business area review

## Components Technology

www.thyssenkrupp.com > Company > Corporate structure

### COMPONENTS TECHNOLOGY IN FIGURES

| | | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change in % |
|---|---|---|---|---|
| Order intake | million € | 6,740 | 7,674 | 14 |
| Net sales | million € | 6,807 | 7,571 | 11 |
| EBIT | million € | 251 | 297 | 18 |
| EBIT margin | % | 3.7 | 3.9 | — |
| Adjusted EBIT | million € | 335 | 377 | 12 |
| Adjusted EBIT margin | % | 4.9 | 5.0 | — |
| Employees (Sept. 30) | | 30,751 | 32,904 | 7 |

Components Technology covers the entire value chain.

The Components Technology business area produces and markets high-tech components worldwide for the automotive and machinery sectors. In the auto sector our product range includes steering and damping systems, springs and stabilizers produced by our Chassis unit, camshafts, cylinder head cover modules with integrated camshafts and crankshafts from our Powertrain unit, plus the assembly of axle modules. In the machinery sector the business area supplies high-quality components for construction equipment, wind turbines and numerous general engineering applications. This broad spectrum of products is built on years of experience in innovative materials and forging processes within the business area. Components Technology covers the entire value chain, from the development and manufacture of high-performance components through to machining and complex assembly processes. Mechatronic solutions using electronics and software developed in-house are playing an increasingly important role. With our end-to-end technical expertise and global market presence we want to be a reliable partner providing customers with real added value.

#### Continuing on growth track – awards for supplier performance

In a mixed market environment, order intake at Components Technology was up from the prior year by 14%, sales by 11%. While the markets for car components in Western Europe and China were robust with slight growth, demand in the USA weakened due in part to very high inventories. In Brazil, in an economic and political climate marked by uncertainty, demand remained weak until April 2017 and then picked up slightly against the very low prior-year level. The heavy truck markets benefited mainly from the positive trend in China. In Europe demand improved only slightly, in the USA there were initial signs of a recovery in the Class 8 market (> 15 t), Brazil remained weak. In the industrial components business we registered strong growth in orders for slewing bearings for applications in infrastructure projects. There was a clear pick-up in demand for construction equipment components, albeit from a low level.

The thyssenkrupp steering systems business received two prominent awards from customers in the auto sector in the reporting period: Ford honored us with the World Excellence Award in the Special Recognition category, which acknowledges suppliers who deliver outstanding performance in development and customer support. Volkswagen conferred on us the 2017 Volkswagen Group

Award in the Global Champion category in recognition of successful product launches, the construction of new plants in China and Mexico, our global localization approach and our successful management of complex projects for Volkswagen and Audi.

At the start of the new fiscal year the two business units Forging & Machining and Undercarriages are being combined to form the new Forged Technologies business unit. As a diversified supplier of forged components and system solutions, the new business unit will be able to use our global production network more efficiently and leverage synergies particularly in procurement and administration. Forged Technologies will hold a leading market position in heavy-duty crankshafts and machinery components for the construction, mining and agricultural sectors. Alongside its current products it also aims to develop new products for new markets and customer segments in the future. Within the organization, the new unit will be part of the industrial components business of Components Technology.

We continued our growth and regionalization strategy in the reporting year. We are expanding our production operations in Hungary so that alongside front and rear axle assembly we will also be manufacturing cylinder head cover modules with integrated camshafts, electric power assisted steering systems, springs and stabilizers. In Mexico we are widening our product spectrum to include cylinder head cover modules, active dampers and electric steering systems. We are setting up two further highly automated plants in China following new orders from international and Chinese OEMs for electric steering systems, springs and stabilizers.

### Higher earnings

Adjusted EBIT of Components Technology was again significantly higher than a year earlier. Positive factors were above all improvements in car components among other things for steering systems and cover modules, which more than offset the weak market performance in Brazil. The earnings figure contains startup costs for the new plants we are setting up among other things for the manufacture of our electric steering systems. Initial shipments have already been carried out and will continue in the new fiscal year. Adjusted EBIT margin was up slightly from the prior year. EBIT was higher year-on-year – among other things due to reduced special items.

**€377 million**

Adjusted EBIT again significantly higher than a year earlier.

## Elevator Technology

### ELEVATOR TECHNOLOGY IN FIGURES

| | | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change in % |
|---|---|---|---|---|
| Orders in hand (Sept. 30) | million € | 4,974 | 4,814 | (3) |
| Order intake | million € | 7,631 | 7,834 | 3 |
| Net sales | million € | 7,468 | 7,674 | 3 |
| EBIT | million € | 771 | 736 | (4) |
| EBIT margin | % | 10.3 | 9.6 | — |
| Adjusted EBIT | million € | 860 | 922 | 7 |
| Adjusted EBIT margin | % | 11.5 | 12.0 | — |
| Employees (Sept. 30) | | 51,426 | 52,660 | 2 |

The Elevator Technology business area delivers innovative technology for efficient mobility in our modern cities. It supplies passenger and freight elevators, escalators and moving walks, passenger boarding bridges, stair and platform lifts as well as providing service for the entire product range. A tight-knit service network with highly skilled employees at over 1,000 locations keeps us close to customers with our customized, intelligent, reliable and safe solutions and services for personal transportation

### Further increased order intake and sales

At €7.8 billion, the business area's order intake in the reporting year was almost 3% up from the prior year. Elevator Technology continues to profit from increased demand for new installations, especially in the USA, South Korea and Europe. The number of new installations in China was level with the year before, though the order volume was down due to increased price pressure. Service business, which is particularly important for the business area, showed growth in all regions. Orders in hand remained at a high level in the reporting year and on September 30, 2017 stood at €4.8 billion.

+3%

Order intake and sales at new high.

Elevator Technology's sales in the reporting year increased to €7.7 billion. Sales increased particularly strongly in the USA and South Korea, while sales in Europe and China were flat year-on-year.

### Further milestones achieved in thyssenkrupp Elevator's global strategy

In the implementation of our comprehensive growth strategy we achieved further milestones in fiscal 2016 / 2017. In May thyssenkrupp Elevator opened its new elevator factory in Pune, India, and a further 248 m tall elevator test tower is currently being built in Zhongshan, China. The business area therefore remains on expansion course and is systematically continuing its long-term strategy in Asia.

The construction of the 246 meter elevator test tower in Rottweil is virtually complete apart from some work on the facade, test and research operation has already started. In June 2017 thyssenkrupp used the tower to unveil MULTI, the world's first rope-free, sideways moving elevator system. Featuring several cars moving vertically and for the first time also horizontally in the same shaft, MULTI will open up completely new possibilities in terms of building height, design and use. The system is a joint development of the business areas Elevator Technology, Components Technology and Industrial Solutions, coordinated by Corporate Technology, Innovation & Sustainability, and is just one example of how we use the combined strength of the Group for innovations.

In May 2017 in the USA thyssenkrupp presented the industry's first net-zero energy concept for the operation of elevators which is also suitable for modernizing existing installations. The technology uses new controllers which trigger 'hibernation' or 'sleep' modes in idle cabs, significantly reducing energy requirements. This innovation will help make urban mobility greener and is a milestone for the building industry.

thyssenkrupp Elevator also introduced the use of the HoloLens mixed-reality headset. As well as speeding up maintenance work, the HoloLens permits digitization of the sales and ordering process for stairlifts. That means customers will have significantly less time to wait for delivery of their orders and what is more holographic visualization allows them to preview exactly what they are buying.

Progress continues with the introduction of MAX – the first cloud-based predictive maintenance solution for elevators. By July 2017, 100,000 elevators had already been fitted with the technology. MAX is an intelligent, machine learning solution that uses the enormous potential of the Internet of Things and by means of real-time diagnostics informs service technicians in advance when components and systems need replacing. This significantly reduces elevator downtime, taking the availability, reliability and efficiency of elevators to a whole new level.

### Further earnings and margin improvement

In the 2016 / 2017 fiscal year Elevator Technology increased its adjusted EBIT year-on-year by 7% to €922 million as a result of higher sales and margins. The earnings and margin improvement reflects above all the positive operating performance as well as the efficiency and restructuring measures under the corporate program “impact”. Adjusted EBIT margin improved year-on-year by 0.5 percentage points to 12.0%. EBIT came to €736 million. It includes special items of €185 million primarily due to restructuring measures in Europe and the Middle East.

€922 million

Adjusted EBIT increased year-on-year by 7% to €922 million.

## Industrial Solutions

### INDUSTRIAL SOLUTIONS IN FIGURES

| | | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change in % |
|---|---|---|---|---|
| Orders in hand (Sept. 30) | million € | 9,908 | 11,341 | 14 |
| Order intake | million € | 3,461 | 6,490 | 88 |
| Net sales | million € | 5,744 | 5,522 | (4) |
| EBIT | million € | 333 | (36) | -- |
| EBIT margin | % | 5.8 | (0.7) | — |
| Adjusted EBIT | million € | 355 | 111 | (69) |
| Adjusted EBIT margin | % | 6.2 | 2.0 | — |
| Employees (Sept. 30) | | 19,602 | 21,777 | 11 |

The Industrial Solutions business area is a leading partner for the engineering, construction and complete lifecycle service of industrial plants and systems. We supply tailored, turnkey plants and plant components to customers from the chemical, fertilizer, cement, mining and steel industries. As a system partner to the automotive industry and naval sector, we develop highly specialized solutions to meet the individual requirements of our customers.

### Highest order intake in five years, sales down from prior year

In the 2016 / 2017 fiscal year orders improved significantly: Industrial Solutions achieved its highest order intake in five years and has a strong project pipeline. Alongside major orders for chemical and cement plants as well as in the mining and naval sectors, we also booked numerous small and mid-size orders for machinery, plant and services. These help us reduce workload fluctuations in a continuing volatile market environment.

**€6.5 billion**

In the reporting year Industrial Solutions achieved its highest order intake in five years.

In the cement plant business the demand trend remained positive despite a volatile market environment: We received several orders for new plants, including a major order from Algeria in the 1st quarter. On top of this we won numerous mid-size and small orders for plant expansions, modernizations and individual machines, particularly from customers in North and South America, the Middle East and Africa.

In the mining business we won a major order for ship loading and stockyard equipment in Canada as well as numerous mid-size and small orders (including belt conveyor systems in Asia and South America, bucket wheel excavators and a coal handling facility in Asia as well as a biomass power plant in Australia) to achieve a clear year-on-year increase in order intake. While we are seeing a market recovery in individual regions, overall investment in new equipment remains subdued. This is one of the reasons we are continuously strengthening our service offering. With a growing share of repair, service and individual machinery business, our portfolio of products and services promises a stable business performance.

In chemical plant engineering order intake increased in the reporting year, boosted mainly by a major fertilizer plant order for Brunei in the 4th quarter. Demand for electrolysis plants remained positive, for example we won mid-size and small orders for facilities in Saudi Arabia, China and the USA. While in the short term we are observing partial recoveries in isolated areas, in the medium term we see clear growth opportunities for the entire chemical plant business.

The System Engineering business unit again increased its order intake in the 2016 / 2017 fiscal year. This was mainly thanks to continued brisk demand for automated production systems for the automobile industry, particularly from customers in Europe and Asia. For example we succeeded in winning several major orders for body-in-white lines. Demand was also pleasing in the e-mobility market; among other things we received a larger order for a battery assembly line from a leading German OEM.

**€1 billion**

Order intake at System Engineering again exceeded the €1 billion mark.

Marine Systems also recorded a clear increase in order intake in the reporting year. This reflected in particular two major orders in the submarine and surface vessel business. Smaller maintenance and service orders were received for example from Germany, Portugal and India. We were also nominated as exclusive strategic partner for the Norwegian/German submarine program. Following the full takeover of Atlas Elektronik we can now position ourselves as an end-to-end system supplier to obtain strategic advantages in the global market for naval submarines and surface vessels.

Sales in the Industrial Solutions business area were down year-on-year at €5.5 billion. Sales in chemical plant construction and mining equipment declined as a result of lower order intake in the prior year. This was not quite offset by the ramp-up of new cement plant orders, sustained growth in sales at System Engineering, and a higher number of milestone billings at Marine Systems.

### Earnings and margin down year-on-year – “planets” transformation program systematically continued

Adjusted EBIT at €111 million was down clearly year-on-year. Adjusted EBIT margin fell to 2.0%. This reflects among other things the difficult market environment in plant engineering, characterized by growing volatility and mounting competitive pressure. Weak order intake in previous years also weighed on adjusted EBIT in the reporting year. In addition we faced delays in order intake in the chemical plant business which led to increased underutilization and together with low earnings contributions from Marine Systems significantly impacted adjusted EBIT. This was partly offset by positive effects from the full consolidation of Atlas Elektronik.

In the reporting year we systematically continued our “planets” transformation program, launched in 2015 / 2016. The aim is to safeguard our growth and performance over the long term and focus more firmly on customers, markets and the high-margin service business. In the 2016 / 2017 fiscal year we drove forward the organizational restructuring of Industrial Solutions. To further strengthen our competitiveness on a sustainable basis we also stepped up the consolidation and optimization of structures and processes. In this connection up to 500 jobs in the administrative area and up to 1,500 jobs in operating areas are to be reduced over the next three years with the help of socially responsible models. Altogether the planned measures are aimed at strengthening the business area’s earning power by up to €200 million in each of the next three years.

With “planets” Industrial Solutions is focusing more firmly on customers, markets and the high-margin service business.

## Materials Services

### MATERIALS SERVICES IN FIGURES

| | | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change in % |
|---|---|---|---|---|
| Order intake | million € | 11,840 | 13,760 | 16 |
| Net sales | million € | 11,886 | 13,665 | 15 |
| EBIT | million € | 76 | 220 | 190 |
| EBIT margin | % | 0.6 | 1.6 | — |
| Adjusted EBIT | million € | 128 | 312 | 143 |
| Adjusted EBIT margin | % | 1.1 | 2.3 | — |
| Employees (Sept. 30) | | 19,754 | 19,861 | 1 |

With around 480 branches in 40 countries, the Materials Services business area is focused on global materials distribution. The service portfolio covers a wide range of custom services – from materials advice and procurement to quality management and logistics services to individual supply chain solutions. We also perform technical and infrastructure services for the manufacturing sector. The cornerstones of our business are our deep understanding of the market, our international setup and our engaged and motivated employees.

### Orders and sales up year-on-year mainly due to higher prices

The reporting year – particularly the 1st half of the fiscal year – was characterized by rising prices for almost all materials. Accordingly order intake and sales were clearly higher year-on-year (up 16% and 15%, respectively). Almost all the business area's units contributed to this: Materials Services recorded stable warehouse and service business and a clear year-on-year increase in sales of our service centers for the auto industry, particularly thanks to our new service centers in Hungary and Spain. Also in global materials trading and at AST, growth mainly reflected higher prices.

Sales volumes showed a mixed picture in the individual units of Materials Services. Altogether 11.0 million tons of materials was sold, compared with 12.6 million tons a year earlier; this included 0.9 million tons of flat-rolled stainless steel products from AST (prior year: 0.9 million tons). Sales of metals in the warehousing and service business were 3% higher year-on-year at 5.7 million tons. Our global direct-to-customer and trading business recorded sales of 3.5 million tons (prior year: 3.4 million tons). We sold 1.2 million tons of raw materials, around 1.8 million tons less than a year earlier (prior year: 3 million tons). However, this decrease is almost entirely due to our stronger focus on higher-value, higher-margin products; we clearly reduced bulk sales of nickel ore.

### Digitization as an element of customer focus and efficiency enhancement

In our business, customer focus and strong reliability are key success factors. Accordingly, creating added value for our customers is central to our brand promise and our initiatives. One example is the ongoing digitization of our business processes and distribution channels, based on sophisticated warehousing, logistics and IT systems: Today we already operate online portals to supply our customers and end users with information and materials.

An important milestone in the digital transformation of the Materials Services business area was the start of the roll-out of "toii". "toii" is a platform developed in-house for the Industrial Internet of Things (IIoT), which allows machines of different make and age to communicate with each other. The advantages are that maintenance requirements can be estimated in advance (predictive maintenance) and processes can be optimally harmonized in real time.

### Adjusted EBIT higher year-on-year

On account of the very positive price trend, particularly in the 1st half, Materials Services' adjusted EBIT was clearly higher year-on-year; this was also supported by continued earnings and performance improvement measures in all units. Materials Services additionally profited from land and real estate sales in Germany. The Italian stainless steel plant AST again delivered a positive earnings contribution. The turnaround at AST impressively documents the sustainable effect of the ongoing performance improvements.

**€312 million**

Adjusted EBIT more than doubled to €312 million.

## Steel Europe

### STEEL EUROPE IN FIGURES

| | | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change in % |
|---|---|---|---|---|
| Order intake | million € | 8,146 | 8,969 | 10 |
| Net sales | million € | 7,633 | 8,915 | 17 |
| EBIT | million € | 316 | 493 | 56 |
| EBIT margin | % | 4.1 | 5.5 | — |
| Adjusted EBIT | million € | 315 | 547 | 74 |
| Adjusted EBIT margin | % | 4.1 | 6.1 | — |
| Employees (Sept. 30) | | 27,559 | 27,646 | 0 |

The Steel Europe business area combines the Group's flat carbon steel operations, focused mainly on the European market. Its high-quality flat products are supplied to customers in the auto industry and other steel-using sectors requiring products and services that meet their high demands. Our particular strength is our ability to develop custom solutions. We do this on the basis of our profound knowledge of the business and therefore the needs of our customers, our technical know-how gained through years of experience – and not least our ability to use the advantages of being part of a strong group, from which our customers also profit. Alongside working with customers, continuous quality management and extensive process improvement initiatives are integral parts of our work.

Our particular strength is our ability to develop custom solutions.

### Business expanded in a difficult environment

Despite the continuing difficult market and competitive environment the Steel Europe business area expanded its business volume in the reporting year – above all thanks to higher average net selling prices. Order intake and sales significantly exceeded the corresponding prior-year figures. As our contract business is mainly long-term, we profited with a time lag from the higher spot market prices in calendar year 2016 and in the first quarter of 2017, which were mainly the result of increased raw material prices.

In terms of value the order intake of the Steel Europe business area increased by 10% to around €9.0 billion. The unusually strong uptrend in European spot market prices, above all in calendar year 2016, was reflected in our new contracts from January 2017. As a result, average selling prices for the full year were significantly higher than a year earlier. Order volumes, however, were around 5% lower at 11.3 million tons. In the first fiscal half that was due less to weak demand than to capacity losses caused by maintenance work, in particular the reline of blast furnace B (HKM). Demand improved strongly in the final fiscal quarter, also due to a recovery in spot market prices after a temporary dip, with the result that order intake in tons was significantly higher than in the corresponding prior-year period.

Sales increased by 17% to €8.9 billion, mainly reflecting the higher prices achieved from the 2nd fiscal quarter. Shipments increased by on average 2% to 11.4 million tons. Shipments to the automotive industry increased at an above average rate and we also recorded a stronger increase for packaging steel and deliveries to cold rerollers, the pipe industry and machine manufacturers. However shipments of heavy plate declined noticeably due to market and production reasons. This was only partially offset by higher prices, with the result that sales decreased slightly. Sales of grain-oriented material by the Electrical Steel unit were also lower year-on-year, mainly due to increased price pressure in a market still characterized by significant overcapacities; shipments were up slightly from the prior year.

11.4 mt

Shipments increased to 11.4 million tons.

At almost 12.1 million tons, crude steel production including supplies from HKM was level with the prior year. To support starting material supplies, which were temporarily tight due to the reline of blast furnace B at HKM, we purchased 778,000 tons of slabs from the since sold Brazilian plant CSA and a further 87,000 tons from other producers. Rolled steel production for customers increased by 6% from a very low prior-year level to 11.8 million tons. However, a temporary shortage of starting material, planned maintenance work and disruptions temporarily impeded production, particularly in the hot strip mills. This also affected downstream production operations.

### EBIT significantly higher

The Steel Europe business area significantly improved its earnings year-on-year. As well as moderate volume growth this was mainly due to the higher average net selling prices we were able to achieve from the second fiscal quarter, as well as earnings-securing measures and further implementation of the improvements developed under the “impact” performance program. Earnings were weighed down by significantly higher raw material costs and particularly by the blast furnace reline at HKM.

## Steel Americas (discontinued operation)

### STEEL AMERICAS IN FIGURES

| | | Year ended Sept. 30, 2016 | 2016 / 2017[1] | Change in % |
|---|---|---|---|---|
| Order intake | million € | 1,525 | 1,874 | 23 |
| Net sales | million € | 1,489 | 1,848 | 24 |
| EBIT | million € | (22) | (444) | -- |
| EBIT margin | % | (1.5) | (24.0) | — |
| Adjusted EBIT | mi llion € | (33) | 186 | ++ |
| Adjusted EBIT margin | % | (2.2) | 10.1 | — |
| Employees (Sept. 30) | | 3,847 | 0 | -- |

[1] 11 months

From its steel mill in Brazil (CSA) the Steel Americas business area supplied in particular the US and Brazilian markets with high-quality slabs. After having sold the processing plant in the USA in 2014, thyssenkrupp sold CSA in September 2017 and exited completely from Steel Americas, achieving a further important milestone on the Strategic Way Forward.

thyssenkrupp sold CSA in September 2017 and exited completely from Steel Americas.

### Order intake and sales higher year-on-year due to higher prices

Order intake and sales of the Steel Americas business area were significantly higher year-on-year due to higher prices, while shipments were lower (3.9 million tons; down 11%) as a result of the sale of the Brazilian steel mill CSA.

### Adjusted EBIT higher

Steel Americas achieved a significant year-on-year earnings improvement, mainly driven by the positive price trend and cost- reduction measures under the corporate program “impact”, partly offset by lower shipments and negative effects caused by a stronger Brazilian real.

Major special items in the reporting year were attributable to the impairment charge resulting from the sale of CSA to Ternium.

## Corporate at thyssenkrupp AG

The Group is managed centrally by thyssenkrupp AG. To further improve control structures and in the interests of more transparent presentation, as of the 2016 / 2017 fiscal year Corporate is divided into Corporate Headquarters (CorpHQ), Regions, Service Units and Special Units.

thyssenkrupp AG manages the Group centrally.

CorpHQ mainly comprises the corporate functions. It also includes the management of the Groupwide transformation programs for the standardization of the IT infrastructure, data and process harmonization, and the harmonization of HR processes.

The Regions include our regional headquarters (“RHQs”) in North and South America, Greater China, India, the Asia/Pacific region, and the Middle East & Africa region, as well as the regional offices and Group representative offices.

The Service Units mainly include Global Shared Services, Regional Services Germany and Corporate Services.

The Special Units include asset management for the Group’s real estate, cross-business area technology projects as well as non-operating entities needed for example for Group financing.

Adjusted EBIT at Corporate was €(535) million in the 2016 / 2017 fiscal year, €38 million down from the year before. General and administrative costs were stable overall; changes versus the prior year were the result of project expenses in connection with our digital initiatives for the standardization of the IT infrastructure and data and process harmonization. EBIT was €(569) million and included special items of altogether €35 million.

# Results of operations and financial position

## Analysis of the statement of income

Net sales from continuing operations were up significantly year-on-year in fiscal 2016 / 2017, with contributions from both the materials businesses and overall the capital goods businesses. Cost of sales from continuing operations increased at a slightly higher rate than sales. Gross margin was unchanged at 17%.

17%

Gross margin was unchanged at 17%.

The increase in selling expenses from continuing operations was mainly due to higher freight expense and higher impairment losses on trade accounts receivable. The rise in general and administrative expenses from continuing operations mainly reflected higher personnel expenses, also as a result of increased restructuring provisions, as well as higher consultancy and IT costs. The increase in other expenses from continuing operations was mainly due to higher non-income taxes.

Finance income from continuing operations was down, mainly reflecting lower exchange rate gains in connection with finance transactions, while income from derivatives in connection with financing was higher. The net reduction in finance expenses was mainly due to lower currency losses from finance transactions and declining interest expense for financial debt and pensions; this was partly offset in particular by higher expense from derivatives in connection with financing.

Tax expense from continuing operations was impacted by impairment losses and non-period tax income. After taking into account income taxes, income from continuing operations was down year-on-year to €271 million.

The high loss from discontinued operations (after taxes) was mainly due to impairment losses in connection with the sale of the Brazilian steel mill CSA to Ternium; this was partly offset by the gain (after taxes) from the disposal of the discontinued operations. The earnings situation at the discontinued operations resulted in a net loss in the reporting year. The improvement in non-controlling interest was mainly due to the acquisition of Vale's minority interest in thyssenkrupp CSA in the 3rd quarter of the prior year. As a result of the net loss, earnings per share decreased to a loss of €1.15.

## Consolidated statement of income

| million €, earnings per share in € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| Net sales | 38,000 | 41,447 |
| Cost of sales | (31,421) | (34,487) |
| **Gross margin** | **6,579** | **6,960** |
| Research and development cost | (373) | (383) |
| Selling expenses | (2,817) | (2,958) |
| General and administrative expenses | (2,346) | (2,602) |
| Other income | 213 | 278 |
| Other expenses | (97) | (167) |
| Other gains/(losses), net | 22 | 29 |
| **Income/(loss) from operations** | **1,179** | **1,156** |
| Income from companies accounted for using the equity method | 46 | 15 |
| Finance income | 916 | 776 |
| Finance expense | (1,449) | (1,181) |
| **Financial income/(expense), net** | **(488)** | **(391)** |
| **Income/(loss) from continuing operations before tax** | **691** | **765** |
| Income tax (expense)/income | (334) | (495) |
| **Income/(loss) from continuing operations (net of tax)** | **357** | **271** |
| **Income/(loss) from discontinued operations (net of tax)** | **(96)** | **(861)** |
| **Net income/(loss)** | **261** | **(591)** |
| Thereof: | | |
| **thyssenkrupp AG's shareholders** | **296** | **(649)** |
| Non-controlling interest | (35) | 59 |
| **Net income/(loss)** | **261** | **(591)** |
| **Basic and diluted earnings per share based on** | | |
| Income/(loss) from continuing operations (attributable to thyssenkrupp AG's shareholders) | 0.55 | 0.37 |
| **Net income/(loss) (attributable to thyssenkrupp AG's shareholders)** | **0.52** | **(1.15)** |

See accompanying notes to consolidated financial statements.
1) Figures have been adjusted (cf. Note 03).

## Analysis of the statement of financial position

Total assets were almost unchanged from September 30, 2016.

The sharp decrease in non-current assets mainly reflected declines in property, plant and equipment and other non-financial assets following the deconsolidation of Steel Americas as well as lower deferred taxes, resulting in particular from the use of tax loss carryforwards, a decrease in pension provisions and a partial impairment loss. Intangible assets were higher mainly due to the recognition of provisional goodwill from the first-time consolidation of Atlas Elektronik as well as the acquired intangible assets identified in connection with the not yet finalized purchase price allocation. The first-time consolidation of Atlas Elektronik was also the main cause of the decline in equity-method investments.

The significant increase in current assets mainly reflected increases in inventories of the continuing materials businesses as well as higher trade accounts receivable in plant engineering. The additional strong rise in cash and cash equivalents resulted mainly from the capital increase carried out in September 2017 and the clearly positive free cash flow from continuing operations in the reporting year; this was partly offset by financing of the discontinued operations, the repayment of financial debt and dividend payments. The reduction in other non-financial assets was mainly due to lower advance payments as well as lower entitlements in connection with non-income taxes as a result of the deconsolidation of Steel Americas.

Total equity at September 30, 2017 was higher year-on-year at €3,404 million. This was mainly due to the aforementioned capital increase and the gains (after taxes) recognized in other comprehensive income from the remeasurement of pensions and similar obligations as a result of the higher discount rate. This was partly offset by the net loss for the reporting year, the currency translation losses recognized in other comprehensive income and dividend payments. The equity ratio improved overall to 9.7%.

**€3,404 million**

Total equity increased from €2,609 million to €3,404 million.

The sharp decrease in non-current liabilities was mainly due to lower provisions for pensions and similar obligations as a result of the aforementioned remeasurement of pensions. The additional net reduction in non-current financial debt mainly reflected the reclassification to current financial debt of a bond due in August 2018 with a total volume of €1,600 million as well as lower payables to financial institutions; this was partly offset by the issuing of a bond with a total volume of €1,250 million in March 2017.

The increase in current liabilities mainly reflected higher trade accounts payable at the continuing materials businesses. The increase in other provisions was due above all to initiated restructuring measures. Current financial debt was also higher; the increase from the aforementioned reclassification from non-current financial debt was partly offset by the repayment of a €1,250 million bond in February 2017. This was partly offset by the decrease in non-financial liabilities, mainly due to lower liabilities in connection with construction contracts.

# Consolidated statement of financial position

## ASSETS

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| Intangible assets | 4,570 | 4,813 |
| Property, plant and equipment (inclusive of investment property) | 8,938 | 7,605 |
| Investments accounted for using the equity method | 284 | 154 |
| Other financial assets | 44 | 43 |
| Other non-financial assets | 445 | 207 |
| Deferred tax assets | 2,322 | 1,680 |
| **Total non-current assets** | **16,604** | **14,502** |
| Inventories | 6,341 | 6,957 |
| Trade accounts receivable | 5,003 | 5,734 |
| Other financial assets | 407 | 420 |
| Other non-financial assets | 2,376 | 1,923 |
| Current income tax assets | 172 | 220 |
| Cash and cash equivalents | 4,105 | 5,292 |
| Assets held for sale | 65 | 0 |
| **Total current assets** | **18,468** | **20,546** |
| **Total assets** | **35,072** | **35,048** |

See accompanying notes to consolidated financial statements.

## EQUITY AND LIABILITIES

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| Capital stock | 1,449 | 1,594 |
| Additional paid-in capital | 5,434 | 6,664 |
| Retained earnings | (5,255) | (5,401) |
| Cumulative other comprehensive income | 474 | 33 |
| **Equity attributable to thyssenkrupp AG's stockholders** | **2,102** | **2,890** |
| Non-controlling interest | 507 | 515 |
| **Total equity** | **2,609** | **3,404** |
| Accrued pension and similar obligations | 8,754 | 7,924 |
| Provisions for other employee benefits | 373 | 354 |
| Other provisions | 589 | 645 |
| Deferred tax liabilities | 33 | 111 |
| Financial debt | 6,157 | 5,326 |
| Other financial liabilities | 221 | 182 |
| Other non-financial liabilities | 6 | 5 |
| **Total non-current liabilities** | **16,134** | **14,546** |
| Provisions for current employee benefits | 408 | 357 |
| Other provisions | 963 | 1,183 |
| Current income tax liabilities | 279 | 254 |
| Financial debt | 1,455 | 1,930 |
| Trade accounts payable | 5,119 | 5,729 |
| Other financial liabilities | 975 | 842 |
| Other non-financial liabilities | 7,130 | 6,802 |
| **Total current liabilities** | **16,329** | **17,097** |
| **Total liabilities** | **32,463** | **31,643** |
| **Total equity and liabilities** | **35,072** | **35,048** |

See accompanying notes to consolidated financial statements.

# Financing

## Principles and aims of financial management

The financing of the Group is handled centrally by thyssenkrupp AG. It is based on a multi-year financial planning system and a monthly rolling liquidity planning system covering a planning period of up to a year. The cash inflows from our operating activities are our main source of liquidity. Our cash management systems allow Group companies to use surplus funds of other units to cover their liquidity requirements. This reduces the volume of external financing and thus interest expense. External financing requirements are covered using money and capital market instruments such as bonds, loan notes or commercial papers. We also make use of committed credit facilities in various currencies and with various terms, as well as selected off-balance financing instruments such as factoring programs and operating leases. Information on the available credit facilities is provided in Note 16.

The aim of our central financing system is to strengthen our negotiating position vis-à-vis banks and other market players and to raise or invest capital on the best possible terms and conditions.

## Net financial debt and available liquidity

Net financial debt is calculated as the difference between cash and cash equivalents shown in the statement of financial position plus current other financial assets available for sale, and noncurrent and current financial debt. The corresponding assets and liabilities of the disposal groups – where applicable – are also taken into account.

The net financial debt of the full Group at September 30, 2017 stood at €1,957 million, lower than the level at September 30, 2016 (€3,500 million). Taking into account cash, cash equivalents, committed undrawn credit lines and the balanced maturity structure, thyssenkrupp is solidly financed.

At September 30, 2017 the Group's available liquidity came to €9.1 billion, consisting of €5.3 billion cash and cash equivalents and €3.8 billion committed undrawn credit lines. Additional financing possibilities were available to us under a commercial paper program with a limit of €1.5 billion. Under the program commercial papers can be issued with a term of up to 364 days depending on investor demand. At September 30, 2017 we had not made use of the program.

**€9.1 billion**

The Group's available liquidity came to €9.1 billion.

The available liquidity offers enough scope to cover debt maturities. The gross financial debt repayable in the 2017 / 2018 fiscal year amounts to €1.9 billion.

The financing and liquidity of the Group were secured at all times in the reporting year.

57.5 %

The gearing ratio was 57.5%.

thyssenkrupp AG has agreements with banks which contain certain conditions in the event that the gearing ratio (net financial debt to equity) in the consolidated financial statements exceeds an applicable limit at the closing date (September 30). The applicable limit lies in a range from 150% to 200% and depends on the discount rate used to calculate thyssenkrupp's pension obligations in Germany. At September 30, 2017 the applicable gearing limit for thyssenkrupp AG based on these agreements was 155%.

At the balance sheet date the gearing ratio was 57.5% and therefore below the agreed limit.

### Financing measures

**Bond issued –** In March 2017 thyssenkrupp AG issued a bond with a volume of €1,250 million, a maturity of five years and a coupon of 1.375% p.a. under its €10 billion debt issuance program. With the transaction we made use of the good market environment; as a result we were able to extend the maturity profile of our financial debt and strengthen the capital market share in our financing mix.

**Capital increase –** In September 2017 thyssenkrupp AG decided to increase the capital stock of the company, under exclusion of shareholder subscription rights, by a nominal €144,880,112.64, i.e. 10% of the capital stock, by issuing 56,593,794 new shares. The shares were placed in an accelerated bookbuilding process at a price of €24.30 per share. The placement resulted in net proceeds of around €1.4 billion, which will be used in particular to support organic growth in the capital goods businesses in the key areas of urbanization, mobility and service, while at the same time driving forward necessary restructuring initiatives.

### Rating

We have been rated by Moody's and Standard & Poor's since 2001 and by Fitch since 2003. Our ratings are currently below investment grade. In September 2017 following the signing of the memorandum of understanding between thyssenkrupp and Tata Steel to combine their European steel operations in a 50/50 joint venture, all the rating agencies adjusted their previous stable outlook. Standard & Poor's and Fitch changed the outlook for their current respective BB and BB+ ratings from "stable" to "watch positive", while Moody's changed the outlook of its current Ba2 rating from "stable" to "developing". Whereas the "watch positive" outlook from Standard & Poor's and Fitch raises expectations of a positive change in rating, the outlook "developing" from Moody's does not specify the direction of a possible rating change. In general the current outlook of our ratings indicates that the rating agencies will monitor the rating more closely and normally review it in the short to medium term. Key to decisions on our rating will be the further structuring of the joint venture and greater clarity on the implications for thyssenkrupp.

## RATING

| | Long-term rating | Short-term rating | Outlook |
|---|---|---|---|
| Standard & Poor's | BB | B | watch positive |
| Moody's | Ba2 | Not Prime | developing |
| Fitch | BB+ | B | watch positive |

## Analysis of the statement of cash flows

The amounts taken into account in the statement of cash flows correspond to the item "Cash and cash equivalents" as reported in the statement of financial position.

### Operating cash flows

In the reporting year net cash inflow from operating activities was lower than a year earlier. This was mainly due to a significant net increase in operating assets and liabilities.

### Cash flows from investing activities

Capital spending of the Group and the continuing operations in the reporting year was higher than a year earlier. The share of the capital goods businesses in the continuing operations was 51%. There were forward-looking projects in connection with digitization, modernization of IT and harmonization of the systems landscape at all business areas and Corporate to enhance efficiency, lower costs and as a basis for Industry 4.0.

Capital spending was significantly higher than a year earlier.

## INVESTMENTS BY BUSINESS AREA

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change in % |
|---|---|---|---|
| Components Technology | 488 | 551 | 13 |
| Elevator Technology | 135 | 144 | 6 |
| Industrial Solutions | 75 | 82 | 9 |
| Materials Services | 137 | 132 | (4) |
| Steel Europe | 400 | 566 | 41 |
| Corporate | 45 | 58 | 29 |
| Consolidation | (5) | 3 | — |
| **Investments of the continuing operations** | **1,277** | **1,535** | **20** |
| Steel Americas | 110 | 131 | 19 |
| Consolidation | 0 | 0 | — |
| **Total investments** | **1,387** | **1,666** | **20** |

**Components Technology –** Investments in the Chassis business focused mainly on existing facilities and the construction of additional production capacities for electric steering systems, in particular in China, Mexico and Hungary. In the business with active and passive damping systems the focus was on the construction of the new plant in Mexico and expansion in Romania. Two new highly automated plants are being built in Hungary and China to produce springs and stabilizers. In the Powertrain business we continued to expand capacities for cylinder head modules in China, Europe and Mexico. The focus in the Industrial Components business was on rationalization/modernization with selective investments in growth segments, e.g. rotor bearings.

**Elevator Technology –** Capital expenditures at Elevator Technology came to €144 million in the reporting year. We are in the process of implementing an extensive innovation and growth strategy, under which we continued to invest in innovative products such as MAX and MULTI and in the international expansion of the service network and our production facilities. Details of the strategy are presented in the section "Business area review".

**Industrial Solutions –** To strengthen our market position in the Mining and Cement businesses we invested further in infrastructure and the expansion of our technology portfolio. In our chemical plant construction business we opened a new technology center for oleochemical products in Thailand. The aim is to further strengthen our presence in the Asia-Pacific region and develop a promising new growth market. Further funds were invested in technologies for the storage of renewable energies. System Engineering invested in growth and further internationalization in its forming dies business and in the construction of a new body-in-white components plant for a new electric car model. The focus at Marine Systems was on the continuing modernization of its Kiel shipyard, with investments in particular in infrastructure measures and IT. In early April we also completed the acquisition of the 49% interest in Atlas Elektronik previously held by Airbus to strengthen our competitive position.

**Materials Services –** In the past fiscal year Materials Services invested mainly in the expansion and modernization of warehousing and service activities worldwide and the continuing digital transformation of the business area. Further spending related to modernization and maintenance at AST.

**Steel Europe –** A large part of the investments went into the relining of blast furnace B at HKM, which was successfully restarted in the 2nd quarter. Work also started on the construction of a new ladle furnace at BOF meltshop 2 in Duisburg. This new furnace will make it possible to produce particularly high-quality grades – and thus help further focus our portfolio on premium products, above all high-strength steels for the automotive industry. We also acquired a combined heat and power plant in Duisburg-Hamborn which we had previously leased. Substantial amounts were once again spent on modernizing the IT infrastructure. Steel Europe also invests continuously in the maintenance of its plants and further improving environmental protection.

**Corporate –** Key areas at Corporate were forward-looking projects in connection with digitization and the Group's property investments which – irrespective of business area – are consolidated in the Asset Management unit. A current example is the test and development tower for elevators in Rottweil for the Elevator Technology business area. There were also investments in technology development in the reporting year. Two major projects –Carbon2Chem and Additive Manufacturing – were launched. Under the Carbon2Chem project a research and development center for the utilization of steel mill gases is being built on the site of thyssenkrupp Steel Europe AG in Duisburg. Additive manufacturing allows 3D objects to be built up layer by layer to form innovative parts. There was also further spending on IT, for example for standardizing the IT infrastructure, data and process harmonization and the central purchase of software licenses.

**Steel Americas –** Capital expenditures at Steel Americas (discontinued operation) included investment in the insourcing of water and waste water treatment services through the acquisition of two Brazilian companies as well as measures for environmental protection and technical optimization.

Cash flows from investing activities from continuing operations in the reporting year were almost break-even despite the year-on-year increase in capital expenditure. This was mainly due to cash inflows from the sale of Steel Americas to Ternium.

## Free cash flow

### RECONCILIATION TO FREE CASH FLOW BEFORE M&A

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change |
|---|---|---|---|
| Operating cash flows - continuing operations (consolidated statement of cash flows) | 1,310 | 483 | (827) |
| Cash flows from investing activities - continuing operations (consolidated statement of cash flows) | (1,088) | 4 | 1,092 |
| **Free cash flow - continuing operations (FCF)** | **222** | **487** | **265** |
| –/+ Cash inflow/cash outflow resulting from material M&A transactions | 6 | (1,342) | (1,348) |
| **Free cash flow before M&A – continuing operations (FCF before M&A)** | **228** | **(855)** | **(1,083)** |
| Steel Americas | (31) | 57 | 87 |
| **Free cash flow before M&A - Group (FCF before M&A)** | **198** | **(798)** | **(996)** |

In the reporting year our continuing operations once again generated positive free cash flow, which was higher year-on-year in particular due to the disposal of Steel Americas. Free cash flow before M & A, i.e. operating cash flows excluding cash inflows or outflows from major portfolio measures, was down significantly from the prior year. This is mainly attributable to a significant increase in net working capital at our materials businesses due to dislocations on the raw materials markets, the payment profile at Industrial Solutions, as well as growth and the start-up of new plants at Components Technology in the first 9 months. Strong positive free cash flow before M & A with positive business cash flow contributions from all business areas in the final quarter were not enough to offset this decline.

## Cash flows from financing activities

Financing activities in the reporting year resulted in a significant net cash inflow. This was mainly due to income in connection with the capital increase at thyssenkrupp AG in September 2017. It was partly offset by expenditure for the financing of the discontinued operations, the repayment of financial debts and dividend payments.

## CONSOLIDATED STATEMENT OF CASH FLOWS

| million € | Year ended Sept. 30, 2016[1)] | Year ended Sept. 30, 2017 |
|---|---|---|
| **Net income/(loss)** | **261** | **(591)** |
| Adjustments to reconcile net income/(loss) to operating cash flows: | | |
| Income/(loss) from discontinued operations (net of tax) | 96 | 861 |
| Deferred income taxes, net | 32 | 241 |
| Depreciation, amortization and impairment of non-current assets | 1,116 | 1,109 |
| Reversals of impairment losses of non-current assets | (8) | (1) |
| Income/(loss) from companies accounted for using the equity method, net of dividends received | (46) | (15) |
| (Gain)/loss on disposal of non-current assets | (23) | (34) |
| Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes | | |
| – Inventories | 591 | (924) |
| – Trade accounts receivable | 87 | (767) |
| – Accrued pension and similar obligations | (119) | (143) |
| – Other provisions | (54) | 143 |
| – Trade accounts payable | 105 | 919 |
| – Other assets/liabilities not related to investing or financing activities | (728) | (315) |
| **Operating cash flows – continuing operations** | **1,310** | **483** |
| Operating cash flows – discontinued operations | 77 | 127 |
| **Operating cash flows – total** | **1,387** | **610** |
| Purchase of investments accounted for using the equity method and non-current financial assets | (8) | (4) |
| Expenditures for acquisitions of consolidated companies net of cash acquired | (17) | 4 |
| Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property | (1,106) | (1,368) |
| Capital expenditures for intangible assets (inclusive of advance payments) | (146) | (167) |
| Proceeds from disposals of investments accounted for using the equity method and non-current financial assets | 1 | 5 |
| Proceeds from disposals of previously consolidated companies net of cash disposed | 9 | 1,418 |
| Proceeds from disposals of property, plant and equipment and investment property | 178 | 117 |
| Proceeds from disposals of intangible assets | 2 | 0 |
| **Cash flows from investing activities – continuing operations** | **(1,088)** | **4** |
| Cash flows from investing activities – discontinued operations | (107) | (125) |
| **Cash flows from investing activities – total** | **(1,196)** | **(121)** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| million € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| Proceeds from issuance of bonds | 850 | 1,250 |
| Repayments of bonds | (1,000) | (1,250) |
| Proceeds from liabilities to financial institutions | 892 | 3,575 |
| Repayments of liabilities to financial institutions | (997) | (3,742) |
| Proceeds from/(repayments on) loan notes and other loans | (142) | 6 |
| Increase/(decrease) in bills of exchange | (4) | 9 |
| Payment of thyssenkrupp AG dividend | (85) | (85) |
| Proceeds from capital increase | 0 | 1,375 |
| Profit attributable to non-controlling interest | (35) | (37) |
| Expenditures for acquisitions of shares of already consolidated companies | (6) | (1) |
| Financing of discontinued operations | (162) | (219) |
| Other financing activities | 3 | (14) |
| **Cash flows from financing activities – continuing operations** | **(685)** | **866** |
| Cash flows from financing activities – discontinued operations | 27 | (82) |
| **Cash flows from financing activities – total** | **(658)** | **784** |
| Net increase/(decrease) in cash and cash equivalents – total | (467) | 1,273 |
| Effect of exchange rate changes on cash and cash equivalents – total | 37 | (86) |
| Cash and cash equivalents at beginning of year – total | 4,535 | 4,105 |
| **Cash and cash equivalents at end of year – total** | **4,105** | **5,292** |
| [thereof cash and cash equivalents within the discontinued operations] | [95] | [0] |
| | | |
| Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows of continuing operations: | | |
| Interest received | 87 | 60 |
| Interest paid | (402) | (321) |
| Dividends received | 61 | 38 |
| Income taxes paid | (322) | (341) |

See accompanying notes to consolidated financial statements.
1) Figures have been adjusted (cf. Note 03).

## Assets not recognized and off-balance financing instruments

In addition to the assets recognized on the balance sheet, the Group also uses non-recognized assets. These are mainly leased or rented assets (operating leases). More details on this can be found under Note 20. Our off-balance financing instruments also include factoring programs. More details can be found under Note 09. Should financing instruments of this kind no longer be available in the future, we have adequate available credit lines. This also applies to the non-recourse factoring of receivables, which the Group sold in connection with ordinary business activities in the amount of €1.6 billion at the closing date (prior year: €1.6 billion).

# Annual financial statements of thyssenkrupp AG

As the Accounting Directive Implementation Act was applied for the first time for the financial statements, the structure of the statement of income was adjusted in accordance with the new regulations.

thyssenkrupp AG is the parent company of the thyssenkrupp Group. The Executive Board of thyssenkrupp AG is responsible for the management of the Company and the Group. This includes above all defining corporate strategy and allocating resources as well as executive development and financial management. The annual financial statements of thyssenkrupp AG were prepared according to the rules of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG); the management report is combined with the management report on the Group. As the German Accounting Directive Implementation Act (BilRUG) was applied for the first time in the financial statements for the year ended September 30, 2017, the structure of the statement of income was adjusted in accordance with the new regulations. The parent-company financial statements are used to calculate unappropriated income and thus the amount of the possible dividend payment.

## Course of business, future development and risk position

### Course of business 2016 / 2017

The business performance and position of thyssenkrupp AG is mainly determined by the business performance and success of the Group. We report on this in detail in the sections “Group review”, “Business area review”, and “Results of operations and financial position”.

### Expected development 2017 / 2018 with material opportunities and risks

The expected development of thyssenkrupp AG in the 2017 / 2018 fiscal year also depends mainly on the development of the Group as a whole and its opportunity and risk position. This is the subject of the forecast, opportunity and risk report of the Group. To this extent the information provided there on the expected development and risk position of the Group also applies to the future development and risk position of thyssenkrupp AG.

As parent company of the Group, thyssenkrupp AG receives income in particular from its equity investments. Net income from investments comprises profits and losses transferred from domestic subsidiaries and dividends distributed particularly by foreign subsidiaries. Accordingly, the positive expectations for the Group’s business performance in 2017 / 2018 should also be reflected in the income of thyssenkrupp AG. Overall we expect an unappropriated profit at thyssenkrupp AG in 2017 / 2018 that will allow our shareholders to share appropriately in the earnings of the Group.

## Results of operations

thyssenkrupp AG reported net income of €59 million in the 2016 / 2017 fiscal year, compared with net income of €161 million a year earlier.

Due to the first-time application of the German Accounting Directive Implementation Act (BilRUG) certain items previously reported under other operating income are now included in net sales in accordance with § 277 (1) HGB. This is mainly income from amounts charged on in accordance with the corporate design, company naming and trademark policy for the corporate mark (€299 million), usage fees for Group licenses (€51 million), and income from insurance services (€68 million).

Compared with a year earlier, general administrative expenses decreased by €23 million to €644 million. Due to the first-time application of BilRUG, some of the general administrative expenses in fiscal 2016 / 2017 are now reported under cost of sales. In addition expenses for IT consultancy decreased by €26 million and salary expenses by €19 million. Expenses for post-retirement benefits increased by €21 million, in particular due to higher allocations to pension provisions compared with a year earlier.

The €335 million decrease in other operating income resulted primarily from the reclassification in accordance with BilRUG. Other operating income mainly includes a €78 million write-up on shares in affiliated companies and income of €22 million from the sale of non-operating real estate.

Other operating expenses increased year-on-year by €339 million to €459 million. This mainly reflects currency translation differences of €301 million in connection with the sale of thyssenkrupp Companhia Siderúrgica do Atlantico Ltda. In accordance with the hedging strategy, this transaction does not impact income at Group level due to offsetting effects at other Group companies. Other operating expenses also include internal waivers of receivables in the amount of €78 million.

Income from investments was €118 million higher at €973 million.

Income from profit and loss transfer agreements was down by €510 million to €184 million. In addition, expenses from loss transfers increased by €32 million to €116 million. thyssenkrupp Technologies Beteiligungen GmbH's earnings were €220 million lower at €20 million. After positive earnings of €60 million in the prior year, thyssenkrupp Materials Services GmbH reported a loss of €88 million. Thyssen Stahl GmbH decreased its profit transfer by €171 million to €152 million.

In addition, a total of €906 million income from investments resulted in particular from dividend payments of thyssenkrupp North America, Inc. and thyssenkrupp (China) Ltd.

In the course of fiscal 2016 / 2017 there were €51 million write-downs on financial assets relating to the shares of thyssenkrupp Italia S.r.l.

Income taxes include income from previous years as well as taxes in the reporting period. Under a recognition option for an excess of deferred tax assets over deferred tax liabilities, deferred taxes are not included in tax expense.

After income taxes, net income was €59 million (prior year: €161 million).

**€59 million**

Net income came to €59 million.

## Financial position

Total assets increased year-on-year by €6 million to €37,370 million. At September 30, 2017 fixed assets as a percentage of total assets were 5 percentage points higher than a year earlier at 74%.

Fixed assets increased by €2,110 million to €27,708 million. Shares in affiliated companies were €2,240 million higher at €24,350 million. The additions were mainly due to capital increases at thyssenkrupp Nederland Holding B.V. of altogether €2,195 million. The €8 million reductions were the result of mergers. A €51 million impairment charge was taken on the shares of thyssenkrupp Italia S.r.l. The shares in thyssenkrupp Regional Services Germany GmbH were written up by €78 million.

Receivables and liabilities from/to affiliated companies are significant items in the balance sheet of thyssenkrupp AG. They reflect the central importance of thyssenkrupp AG in the Group's cash management system.

At September 30, 2017 receivables from affiliated companies were down by €3,552 million from the prior year to €5,416 million. This is mainly due to a €3,040 million reduction in intercompany account balances.

thyssenkrupp AG bears liability from the internal transfer of pension obligations. The indemnification right created by transfer of responsibility for meeting the obligations recognized under miscellaneous assets decreased by €31 million in the past fiscal year to €315 million. This was recognized under pension obligations accordingly.

At September 30, 2017 cash in hand and cash at banks was €1,499 million higher at €3,843 million.

Total equity increased by €1,349 million to €7,192 million at September 30, 2017. This change reflected among other things the capital increase effective September 26, 2017, as a result of which the capital stock increased by €145 million to €1,594 million and additional paid-in capital by €1,230 million to €2,703 million. In addition the €85 million dividend payment and €59 million net income have to be taken into account. The equity ratio therefore rose to 19% (prior year: 16%).

19%

The equity ratio rose to 19%.

The €14 million reduction in pension provisions was mainly due to payments (€54 million) and the change in the aforementioned internally transferred pension obligations (€31 million). This was partly offset by the €41 million additions and the €30 million accrued interest. In other provisions, the provision for share-based compensation decreased by €9 million and the provision for outstanding invoices by €9 million.

In March 2017 a €1,250 million bond was issued under the €10 billion debt issuance program with a maturity of five years and a coupon of 1.375% p.a. Liabilities to affiliated companies are mainly deposits by subsidiaries in the Group's central financial clearing system. Liabilities to affiliated companies were €1,239 million lower year-on-year at €21,780 million. This was mainly due to a €1,254 million reduction in intercompany liabilities. More information on the financial position of thyssenkrupp AG is contained in the Notes to the parent-company financial statements.

## Unappropriated income and proposal for the appropriation of net income

The legal basis for the distribution of a dividend is the unappropriated income of thyssenkrupp AG calculated in accordance with HGB. The annual financial statements show unappropriated income of €1,401 million. The Executive Board and Supervisory Board propose to the Annual General Meeting that the unappropriated income for the 2016 / 2017 fiscal year in the amount of €1,401 million be used as follows: Distribution of a dividend of €0.15 per eligible share and the remaining amount to be carried forward.

## Statement of financial position of thyssenkrupp AG

### ASSETS

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| **Fixed assets** | | |
| Intangible assets | 54 | 73 |
| Property, plant and equipment | 341 | 328 |
| Financial assets | 25,203 | 27,307 |
| | **25,598** | **27,708** |
| **Operating assets** | | |
| Receivables and other assets | 9,375 | 5,773 |
| Cash on hand and cash at banks | 2,345 | 3,844 |
| | **11,720** | **9,617** |
| Prepaid expenses and deferred charges | 46 | 45 |
| **Total assets** | **37,364** | **37,370** |

### EQUITY AND LIABILITIES

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| **Total equity** | | |
| Capital stock | 1,449 | 1,594 |
| Additional paid-in capital | 1,473 | 2,703 |
| Other retained earnings | 1,494 | 1,494 |
| Unappropriated income | 1,427 | 1,401 |
| | **5,843** | **7,192** |
| **Provisions** | | |
| Accrued pension and similar obligations | 1,107 | 1,093 |
| Other provisions | 240 | 193 |
| | **1,347** | **1,286** |
| **Liabilities** | | |
| Bonds | 6,300 | 6,300 |
| Liabilities to financial institutes | 375 | 347 |
| Liabilities to affiliated companies | 23,019 | 21,780 |
| Other liabilities | 477 | 462 |
| | **30,171** | **28,889** |
| **Deferred income** | **3** | **3** |
| **Total equity and liabilities** | **37,364** | **37,370** |

### STATEMENT OF INCOME

| million € | 2015 / 2016 | 2016 / 2017 |
|---|---|---|
| Net sales | 0 | 441 |
| Cost of sales | 0 | (133) |
| **Gross profit** | **0** | **308** |
| General administrative expenses | (667) | (644) |
| Other operating income | 490 | 155 |
| Other operating expense | (120) | (459) |
| Income from investments | 855 | 973 |
| Net interest | (349) | (235) |
| Write-downs of financial assets and securities classed as operating assets | (41) | (51) |
| Income taxes | (7) | 12 |
| **Earnings after taxes / Net income** | **161** | **59** |
| Profit carried forward | 1,266 | 1,342 |
| **Unappropriated income** | **1,427** | **1,401** |

# Technology and innovations

## Innovation strategy

In our research and development activities we optimize and harmonize fundamental innovation and manufacturing processes, collaborating throughout the Group across sector and technology boundaries. For example we have defined a standardized process for our Product Lifecycle Management (PLM) system with digital support. The PLM system links all information gathered over the lifecycle of a product.

Our cross-Group research and development work is driven by the Corporate Function “Technology, Innovation & Sustainability”, or TIS for short. This function is established in all business areas and the regions. TIS coordinates and formulates joint procedures and secures patent protection for research and development (R&D). At the same time it introduces new topic areas in the Group and provides initial support in addressing them. In this way we utilize the combined strengths of our diversified industrial group. In the reporting year our innovation work focused on the subjects of digitization, smart energy (technologies for the energy transition), sustainable mobility, resource-efficient processes and cross-sector innovation.

The driving force behind our innovations is our global research and development (R&D) network with some 4,500 employees at around 90 sites. We supplement this R&D network by cooperating with external partners such as universities, research institutes and other industrial enterprises. Our innovative capabilities are reflected in the roughly 2,300 industrial property rights we registered in the reporting period. thyssenkrupp's patent portfolio now contains some 19,000 patents and utility models. Spending on R&D came to €816 million in the reporting year, an increase of 5% year-on-year. Adjusted R&D intensity – the share of R&D costs in sales excluding trading and distribution – was 2.7%, in line with our goal of a sustainable adjusted R&D intensity of around 2.5%

Driving force behind our innovations is our global R&D network.

In the 2016 / 2017 fiscal year we capitalized development costs of €33 million, compared with €23 million in 2015 / 2016. The share of capitalized costs in the overall R&D costs – the capitalization ratio – rose to 8% from 5.8% a year ago.

**RESEARCH AND DEVELOPMENT**

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change in % |
|---|---|---|---|
| Research and development costs | 373 | 383 | 3 |
| Amortization of capitalized development costs | 44 | 56 | 28 |
| Order-related development costs | 361 | 377 | 4 |
| **Total expenditure on research and development** | **778** | **816** | **5** |

## Key development areas

### Digitization

www.thyssenkrupp.com > Company > Innovation

thyssenkrupp is meeting the challenges of digitization with a clear strategy. On the one hand we are creating the technical conditions by optimizing and automating our processes. At the same time we are building a powerful global IT infrastructure. We are specifically exploring the opportunities offered by new business models. To this end we have launched pilot projects in all business areas to demonstrate the opportunities offered by digitization and act as a guide. On this basis we are developing a consistent digitization strategy for the Group.

An important step in the digital transformation of our Group in the reporting period was the opening of our TechCenter Additive Manufacturing. "Additive Manufacturing" is another term for 3D printing: This technology permits components to be made directly from CAD files in a seamless process. This dispenses with the need for dies, molds and the like. The parts are built up layer by layer from powdered materials. The digital design determines the production process, not the other way around. Materials Services has developed its own IIoT (Industrial Internet of Things) platform called "toii" to connect all the machinery in the business area. This platform enables machines of different make and age to communicate with each other. As a result we are now in a position to connect band saws and bending machines, mobile equipment (such as cranes and forklifts), complete production lines (such as slitting and cut-to-length lines) and processing solutions including milling machines and laser cutters. This offers numerous advantages: Maintenance requirements can be estimated in advance in the future (predictive maintenance), and processes can be harmonized optimally and flexibly.

In the past fiscal year we established the Advanced Robotics Lab in Liechtenstein: The aim here is to develop control systems that enable robots to respond flexibly to feedback from the process, rather than being limited to just precisely repeating pre-programed processes as in the past. The greater flexibility this offers opens up new possibilities for value creation, for example in insertion and joining processes and also for working directly with humans.

thyssenkrupp is using the advantages of cloud-based technologies among other things to optimize elevator maintenance. MAX is a solution that permits preventive maintenance of elevators. MAX collects data in real time from connected elevators and sends them to a smart cloud, where the remaining lifetime of important components and systems is calculated. This enables us to identify parts in need of maintenance. More than 100,000 elevators have now been connected with the system – based on Microsoft Azure IoT services – resulting in reduced downtimes at more than 41,000 customers.

In the Industrial Data Space we are working with partners from industry and research to develop a secure data space in which companies can exchange information. As a first use case for the Industrial Data Space we have created a new information system for truck logistics at thyssenkrupp Steel Europe. The new platform guarantees data sovereignty for users at all times.

## Smart energy

The aim of our Carbon2Chem project is to convert steel mill gases – including the greenhouse gas $CO_2$ – into base chemicals. The required process energy is to be provided from renewable sources. In the reporting period we completed the shell of a technical center. The technical center will be used to develop results from the lab for use on the industrial scale of a steel mill.

The aim of Carbon2Chem is to convert steel mill gases into base chemicals.

Our water electrolysis process uses electricity to break down water into hydrogen and oxygen. The hydrogen can be stored as an energy source and converted back into electricity when required. The investment costs for our electrolysis technology are 3.5 to 5 times lower than those for competing solutions. The process has an efficiency of up to 80%.

## Sustainable mobility

For use in the motors of electric cars we have developed a new type of electrical steel with a thickness of just 0.35 millimeters. As this low thickness also reduces eddy current losses, the steel enhances the efficiency of electric motors. At the same time our new lightweight steel enclosures for electric car batteries are crash- and corrosion-resistant and offer electromagnetic shielding – at half the price of aluminum solutions.

We have developed a new type of electrical steel for use in electric car motors.

In our newly developed diesel fuel cell conventional diesel is broken down catalytically to create input materials for fuel cells, which are more efficient than diesel engines. The technology is quiet and clean: As no diesel is burnt, other than $CO_2$ there are no other combustion products or particulates. A prototype for surface ships is in use.

### Resource-efficient processes

Our technology portfolio for fertilizer production has been widened to include a new, globally unique manufacturing process in which the byproduct ammonium sulfate is processed into a high-quality granular nitrogen fertilizer with sulfur content. The process offers significant advantages to fertilizer manufacturers: It is more cost-efficient than conventional processes in which granular ammonium sulfate is produced from ammonia and sulfuric acid; in addition the granular product has better yield and mixing properties compared with other crystalline products.

To reduce reliance on petroleum-based plastics we have also developed our own manufacturing process for the bioplastic polylactide. Polylactide is suitable among other things for processing into packaging materials and films. The starting material for our process is lactic acid, which is recovered from natural materials such as sugar, starch or cellulose. We are currently building the first commercial plant based on this patented technology in China.

### Cross-sector innovation

At the E-mobility competence center in Liechtenstein we are currently developing a highly integrated electric drive axle, including the electric motor, transmission and power electronics. The concept also includes a stator with a completely new design compared with conventional parts. The development project brings together our expertise in a wide variety of areas – including electronics, electric motors, rotor shafts, steel materials and the construction of production lines for the automotive industry.

# Environment, climate and energy

thyssenkrupp attaches great importance to the topics of environmental protection, climate change and energy efficiency – from supply chain to internal processes to customers. With our solutions we want to help meet rising demand for goods and services in a resource-efficient way. Environmental protection is therefore a core element of thyssenkrupp's sustainability efforts and thus its corporate strategy.

thyssenkrupp's global environmental and energy management system is based on the Group's environment and energy policy and a corresponding Group Regulation. In addition standards and three Indirect Financial Targets (IFTs) have been defined for the areas of energy efficiency, energy management and environmental management. Implementation of these targets is supported by internal committees and auditor training; exchanges of experience at different levels and conferences also help towards this aim.

### Environmental protection in our own processes

Our binding aim for environmental protection is for all Group companies with environmentally relevant activities as defined within the Group to have implemented an ISO 14001 environmental management system by fiscal year 2019 / 2020. This standard contains requirements on environmental management systems related to continuous improvements in environmental performance, the meeting of legal and other obligations, and the formulation of concrete environmental goals at the individual sites. It covers all relevant environmental aspects from water and waste to the environmental performance of the products. As at September 30, 2017 this environmental management IFT relates to almost 70 companies, of which around 85% already comply with the standard. Related to the overall workforce that means almost 60% of environmental management activities at thyssenkrupp are handled in accordance with ISO 14001.

### Continuous improvements in energy efficiency

Energy efficiency makes good business sense for thyssenkrupp.

With annual energy consumption of the continuing operations of more than 70 terawatt hours (TWh), energy efficiency makes good business sense for thyssenkrupp. To achieve continuous improvements in energy efficiency, we launched the Groupwide Energy Efficiency Program (GEEP) in fiscal 2013 / 2014; in the reporting year the program was adjusted to the new Group structure.

The original goal of the program was to improve efficiency by 3.5 TWh by 2020. Efficiency gains of 2.75 TWh had already been achieved by September 30, 2016. Due to the structural changes resulting from the sale of the Brazilian steel mill CSA with retroactive effect at September 30, 2016 and the planned joint venture with Tata Steel Europe, the program and the corresponding IFT have been switched to annual targets. For the reporting year the target was efficiency gains of 125 GWh. At 330 GWh, this target was clearly exceeded. The measures included improved utilization of waste heat, reduction of standby times and replacement of plant components. Translated mathematically into emissions the efficiency gains achieved enable us to avoid more than 100,000 tons of greenhouse gas emissions. The target for the current fiscal year 2017 / 2018 is further efficiency gains of around 150 GWh.

Moreover, all relevant activities as defined by the Group are required to install an ISO 50001 energy management system by 2019 / 2020. Energy management systems under this standard require that concrete energy targets are set for each site, energy flows measured, and organizational and technical processes defined. As at September 30, 2017 this IFT for energy management relates to almost 60 companies, of which around 66% comply with the standard. As a result, more than 90% of energy management activities at thyssenkrupp in terms of energy consumption are covered by ISO 50001.

### Climate protection in production and products

The goals of the Paris Climate Agreement provide both opportunities and risks for thyssenkrupp. The member countries aim to limit the increase in global average temperature to below two degrees and achieve net greenhouse gas neutrality in the second half of the century. To meet these goals thyssenkrupp intends to apply its engineering expertise to two main approaches: enhanced efficiency and innovative solutions for our own processes and our customers.

Steel production in particular at thyssenkrupp involves greenhouse gas-intensive processes. Emissions of the continuing operations amount to more than 20 million tons per year (Scope 1+2 emissions as per Greenhouse Gas Protocol). thyssenkrupp aims to reduce these emissions through continuous energy efficiency improvements, but also through long-term disruptive innovations such as Carbon2Chem, a cross-industry project to transform steel mill gases into base chemicals. Innovative products are another major lever for thyssenkrupp. Analysis and modeling of our portfolio revealed that more than 90% of thyssenkrupp's overall footprint as per the Greenhouse Gas Protocol (combined Scope 1, 2, 3 emissions) arises in connection with the use phase of the products, for example from the operation by our customers of cement plants built by us. This presents business opportunities for thyssenkrupp, which we aim to address in particular in our innovation strategy and through an innovative product portfolio (see section "Technology and Innovations"). thyssenkrupp's good position in climate protection is also recognized by its CDP rating (formerly Carbon Disclosure Project), with thyssenkrupp awarded the highest grade A for the second year in a row and placed on CDP's global "A list", which includes around 100 companies worldwide and only three DAX enterprises.

CDP has placed thyssenkrupp on its global "A List" of the top 5% climate-friendly companies.

Further information on environment, climate and energy can be found in the "Opportunity and risk report" and on our website.

www.thyssenkrupp.com > Company > Sustainability > Environment > Environmental protection

# Purchasing

As a diversified industrial group we purchase a wide variety of products, product groups and services. Our goal is not just to achieve an optimized price/quality ratio for the goods and services we buy; we also design our own products from the outset to allow necessary components to be procured as cost-efficiently as possible.

Almost half our purchasing volume is for commodities such as raw materials or materials for our distribution businesses. The other half is used for technological products and services.

### Materials expense

Materials expense includes the Group's total spending on products and services. Related to the continuing operations it increased by 10% year-on-year to €25 billion. Materials expense as a percentage of sales of the continuing operations was unchanged at 60% (prior year: 60%). Depending on business model, the percentages of the business areas ranged between 35% at Elevator Technology and 81% at Materials Services. The following table shows the materials expense for each business area:

60%

Materials expense as a percentage of sales was unchanged at 60%.

## MATERIALS EXPENSE BY BUSINESS AREA

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Change in % |
|---|---|---|---|
| Components Technology | 4,186 | 4,751 | 14 |
| Elevator Technology | 2,682 | 2,656 | (1) |
| Industrial Solutions | 3,341 | 3,142 | (6) |
| Materials Services | 9,750 | 11,135 | 14 |
| Steel Europe | 4,403 | 5,291 | 20 |
| Corporate/ consolidation | (1,628) | (1,926) | (18) |
| **Total materials expense of the continuing operations** | **22,734** | **25,049** | **10** |
| Steel Americas | 990 | 1,223 | 24 |
| Consolidation | (226) | (324) | (43) |
| **Total materials expense** | **23,498** | **25,949** | **10** |

Our global purchasing organization once again secured the supply of materials to thyssenkrupp's plants in the reporting year. More information is provided in the "Opportunity and risk report" under "Procurement risks".

### Corporate initiative "synergize+"

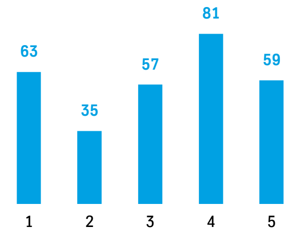
With a consistent purchasing organization across all businesses, functions and regions, we are able to manage our global purchasing volumes strategically throughout the Group.

As in prior years "synergize+", the corporate initiative to reduce materials costs, was responsible for around half the total EBIT effects generated under the corporate program "impact" in the 2016 / 2017 fiscal year. We expect contributions of a similar magnitude in the coming years.

A key component of "synergize+" is strategic cluster management, which pools the Group's purchasing volumes across businesses, regions and functions. The commercial and technical levers used for this, such as complex negotiation strategies and product standardization and optimization, are supplemented by in-depth procurement market analyses to provide supply market intelligence, a further development of purchasing market research. The first step is to determine the need for specific analyses in the respective material or service fields using a standardized procedure. Detailed reports are then drawn up, e.g. on suppliers or on general product cost structures relating to various geographic regions or regional procurement markets. In turn, these reports are analyzed in detail by the Group's expert teams and corresponding measures developed.

Digitization will also be an important issue in purchasing in the future. Among other things we have entered into a development partnership with SAP Ariba with the aim of mapping our purchasing processes digitally as far as possible. In the past fiscal year we started work on the purchase-to-pay process, which sets out the workflow from order to billing. For this we use a more strongly integrated online purchasing platform throughout the Group with a wide range of possibilities for online tendering, auctions and the use of catalogues. We are also intensifying the use of electronic document exchange with our suppliers. In addition we are introducing a global contract management system to allow contracts to be managed centrally. The modules described are available as cloud solutions; in the medium term we plan to integrate them fully into the local ERP systems of our Group companies. Initial pilot projects have already been implemented. All planned modules and functions will be rolled out gradually throughout the Group in the next few years.

**Materials Expense of the business areas**
as % of sales 2016 / 2017




| | | |
|---|---|---|
| 1 | Components Technology | 63 % |
| 2 | Elevator Technology | 35 % |
| 3 | Industrial Solutions | 57 % |
| 4 | Materials Services | 81 % |
| 5 | Steel Europe | 59 % |

We expect these activities allied with the combined strength of the Group will result in a high level of synergies.

www.thyssenkrupp.com > Company > Procurement

### Sustainability in supplier management

We will only work with suppliers who have signed our Supplier Code of Conduct or an equivalent alternative. We expect all our suppliers to comply with the principles set out in this code, which mainly relate to human rights, fair working conditions, environmental protection, combating corruption, and transparency into the origin of conflict minerals. Based on defined risk criteria we conduct sustainability audits with at least 100 suppliers each year to check they comply with the aforementioned principles and consistently meet the requirements; this process is part of strategic supplier management at thyssenkrupp. In the reporting year we audited more than 150 suppliers. Where necessary improvement measures are agreed during the sustainability audits and then followed up. In this way we promote supplier development and reduce our risks.

# Employees

### Employees in figures

On September 30, 2017 thyssenkrupp employed 158,739 people worldwide based on its continuing operations, 6,099 (4.0%) more than a year earlier.

At Components Technology thyssenkrupp registered an increase of 2,153 employees, mainly reflecting the growth in our automotive components business in China, Mexico and Eastern Europe. The number of employees at Elevator Technology rose by 1,234: In the USA, Brazil and India this is due to organic growth in the service business. Industrial Solutions increased its workforce by 2,175. This is mainly attributable to the full consolidation of Atlas Elektronik and was partly offset among other things by decreases in plant engineering. The headcount in our materials businesses Materials Services and Steel Europe remained virtually unchanged. At Corporate the number of employees was up by 343 altogether as a result of the buildout of Global Shared Services and the ramp-up of thyssenkrupp Carbon Components in Dresden.

## EMPLOYEES BY BUSINESS AREA

| | Sept. 30, 2016 | Sept. 30, 2017 | Change in % |
|---|---|---|---|
| Components Technology | 30,751 | 32,904 | 7 |
| Elevator Technology | 51,426 | 52,660 | 2 |
| Industrial Solutions | 19,602 | 21,777 | 11 |
| Materials Services | 19,754 | 19,861 | 1 |
| Steel Europe | 27,559 | 27,646 | 0 |
| Corporate | 3,548 | 3,891 | 10 |
| **Employees of the continuing operations** | **152,640** | **158,739** | **4** |
| Steel Americas | 3,847 | 0 | — |
| **Total employees** | **156,487** | **158,739** | **1** |

### HR strategy

Our HR work is successful when we are able to attract people with the right skills to thyssenkrupp so that we can find the right place for them in the Group, support their further development, and offer them attractive prospects. In this way we make a valuable contribution to the progress of our locations and the Strategic Way Forward of the Group as a whole.

www.thyssenkrupp.com > Career > Career worldwide

In the “HR Transformation” initiative we are optimizing the structure and working methods of our Groupwide HR function to ensure we continue to meet the growing challenges of modern HR work to a high standard and efficiently in the future. In the past fiscal year we made significant progress with the development and implementation of our new HR model. The aim is to step up the integration of HR expertise available in the Group and optimize collaboration between the various units responsible for HR tasks. More than 400 HR employees from the various businesses and regions working in groups defined and adopted standardized organizational structures and target processes as well as integrated IT solutions for HR activities throughout the Group. The new model has been in place in sourcing and recruiting in the three countries with the biggest thyssenkrupp locations – Germany, China, and the USA – since October 1, 2017, and is now to be rolled out in the rest of the Group.

In addition, standardized and integrated personnel administration processes based on a shared HR IT solution were introduced in nine countries with altogether more than 16,000 employees. In the 2017 / 2018 fiscal year this is to be rolled out to a planned further 20 countries.

### Global and agile: We promote talent

The aim of our talent management program is to create attractive future prospects for our employees while at the same time meeting thyssenkrupp’s personnel requirements as fully as possible. Key to this are firmly embedded assessment and development processes as well as specific talent pools and programs for the individual hierarchy levels to promote the individual careers of our employees.

The aim of our talent management is to create attractive future prospects for our employees while at the same time meeting personnel requirements as fully as possible.

## ADDITIONAL HR INDICATORS

Prior-year figures in brackets

**€9,599 million**
(€8,846 million)
Personnel expense

**15.3 %**
(15.2 %)
Share of women in the workforce

**11.6 %**
(11.0 %)
Share of women in management positions

**143**
(140)
Nationalities in the Group

**5.1 %**
(5.1 %)
Share of apprentices in the workforce in Germany

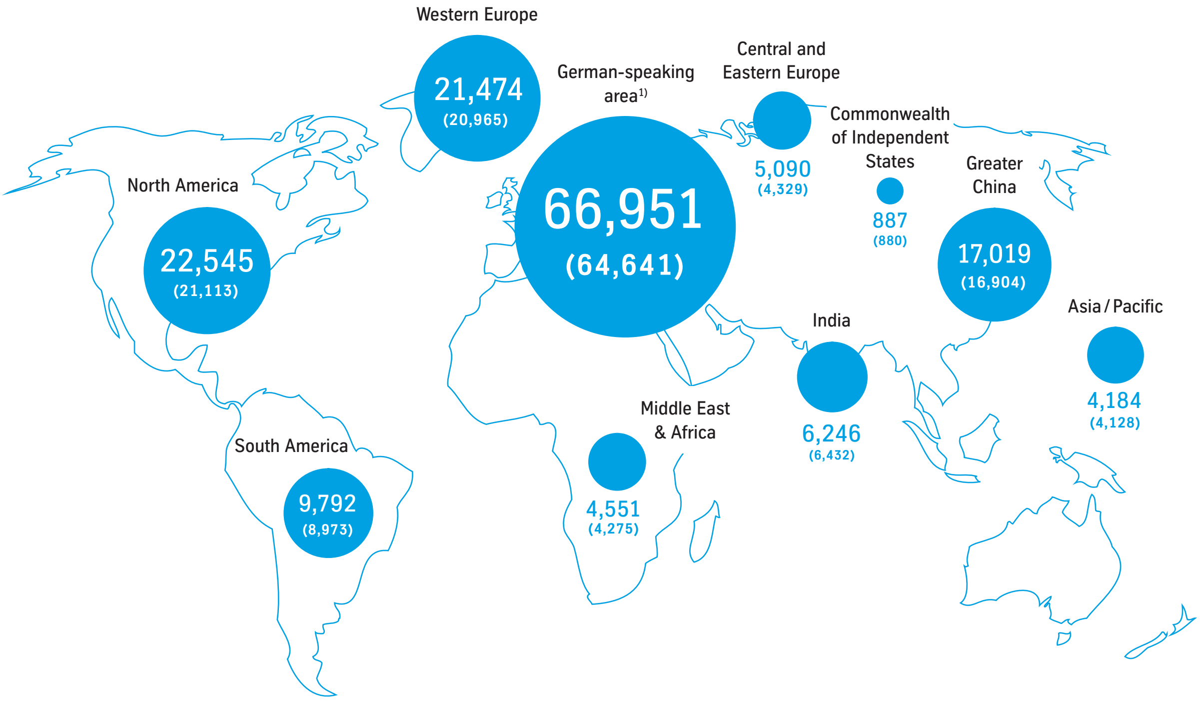
**3.3 %**
(3.1 %)
Sickness absence rate

**3.1**
(3.8)
Accidents (per 1 million hours worked)

**~ 40**
Languages in the Group

## EMPLOYEES BY REGION (SEPT. 30)

Prior-year figures in brackets




1) Germany, Austria, Switzerland, Liechtenstein

For some years we have used a standard system worldwide to identify candidates with the potential for management positions. With the “tk Talents” initiative we are rolling out this successful model to further employee levels in all business units up to 2020. In the past fiscal year we admitted some 22,300 employees to the system. The use of feedback apps and other online tools additionally promotes a modern and efficient system of talent development at thyssenkrupp.

From June 2017 the Job Swap program was opened to all the Group’s employees: It offers people the opportunity to exchange places for an agreed time with a colleague from a different part of the company. With this we are injecting impetus into the development of our employees and strengthening Groupwide collaboration. Employees can search for a thyssenkrupp job swap partner using a fully automated matching platform.

To advance the growth of digital capabilities in the Group, thyssenkrupp added an “IT & Digitization” stream to its Group trainee program in 2017. Over a period of 18 months participants undergo training in cross-Group digitization-based business activities to become experts for digital solutions at thyssenkrupp.

thyssenkrupp is addressing the sociopolitical debate on women in leadership positions. We have almost reached a share of 15%. That is the target we set ourselves for 2020 and corresponds to the proportion of female employees in the company. In the reporting year we increased the share of female leaders in our continuing operations to 11.6% (prior year 11.0%). Further information on the implementation of the law on the equal participation of women and men in leadership positions in the private and public sector can be found in the corporate governance statement. In connection with our LGBTI network (lesbian, gay, bisexual, transgender, intersex), thyssenkrupp took part in the Christopher Street Day parade in Cologne for the first time in July 2017.

### Innovative and dynamic: We enable top performance

The thyssenkrupp Academy enables employees and managers to train at the very highest level. To the growing portfolio of well over 100 programs worldwide we are increasingly adding digital training courses and transformation programs – to further boost the dynamic change process in the Group.

thyssenkrupp Garage won Capital magazine’s German Digital Lab Award, coming out top in the categories innovation, methodology, and integration.

Good progress has been made in Regional Learning with our lighthouse project “HR Transformation” – designed to establish standardized programs for leaders below top management level throughout the Group: In 2017 the first two programs in this series were passed onto the regions for implementation worldwide.

The “thyssenkrupp Garage” was initiated for the development of innovative products and services. In the reporting year eight thyssenkrupp startups were set up by 45 employees with the support of 50 top managers.

High levels of performance would be unthinkable without well trained employees. In the past fiscal year 987 apprentices started their careers at thyssenkrupp in Germany. At 5.1% the apprentice training rate is at the good level of the prior year. Altogether thyssenkrupp is training more than 3,190 apprentices.

### Safe and dependable: We are a responsible employer

We regard occupational safety and health as crucial pillars for a dependable employer. That is why we promote a corporate culture that puts people first. With targeted campaigns and a management team that is aware of its responsibility and works on the basis of corresponding KPIs, we again made very good progress in the area of occupational safety and health in the 2016 / 2017 fiscal year. For example, we once again took part in the "UN World Day for Safety and Health at Work" on April 28, 2017. With the motto "Thank you for staying safe" we explicitly included family members and friends in our activities around the world for the first time. With great success: Numerous video postings and a huge response on social media reflect the high level of interest and commitment shown by everyone involved. As an additional incentive for our operations, the "we care Award" for outstanding achievements in health management was presented to thyssenkrupp companies in Brazil, Mexico and Germany.

A look at the accident statistics for the continuing operations shows that the number of accidents per 1 million hours worked fell by 18% to 3.1. Our aim is to reduce accident frequency by at least 10% a year up to 2020.

A corporate culture characterized by openness, honesty, and mutual respect is very important to thyssenkrupp. Working on this is part of our Strategic Way Forward. For this reason in September 2016 we invited employees around the world to give us feedback on a total of 15 topic areas in a second employee survey. Once again the participation rate was encouragingly high at 78% - evidence that we are making good progress with our culture change. Further evidence was that in eleven of the 14 categories our employees scored us higher than in 2014, while in the other three there was no change. Particularly the results for the central action areas "Company Management" and "Trust" showed a significant improvement on the first survey. This was the result of the systematic analysis of the feedback from the 2014 survey, on the basis of which improvements were developed by teams and managers working together. And we continue this work intensively even now, a year after the second survey: In over 5,000 workshops the team reports have been discussed, and thousands of improvement measures are currently being implemented at local level. The next employee survey is planned for 2019.

In the second Groupwide employee survey, more than 78% of employees provided feedback on the Group's strengths and weaknesses.

In September 2015 the management and Group works council of thyssenkrupp agreed to create 230 additional internships and 150 additional apprenticeship places for refugees over a period of two years. We continuously implemented this program, known as "we.help", part of our contribution to Germany's nationwide "Wir zusammen" initiative. To date we have provided a total of 110 apprenticeship places and 332 internships plus 44 introductory training places for refugees.

thyssenkrupp has provided 332 internships and 110 apprenticeship places for refugees over the past two years.

For us, consistently creating and maintaining fair working conditions is part of our responsibility. With our International Framework Agreement (IFA) thyssenkrupp is explicitly committed to complying with minimum labor standards based among other things on the Core Labor Standards of the International Labor Organization (ILO). The IFA was signed on March 16, 2015 by thyssenkrupp AG, the Group Works Council, the metalworkers union IG Metall, and the global union federation “IndustriALL Global Union”. Possible violations can be reported anonymously online. The system has already been accessed over 4,800 times, 24 reports of possible violations have been received, eleven of which had been addressed in full by the end of the fiscal year.

### Flexible and individual: We progress HR work

In the 2016 / 2017 fiscal year we made further progress on modernizing and standardizing HR work. Company pension benefits are a good example. Among other things we widened the group of participants eligible for the so-called flexplan – the new pension plan introduced as of January 1, 2017 for professionals and managers in Germany. Instead of offering it only to new employees, we are now giving professionals and managers in our current workforce the option to switch to the flexplan from their current pension plans.

The flexplan won top prize in the “large companies” category of the 2017 German company pension plan awards. Unique to the plan is its digital approach comprising interactive online portal and mobile app.

In the flexplan, employer- and employee-funded contributions are invested in funds so that the employees share in the performance of the capital market, while at the same time 1% minimum interest is guaranteed. Alongside a retirement pension, the flexplan also provides disability and survivors’ benefits. An online platform allows employees to track – and even change – the status of their company pension benefits at any time. With the help of simulations they can decide the amount they wish to contribute to the flexplan each month via salary conversions. And when the pension becomes payable they can choose whether they receive their benefits as a lump sum, in monthly installments over a maximum of ten years, or a combination of the two. This highly advanced solution has already received good reviews in the trade press and won the 2016 company pension plan award in Germany; particular mention was made of the overall digital concept consisting of online portal, explanatory video, pension shortfall calculator, and mobile app, with which we have created a “hands-on” company pension scheme. In addition the flexplan’s digital functions facilitate more efficient pension plan administration.

Beyond Germany, too, thyssenkrupp progressed its existing benefits systems so as to optimize the rewards and risks connected with pension rights. For example in the past fiscal year a compensation offer for certain pension obligations was made to employees in the USA to shorten the duration of the payment liabilities. These change processes are supported by the “Global Pension Policy” (GPP) introduced in 2015, which specifies the content and handling of the respective governance processes.

# Compliance

thyssenkrupp has a broad understanding of compliance: Observance of the law and internal regulations is a must for us, and part of our corporate culture. Compliance creates the framework for our business actions and serves to safeguard our long-term business success. In the 2016 / 2017 fiscal year, compliance work remained focused on the continuing implementation of our Compliance 2020 strategy.

compliance

## Compliance firmly embedded in our corporate culture

Our compliance strategy is aimed at creating a fully embedded integrity and compliance culture. In concrete terms our goal is to instill thyssenkrupp with a value culture in which reliability, honesty, credibility and integrity are the cornerstones of our actions. This value culture must be jointly supported and lived by all employees. For this to succeed, an open communications culture is needed.

www.thyssenkrupp.com > Company > Compliance

These principles apply above all to our managers, who play a particularly important role as compliance ambassadors: Managers are role models – not just for our employees but also for our suppliers, customers and other stakeholders. They generate awareness that our value culture is important and right. The clear expectation on all managers is that they live up to this role at all times. Because to us compliance is more than just abiding by the law. Compliance is a question of mindset. This includes our clear commitment that thyssenkrupp stands for fair and straight business. We would rather sacrifice a contract than win it by breaking the law.

However, at the same time we want to support entrepreneurial risk-taking within a clearly defined framework. Part of this means being willing to take calculable entrepreneurial risks, to make and accept mistakes. In a healthy corporate and management culture, performance and values are not mutually exclusive. However, violations of the law or internal rules are neither legally acceptable nor compatible with our understanding of compliance. The following rules therefore apply unequivocally:

- We investigate all reports of legal violations and clear up the facts.
- Employees who report possible legal violations in good faith enjoy special protection from unfair treatment.
- Any violations identified are stopped immediately.
- Any violations identified are systematically and appropriately sanctioned as necessary, regardless of the name and function of the person involved.

A case in the reporting period demonstrates that we mean what we say: In November 2016 we became aware that the CEO of Industrial Solutions had accepted a gold present for his wife from a Pakistani business partner, an action not in accord with thyssenkrupp values. The logical consequence was his resignation within a week, regardless of any legal questions.

## Compliance 2020 strategy

Developed in fiscal 2013 / 2014, our "Strategy 2020" is mainly aimed at systematically embedding compliance within the Group. This is to be achieved through numerous measures, such as the further development of our global training programs, the embedding of compliance in our business processes, and targeted communications.

The Compliance function also performs the role of advisor, coordinator and consolidator in other topic areas such as occupational safety and environmental protection to ensure uniform reporting to the Executive Board. Substantive compliance responsibility in these areas remains with the competent corporate functions and business areas. This ensures that compliance is understood in accordance with the thyssenkrupp mission statement, an intensive exchange of knowledge takes place between the Compliance function and those responsible for content, and increased synergies are created particularly in the organization and also in processes and methods.

## Our compliance program at thyssenkrupp

Our compliance program is mainly focused on the areas of antitrust law and corruption prevention, and also includes money laundering prevention and data protection.

Antitrust law and corruption prevention are the focus of compliance work at thyssenkrupp.

The program comprises the three elements "inform & advise", "identify", and "report & act". It is closely interlinked with risk management and with our internal control system. In this way we ensure that compliance is an integral component of every single business process. Our compliance program was consistently implemented in the reporting year.

- "Inform & advise": In the past fiscal year our compliance officers trained and advised employees around the world on applicable statutory requirements, internal Groupwide policies, and also looked at concrete individual cases. As in previous years the Compliance function supported important business transactions, e.g. in connection with major projects and M & A projects or the engagement of intermediaries. In the reporting year over 5,100 employees worldwide attended classroom courses, mainly on antitrust law and corruption prevention. In the 4th cycle of the e-learning program on corruption prevention and antitrust law, launched in November 2015, a total of more than 102,000 courses, net of disposals, were completed by the end of the fiscal year.

- "Identify": In the reporting year our compliance officers once again conducted proactive and event-driven audits and investigations. The aim of these is to regularly examine critical business operations based on a risk-oriented, structured audit process. Key elements in the identification of compliance risks are our internal whistleblower system and the ombudsman. Alongside the options of directly contacting a supervisor or the compliance department, these provide employees with additional channels for reporting possible infringements of laws or policies without revealing their identity.

- "Report & act": As well as our regular reports to the Supervisory Board and Audit Committee, our intensive compliance reporting covers all levels of our organizational matrix: Executive Board of thyssenkrupp AG, business area boards, Group company managements, and regional officers and project managers with market responsibility. In the event of proven infringements, our "zero tolerance" policy applies: Sanctions are systematically imposed on the employees concerned.

## Compliance organization

Our Compliance function has the important job of strategic business partner, advising on relevant strategic decisions from an early stage. This requires a needs-based compliance organization and a comprehensive compliance program with clearly allocated roles and responsibilities, effective, efficient and appropriately staffed program management, and in particular structures and tasks based on the requirements of the Group.

thyssenkrupp employs more than 75 full-time compliance employees worldwide. They are supported by a network of around 350 compliance managers. These are generally top executives of the individual Group companies who ensure the compliance program is implemented at operating level in their area of responsibility. Together they play a key role in permanently embedding compliance in the Group and are available to employees seeking advice.

**75**

thyssenkrupp has more than 75 full-time compliance employees.

## Selected official investigations

The Israeli state attorney is carrying out investigations in connection with naval projects of thyssenkrupp Marine Systems, also into its local sales agent. According to current knowledge there are no investigations into thyssenkrupp companies or employees. We have launched an in-house investigation. We have passed on the results of the preliminary investigation report to the authorities and will continue to cooperate with the authorities. Further measures will be taken as necessary.

thyssenkrupp Steel Europe AG, alongside other steel companies and associations, is the subject of ongoing investigations by the Federal Cartel Office into alleged cartel agreements relating to the product groups heavy plate and flat carbon steel. A further investigation relating to special steel was dropped against thyssenkrupp Steel Europe AG in October 2017. The investigations still ongoing concern the alleged fixing of surcharges and premiums on steel prices. thyssenkrupp takes this matter very seriously and immediately launched its own internal investigation with external support. Based on the facts currently known to us, we cannot exclude substantial adverse consequences with regard to the Group’s asset, financial and earnings situation.

**350**

Around 350 compliance managers promote compliance at work and act as our mouthpiece in the business units around the world.

# Subsequent events

No reportable events occurred between the end of the reporting year (September 30, 2017) and the date of authorization for issuance (November 14, 2017).

# Forecast, opportunity and risk report

## 2017 / 2018 forecast

The following forecast relates to the full Group in its current structure (including the fully consolidated Steel Europe business area, i.e. without effects from the potential contribution of the European steel operations to a joint venture with Tata Steel); no longer included are the operations of the former Steel Americas business area which have now been sold.

### Overall assessment by the Executive Board

Overall we expect that further progress on our Strategic Way Forward will be reflected in our key performance indicators in the 2017 / 2018 fiscal year. However, it must be kept in mind that the economic climate is marked by great uncertainty and as a result sales and earnings in large parts of our materials and components businesses may be subject to short-term fluctuations. Uncertainties arise from geopolitical flashpoints and also the global economic situation and concern

- the future economic policy of the USA, which carries both opportunities and risks
- the performance of the Chinese economy as a key factor for global growth and as an important sales market
- a possible change of monetary policy
- the impacts of the exit negotiations following the Brexit referendum on economic growth in Europe, on exports and on future investment – above all in the UK itself but also in the other countries of the EU
- the volatility and level of raw material prices as an important cost factor in our materials businesses and as a key factor for our plant engineering customers in the award of major projects
- the overcapacities in the global steel industry, the corresponding competitive and import pressure on the European market, and the effectiveness of current and possible follow-up trade measures.

Nevertheless on the whole we take an optimistic view of developments in the 2017 / 2018 fiscal year and expect a significant improvement in earnings, value added and free cash flow before M & A.

Alongside growth initiatives in the capital goods businesses, a key driver for meeting our targets in the 2017 / 2018 fiscal year will be our efficiency measures: For the Group – now, unlike last year, without Steel Americas – we aim to achieve EBIT effects of €750 million under our "impact" program, which will counter the risks and market effects described above and further strengthen our competitiveness.

**€750 million**

We aim to achieve EBIT effects of €750 million under "impact".

## Key assumptions

The expected improvement in our key performance indicators is predicated on the assumption that impacts from possible changes to the economic conditions described will remain manageable and there will be no significant translation effects from changes in exchange rates. For next year we assume continued moderate growth in the euro zone, slightly slower growth in China, and an overall improvement in the economies of most emerging countries. For the USA we also expect a further moderate increase in economic momentum.

Despite high uncertainties, a very mixed regional picture, and generally slowing momentum, global automotive output should increase again moderately. In China further moderate growth in output is forecast for 2018. After a weak 2017, production in the NAFTA region will probably also expand moderately. Despite a slight decline in Germany, in Western Europe as a whole production is expected to increase moderately. After a clear recovery in Brazil in 2017, further growth is expected for the current fiscal year, albeit from a continued low baseline. In India we see continued strong growth in auto output.

The high order backlog with good earnings quality and the high volume of service contracts at Elevator Technology already ensure that planned sales are secured well into the new fiscal year. Particularly in Europe we will continue our restructuring measures and optimize our service and production processes.

At Industrial Solutions the turnaround achieved in order intake and our good order backlog point to a clear increase in sales. At the same time with the systematic implementation of our "planets" transformation program we are actively pursuing our restructuring measures and will be implementing further growth and cost-reduction measures. Among other things we will expand our service network in the growth regions and allocate capacities across the business area accordingly. At the same time we also aim to sustainably improve capacity utilization overall and in particular in our heavily underutilized chemical plant construction business.

We expect only a slight rise in global demand for steel again in the coming year, with moderate low single-digit percentage growth in both Europe and the USA. While the Chinese market will likely stagnate, we expect accelerated market growth in the other emerging countries such as India, Brazil, the ASEAN nations and Turkey. Import pressure on the European steel market is expected to remain high. We assume there will be no lasting dislocations on the raw materials markets, with continued stable high prices, and intense competition.

More information on expected future economic developments can be found in the section "Macro and sector environment" in the report on the economic position.

## 2017 / 2018 forecast: Further increase in earnings and value added with FCF before M & A again positive

Driven mainly by our capital goods businesses, the **Group's sales** are expected to grow at a low to medium single-digit percentage rate (prior year, continuing operations: €41.4 billion).

With growth and improvements in our capital goods businesses, and depending on the continuance of the favorable materials market environment and possible translation risks, we aim to significantly increase the **Group's adjusted EBIT** to between €1.8 billion and €2 billion (prior year, continuing operations: €1,722 million). To support this forecast we will systematically implement our transformation process and the associated planned EBIT effects under "impact" of €750 million.

- Capital goods businesses
  - At Components Technology we expect a further improvement in adjusted EBIT (prior year: €377 million) from a mid to high single-digit percentage increase in sales and a further improvement in margin (prior year: 5.0%) also as a result of further progress with the ramp-up of the new plants and efficiency programs.
  - At Elevator Technology we expect an improvement in adjusted EBIT (prior year: €922 million) from continued sales growth in the low to mid single-digit percentage range and an increase in adjusted EBIT margin by 0.5 to 0.7 percentage points from restructuring and efficiency measures (prior year: 12.0%).
  - At Industrial Solutions we expect continued good order intake and a significant increase in sales in the almost double-digit percentage range as a result of higher order intake in the prior year. With the support of extensive transformation and restructuring measures under "planets" we expect a clear improvement in adjusted EBIT (prior year: €111 million). Margin will improve year-on-year overall but remain noticeably below the target range.

- Materials businesses
  - At Materials Services, in a stable market environment, we forecast a slight decline in adjusted EBIT (prior year: €312 million). Restructuring and efficiency measures and the continued implementation of the business plan at AST will largely offset the expected absence of windfall gains.
  - At Steel Europe, subject to limited visibility, we expect adjusted EBIT at the prior-year level (prior year: €547 million); assuming prices on the materials markets remain stable at a high level throughout the fiscal year we forecast a year-on-year increase in adjusted EBIT, albeit with continued high import pressure and extremely volatile raw materials prices.

Our goal is to further strengthen equity with clearly positive **net income**; for fiscal 2017 / 2018, with restructuring expenses decreasing, we expect a significant year-on-year improvement (prior year net income, continuing operations: €271 million).

Our goal is to achieve a clear increase in net income.

The Group's **tkVA** is therefore also expected to show a clear improvement (prior year: €(651) million).

**Capital spending** in the Group before M&A is expected to come to around €1.5 billion in the current fiscal year (prior year capital spending, continuing operations: €1,535 million).

As a result of the further improvement in earnings and expected decline in net working capital, though with the implementation of restructuring measures continuing, we expect a clear improvement in the Group's **FCF before M&A** with a return to positive figures (prior year, continuing operations: €(855) million).

We will take into account the development of our key performance indicators and progress with the implementation of the Strategic Way Forward – also keeping in mind economic justifiability – in our **dividend proposal** to the Annual General Meeting.

# Opportunity and risk report

## Opportunities

thyssenkrupp defines opportunities as events or developments that enable us to exceed the Group's forecasts and targets. Opportunity management encompasses all measures required for the systematic and transparent management of opportunities. As it is integrated with the strategy, planning and reporting processes, opportunity management is an important element of the strategic and value-based management of the Group.

### Overall assessment by the Executive Board: thyssenkrupp with opportunities as a diversified industrial group

For thyssenkrupp as a diversified industrial group, considerable opportunities arise from our increasing focus on high-earning capital goods and service businesses, which are less volatile and capital-intensive than our materials businesses. Advantages on the global markets are arising for us and our customers as we concentrate on growth regions and sectors where we make targeted use of our engineering expertise in the areas Mechanical, Plant and Materials.

Opportunities are created by the targeted use of our engineering expertise.

Significant opportunities also arise after earlier implementation of planned "impact" measures and from profitable growth in the business areas. At the same time major opportunities are opening up as a result of cross-cutting initiatives and the consistent and systematic exploitation of the Group's economies of scope.

### Opportunity management process

In the Strategic Dialogue, a structured and standardized annual Groupwide process, all business areas identify opportunities arising from relevant market and technology trends and discuss corresponding strategies. Close integration of opportunity management with the Strategic Dialogue means that opportunity management is based on a strategic medium- to long-term approach in some cases going far beyond the forecast period.

Opportunities are mainly of a strategic nature due to close integration of opportunity management with the Strategic Dialogue.

Following on from the Strategic Dialogue, all business areas record opportunities and risks in operational plans and monthly reports to facilitate assessment of the current earnings and liquidity situation of the individual businesses. The graphic "Opportunity and risk reporting at thyssenkrupp" in the "Risks" section of this report shows how these elements are integrated in the standard reporting system.

The management of our opportunities is a task shared by all the Group's decision makers – from the Executive Board of thyssenkrupp AG to the business area management boards and managements of the Group companies through to regional officers and project leaders with market responsibility. Roles and responsibilities within the thyssenkrupp matrix organization are clearly defined and demarcated. This structured involvement of numerous experts in decision-making processes in the Group ensures that opportunities are reliably identified and systematically exploited.

### Strategic opportunities for the Group

Our employees are the basis of our success. In a volatile environment we continuously evolve our company in order to meet the global challenges of the future with competitive solutions.

Opportunities created through economies of scope.

As a Group we see opportunities particularly in economies of scope created by the interplay between the business areas, the regions, and the corporate functions. For example we take an integrated approach to research and development by pooling our expertise in Groupwide projects and partnerships with selected research facilities and our customers. Major opportunities lie in developing new products on the basis of a precise understanding of our customers' needs so as to create real added value with an attractive cost-benefit ratio for ourselves and our partners.

thyssenkrupp stands for efficient processes and production methods with high product quality. Many of our plants set global standards in terms of resource efficiency and environmental protection. Advancing digitization means that previously separate value chains are increasingly converging because new products, services and business models can be developed best within a mix of different capabilities. thyssenkrupp with its diverse technologies has a structural advantage here. Detailed information on current cross-cutting innovations is presented in the section "Technology and innovations".

We also see opportunities in the systematic and focused continuation of the corporate programs launched in previous years. We continue to work on maximizing the efficiency of purchasing and harmonizing our business processes and our IT infrastructure. Our corporate program "impact" remains the framework of our Strategic Way Forward and plays a major role – together with business and theme-specific programs – in increasing the efficiency of the Group and reducing costs across all business areas and corporate functions.

In our development projects we are also always guided by the Group's financial scope. Unfavorable economic conditions may result in delays or compromises in implementing existing opportunities. More on this and on other risks can be found in the "Risks" section. Details of our corporate strategy and possible opportunities in the planned joint venture of our steel business with Tata Steel are contained in the section "Fundamental information about the Group".

## Operational opportunities of the business areas

All business areas have operational opportunities in their specific business models and markets.

**Components Technology –** A key factor for the Components Technology business area's future business performance is the development of personal mobility and freight transportation. Demand is growing in both sectors, creating growth opportunities worldwide for us as an engineering partner and component and module supplier to the auto industry. This applies particularly to the emerging markets in Asia and the Americas, where we have positioned ourselves well with new production sites. Our products can support the global trend towards an efficient and environmentally friendly kind of mobility that also meets challenging political targets to reduce vehicle emissions. In the relevant areas of weight reduction and optimization of drive technologies, we offer our customers state-of-the-art solutions and are working to steadily extend our lead. With the further development of our chassis systems we are creating the conditions for new approaches and solutions. We want to actively shape the path towards increasingly automated and autonomous vehicles. We see growth opportunities here across all vehicle classes.

In the wind industry growth opportunities are opening up in both the onshore and offshore sectors. Wind power is one of the fastest growing renewable energy forms in the world. In Europe this trend is supported by mandatory renewable energy targets set by the EU. The technological trend towards ever bigger and more efficient turbines reinforces the need for high-performance components, which we serve with our global production network. We are also profiting from the repowering of older turbines. First-generation turbines are gradually being replaced by more modern and efficient units.

If the relevant markets and sectors (particularly the automotive markets) or our efficiency or growth programs perform better than expected or the ramp-up of our new plants is accelerated, the forecasts for our key performance indicators could be moderately exceeded.

**Elevator Technology –** The markets for elevators, escalators, moving walks, passenger boarding bridges and stair and platform lifts offer attractive growth and profit opportunities for the Elevator Technology business area in times of increasing globalization and urbanization. With our broad product range, which includes standard systems, custom solutions as well as full service and modernization packages, and our local presence with more than 50,000 employees at over 900 locations, the business area can open up new market and customer opportunities around the world.

With innovative products and service solutions we strive to meet customers' highest technological and ecological requirements. With MAX, the first cloud-based maintenance solution in the sector, we are increasing the digitization and efficiency of our service business and creating additional competitive advantages.

In addition, we expect continuous improvements in the efficiency and competitiveness of Elevator Technology through implementation of the measures defined in the “impact” program.

If the global economy (particularly the construction sector) performs better than expected or our efficiency or growth programs prove more effective than originally thought, the forecasts for our key performance indicators could be moderately exceeded.

**Industrial Solutions –** If we continue to advance our innovative technologies, global growth opportunities could open up for the Industrial Solutions business area in turnkey industrial plants and services despite the deterioration of the investment climate, increasingly fierce competition and political uncertainties on the relevant markets. To increase competitiveness and exploit the growth opportunities in our markets even more effectively, we are driving forward the regionalization of our business. At the same time we are continuously standardizing and optimizing our project management methods, working in a global engineering network to guarantee optimum capacity utilization. All initiatives in this connection are brought together in our "planets" transformation program. We have defined acceleration measures and focus themes for this program throughout the business area.

In the marine sector, orders for the German Navy and in particular submarine projects for export provide a good market outlook for the next few years. If our various campaigns for submarine programs around the world succeed, this will benefit our order backlog and workload.

If the relevant markets and sectors, the efficiency and growth programs, the investment activity of our customers or contract execution perform better than expected, the forecasts for our key performance indicators could be moderately exceeded.

**Materials Services –** Services are gaining further importance for Materials Services as producers and processors focus more strongly on their core business. Materials Services is increasingly also taking on the management of customers' supply chains. Higher service shares generally offer Materials Services increased profitability in a volatile materials market. Opportunities for the business area therefore arise from customer orientation, specific market and sector know-how, a global network and broad expertise in project management.

The continuous development and implementation of tailored digital solutions – for example our B2B portals – offers many opportunities for Materials Services to be an even better and more efficient partner to our customers. Materials Services is continuously driving the digital transformation of the business area along the entire supply chain. Interconnected collaboration and interactive processes are already day-to-day routine in many areas – from logistics to warehousing, equipment utilization and purchasing to administration. In all Materials Services' offerings, the focus is on customers and their individual needs.

Under its "focusX" program, Materials Services has identified opportunities and defined extensive measures to further improve the cost and earnings situation. Key elements of this are the further structural optimization of materials warehousing and service operations in Germany, the pooling of purchasing activities and the business area-wide deployment of a project management organization for the structured, sustainable implementation of improvement opportunities.

Due to the advanced status of the optimization programs for AST, especially in production, purchasing and sales, and the turnaround in the reporting year, further opportunities are opening up in this business.

If the relevant materials markets, the efficiency and restructuring programs or the sales initiatives perform better than expected, the forecasts for our key performance indicators could be moderately exceeded.

**Steel Europe –** The Steel Europe business area is focused on the market for premium flat carbon steel, the performance of which mainly depends on economic activity in Europe.

In addition, the increasing digitization of the steel value chain provides opportunities for Steel Europe, both through the increasing connectedness of production and through the ability to develop new digital business models. These opportunities are to be leveraged as part of the digitization offensive in the "one steel" strategy program.

At the same time "one steel" also provides for the strengthening of Steel Europe's technological capabilities through targeted investment projects which will enable us to optimize our product and customer portfolio in accordance with the requirements of the market.

Overall therefore, even in a difficult market environment, Steel Europe is well placed to participate sustainably in the major global trends of urbanization, increasing mobility, and more efficient use of scarce resources – all of which require the use of intelligent steel products.

If the measures defined under "one steel" and the relevant steel market environment perform better than expected and in particular import pressure weakens, the forecasts for our key performance indicators could be exceeded.

## Risks

thyssenkrupp defines risks as events or developments that reduce our ability to achieve the Group's forecasts and targets. Risk management encompasses all measures involved in the systematic and transparent management of risks. With its link to planning and reporting processes in controlling, risk management is an important element of the value-based management of the Group and goes far beyond the early identification of risks required by law. Efficient, forward-looking risk management therefore also serves the interests of capital providers and other stakeholders.

### Overall assessment by the Executive Board: Risks at thyssenkrupp further reduced, existence of the Group secured

The Group's risk profile improved further in the reporting year; in particular the sale of Steel Americas led to a significant reduction of tax and operational risks. Transparent and systematic risk management with structured processes ensured overall risks in the Group were efficiently managed.

From the current perspective there are no risks that threaten the Company's ability to continue as a going concern.

No risks that threaten the Group's ability to continue as a going concern.

### Risk strategy and risk policy

Our risk strategy is focused on securing the existence of the company and increasing the value of the company sustainably. Business success requires opportunities to be recognized and associated risks to be identified and evaluated. Business risks should be entered into consciously and responsibly and managed proactively. Risks threatening the Group's ability to continue as a going concern must be avoided.

In its "Governance, Risk and Compliance (GRC) Policy" thyssenkrupp has defined basic principles for corporate governance and risk management. The Policy also describes the universally applicable risk policy principles in the Group as a framework for meeting the requirements of proper, consistent and proactive risk management. The principles are based on the thyssenkrupp Group mission statement and the strategic goals for the various business models; they serve as guidelines for professional and responsible risk management.

The aims of risk management at thyssenkrupp are to increase risk awareness and establish a value-based risk culture at all corporate levels. Risks and opportunities in the Group are therefore analyzed transparently and are systematically incorporated into business decisions.

### Risk management process

We continuously enhance the Group's risk management system by following the internationally recognized COSO model and integrating it with our internal control system. In optimizing the systems, we promptly implement requirements and suggestions of the Executive Board and the Supervisory Board Audit Committee. Under our GRC Policy, our risk management system methodology is embedded in the three lines of defense model. Details can be found in the corporate governance report.

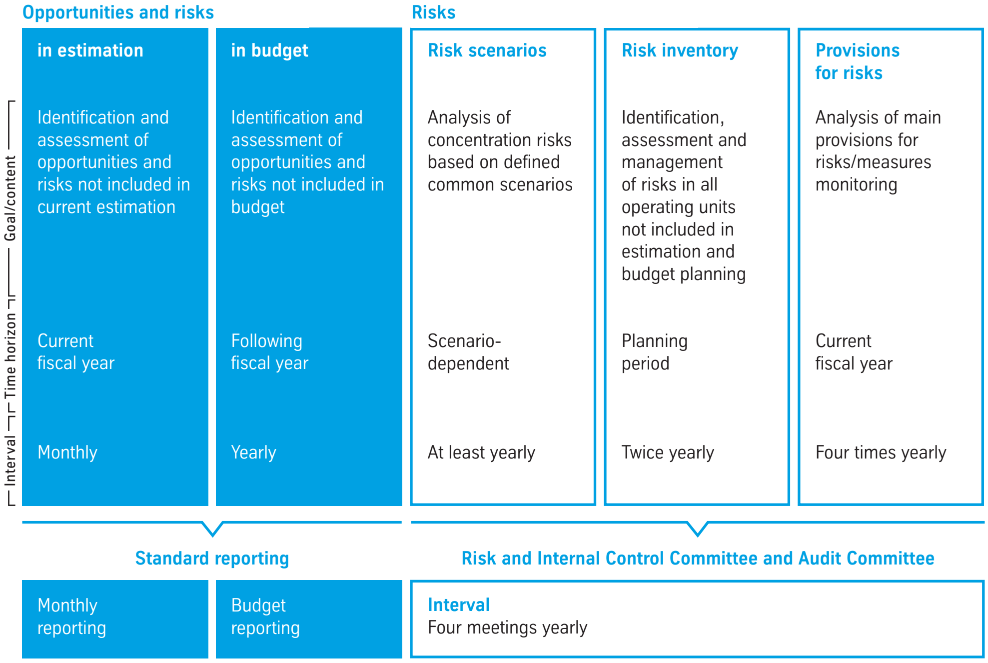
Group risk management has the task of continuously developing the risk management system towards best practice standard and adapting it to new insights and requirements where needed. In the Group policy on risk management we have defined standard binding requirements for the risk management process.

The sub-processes of risk management are: first, identify and report risks early, second, assess risks consistently, third, control risks and develop measures, and fourth monitor risks and track implementation of measures. The efficient design of our various risk management instruments ensures that the sub-processes are integrated in a continuous risk management loop and all risk managers are involved appropriately in the risk management process. Our methods and tools to identify, assess, control and report risks are implemented throughout the Group and are continually improved.

Risk management throughout the Group is based on standardized sub-processes and procedures.

The organizational anchoring of Group risk management in operational and strategic controlling facilitates active and holistic risk management integrated with planning and reporting processes. Our risk management instruments are focused on deviations in the key performance indicators "adjusted EBIT" and "free cash flow before M & A". The following graphic outlines our various approaches, which are explained briefly below:

## OPPORTUNITY AND RISK REPORTING AT THYSSENKRUPP




The opportunities and risks not included in the monthly updated projections or in the budget are part of standard business area reporting. Regular discussion of opportunities and risks makes an important contribution to integrated business management during the year and to corporate planning, in which we analyze bands for the key performance indicators “adjusted EBIT” and “free cash flow before M & A” related to the current and the subsequent fiscal year.

As part of the planning process and on an ad hoc basis we also analyze macroeconomic concentration risks based on Groupwide risk scenarios taking into account centrally defined interdependencies and risk premises. These risk scenarios mainly address slumps of major economies and other exogenous shocks and their impacts on thyssenkrupp.

To record relevant event risks in a structured way in specific areas of responsibility, all Group companies worldwide use a standardized IT risk management application to prepare risk maps. This ensures that earnings and cash risks influencing our key performance indicators are recorded locally by the operational risk managers and reported through a series of approval and aggregation processes via the business area management boards to the top level of the Group. The assessment period used for the risk map goes beyond the period covered by the forecast and provides complete transparency into the local risk assessments. The regular bottom-up reporting and updating of risks also ensures that risk awareness remains high throughout the Group.

Risks already recognized via balance sheet provisions are also the subject of standardized analyses and risk reporting, ensuring systematic control of these risks too.

Ad hoc risks are communicated immediately to the risk management officers and are also documented via the established reporting channels.

These standardized risk management processes ensure that the Executive Board and Supervisory Board are informed promptly and in a structured way about the Group's current risk situation. However, despite comprehensive risk analysis, the occurrence of risks cannot be systematically ruled out.

### Roles and responsibilities

Risk management at thyssenkrupp is a combined top-down/bottom-up process. Binding system standards are formulated top-down by the Group and apply to all operating entities. Responsibility for measuring and controlling risks along the value chain lies with the functional managers in the operating entities (bottom up).

The Group's standardized risk management system is a combined top-down/bottom-up process.

The material Group risks are discussed and validated in meetings of the interdisciplinary Risk and Internal Control Committee (RICC) held once every quarter and chaired by the CFO. At the same time this forms the preparation for risk reporting to the Executive Board and Audit Committee. The RICC meetings are attended by all Group officers responsible for governance, risk and compliance. This interdisciplinary approach at committee level makes a key contribution to improving corporate governance processes in the Group.

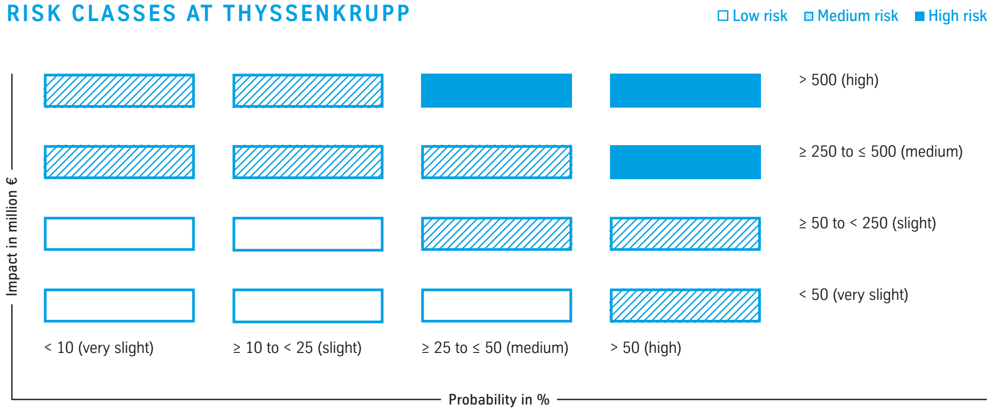
Employees responsible for risk management receive regular training on using the individual instruments; we also use our Groupwide web-based IT risk management tool to provide targeted information and training material.

Internal Auditing uses the information from the risk maps for its risk-oriented audit planning. The internal audits structured on this basis contribute to the efficient monitoring of the risk management system and deliver insights to increase the quality of the information and further improve risk management in the Group.

### Risk assessment

Identified risks are assessed consistently according to the Group risk management rules as follows: Based on probability of occurrence and impact on the key performance indicators in the planning period we define risk classes according to the following graphic. The main individual risks in defined risk categories, which we address in the following sections, are classified in accordance with this system as high, medium or low:

## RISK CLASSES AT THYSSENKRUPP

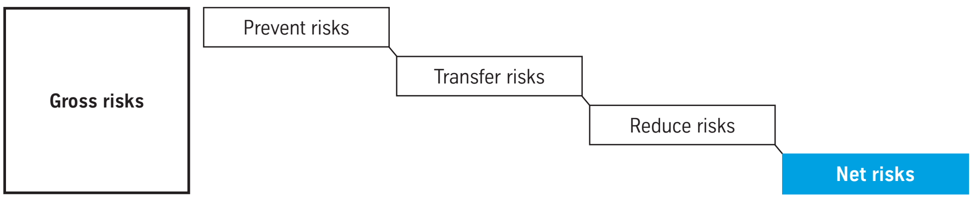



### Risk control

In the risk mapping process all consolidated Group entities are required to formulate risk control measures for the individual risks identified and assessed in the three-year planning period and systematically monitor their implementation.

Risk presentation at thyssenkrupp is by the net method, i.e. taking into account existing risk control measures that reduce gross risk.

## RISK MANAGEMENT MEASURES AT THYSSENKRUPP




We prevent risks by following the risk policy principles and not entering into transactions if they infringe thyssenkrupp codes of conduct or policies. These mainly include the zero-tolerance principle in compliance-related matters and the prohibition of speculation set out in the Group's Corporate Finance Policy.

We transfer risks in cases where the financial scale of a risk can be minimized by central measures such as insurance policies. More information is contained in the section below on risk transfer.

We reduce risks by taking appropriate targeted measures and for example by continuously improving a functioning internal control system. More information on the individual initiatives can be found in the sections “Internal control system in the Group accounting process” and “Operational risks of the business areas”.

### Risk transfer

Risk transfer to insurers is handled centrally at thyssenkrupp AG. The scope and design of insurance cover are determined on the basis of structured risk assessments in which insurable risks at the Group companies are identified, evaluated and reduced or eliminated through specific protection plans. A balanced portfolio reduces the risk of insurer insolvency.

The Group's internal insurance provider organizes the transfer of risk.

Binding standards are in place for all Group companies to keep risk prevention at a sustainable and appropriately high level. These standards are developed by experts from all areas of the Group under the leadership of thyssenkrupp AG and are updated as required. Internal and external auditors regularly check compliance with these standards.

### Internal control system in the Group accounting process

The internal control system comprises all the systematically defined controls and monitoring activities aimed at ensuring the security and efficiency of business management, the reliability of financial reporting, and compliance of all activities with laws and policies. An effective and efficient internal control system is key to the successful management of risks in our business processes.

The internal control system reduces process-related risks.

As part of the harmonization of business processes at thyssenkrupp we are also continuously developing the internal control system throughout the Group using a standardized risk control matrix and a structured self-assessment process.

Various monitoring measures and controls in the accounting process help ensure compliant financial reporting. For consolidation we use a Group tool based on standard software. In this way we ensure consistent procedures and minimize the risk of misstatements in the Group's accounting and external reporting. An appropriate segregation of functions and application of the dual-control principle reduce the risk of fraudulent conduct.

thyssenkrupp has clearly defined the sub-processes involved in financial reporting and assigned clear responsibilities for them. Corporate Function Controlling, Accounting & Risk is responsible for the preparation of the consolidated financial statements and issues binding instructions to the local units with regard to content and timing. In this way we ensure consistent accounting practices throughout the Group with minimum scope for discretion in connection with the recognition, measurement and reporting of assets and liabilities. Group-owned shared service centers support the local units in preparing local financial statements. All employees involved in the accounting process undergo regular training.

We perform regular central system backups on the IT systems used in the consolidation process in order to avoid data losses and system failures. The security strategy also includes system controls, manual spot checks by experienced employees, and custom authorizations and access controls.

Internal Auditing regularly checks the effectiveness of the internal control and risk management systems and is therefore integrated in the overall process.

By means of these coordinated processes, systems and controls we ensure that the Group's accounting is reliable and complies with IFRS, German GAAP (HGB) and other relevant standards and laws.

### Risk categorization

To structure the types of risks we have categorized the next sections in the following clusters:

- Risks from external parameters
- Financial risks
- Legal risks and compliance risks
- Risks from operating activities

### Risks from external parameters:

The external risks mainly include macroeconomic risks and regulatory risks.

**Macroeconomic risks –** Economic risks for our business models exist when positive impetus is not forthcoming from the global economy and markets of relevance for thyssenkrupp and growth rates fall below the economic forecasts.

In Europe there are uncertainties regarding the results of the Brexit negotiations with the UK and Europe-critical developments in individual member states. Individual debt crises in the euro zone also remain unresolved, so a crisis of confidence in the institutions of the EU and lower growth rates in the European economies are conceivable.

Risk scenarios simulate the impact of economic risks and exogenous shocks.

The political course and the budget deficit in the USA, slower growth rates in China, a prolonged recession in emerging economies like Brazil, or exogenous shocks such as a further escalation of violence in crisis regions could have major effects on the global economy; this would also affect thyssenkrupp. In the event of a severe exogenous shock the individual economic risks would be medium. We continuously monitor the corresponding country-specific conditions based on wide-ranging early warning indicators. In Groupwide risk scenarios we simulate the impacts of lower growth rates and changed exchange rates on our business models to enable us to take action and minimize risks at an early stage when necessary.

Our current economic assessment is presented in detail in the section "Macro and sector environment".

Risks for our business models could result from national and international regulations.

**Regulatory risks -** New laws and other changes in the legal framework at national and international level could entail risks for our business activities if they lead to higher costs or other disadvantages for thyssenkrupp compared with our competitors directly or in respect of our value chain. Overall the regulatory risks for thyssenkrupp are classified as medium.

As an energy-intensive industrial and services group, we face earnings risks on the global markets if additional costs are imposed under energy- and climate-related rules which we are not able to pass onto our customers, or only to a limited extent. thyssenkrupp supports effective climate protection efforts and a sustainable energy transition in which climate protection, security of supply, and competitiveness are equal priorities. We support the relevant discussion processes on regulatory efforts through close working contacts with the relevant institutions and also cooperate with industry associations to reduce possible risks such as further rising energy costs. Concrete risks for Steel Europe in this connection are described in the section "Operational risks of the business areas".

Further regulatory risks may ensue from tax framework conditions which change over time or where there is legal uncertainty. For example certain tax benefits are currently being examined by the constitutional court. Should the court cases result in the benefits being removed and/or reduced, substantial back taxes cannot be excluded. In the concrete case of the ongoing constitutional court review of tax benefits granted in the past for thyssenkrupp CSA, as part of the sale of the Brazilian steel mill to Ternium we agreed to share the risk with the purchaser in the event of a negative decision by the courts.

### Financial risks:

Financial risks are limited by centrally managed measures.

The central responsibilities of thyssenkrupp AG include coordinating and managing finance requirements within the Group and securing the financial independence of the company as a whole. To achieve this we optimize Group financing and limit the financial risks. The individual risks identified in this risk category are presented below and are assessed as low.

**Default risks –** We enter into financial instrument transactions in the financing area only with counterparties which have a very high credit standing and/or are covered by a deposit guarantee fund. Transactions are concluded only within specified counterparty risk limits. Outstanding receivables and default risks in connection with supplies and services are constantly monitored by the Group companies; in some cases they are additionally insured under commercial credit policies. The credit standing of key account customers is monitored particularly closely.

**Liquidity risks –** To secure the solvency and financial flexibility of the Group at all times, we maintain long-term credit facilities and cash funds on the basis of a multi-year financial planning system and a liquidity planning system on a rolling monthly basis. The cash pooling system and external financings are concentrated mainly on thyssenkrupp AG and specific foreign companies. We use the cash pooling system to allocate resources to Group companies internally according to requirements.

**Market risks –** Various measures are used to mitigate or eliminate the risk of fluctuations in the fair values or future cash flows from financial instruments due to market changes. These mainly include over-the-counter foreign currency forward contracts, interest rate swaps, cross currency swaps and commodity forward contracts with banks and trading partners. To hedge against commodity price risks we also use exchange-traded futures. The use of derivative financial instruments is extensively monitored, with checks being carried out on the basis of various policies in the framework of regular reporting.

**Currency risks –** To contain the risks of our numerous payment flows in different currencies – in particular in US dollars – we have developed Groupwide policies for foreign currency management. All companies of the Group are required to hedge foreign currency positions at the time of their inception; our central hedging platform is mainly used for this. Translation risks arising from the conversion of foreign currency positions are generally not hedged.

**Interest rate risks –** To cover our capital requirements we have procured funds on the international money and capital markets in different currencies and with various maturities. The resulting financial liabilities and our financial investments are partially exposed to risks from changing interest rates. The task of central interest rate management is to control and optimize this risk of changing interest rates. For this, regular interest rate risk analyses are prepared, the results of which feed into our risk management system.

The "financial risks" cluster also includes valuation risks and risks associated with pension obligations.

**Valuation risks –** Active portfolio management is one of the key pillars of our Strategic Way Forward. The disposal and acquisition of businesses as well as restructurings within our existing businesses are associated with risks, and our strategic business units are regularly tested for impairment. The risks identified in this category, which we classify in each case as medium, are monitored continuously and provisions are recognized where required.

**Risks associated with pension obligations -** The fund assets used to cover pension liabilities are exposed to capital market risks. To minimize these risks, the individual investment forms are selected and weighted with the support of independent experts. In addition, parts of the investments are aligned with the structure of the pension obligations in selected countries for the purposes of risk management (liability-driven investment).

In connection with the valuation of pensions, thyssenkrupp is exposed to the risk of falling interest rates. Lower discount rates for pension obligations result in pension provisions increasing further and weighing on equity.

Falling interest rates could represent a balance sheet risk in connection with the valuation of pension obligations.

Pension obligations are exposed to risks from increased life expectancies of beneficiaries and from requirements to adjust pension amounts on a regular basis. In addition, payments to pension funds may increase substantially in some countries in the future due to stricter statutory requirements. In individual cases, the premature cancellation of a pension plan may necessitate an additional allocation.

Overall we classify the risks associated with pension obligations as medium.

### Legal risks and compliance risks:

Legal and compliance risks include litigation risks, compliance risks focused on antitrust and corruption violations, and risks from trade restrictions.

**Litigation risks –** We define litigation risks as risks in connection with pending or imminent lawsuits or regulatory or administrative court proceedings brought against thyssenkrupp. The thyssenkrupp Group uses a software tool with which litigation risks are systematically identified, categorized, evaluated and reported under the established risk management system to the Executive Board and the Audit Committee on a quarterly basis. We carefully examine claims asserted by third parties for merit. Legal disputes in and out of court are supported by in-house counsel and where necessary external counsel.

Based on current estimates there are no litigation risks – with the exception of the compliance risks mentioned below – which could individually or cumulatively be classified as high. Cumulative litigation risks are combined risks from lawsuits brought by numerous claimants and from regulatory proceedings against thyssenkrupp which relate to the same matter and can be classified as a single litigation risk. Information on further litigation risks for which we have recognized provisions or which are classified as contingent liabilities is provided in Notes 15 and 20).

**Compliance risks –** We operate a strict compliance program focused on reducing the risk of antitrust and corruption violations, because these offenses have enormous potential for damage, both financial and in terms of reputation. For this reason compliance risks in general are classified as high.

A strict compliance program is the answer to the high potential for damage from antitrust and corruption violations.

The Bremen public prosecutor ended all proceedings against Atlas Elektronik by issuing a forfeiture order in the amount of approx. €48 million. No fine was imposed. The support for the investigations and the further development and entrenchment of compliance and risk management structures at Atlas Elektronik were recognized by the public prosecutor.

thyssenkrupp Steel Europe AG, alongside other steel companies and associations, is the subject of ongoing investigations by the Federal Cartel Office into alleged cartel agreements relating to the product groups heavy plate and flat carbon steel. A further investigation relating to stainless steel was dropped against thyssenkrupp Steel Europe AG in October 2017. The investigations still ongoing concern the alleged fixing of surcharges and premiums on steel prices. thyssenkrupp takes this matter very seriously and immediately launched its own internal investigation with external support. Based on the facts currently known to us, we cannot exclude substantial adverse consequences with regard to the Group's asset, financial and earnings situation.

**Risks from trade restrictions –** Due to the global nature of its business thyssenkrupp is exposed to possible risks stemming from trade restrictions such as anti-dumping/anti-subsidy tariffs, export restrictions, special monitoring measures, embargoes, far-reaching economic sanctions against certain countries, persons, businesses and organizations, as well as other protectionist or politically motivated restraints.

These restrictions can not only impede our business activities in individual national markets; violations could lead to severe penalties, sanctions, reputational damage and damage claims. We therefore take strict care to comply with customs and export control regulations and other trade restrictions.

## Risks from operating activities:

Risks from operating activities include procurement risks, production risks, sales risks, order risks, risks associated with information security and personnel risks.

**Procurement risks –** To manufacture our high-quality products, we procure raw materials and other feedstocks as well as energy and freight capacities. Depending on market situation, procurement prices can vary considerably and impact on our cost structures. Also, suppliers may be lost, which might in turn jeopardize our production and the fulfilment of contractual obligations towards our customers. The individual risks identified in this category are low. We counteract these risks through margin-securing measures and alternative procurement sources.

To hedge against raw material price swings, we also use derivative financial instruments, mainly commodity forward transactions. The use of such instruments is subject to strict rules. Details of these risk areas are provided under financial risks.

Risks related to rising energy prices are countered by structured energy procurement. We operate sustainably and are working across the Group to save energy and recycle waste.

Further information on procurement risks can be found in the section "Operational risks of the business areas".

**Production risks -** In the event of unfavorable constellations and developments, our plants can be exposed to the risk of business interruptions and property damage. In addition to the cost of repairing damage, there is above all the risk that a business interruption might result in production losses and thus jeopardize the fulfilment of our contractual obligations towards our customers. We counter these risks through regular preventive maintenance and through modernization and investment in our machinery and production facilities. In addition we take out appropriate insurance and so transfer risks to external service providers. The remaining financial risks in this category are classified as medium.

We counter the risk of business interruptions through regular maintenance and investment in our equipment to ensure we fulfill our contractual obligations towards our customers.

Accident risks during the production, installation, maintenance and use of our products cannot be completely ruled out. A safety-oriented corporate culture and a comprehensive bundle of measures related to occupational safety and health help minimize the accident risks faced by our employees and subcontractors. However accidents cannot be completely prevented with these organizational measures.

In our production plants there are process-related risks that can lead to air and water pollution. Furthermore, some of the Group's real estate no longer used for operations is subject to risks from past pollution and mining subsidence. To minimize risks thyssenkrupp invests continuously and sustainably in environmental protection and scheduled remediation and maintains a close dialogue with authorities, local communities and political representatives. We recognize adequate provisions for past pollution.

With the sale of our Brazilian steel mill in the 2016 / 2017 fiscal year the operational risks connected with operation of the plant were eliminated. These mainly include the risks of production losses described here.

Further details on production risks can be found in the section "Operational risks of the business areas".

**Sales risks –** The risks described in the section "Macroeconomic risks" may diminish our market prospects and therefore lead to sales risks. In the event of sustained developments, we carry out market-oriented adjustments or relocate capacities.

We counter sales risks resulting from dependence on individual markets and industries by focusing systematically on the markets of the future. As a diversified industrial group with leading engineering expertise, thyssenkrupp operates globally, maintains good, long-term customer relationships, and pursues active strategic market and customer development. Our high degree of diversification with multi-layered product and customer structures helps ensure that thyssenkrupp remains largely independent of regional crises on sales markets. We therefore classify the sales risks as low.

Further details on sales risks and on our professional receivables management system to counter the risk of bad debt are provided in the section "Operational risks of the business areas".

**Order risks –** The management of major contracts involving a high degree of complexity and long project lead times is a core challenge in the Industrial Solutions business area. Cost overruns and/or delays in individual project phases cannot be ruled out. Individual identified order risks are currently classified collectively as medium. To minimize these risks we continuously improve our management instruments so that we are aware of current order status at all times and able to take project-related measures quickly if required.

Our management tools help minimize risks in the execution of major orders.

Before entering into contracts we check the credit standing of our customers carefully. We deploy experienced project managers for order execution. Through transparent monitoring of order status we ensure that payments are made promptly according to order progress and payment defaults are minimized.

**Risks associated with information security –** Our IT-based business processes are exposed to various risks associated with information security, which we classify as medium. Human error, organizational or technical processes and/or security vulnerabilities in information processing can create risks that threaten the confidentiality, availability and integrity of information. For this reason we continually review our processes and technologies. Systems are updated and processes modified immediately as necessary. The IT-based integration of our business processes is subject to the condition that the risks involved for our Group companies and business partners are continuously minimized. This is all the more important when entire value chains are transformed through advancing digitization.

The number of attacks by criminals and external services on the IT infrastructure of major German companies continues to increase. In this connection we have carried out measures to further improve our information security management and security technologies. One focus is to protect our production operations from unauthorized access for the purpose of espionage or sabotage. A group of IT security experts which has been continuously increased supports the Group with the early identification of risks. In addition, vulnerability analyses are carried out regularly with the support of our IT security team and external experts to verify the security of the infrastructure and if necessary take corrective action.

Sensitizing our employees to the risks involved in handling business-related information is a very important issue to us. In this connection we carry out communication campaigns and secure the technical support required to safeguard confidentiality.

Together with the Group's data protection officer, our experts ensure that personal data are processed in accordance with the rules of the German Data Protection Act.

All these measures will allow us to continue to protect the Group's business data as well as the privacy of our business partners and employees, and to respond appropriately to potential new risks.

**Personnel risks –** As a diversified industrial group with leading engineering expertise, thyssenkrupp aims to be successful on a sustainable basis. For this we need dedicated and highly qualified employees and managers in all business units. There is a risk of not being able to find key personnel to fill vacancies or losing competent employees; we classify the individual personnel risks overall as medium.

thyssenkrupp positions itself as an attractive employer and promotes the long-term retention of employees in the Group. This involves offering management development programs, career prospects and attractive incentive systems. We provide targeted support for our employees, inform interested young people about career opportunities at thyssenkrupp from an early stage, and support apprentices as they start work. We cooperate with key universities and establish contact with students from an early stage to secure the young talent we need.

### Operational risks of the business areas

**Components Technology –** The Components Technology business area is a global supplier of automotive and industrial components and as such is dependent on the performance of the corresponding markets.

Components Technology is a leading player in the powertrain sector. This position could be jeopardized by the increasing trend towards electrification. The business area is therefore intensifying its research and development efforts in the area of e-mobility and in the development of alternative products to counter possible sales declines in traditional products by building new areas of business.

For the core markets of the business area we expect continued growth in all product segments. However, this is subject to major uncertainty. The business area is in a good market situation in China. Slowing momentum of the markets in China could jeopardize our business prospects. The hoped-for growth markets of Brazil and South Africa are developing less strongly than expected. In the United States the prospects have darkened due to the promotion of coal and move away from eco-friendly energy sources by the US government. To lessen dependency on individual markets the business area is expanding its customer base, developing technical innovations, and strengthening its international presence.

In addition to the economic risks, further risks come from consolidation processes and further increasing price pressure both in the auto components industry and in the wind energy sector. We do not currently expect significant negative effects on the sales of our auto components from the emissions crisis at Volkswagen; however, price pressure will likely rise due to the already announced cost reduction programs. Government regulation efforts such as the debate over a diesel ban or possible tariffs on auto exports from Mexico to the USA pose a risk.

A general risk in the wind energy industry lies in dependence on national support systems. In Germany uncertainties remain regarding grid connection and financing of further offshore projects. We are countering this risk with new technologies and innovations to access new areas of application. At the same time pressure on selling prices remains high as a result of intense competition and the increasingly frequent auctioning of contracts. We are countering this price pressure with optimizations and efficiency enhancements under the corporate program “impact”.

On the procurement side there are risks that rising raw material prices cannot be passed on in full to customers or only with delays. The business area counters these risks by framing contracts with customers accordingly.

With regard to ongoing technological innovations and improvements, risks from unplanned earnings impacts cannot be ruled out. On top of this there are potential risks from unexpected yield and quality problems and the associated warranty obligations. The business area uses extensive production and quality assurance systems to avoid or limit such risks as far as possible.

**Elevator Technology –** Due to the international nature of Elevator Technology’s business operations the uncertain global economy poses risks that could be reflected mainly in bad debt and project delays. As an additional effect, competition could intensify on all markets and increase price pressure. The business area counters these risks with professional project management in association with extensive checks of customers’ credit standing. Protection against strong price pressure is provided by customer retention strategies, high service quality, efficiency programs and not least innovative and sustainable product solutions.

Both the service and modernization businesses are largely independent of economic fluctuations. Customer retention strategies help prevent possible losses of maintenance units. In addition the business area continuously implements efficiency programs to offset rising personnel and procurement costs.

The new installations business is closely linked with the construction sector and is therefore exposed to greater fluctuations. However, due to the longer project times in this business, downturns can be largely anticipated so countermeasures and capacity adjustments can be carried out at an early stage. Inherent risks in the execution of complex major projects are countered by the use of project management measures. Risks from rising material prices can be offset by efficiency improvements in production and optimized procurement strategies.

Risks from increasing business activities in the Asian markets, where business is more dependent on new installations and therefore on construction activity, are largely offset by our presence on the established markets in Europe and the Americas. Possible economic risks in the emerging nations are countered by expanding the modernization and service business and improving efficiency. Exchange rate risks resulting from the international nature of our business are reduced to a very large extent by a high level of local value creation and hedged using financial instruments.

"Safety First" reduces accident risks at Elevator Technology.

Accident risks cannot be ruled out completely during the installation, maintenance and use of the business area's products. A safety-oriented corporate culture, employee selection and corresponding training programs on safe conduct on job sites (Safety First) minimize the risk of employee accidents. We carefully select and train our installation and service employees to ensure maximum safety and quality of the products we install and service, providing users with best-possible protection. Elevator Technology's goal is to rule out accidents as far as possible, also to avoid damage to our reputation.

**Industrial Solutions –** A major risk factor for the business area is the uncertainty concerning the performance of the markets relevant to its business units around the world, the stability of growth in the USA, and the future development of other major economies such as China, India, and Brazil. Due to falling oil and raw material prices there is a risk of lower demand for capital goods from customers in the oil and gas industries and the mining sector.

In addition, political developments in important sales regions (for example in the Middle East & Africa region and in Russia/Ukraine and Turkey) could negatively impact the project situation at Industrial Solutions, leading to project deferrals or cancellations.

Increasing price and terms competition in the plant construction business, for example from Asian suppliers, could negatively impact margin quality.

Industrial Solutions with execution risks in long-term and technically complex orders

The special risks described in the section “Order risks” in the execution of major long-term contracts and technically complex orders are countered by professional and result-oriented project and claims management, intensive project monitoring, and the increased use of project management measures. Particular technological risks are associated with “first of their kind” contracts.

If in addition unexpected delays occur in the programs launched to optimize costs, these could have negative effects on our key performance indicators.

**Materials Services –** The global materials and service business of Materials Services is subject to cyclical swings in demand and prices on the procurement and sales sides – in some cases to a greater extent than other businesses. This influences our earnings situation and our net working capital. Fast delivery with minimum capital employed is a key success factor for our business model. We therefore work continually to optimize and digitize our logistics and the entire supply chain, e.g. through the further consolidation and central coordination of our purchasing activities as one of the market leaders.

In addition we contain cyclical risks by our worldwide presence, broad customer base and high degree of diversification. This results in a significant spread of risks. The cost reduction measures developed as part of Group and business area programs are raising efficiency and increasing profitability. At the same time we are intensifying our service and digitization activities for materials.

Efficient receivables management at Materials Services.

Systematic improvements to net working capital management and efficient receivables management help us minimize the risks of bad debt.

The production sites of our unit AST are exposed to a risk of business interruptions and production losses. We are countering these risks mainly through preventive maintenance, modernization and investment.

**Steel Europe –** To contain the risk of cyclical demand fluctuations Steel Europe optimizes costs in all areas, adjusts production levels in good time and focuses on less cyclical high-end market segments. The business area counters sales risks with appropriate staggering of contract terms and periods. If the economy were to deteriorate, the risk of customer insolvencies would increase. The business area mitigates this risk by intensive monitoring, using commercial credit insurance facilities and other appropriate instruments and by adjusting payment conditions. Constant optimization of supply chains reduces risks to quality and delivery performance.

High volatility of steel business a challenge for Steel Europe.

Steel Europe counters intense competition on the market for flat steel products with its strengths in technological expertise and an even stronger focus on markets and customers, allowing differentiation from the competition. This involves systematic investment in research and development projects aimed at developing innovative products and customer solutions and bringing them to market quickly. In addition, a quality management system geared to the requirements of the market ensures consistent improvements in product quality and helps secure a competitive market position.

Steel Europe counters the risk of rising raw materials prices by using alternative procurement sources, risk-reducing procurement strategies, active risk management, and margin-securing measures.

To reduce business interruption risks and improve preventive fire safety, funds are made available for ongoing preventive maintenance as well as modernization and investment. In the event of business interruptions, business continuity plans as well as emergency and crisis plans are in place specifying measures for remedying damage. The business area has integrated a business and technical risk controlling system for property insurance into its risk management process.

In addition, the move towards an energy system dominated by renewables in Germany is creating major challenges for energy-intensive industries in general and the steel sector in particular. Although planning certainty has been achieved by the continuation of exemptions for producers of in-house electricity in the Renewable Energies Act (EEG 2017), full notification of the amended EEG by the European Commission is still outstanding. Added to this are further cost-driving factors associated with the integration of renewable energies, such as the necessary expansion of the electricity grids and the storage of reserve capacities to provide security of supply.

Regulatory requirements placed on the electricity and gas networks of our large production sites and our power plants could result in further cost impacts. The risk of rising wholesale electricity prices is being countered at Steel Europe by increasing the supply of in-house produced electricity. In response to the risk of increasing natural gas prices, the Group is pursuing a centrally managed price hedging strategy.

We could face further costs for emissions allowances in the third trading period of the EU emissions trading system from 2013 to 2020. A potentially steep rise in the need to purchase allowances could be accompanied by increasing allowance prices, which would weigh heavily on the European steel industry in the international markets. However, this risk is countered by hedging transactions. The models for continuing emissions trading after 2020 currently being discussed at European level contain significant risks.

# Legal information

## Corporate governance statement

The corporate governance statement issued in accordance with § 289a HGB is part of the combined management report and is published on the Company's website at www.thyssenkrupp.com/cgd2016-2017.

www.thyssenkrupp.com > Company > Management > Corporate governance

## Compensation report

Contained in the corporate governance report, the compensation report in accordance with § 289 (2) no. 4, § 315 (2) no. 4 HGB is part of the combined management report.

## Takeover-related disclosures

The following information, valid September 30, 2017, is presented in accordance with § 289 (4), § 315 (4) HGB. Details under § 289 (4), § 315 (4) HGB which do not apply at thyssenkrupp are not mentioned.

**Composition of capital stock**
The capital stock of thyssenkrupp AG amounts to €1,593,681,256.96 and consists of 622,531,741 no-par value bearer shares. Each share carries the same rights and grants one vote at the Annual General Meeting.

**Direct and indirect shareholdings exceeding 10% of the voting rights**
At the date of issuance the following shareholdings in the Company exceed 10% of the voting rights:

- Direct shareholding of Alfried Krupp von Bohlen und Halbach Foundation, Essen, in the amount of around 21% of the voting rights of thyssenkrupp AG according to a voluntary notification of September 2017;

- Indirect shareholding of Cevian Capital II GP Limited, St. Helier, Jersey, in the amount of 15.08% of the voting rights according to a WpHG announcement of March 2014. Voting rights are attributed to it by its controlled company Cevian Capital II Master Fund LP, Cayman Islands, which has a direct shareholding of 12.23% of the voting rights of thyssenkrupp AG.

### Appointment and dismissal of Executive Board members, amendments to the Articles of Association

The appointment and dismissal of members of the Executive Board of thyssenkrupp AG is subject to § 84 and § 85 AktG and § 31 Codetermination Act (MitbestG) in conjunction with § 6 of the Articles of Association. Amendments to the Articles of Association are subject to the approval of the Annual General Meeting with a majority of at least three quarters of the capital stock represented; §§ 179 ff. AktG apply. Under § 11 (9) of the Articles of Association, the Supervisory Board is authorized to resolve amendments to the Articles of Association which relate only to their wording. If the authorized capital pursuant to § 5 (5) of the Articles of Association has not been used or has been only partly used by January 16, 2019, the Supervisory Board may also amend the wording of § 5.

### Authorization of the Executive Board to issue shares and exclude subscription rights

**Authorized capital –** Under § 5 (5) of the Articles of Association, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the Company's capital stock on one or more occasions on or before January 16, 2019 by up to €225,119,887.36 by issuing up to 87,937,456 new no-par value bearer shares in exchange for cash and/or contributions in kind (authorized capital).

It may exclude shareholders' subscription rights with the approval of the Supervisory Board in the following cases:

- to round off fractional amounts

- to the extent necessary to grant holders, or creditors in the case of registered securities, of option or conversion rights or conversion obligations issued by thyssenkrupp AG or its Group companies subscription rights to new shares as would be due to them as shareholders after exercise of the option or conversion rights or after fulfillment of the conversion obligations

- if the issue price of new shares issued for capital increases in exchange for cash contributions is not significantly lower than the stock market price of already listed shares at the time the final issue price is determined, which should be as close as possible to the time the shares are issued, and the shares issued in total do not exceed 10% of the capital stock either at the time this authorization becomes effective or at the time it is exercised. There shall be counted towards this limit of 10% of the capital stock the share of the capital stock attributable to treasury shares which are sold from the time this authorization becomes effective in direct or analogous application of § 186 (3) sentence 4 AktG, as well as the share of the capital stock attributable to shares relating to conversion and/or option rights and/or conversion obligations from bonds issued with exclusion of subscription rights according to § 186 (3) sentence 4 AktG from the time this authorization becomes effective in accordance with the authorization of the Annual General Meeting on January 17, 2014.

- in the event of capital increases in exchange for contributions in kind

Under the aforesaid authorizations the total shares issued with subscription rights excluded for capital increases in exchange for cash and/or contributions in kind may not exceed 20% of the capital stock either at the time the authorization becomes effective or at the time it is exercised. Up to the issue of shares without subscription rights, there shall be counted towards the aforesaid 20% limit (i) treasury shares sold with subscription rights excluded, and (ii) shares to be issued to service bonds with conversion and/or option rights, insofar as the bonds were issued on the basis of the authorization of the Annual General Meeting of January 17, 2014 with shareholder subscription rights excluded.

The Executive Board is authorized, with the approval of the Supervisory Board, to determine the further content and conditions of the share issue.

**Conditional capital –** Under § 5 (6) of the Articles of Association the Company's capital stock is conditionally increased by up to €250,000,000, divided into up to 97,656,250 no-par bearer shares (conditional capital). The conditional capital increase will only be implemented to the extent that the holders or creditors of option or conversion rights or those with an obligation to convert warrant or convertible bonds issued against cash contribution that are issued or guaranteed by the Company or a subordinate Group company on or before January 16, 2019 based on the authorization of the Executive Board by resolution by the Annual General Meeting passed on January 17, 2014 actually use their option or conversion rights or, to the extent that they are obliged to convert, fulfill their obligation to convert or to the extent that the Company exercises an option to grant shares of the Company in whole or in part instead of payment of the cash amount due provided no cash compensation is granted or no treasury shares or shares of another listed company are used for servicing in each case. New shares are issued at the option or conversion price to be determined in each case according to the above mentioned authorization resolution. The new shares participate in profits from the start of the fiscal year in which they are created. To the extent legally permissible the Executive Board, subject to the approval of the Supervisory Board, may determine the profit participation of new shares differently than § 60 (2) AktG. The Executive Board is authorized, subject to the approval of the Supervisory Board, to determine the further details of the conditional capital increase.

### Authorization of the Executive Board to repurchase stock

By resolution of the Annual General Meeting of January 30, 2015 the Company was authorized until January 29, 2020 to purchase for all legally permissible purposes treasury shares up to a total of 10% of the capital stock at the time of the resolution of €1,448,801,144.32 or – if lower – at the time the authorization is exercised. The authorization may be exercised in whole or in installments, once or several times, directly by the Company or by controlled enterprises or enterprises majority-owned by the Company or by third parties acting for the Company's account or for the account of controlled enterprises or enterprises majority-owned by the Company. The purchase may be effected on the open market or by means of a public offer or public invitation to tender or by issue of tender rights to shareholders or by using equity derivatives (put or call options or a combination of the two). If the shares are purchased on the open market, the countervalue per share paid by the Company (excluding incidental costs) may not be more than 5% higher or lower than the price determined on the day of trading by the opening auction in the Xetra trading system (or a comparable successor system).

If the shares are purchased by means of a public offer, the purchase price or the limits of the price range per share (excluding incidental costs) may not be more than 10% higher or lower than the average closing price in the Xetra trading system (or a comparable successor system) on the three trading days before the date of the announcement of the offer. If, after announcement of an offer, the relevant price or the limits of the price range are subject to significant changes, the offer may be modified. In this case the price is based on the average price over the three days of trading before the announcement of a modification and may not be more than 10% higher or lower than this amount. The volume of a public offer may be limited. Insofar as the volume of shares tendered exceeds the volume to be repurchased, tender rights may be partially excluded to the extent that shares may be purchased in proportion to the number of shares tendered (tender quota) instead of in proportion to the number of shares held in the company (shareholding quota). In addition tender rights may be partially excluded to the extent that priority is given to smaller lots of up to 100 shares per shareholder or the number of shares is rounded to avoid fractions of shares.

If the shares are purchased by means of a public invitation to all shareholders to tender, the Company specifies a purchase price range per share within which shares may be tendered. The purchase price range may be modified if the share price changes significantly during the term of the offer from the share price at the time of publication of the invitation to tender. The purchase price per share to be paid by the Company (excluding incidental costs), which is calculated by the Company on the basis of the tenders received, may not be more than 10% higher or lower than the average closing price in the Xetra trading system (or a comparable successor system) on the three trading days before the cut-off date described below. The cut-off date is the date on which the Executive Board of the Company finalizes its formal decision to publish or modify the invitation to tender. The volume of tenders accepted may be limited. If due to the limited volume not all of several equal tenders can be accepted, tender rights may be partially excluded to the extent that shares are purchased on the basis of tender quotas instead of shareholding quotas. In addition tender rights may be partially excluded to the extent that priority is given to smaller lots of up to 100 shares per shareholder or the number of shares is rounded to avoid fractions of shares.

If the shares are purchased by means of issuing tender rights to shareholders, these may be allocated for each share of the Company. A fixed number of tender rights based on the ratio of the Company's capital stock to the volume of shares to be repurchased by the Company will entitle a shareholder to sell one share of the Company back to the Company. Tender rights may also be allocated in such a way that one tender right is allocated for a certain number of shares based on the ratio of capital stock to the buy-back volume. Fractions of tender rights are not allocated; in these cases any partial tender rights are excluded. The price or the limits of the price range (in each case excluding incidental costs) for which a share of the Company may be sold when exercising a tender right are subject to the provisions of the above paragraph, with the relevant cutoff date being the date of publication of the buyback offer with associated tender rights, and in the event of modifications the relevant cut-off date being the date of publication of the modification. Further details of the tender rights, in particular their content, term and if appropriate their tradability, are determined by the Executive Board of the Company.

If the shares are purchased using equity derivatives (put options, call options, combinations of put and call options, or forward contracts), the equity derivatives must be agreed with one or several banks, one or several enterprises operating in accordance with § 53 (1) sentence 1 or § 53b (1) sentence 1 or (7) of the German Banking Act or a group or consortium of banks and/or such enterprises. The terms and conditions must ensure that the equity derivatives are based only on shares acquired in accordance with the principle of equal treatment for shareholders; this is satisfied by acquiring the shares on the open market. The term of each individual equity derivative may not exceed 18 months, may end no later than January 29, 2020 and must be selected in such a way that the purchase of shares to exercise or fulfill the options cannot take place later than January 29, 2020. The authorization may be exercised in whole or in part, once or in several different transactions by the Company, and also by an entity dependent on or majority-owned by the Company or by third parties acting on behalf of the Company or enterprises dependent on or majority-owned by the Company. Each share purchase by means of equity derivatives is limited to a maximum of 5% of the capital stock of €1,448,801,144.32 at the time of the resolution or – if lower – at the time the authorization is exercised. If treasury shares are purchased by means of equity derivatives in accordance with the authorization provisions, all rights of shareholders to enter into such equity derivatives with the Company and all shareholder tender rights are excluded.

The Executive Board is authorized to use the repurchased treasury shares for all legally permissible purposes. In particular it may cancel the shares, sell them by means other than on the open market, by offer to the shareholders or in exchange for contributions in kind, use them to fulfill option and/or conversion rights/obligations in respect of warrant and convertible bonds issued by the Company or the Company's subsidiaries, grant the holders of such warrant and/or convertible bonds a subscription right to the shares as would be due to them after exercise of the option or conversion rights or after fulfilment of a conversion obligation, and offer them for sale to employees of the Company and its affiliated companies. With the exception of cancelation shareholders' subscription rights are excluded in the cases stated. In addition if treasury shares are sold by means of a tender offer to all shareholders, the Executive Board may exclude shareholders' subscription rights for fractional amounts. The Supervisory Board may determine that measures by the Executive Board under this authorization to purchase and use treasury shares are subject to its approval.

### Authorization of the Executive Board to issue warrant and convertible bonds and to exclude subscription rights

By resolution of the Annual General Meeting of January 17, 2014 the Executive Board was authorized, with the approval of the Supervisory Board, to take the following measures on or before January 16, 2019:

- to issue once or several times bearer or registered warrant and/or convertible bonds (together "bonds") in the total par value of up to €2 billion with or without limited terms, and to grant to or impose on the holders or creditors of convertible bonds conversion rights or obligations for no-par bearer shares of the Company with a total share of the capital stock of up to €250 million in accordance with the conditions of these bonds. The bonds can also be issued by a subordinate Group company of the Company; in this event the Executive Board is authorized, with the approval of the Supervisory Board, to guarantee the bonds for the Company and to grant to or impose on the holders or creditors of these bonds option or conversion rights or obligations for no-par bearer shares of the Company.

- The bonds are divided into partial bonds. In the event of a warrant bond issue, one or several options are attached to each partial bond which entitle the holder or creditor to purchase no-par bearer shares of the Company in accordance with the option conditions determined by the Executive Board. The option conditions may specify that the option price can also be settled by transfer of partial bonds and if appropriate a cash surcharge. Where fractional shares occur, the option or bond conditions may specify that these fractional shares can be added together for the purchase of whole shares, if appropriate subject to payment of a surcharge.

- In the event of a convertible bond issue, the holders of bearer bonds or creditors of partial bonds obtain the right to convert their partial bonds into no-par bearer shares of the Company in accordance with the convertible bond conditions determined by the Executive Board. The conversion ratio is calculated by dividing the par value or, if lower, the issuing amount of a partial bond by the fixed conversion price for a no-par bearer share of the Company. The ratio may be rounded up or down; in addition, it may be specified that a cash surcharge must be paid and that non-convertible fractional amounts must be grouped together and/or compensated in cash. The bond conditions can specify a variable conversion ratio (subject to the minimum price specified below) within a pre-defined range depending on the development of the price of the no-par shares of the Company during the term of the bond.

- The bond conditions may also provide the Company with the right in the event of a conversion or exercise of an option not to issue new no-par shares, but to pay a cash amount corresponding to the weighted average closing price of the shares in the electronic trading system of Frankfurt Stock Exchange over a period specified in the bond conditions in lieu of the shares which would otherwise be issued. The bond conditions may also specify that, at the Company's discretion, the bond with option rights or conversion rights or obligations attached is to be converted not into new shares from conditional capital but into existing shares of the Company or another listed company, or that the option right can be fulfilled by delivering such shares. The bond conditions may also include a combination of these performance options.

- The bond conditions may also provide the Company with the right to grant the holders or creditors of a bond with option rights or conversion rights or obligations which has reached maturity (this also includes maturity due to termination) no-par shares of the Company or another listed company in lieu of part or all of the payable cash payment.

- The convertible bond conditions may also include an obligation to convert at the end of the term (or earlier or at the time of a specified event). The convertible bond conditions may entitle the Company to fully or partly offset in cash any difference between the par value or lower issuing amount of the convertible bond and the product of conversion price and conversion ratio.

- With the exception of cases where a right to offer alternative performance or a conversion obligation applies, the fixed option or conversion price for a no-par share of the Company must be no lower than 80% of the weighted average closing price of the no-par shares of the Company in the electronic trading system of Frankfurt Stock Exchange over the last 10 trading days before the Executive Board passes the resolution to issue the bond with option or conversion rights or conversion obligations attached, or – in the event that a subscription right is granted – no lower than 80% of the weighted average trading price of the no-par shares of the Company in the electronic trading system of Frankfurt Stock Exchange during the subscription period with the exception of the days of the subscription period necessary to ensure the option or conversion price can be announced in due time in accordance with § 186 (2) sentence 2 AktG. § 9 (1) AktG and § 199 AktG remain unaffected.

- In the cases where a right to offer alternative performance or a conversion obligation applies, the option or conversion price in accordance with the bond conditions must correspond at least to the above minimum price or the weighted average closing price of the no-par shares of the Company in the electronic trading system of Frankfurt Stock Exchange over the 10 trading days before the final maturity date or another specified date, even if this average price is lower than the aforesaid minimum price (80%). § 9 (1) AktG and § 199 AktG remain unaffected.

- Notwithstanding § 9 (1) AktG, the option or conversion price may be reduced under a dilution protection clause as defined in the conditions if during the option or conversion period the Company (i) increases the capital stock through a capital increase from Company funds or (ii) increases the capital stock or sells treasury stock granting an exclusive subscription right to its shareholders or (iii) issues, grants or guarantees further bonds with option or conversion rights or obligations granting an exclusive subscription right to its shareholders, and in cases (ii) and (iii) the owners of existing option or conversion rights or obligations are not granted subscription rights such as they would have held after exercising the option or conversion right or after fulfilling the conversion obligation. The reduction of the option or conversion price may also be effected by a cash payment upon exercise of the option or conversion right or upon fulfillment of a conversion obligation. In addition, the conditions may require modification of the option or conversion rights or conversion obligations in the case of a capital reduction or other measures or events which are associated with an economic dilution of the value of the option rights or conversion rights or conversion obligations (e.g. dividends, third parties gaining control).

- To the extent that shareholders are not permitted to subscribe to the bonds directly, the statutory subscription rights will be granted to shareholders in such a way that the bonds are acquired by a bank or banking syndicate which undertakes to offer them to the shareholders for subscription. If the bonds are issued by a subordinate Group company, the Company must ensure that statutory subscription rights are granted to the shareholders of the Company within the meaning of the sentence above.

- However, the Executive Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholders’ subscription rights in the following cases:

  – to eliminate fractional amounts

  – to the extent necessary to grant holders, or creditors in the case of registered securities, of option or conversion rights or obligations previously issued by thyssenkrupp AG or its Group companies subscription rights to new shares as would be due to them as shareholders after exercise of the option or conversion rights or after fulfillment of a conversion obligation

– in the case of bonds issued against cash payment, to the extent that the Executive Board, after due review, reaches the conclusion that the issuing price of the bonds is not significantly lower than their theoretical fair value, calculated using recognized, in particular financial mathematics methods. However, this authorization to exclude subscription rights only applies to bonds issued with an option right or conversion right or obligation, with an option or conversion right or a conversion obligation for shares with a share of the capital stock that may not exceed 10% of the capital stock in total either on the date this authorization becomes effective or – if this value is lower – on the date the authorization is exercised. There shall be counted towards this limit of 10% of the capital stock the share of the capital stock attributable to shares which during the period between granting of this authorization and the issue excluding subscription rights in accordance with § 186 (3) sentence 4 AktG utilizing this authorization of bonds with conversion and/or option rights or conversion obligations excluding subscription rights are either issued under an authorization of the Executive Board to exclude subscription rights in direct or analogous application of § 186 (3) sentence 4 AktG or sold as acquired treasury stock in corresponding application of § 186 (3) sentence 4 AktG

- The total number of bonds issued excluding subscription rights under the above authorizations is limited to the number of bonds with an option or conversion right or a conversion obligation for shares with a share of the capital stock that must not exceed 20% of the capital stock in total, either at the time this authorization enters into force or – if this value is lower – at the time it is exercised. There shall be counted towards the above 20% limit (i) treasury shares which during the term of this authorization until the issue excluding subscription rights of the bonds with option and/or conversion rights or obligations are sold excluding subscription rights, and (ii) shares which during the term of this authorization until the issue excluding subscription rights of bonds with option and/or conversion rights or obligations are issued excluding subscription rights from authorized capital.

- The Executive Board is authorized, subject to Supervisory Board approval, to determine the further details of the issuing of the bonds, in particular interest rate, issuing price, term and denomination, dilution protection provisions, option or conversion period as well as the conversion and option price within the above framework, or to fix them in agreement with the boards of the Group company issuing the option or convertible bond.

**Key agreements subject to conditions**

thyssenkrupp AG is party to the following agreements that contain certain conditions in the event of a change of control as a result of a takeover bid:

- The Company has concluded an agreement with a banking consortium on a committed credit facility in the amount of €2.0 billion. Each member of the banking consortium has the right under certain conditions to cancel its share in the credit facility and its share in outstanding loans and demand their repayment if one or more shareholders who act in a concerted manner towards thyssenkrupp AG with shareholders other than the Alfried Krupp von Bohlen und Halbach Foundation, together hold more than 50% of the voting rights or capital stock of thyssenkrupp AG.

- In the fiscal years 2012 / 2013, 2013 / 2014, 2014 / 2015, 2015 / 2016 and 2016 / 2017 the Company issued bonds and private placements in the total amount of €6.5 billion. A change of control, i.e. cases where a third party or third parties acting in a concerted manner towards thyssenkrupp AG acquire or hold more than 50% of the capital stock or more than 50% of the voting shares of thyssenkrupp AG, may under certain conditions lead to the early redemption including interest.

- In connection with the reappointments of the members of the Executive Board of thyssenkrupp AG – Dr. Heinrich Hiesinger, Guido Kerkhoff and Oliver Burkhard – resolved in the 2014 / 2015 fiscal year, compensation arrangements for the event of a takeover bid (change of control clause) were agreed in their respective service contracts with effect from the second period of appointment. A corresponding arrangement, likewise effective from the second period of appointment, was also agreed with Dr. Donatus Kaufmann in connection with his reappointment in the 2015 / 2016 fiscal year. Under these arrangements the Executive Board members mentioned, in the event of a change of control, have a special right of termination which triggers a severance payment equal to the sum of two annual fixed salaries and two annual performance bonuses but not more than the compensation due for the remaining term of their service contract. The installments of the Long-Term Incentive Plan (LTI) are not forfeited if the special right of termination is exercised. The same applies if the Executive Board member’s contract is terminated by mutual agreement in connection with the change of control. A change of control exists when (i) a shareholder has acquired control within the meaning of the Securities Acquisition and Takeover Act (WpÜG) by holding at least 30% of the voting shares in the Company, (ii) an enterprise agreement in accordance with § 291 AktG has been entered into with the Company as a dependent enterprise or (iii) the Company has been merged with another non-Group legal entity in accordance with § 2 Transformation Act (UmwG), unless the value of the other legal entity is less than 50% of the value of the Company as evidenced by the agreed exchange ratio.

# Consolidated financial statements

# thyssenkrupp AG – Consolidated statement of financial position

## ASSETS

| million € | Note | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|---|
| Intangible assets | 04 | 4,570 | 4,813 |
| Property, plant and equipment (inclusive of investment property) | 05 | 8,938 | 7,605 |
| Investments accounted for using the equity method | 06 | 284 | 154 |
| Other financial assets | 10 | 44 | 43 |
| Other non-financial assets | 11 | 445 | 207 |
| Deferred tax assets | 29 | 2,322 | 1,680 |
| **Total non-current assets** | | **16,604** | **14,502** |
| Inventories | 08 | 6,341 | 6,957 |
| Trade accounts receivable | 09 | 5,003 | 5,734 |
| Other financial assets | 10 | 407 | 420 |
| Other non-financial assets | 11 | 2,376 | 1,923 |
| Current income tax assets | | 172 | 220 |
| Cash and cash equivalents | | 4,105 | 5,292 |
| Assets held for sale | 03 | 65 | 0 |
| **Total current assets** | | **18,468** | **20,546** |
| **Total assets** | | **35,072** | **35,048** |

## EQUITY AND LIABILITIES

| million € | Note | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|---|
| Capital stock | | 1,449 | 1,594 |
| Additional paid-in capital | | 5,434 | 6,664 |
| Retained earnings | | (5,255) | (5,401) |
| Cumulative other comprehensive income | | 474 | 33 |
| **Equity attributable to thyssenkrupp AG's stockholders** | | **2,102** | **2,890** |
| Non-controlling interest | | 507 | 515 |
| **Total equity** | 12 | **2,609** | **3,404** |
| Accrued pension and similar obligations | 14 | 8,754 | 7,924 |
| Provisions for other employee benefits | 15 | 373 | 354 |
| Other provisions | 15 | 589 | 645 |
| Deferred tax liabilities | 29 | 33 | 111 |
| Financial debt | 16 | 6,157 | 5,326 |
| Other financial liabilities | | 221 | 182 |
| Other non-financial liabilities | | 6 | 5 |
| **Total non-current liabilities** | | **16,134** | **14,546** |
| Provisions for current employee benefits | 15 | 408 | 357 |
| Other provisions | 15 | 963 | 1,183 |
| Current income tax liabilities | | 279 | 254 |
| Financial debt | 16 | 1,455 | 1,930 |
| Trade accounts payable | 17 | 5,119 | 5,729 |
| Other financial liabilities | 18 | 975 | 842 |
| Other non-financial liabilities | 19 | 7,130 | 6,802 |
| **Total current liabilities** | | **16,329** | **17,097** |
| **Total liabilities** | | **32,463** | **31,643** |
| **Total equity and liabilities** | | **35,072** | **35,048** |

See accompanying notes to consolidated financial statements.

# thyssenkrupp AG – Consolidated statement of income

| million €, earnings per share in € | Note | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|---|
| Net sales | 23, 25 | 38,000 | 41,447 |
| Cost of sales | 04, 05 | (31,421) | (34,487) |
| **Gross margin** | | **6,579** | **6,960** |
| Research and development cost | | (373) | (383) |
| Selling expenses | | (2,817) | (2,958) |
| General and administrative expenses | | (2,346) | (2,602) |
| Other income | 25 | 213 | 278 |
| Other expenses | 26 | (97) | (167) |
| Other gains/(losses), net | 27 | 22 | 29 |
| **Income/(loss) from operations** | | **1,179** | **1,156** |
| Income from companies accounted for using the equity method | | 46 | 15 |
| Finance income | | 916 | 776 |
| Finance expense | | (1,449) | (1,181) |
| **Financial income/(expense), net** | 28 | **(488)** | **(391)** |
| **Income/(loss) from continuing operations before tax** | | **691** | **765** |
| Income tax (expense)/income | 29 | (334) | (495) |
| **Income/(loss) from continuing operations (net of tax)** | | **357** | **271** |
| **Income/(loss) from discontinued operations (net of tax)** | 03 | **(96)** | **(861)** |
| **Net income/(loss)** | | **261** | **(591)** |
| | | | |
| Thereof: | | | |
| **thyssenkrupp AG's shareholders** | | **296** | **(649)** |
| Non-controlling interest | | (35) | 59 |
| **Net income/(loss)** | | **261** | **(591)** |
| | | | |
| **Basic and diluted earnings per share based on** | 30 | | |
| Income/(loss) from continuing operations (attributable to thyssenkrupp AG's shareholders) | | 0.55 | 0.37 |
| **Net income/(loss) (attributable to thyssenkrupp AG's shareholders)** | | **0.52** | **(1.15)** |

See accompanying notes to consolidated financial statements.
[1] Figures have been adjusted (cf. Note 03).

# thyssenkrupp AG – Consolidated statement of comprehensive income

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 |
|---|---|---|
| **Net income/(loss)** | **261** | **(591)** |
| **Items of other comprehensive income that will not be reclassified to profit or loss in future periods:** | | |
| Other comprehensive income from remeasurements of pensions and similar obligations | | |
| Change in unrealized gains/(losses), net | (1,272) | 857 |
| Tax effect | 381 | (237) |
| Other comprehensive income from remeasurements of pensions and similar obligations, net | (891) | 620 |
| Share of unrealized gains/(losses) of investments accounted for using the equity-method | (10) | 6 |
| **Subtotals of items of other comprehensive income that will not be reclassified to profit or loss in future periods** | **(901)** | **627** |
| **Items of other comprehensive income that will be reclassified to profit or loss in future periods:** | | |
| Foreign currency translation adjustment | | |
| Change in unrealized gains/(losses), net | 73 | (253) |
| Net realized (gains)/losses | 1 | (219) |
| Net unrealized (gains)/losses | 74 | (472) |
| Unrealized gains/(losses) from available-for-sale financial assets | | |
| Change in unrealized gains/(losses), net | 0 | 2 |
| Net realized (gains)/losses | 0 | 0 |
| Tax effect | 0 | 2 |
| Net unrealized (gains)/losses | 0 | 4 |
| Unrealized gains/(losses) on derivative financial instruments (cash flow hedges) | | |
| Change in unrealized gains/(losses), net | (18) | 61 |
| Net realized (gains)/losses | 7 | (35) |
| Tax effect | 14 | (10) |
| Net unrealized (gains)/losses | 3 | 15 |
| Share of unrealized gains/(losses) of investments accounted for using the equity-method | (9) | (8) |
| **Subtotals of items of other comprehensive income that will be reclassified to profit or loss in future periods** | **68** | **(461)** |
| **Other comprehensive income** | **(833)** | **166** |
| **Total comprehensive income** | **(572)** | **(425)** |
| **Thereof:** | | |
| thyssenkrupp AG's shareholders | (559) | (465) |
| Non-controlling interest | (13) | 40 |
| **Total comprehensive income attributable to thyssenkrupp AG's stockholders refers to:** | | |
| Continuing operations | (571) | 594 |
| Discontinued operations[1] | 12 | (1,059) |

See accompanying notes to consolidated financial statements.
[1] Prior-year figures have been adjusted (cf. Note 03).

# thyssenkrupp AG – Consolidated statement of changes in equity

| million €, (except number of shares) | | Equity attributable to thyssenkrupp AG's stockholders | | | Cumulative other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares outstanding | Capital stock | Additional paid-in capital | Retained earnings | Foreign currency translation adjustment | Available-for-sale financial assets | Derivative financial instruments (cash flow hedges) | Share of investments accounted for using the equity method | Total | Non-controlling interest | Total equity |
| **Balance as of Sept. 30, 2015** | **565,937,947** | **1,449** | **5,434** | **(4,123)** | **417** | **6** | **(58)** | **57** | **3,182** | **125** | **3,307** |
| Net income/(loss) | | | | 296 | | | | | 296 | (35) | 261 |
| Other comprehensive income | | | | (898) | 58 | 0 | (6) | (9) | (855) | 22 | (833) |
| **Total comprehensive income** | | | | **(602)** | **58** | **0** | **(6)** | **(9)** | **(559)** | **(13)** | **(572)** |
| Profit attributable to non-controlling interest | | | | | | | | | 0 | (35) | (35) |
| Payment of thyssenkrupp AG dividend | | | | (85) | | | | | (85) | 0 | (85) |
| Changes of shares of already consolidated companies | | | | (456) | 9 | | | | (447) | 440 | (7) |
| Other changes | | | | 11 | | | | | 11 | (10) | 1 |
| **Balance as of Sept. 30, 2016** | **565,937,947** | **1,449** | **5,434** | **(5,255)** | **484** | **6** | **(64)** | **48** | **2,102** | **507** | **2,609** |
| Net income/(loss) | | | | (649) | | | | | (649) | 59 | (591) |
| Other comprehensive income | | | | 625 | (450) | 2 | 14 | (7) | 184 | (18) | 166 |
| **Total comprehensive income** | | | | **(24)** | **(450)** | **2** | **14** | **(7)** | **(465)** | **40** | **(425)** |
| Profit attributable to non-controlling interest | | | | | | | | | 0 | (37) | (37) |
| Payment of thyssenkrupp AG dividend | | | | (85) | | | | | (85) | 0 | (85) |
| Capital increase | 56,593,794 | 145 | 1,230 | (3) | | | | | 1,373 | | 1,373 |
| Changes of shares of already consolidated companies | | | | (3) | | | | | (3) | 3 | 0 |
| Other changes | | | | (31) | | | | | (31) | 1 | (30) |
| **Balance as of Sept. 30, 2017** | **622,531,741** | **1,594** | **6,664** | **(5,401)** | **34** | **8** | **(50)** | **41** | **2,890** | **515** | **3,404** |

See accompanying notes to consolidated financial statements.

# thyssenkrupp AG – Consolidated statement of cash flows

| million € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| **Net income/(loss)** | **261** | **(591)** |
| Adjustments to reconcile net income/(loss) to operating cash flows: | | |
| Income/(loss) from discontinued operations (net of tax) | 96 | 861 |
| Deferred income taxes, net | 32 | 241 |
| Depreciation, amortization and impairment of non-current assets | 1,116 | 1,109 |
| Reversals of impairment losses of non-current assets | (8) | (1) |
| Income/(loss) from companies accounted for using the equity method, net of dividends received | (46) | (15) |
| (Gain)/loss on disposal of non-current assets | (23) | (34) |
| Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes | | |
| – Inventories | 591 | (924) |
| – Trade accounts receivable | 87 | (767) |
| – Accrued pension and similar obligations | (119) | (143) |
| – Other provisions | (54) | 143 |
| – Trade accounts payable | 105 | 919 |
| – Other assets/liabilities not related to investing or financing activities | (728) | (315) |
| **Operating cash flows – continuing operations** | **1,310** | **483** |
| Operating cash flows – discontinued operations | 77 | 127 |
| **Operating cash flows – total** | **1,387** | **610** |
| Purchase of investments accounted for using the equity method and non-current financial assets | (8) | (4) |
| Expenditures for acquisitions of consolidated companies net of cash acquired | (17) | 4 |
| Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property | (1,106) | (1,368) |
| Capital expenditures for intangible assets (inclusive of advance payments) | (146) | (167) |
| Proceeds from disposals of investments accounted for using the equity method and non-current financial assets | 1 | 5 |
| Proceeds from disposals of previously consolidated companies net of cash disposed | 9 | 1,418 |
| Proceeds from disposals of property, plant and equipment and investment property | 178 | 117 |
| Proceeds from disposals of intangible assets | 2 | 0 |
| **Cash flows from investing activities – continuing operations** | **(1,088)** | **4** |
| Cash flows from investing activities – discontinued operations | (107) | (125) |
| **Cash flows from investing activities – total** | **(1,196)** | **(121)** |

| million € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| Proceeds from issuance of bonds | 850 | 1,250 |
| Repayments of bonds | (1,000) | (1,250) |
| Proceeds from liabilities to financial institutions | 892 | 3,575 |
| Repayments of liabilities to financial institutions | (997) | (3,742) |
| Proceeds from/(repayments on) loan notes and other loans | (142) | 6 |
| Increase/(decrease) in bills of exchange | (4) | 9 |
| Payment of thyssenkrupp AG dividend | (85) | (85) |
| Proceeds from capital increase | 0 | 1,375 |
| Profit attributable to non-controlling interest | (35) | (37) |
| Expenditures for acquisitions of shares of already consolidated companies | (6) | (1) |
| Financing of discontinued operations | (162) | (219) |
| Other financing activities | 3 | (14) |
| **Cash flows from financing activities – continuing operations** | **(685)** | **866** |
| Cash flows from financing activities – discontinued operations | 27 | (82) |
| **Cash flows from financing activities – total** | (658) | 784 |
| Net increase/(decrease) in cash and cash equivalents – total | (467) | 1,273 |
| Effect of exchange rate changes on cash and cash equivalents – total | 37 | (86) |
| Cash and cash equivalents at beginning of year – total | 4,535 | 4,105 |
| **Cash and cash equivalents at end of year – total** | 4,105 | 5,292 |
| [thereof cash and cash equivalents within the discontinued operations] | [95] | [0] |
| | | |
| Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows of continuing operations: | | |
| Interest received | 87 | 60 |
| Interest paid | (402) | (321) |
| Dividends received | 61 | 38 |
| Income taxes paid | (322) | (341) |

See also Note 32 to the consolidated financial statements.
[1] Figures have been adjusted (cf. Note 03).

# thyssenkrupp AG – Notes to the consolidated financial statements

### Corporate information

thyssenkrupp Aktiengesellschaft ("thyssenkrupp AG" or "Company") is a publicly traded corporation domiciled in Duisburg and Essen in Germany. The consolidated financial statements of thyssenkrupp AG and its subsidiaries, collectively the "Group", for the year ended September 30, 2017, were authorized for issuance in accordance with a resolution of the Executive Board on November 14, 2017.

### Statement of compliance

Applying Art. 315a of the German Commercial Code (HGB), the Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations of the International Accounting Standards Board (IASB) effective within the EU in accordance with the Regulation No. 1606 / 2002 of the European Parliament and the Council concerning the use of International Accounting Standards.

## 01 Summary of significant accounting policies

The consolidated financial statements are presented in euros since this is the currency in which the majority of the Group's transactions are denominated, with all amounts rounded to the nearest million except when otherwise indicated; this may result in differences compared to the unrounded figures.

### Consolidation

The Group's consolidated financial statements include the accounts of thyssenkrupp AG and all significant entities which are directly or indirectly controlled by thyssenkrupp AG (subsidiaries). This typically occurs when thyssenkrupp AG possesses more than half of the voting rights of a company. As far as structured entities are concerned, the ability to control does not result from a majority of voting rights but from contractual agreements.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Capital consolidation is performed by offsetting the carrying amounts of subsidiaries against their attributable equity. On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

The interest of minority shareholders (non-controlling interest) is stated at the minority's proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognized.

All significant intercompany transactions and balances between Group entities are eliminated on consolidation.

Joint arrangements where two or more parties jointly control an activity either classify as joint operations or as joint ventures. Joint operations result in including the assets and liabilities as well as the related income and expense on a pro rata basis in the Group's consolidated financial statements. Joint ventures are accounted for using the equity method of accounting. Where the Group transacts with its joint operations or joint ventures, unrealized profits and losses are eliminated to the extent of the Group's interest.

Investments in associates are also accounted for using the equity method of accounting. Here the Group is in a position to exercise significant influence, that is presumed when the Group holds between 20% and 50% of the voting rights ("Associated Companies"). Where a Group entity transacts with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Subsidiaries, joint operations, joint ventures and associates which influence the Group's net assets, financial position and results of operations only immaterially. Such entities are measured at fair value or at cost when the fair value of unlisted equity instruments cannot be reliably measured; they are presented under the "Other financial assets, non-current" line item. Goodwill arising on acquisition is recognized as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

Goodwill arising on the acquisition of a joint venture or an associate is included within the carrying amount of the joint venture or the associate, respectively. Goodwill arising on the acquisition of subsidiaries or joint operations is presented separately in the balance sheet.

### Foreign currency translation

The functional and reporting currency of thyssenkrupp AG and its relevant European subsidiaries is the euro (€). Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

Financial statements of the foreign subsidiaries included in the Group consolidated financial statements where the functional currency is other than the euro are translated using their functional currency which is generally the respective local currency. The translation is performed using the current rate method. Net exchange gains or losses resulting from the translation of foreign financial statements are accumulated and included in equity. Such translation differences are recognized as income or as expenses in the period in which the subsidiary is disposed of.

Companies that manage their sales, purchases, and financing substantially not in their local currency use the currency of their primary economic environment as their functional currency. Financial statements prepared in local currency are translated into the functional currency using the temporal method. The resulting translation differences are included in the consolidated statement of income as "Other income or expenses". Thereafter, the functional currency financial statements are translated into the reporting currency using the current rate method.

The exchange rates of those currencies significant to the Group have developed as follows:

**CURRENCIES**

| | Exchange rate as of (Basis €1) | | Annual average exchange rate for the year ended (Basis €1) | |
|---|---|---|---|---|
| | Sept. 30, 2016 | Sept. 30, 2017 | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 |
| US Dollar | 1.12 | 1.18 | 1.11 | 1.10 |
| Brazilian Real | 3.62 | 3.76 | 4.03 | 3.54 |
| Chinese Renminbi Yuan | 7.45 | 7.85 | 7.25 | 7.52 |

### Intangible assets

Intangible assets with finite useful lives are capitalized at cost and amortized on a straight-line basis generally over a period of 3 to 15 years, depending on their estimated useful lives. Useful lives are examined on an annual basis and adjusted when applicable on a prospective basis. The amortization expense of intangible assets is primarily included in the "cost of sales" line item in the consolidated statement of income.

Goodwill is stated at cost and tested for impairment annually or on such other occasions that events or changes in circumstances indicate that it might be impaired. Goodwill impairment losses are included in other expenses.

## Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and impairment losses. Capitalized production costs for self-constructed assets include costs of material, direct labour, and allocable material and manufacturing overhead. Borrowing costs directly attributable to the production of assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Administrative costs are capitalized only if such costs are directly related to production. Maintenance and repair costs (day-to-day servicing) are expensed as incurred. The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing parts and major inspection of such an item if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. Where fixtures and equipment comprise of significant parts having different useful lives those parts are depreciated separately.

Fixtures and equipment are depreciated over the customary useful life using the straight-line method. The following useful lives are used as a basis for calculating depreciation:

| | Useful lives |
|---|---|
| Buildings (inclusive of investment property) | 10 to 50 years |
| Building and land improvements | 15 to 25 years |
| Technical machinery and equipment | 8 to 25 years |
| Factory and office equipment | 3 to 10 years |

Investment property consists of investments in land and buildings that are held to earn rental income or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. Investment property is stated at cost less accumulated depreciation and impairment losses. The fair value of the Group’s investment property is stated in Note 05.

## Impairment

At each balance sheet date, the Group reviews the carrying amounts of its intangible assets, property, plant and equipment and investment property to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash Generating Unit to which the asset belongs.

Goodwill arising on acquisition is allocated to the Cash Generating Units that are expected to benefit from the synergies of the acquisition. Those groups of Cash Generating Units represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount of the Cash Generating Unit that carries a goodwill is tested for impairment annually as of September 30, or on such other occasions that events or changes in circumstances indicate that it might be impaired. For more details refer to Note 04.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

In case of impairment losses related to Cash Generating Units that carry a goodwill the carrying amount of any goodwill allocated to the Cash Generating Unit is reduced first. If the amount of impairment losses exceeds the carrying amount of goodwill, the difference is generally allocated proportionally to the remaining non-current assets of the Cash Generating Unit to reduce their carrying amounts accordingly.

Where an impairment loss subsequently reverses, the carrying amount of the asset (Cash Generating Unit) is increased to the revised estimate of its recoverable amount. The revised amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (Cash Generating Unit) in prior years. A reversal of an impairment loss is recognized as income immediately. However, impairment losses of goodwill may not be reversed.

### Leases

On initial recognition leases are classified as either finance or operating. Lease transactions whereby the Group is the lessee and bears substantially all the risks and rewards incidental to ownership of an asset are accounted for as a finance lease. Accordingly, the Group capitalizes the leased asset at the lower of the fair value or the present value of the minimum lease payments and subsequently depreciates the leased asset over the shorter of the lease term and its useful life. In addition, the Group records a corresponding lease obligation on the balance sheet which is subsequently settled and carried forward using the effective interest method. All other lease agreements entered into by the Group, as a lessee, are accounted for as operating leases whereby the lease payments are expensed on a straight-line basis.

Lease transactions whereby the Group is the lessor and does not transfer substantially all of the benefits and risks incident to the ownership of property to the lessee, are accounted for as operating leases whereby the leased asset remains on the Group's balance sheet and is depreciated. Scheduled lease payments are recognized in income on a straight-line basis over the lease term.

### Inventories

Inventories are stated at the lower of acquisition/manufacturing cost or net realizable value. In general, inventories are valued using the average cost method. Manufacturing cost includes direct material, labor and allocable material and manufacturing overhead based on normal operating capacity.

### Financial instruments

A financial instrument is any contract that at the same time gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized as soon as thyssenkrupp becomes a contracting party to the financial instrument. In cases where trade date and settlement date do not coincide, for non-derivative financial instruments the settlement date is used for initial recognition or derecognition, while for derivatives the trade date is used. Financial instruments stated as financial assets or financial liabilities are generally not offset; they are only offset when a legal right to set-off exists at that time and settlement on a net basis is intended.

### Financial assets

In particular, financial assets include trade accounts receivable, cash and cash equivalents, derivative financial assets, as well as equity instruments and bonds held. Financial assets are initially recognized at fair value. This includes any transaction costs directly attributable to the acquisition of financial assets, which are not carried at fair value through profit or loss in future periods. The fair values recognized on the balance sheet usually reflect the market prices of the financial assets.

### Trade accounts receivable and other current receivables

Receivables are accounted for at amortized cost less valuation allowances.

Impairments in the form of individual allowances for doubtful accounts adequately consider default risk. When there is objective evidence of default, the receivable concerned is derecognized. Receivables that are immaterial, and receivables of similar default risk, are grouped together and tested collectively for impairment based on past experience.

Receivables that do not bear interest or bear below market interest rates and have an expected term of more than one year are discounted with the discount subsequently amortized to interest income over the term of the receivable.

The Group sells undivided interests in certain trade accounts and notes receivable both on an ongoing and one-time basis to structured entities, which are not required to be consolidated, or to other lending institutions.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits as well as financial assets that are readily convertible to cash and which are only subject to an insignificant risk of change in value, they are measured at amortized cost.

### Financial assets held for trading

Derivatives that are not part of an effective hedge accounting in accordance with IAS 39 must be assigned to this category when the fair value is positive as of measurement date. Gains or losses resulting from changes in fair value are recognized in profit or loss.

### Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets not assigned to any of the above categories. This category includes primarily equity and debt instruments which are in general measured at fair value. Gains or losses resulting from the measurement of available-for-sale financial assets are recognized directly in equity, with the exception of foreign currency conversion effects on monetary items as well as impairment losses on monetary and non-monetary items. On disposal of these financial assets, a cumulative gain or loss recognized directly in equity until then is recognized in profit or loss of the respective period. When the fair value of unlisted equity instruments cannot be reliably measured, they are measured at cost.

### Financial assets measured at fair value through profit or loss

The Group does not use the option to categorize financial assets at fair value through profit or loss when initially recognized.

### Impairment of financial assets

At each balance sheet date, an assessment is made of whether there is any objective evidence that the carrying amounts of financial assets not carried at fair value through profit or loss are impaired. Objective evidence includes, for example, considerable financial difficulty of the debtor obligor, disappearance of an active market, and significant changes in the technological, market, economic or legal environment. A significant or prolonged decline in the fair value of an equity instrument is an objective evidence of impairment.

The impairment loss on a financial asset carried at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. An impairment loss is recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

### Financial liabilities

Financial liabilities are liabilities that must be settled in cash or other financial assets. Financial liabilities are initially carried at fair value. This includes any transaction costs directly attributable to the acquisition of financial liabilities, which are not carried at fair value through profit or loss in future periods.

### Trade accounts payable and other non-derivative financial liabilities

Trade accounts payable and other non-derivative financial liabilities are in general measured at amortized cost using the effective interest method. Finance charges, including premiums payable on redemption or settlement, are periodically accrued using the effective interest method and increase the liabilities’ carrying amounts unless they have already been settled in the period in which they were incurred.

### Financial liabilities carried at fair value through profit or loss

The Group does not use the option to categorize financial liabilities at fair value through profit or loss when initially recognized.

### Financial liabilities held for trading

Derivatives that are not part of an effective hedge accounting in accordance with IAS 39 must be classified as “held for trading” and thus carried at fair value through profit or loss.

### Derivative financial instruments

Derivatives are used generally to hedge existing or anticipated underlying transactions. Such derivatives and so-called “embedded derivatives”, which are an integral part of a non-derivative host contract and must be accounted for separately, are measured initially and subsequently at fair value through profit or loss. Gains or losses due to fluctuations in fair value are recognized immediately in profit or loss. The Group uses cash flow hedge accounting and to a very limited extent fair value hedge accounting but does not apply hedging of a net investment in a foreign operation.

More information about financial instruments is provided in Note 21.

### Income taxes

Income taxes comprise all current and deferred taxes based on taxable profit. They are calculated taking into account the statutory provisions applying in the countries in which thyssenkrupp operates. Interest and other surcharges in connection with income taxes are not recognized in income tax expense.

In this connection management judgments are required which may differ from the interpretations of local tax authorities. If this results in changes to income taxes from the past, these are reported in the period in which sufficient information is available for an adjustment. Generally income taxes are calculated on the basis of the profits reported for the fiscal year.

To the extent that items are credited or charged directly to other comprehensive income in equity, the corresponding income tax is also recognized directly in equity.

Current income taxes are recognized in the amount in which it is assumed they will be paid to the tax authorities in the future.

Deferred taxes are accounted for in respect of temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax bases. They also include unused tax losses carried forward and credits. Where deferred tax assets occur, they are measured and adjusted according to an assessment of their future recoverability using forecast calculations and realizable tax strategies. Deferred taxes are calculated at the enacted or substantially enacted tax rates that are expected to apply when the asset or liability is settled.

### Cumulative other comprehensive income

The equity line item “Cumulative other comprehensive income” includes changes in the equity of the Group that were not recognized in the consolidated statement of income of the period, except those resulting from capital transactions with the owners. Cumulative other comprehensive income includes foreign currency translation adjustments, unrealized holding gains and losses on available-for-sale financial assets and on derivative financial instruments as well as the share of the other comprehensive income of associates and joint ventures accounted for using the equity method. Remeasurements of pensions and similar obligations are reported in retained earnings in the period that they are recognized as other comprehensive income.

### Accrued pension and similar obligations

The Group’s net obligation for defined benefit and other postretirement benefit plans have been calculated for each plan using the projected unit credit method as of the balance sheet date. A quarterly valuation of pensions is performed on the basis of updated interest rates and fair values of plan assets.

With the exception of net interest, all income and expenses related to defined benefit plans are recognized in income/(loss) from operations. Net interest included in net periodic pension cost is recognized in net financial income/(expense) in the Group’s consolidated statement of income.

The Group’s obligations for contributions to defined contribution plans are recognized as expense in income/(loss) from operations as incurred.

The effects of remeasurements of pensions and similar obligations are recognized in other comprehensive income and reported in retained earnings. They consist of actuarial gains and losses, the return on plan assets and changes in the effects of asset ceiling excluding amounts already included in net interest. Deferred taxes relating to remeasurements are also recognized in other comprehensive income.

The Group also maintains multi-employer plans. In principle, these multi-employer plans contain defined benefit plans as well as defined contribution plans. With respect to defined benefit multi-employer plans these are accounted for in the same way as any other defined benefit plan in case the required information is available. Otherwise these plans are accounted for as defined contribution plans. In particular in the USA and in the Netherlands, there exist multi-employer defined benefit plans that are accounted for as defined contribution plans due to the fact that the pension obligations and the plan assets cannot be assigned to the participating employers.

### Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event which will result in a probable outflow of economic benefits that can be reasonably estimated. The amount recognized represents best estimate of the settlement amount of the present obligation as of the balance sheet date. Expected reimbursements of third parties are not offset but recorded as a separate asset if it is virtually certain that the reimbursements will be received. Where the effect of the time value of money is material, provisions are discounted using a market rate.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Provisions for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring and has notified the affected parties.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

### Share-based compensation

The Group has management incentive plans which grant stock rights to executive and senior employees that are exclusively settled in cash after the end of the respective performance period. The fair value of these rights is calculated on the date of grant and on each balance sheet date and recognized as an expense on a straight-line basis over the vesting period with a corresponding increase in provisions. Furthermore a portion of the variable compensation was granted as share appreciation rights to the Executive Board members of thyssenkrupp AG inclusive of fiscal year 2013 / 2014 and was granted to additional selected executive employees inclusive of fiscal year 2014 / 2015. For both types of compensation, the provision is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the provision are recognized as part of income from operations.

See also information provided in Note 13.

### Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably. Revenue from services is recognized when services are rendered. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods. Revenue is recognized net of applicable provisions for discounts and allowances.

Construction contract revenue and expense are accounted for using the percentage-of-completion method, which recognizes revenue as performance of the contract progresses. In general the contract progress is determined based on the percentage of costs incurred to date to total estimated cost for each contract after giving effect to the most recent estimates of total cost. If the construction takes a substantial period of time, contract costs also include borrowing costs that are directly attributable.

Contracts where the Group provides engineering services are also accounted for like construction contracts. Construction contracts under the percentage-of-completion method are measured at construction cost plus profits earned based on the percentage of the contract completed. Revenues net of advance payments received are recognized as trade accounts receivable in the balance sheet. Variations in contract work and claims are included to the extent that it is probable that they will be approved by the customer and the amount can be reliably measured. Reliably measurable incentive payments are recognized if it is probable that the specified performance standards will be met or exceeded.

Where the income of a construction contract cannot be estimated reliably, contract revenue that is probable to be recovered is recognized to the extent of contract costs incurred. Contract costs are recognized as expenses in the period in which they are incurred. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Revenues from contracts with multiple element arrangements, such as those including both goods and services, are recognized as each element is earned based on objective evidence of the relative fair value of each element.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

### Research and development costs

Research costs are expensed as incurred.

Development costs, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if the product or process is technically and commercially feasible, it is intented to complete the intangible asset, there is a market for the output of the intangible asset, the attributable expenditure can be measured reliably, and the Group has sufficient resources to complete development. Other development costs are expensed as incurred. Capitalized development costs of completed projects are stated at cost less accumulated amortization and impairment losses.

### Earnings per share

Basic earnings per share amounts are calculated by dividing net income/(loss) attributable to thyssenkrupp AG's shareholders by the weighted average number of shares outstanding. Shares issued during the period are weighted for the portion of the period that they were outstanding.

### Segment reporting

In accordance with the so-called management approach, segment reporting of the thyssenkrupp Group is based on the internal organizational and reporting structure. The data used to determine the internal key figures are derived from the IFRS consolidated financial statements.

### Single assets held for sale, disposal groups and discontinued operations

A single non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group reports assets and liabilities as a disposal group, that will be disposed of by sale or otherwise in a single transaction, which collectively meet the held for sale criteria as specified in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The Group reports the assets and liabilities of a disposal group separately in the balance sheet line item "assets held for sale/disposal" and "liabilities associated with assets held for sale/disposal", respectively. Unless a disposal group qualifies for discontinued operations reporting, the revenues and expenses of the disposal group remain within continuing operations until the date of disposal. The Group reports the results of a disposal group that also qualifies as a component of the Group as discontinued operations if it represents a separate major line of business or geographical area of operations. The Group reports the results of discontinued operations in the period in which they occur separately within the consolidated statement of income as "discontinued operations (net of tax)". All prior period consolidated statements of income are adjusted to report the results of the component within discontinued operations. In the consolidated statement of cash flows the cash flows resulting from discontinued operations are presented separately from cash flows resulting from continuing operations; prior year presentation has been adjusted accordingly.

On initial classification as held for sale, non-current assets are recognized at the lower of the carrying amount and fair value less costs to sell and depreciation and amortization ceases. A disposal group is initially measured in line with the respective IFRS standards to determine the carrying amount of the disposal group which is then compared to the fair value less costs to sell of the group in order to recognize the group at the lower of both amounts. Impairment losses on initial classification as held for sale are included in profit or loss, as are gains and losses on subsequent remeasurement, but not in excess of the cumulative impairment loss.

### Financial statement classification

Certain line items on the consolidated balance sheet and in the consolidated statement of income have been combined. These items are disclosed separately in the Notes to the consolidated financial statements. Certain reclassifications have been made to the prior year presentation to conform to that of the current year.

In general the Group classifies assets and liabilities as current when they are expected to be realized or settled within twelve months after the balance sheet date. Group companies that have operating cycles longer than twelve months classify assets and liabilities as current if they are expected to be realized within the company's normal operating cycle.

### Estimates and judgments

The preparation of the Group consolidated financial statements requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. All estimates and assumptions are made to the best of management's knowledge and belief in order to fairly present the Groups financial position and results of operations; they are reviewed on an ongoing basis. Actual results may differ from these estimates.

Accounting estimates and judgments made by Management in the application of IFRS that have a significant effect on the consolidated financial statements are in particular relevant for the following issues:

#### Business combinations

As a result of acquisitions the Group recognized goodwill in its balance sheet. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair value. One of the most significant estimates relates to the determination of the fair value of these asset and liabilities. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market price. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Group either consults with an independent external valuation expert or develops the fair value internally, using an appropriate valuation technique which is generally based on a forecast of the total expected future net cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

#### Recoverability of Goodwill

As stated in the accounting policy, the Group tests annually and in addition if any indicators exist, whether goodwill has suffered an impairment loss. If there is an indication, the recoverable amount of the cash-generating unit has to be estimated which is the greater of the fair value less costs to sell and the value in use. The determination of the value in use involves making adjustments and estimates related to the projection and discounting of future cash flows (cf. Note 04). Although management believes the assumptions used to calculate recoverable amounts are appropriate, any unforeseen changes in these assumptions could result in impairment charges to goodwill which could adversely affect the future financial position and operating results.

#### Recoverability of assets

At each balance sheet date, the Group assesses whether there is any indication that the carrying amounts of its property, plant and equipment, investment property or intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In assessing the value in use, discounted future cash flows from the related assets have to be determined. Estimating the discounted future cash flows involves significant assumptions, including particularly those regarding future sale prices and sale volumes, costs and discount rates (Cf. Note 03 and 05). Although management believes that its estimates of the relevant expected useful lives, its assumptions concerning the economic environment and developments in the industries in which the Group operates and its estimations of the discounted future cash flows are appropriate, changes in the assumptions or circumstances could require changes in the analysis. This could lead to additional impairment charges in the future or to reversal of impairments if the trends identified by management reverse or the assumptions or estimates prove incorrect.

### Other provisions

The recognition and measurement of other provisions are based on the estimation of the probability of a future outflow of resources as well as empirical values and the circumstances known at the reporting date. This means that the actual later outflow of resources may differ from the other provisions, cf. also the remarks under Note 15.

### Measurement of single assets held for sale, disposal groups and discontinued operations

Single assets held for sale as well as disposal groups and discontinued operations are measured at fair value less costs to sell. The determination of fair value less costs to sell can be based on estimations and assumptions of the management that carry a certain degree of uncertainty.

### Revenue recognition on construction contracts

Certain Group entities, particularly in the Elevator Technology and Industrial Solutions business areas, conduct a portion of their business under construction contracts which are accounted for using the percentage-of-completion method, recognizing revenue as performance on the contract progresses. This method requires accurate estimates of the extent of progress towards completion. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgements. The managements of the operating companies continually review all estimates involved in such construction contracts and adjust them as necessary.

### Income taxes

The recognition and measurement of current and deferred tax receivables and liabilities depend on management estimates of tax uncertainties and future business performance. This includes both the interpretation of existing tax regulations and the testing of deferred tax assets for impairment. These estimates are adjusted when there is sufficient evidence of the need for such adjustment.

### Employee benefits

The Group accounts for pension and other postretirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions including the discount rate, expected salary increases, mortality rates and health care cost trend rates. These actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in postretirement employee benefit obligations, of equity and the related future expense. (Cf. Note 14 for further information).

## Legal contingencies

thyssenkrupp companies are parties to litigations related to a number of matters as described in Note 20. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. For the assessments internal and external lawyers are used. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against thyssenkrupp companies or the disclosure of any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.

### Recently adopted accounting standards

In fiscal year 2016 / 2017 thyssenkrupp adopted the following amendments to already existing standards that did not have a material impact on the Group's consolidated financial statements:

- Amendments to IAS 1 "Presentation of Financial Statements", issued in December 2014. The amendments mainly include clarifications regarding the judgment of materiality of disclosures, explanations how to aggregate and disaggregate line items of the balance sheet and the statement of comprehensive income, the order to the notes and the disclosure to significant accounting policies.

- Amendments to IFRS 11 "Joint Arrangements": "Accounting for Acquisitions of Interests in Joint Operations", issued in May 2014

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": "Clarification of Acceptable Methods of Depreciation and Amortisation", issued in May 2014

- Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014

- Amendments to IFRS 10, IFRS 12 and IAS 28: "Investment Entities – Applying the Consolidation Exception", issued in December 2014

### Issued accounting standards that have not been adopted in fiscal year 2016 / 2017

The following standards, interpretations and amendments of standards and interpretations have been issued by the IASB. Their adoption has not been mandatory for 2016 / 2017 and they still must be partially endorsed by the EU:

In July 2014 the IASB issued the final version of IFRS 9 "Financial Instruments". The new standard includes revised requirements for the classification and measurement of financial assets, fundamental changes to the regulations on the impairment of financial assets, and revised rules on hedge accounting. The new regulations must be applied for fiscal years beginning on or after January 1, 2018. In general they must be applied retrospectively, but various transition options are allowed; earlier application is permitted.

The Group will adopt IFRS 9 in the fiscal year beginning on October 1, 2018 and, in accordance with the transition options, currently expects that comparative information on classification, measurement and impairment according to IFRS 9 for prior periods will not be restated. Resultant transition effects will be reported in general in retained earnings. The new hedge accounting rules will be applied prospectively.

While thyssenkrupp has not yet completed its detailed analysis of IFRS 9, adoption of the standard is not expected to have a major impact on the consolidated financial statements.

Regarding the classification of financial assets, the Group expects that a part of trade accounts receivable, currently accounted for exclusively at amortized cost, will in the future be recognized at fair value in equity through other comprehensive income. Equity instruments which are recognized at amortized cost are expected to be recognized at fair value in profit or loss in the future.

To implement the new rules on impairment, suitable models are being developed in particular to determine the expected loss rates for trade accounts receivable. thyssenkrupp currently intends to apply the simplified impairment model under IFRS 9 and report lifetime expected losses for all trade accounts receivable and contract assets. The reporting of expected losses under the new model is expected to result in earlier recognition of impairment losses.

The Group currently assumes that all existing designated hedges meet the requirements of IFRS 9 and can be continued. It is currently being assessed whether the hedging of components will be possible in some cases in the future. The option of reporting hedge costs in connection with designated hedges initially in other comprehensive income will probably be used. This could further reduce the already low hedge ineffectiveness.

In May 2014 the IASB issued the new standard IFRS 15 “Revenue from Contracts with Customers”. The purpose of the new standard on revenue recognition is to bring together the large number of existing guidelines contained in various standards and interpretations. At the same time it establishes uniform core principles to be applied to all industries and all types of revenue transactions. In April 2016 clarifications to IFRS 15 were issued relating mainly to the identification of separate performance obligations as well as the definition of principal and agent.

IFRS 15 must be applied for fiscal years beginning on or after January 1, 2018. The Group is not making use of the option for early application of IFRS 15 but will adopt IFRS 15 for the 2018 / 2019 fiscal year beginning on October 1, 2018 (IFRS 15 effective date). The full retrospective approach to initial application will be applied, i.e. the cumulative transition effects will be included directly in retained earnings at the start of the comparative period on October 1, 2017. With this the Group is making use of the practical expedients provided in IFRS 15. In this connection it is planned in particular not to restate at October 1, 2017 contracts that begin and are completed within the same fiscal year or are completed at October 1, 2017.

In the 2016 / 2017 fiscal year the Groupwide IFRS 15 implementation project launched in 2015 focused mainly on ensuring that all IFRS 15 effects had been identified in full, carrying out training at the Group companies, and analyzing the materiality of the IFRS 15 impacts identified as part of local implementation projects in the business areas. In this connection no significant new IFRS 15 impacts beyond the findings of the initial impact analysis carried out in fiscal year 2015 / 2016 were identified. Overall the Group does not expect any significant transition effects at the start of the comparative period on October 1, 2017. Based on the findings of the other analyses carried out in the 2016 / 2017 fiscal year, the following key impacts resulting from the adoption of IFRS 15 were identified or confirmed:

- For certain business models in the automotive supply business the concretized definition of principal and agent in IFRS 15 based on the principle of control will result in a significant and sustained reduction in reported revenue due to the extended net presentation of agent revenue. At the same time this will have a positive impact on the reported percentage sales margin (related to adjusted EBIT) of the Components Technology business area, which would be 0.8%-points higher at the balance sheet date September 30, 2017.

- In the plant engineering business of the Industrial Solutions business area, the Group expects that revenue will have to be recognized later for only a few, insignificant construction contracts currently accounted for by the percentage of completion method in accordance with IAS 11, because the IFRS 15 criteria for revenue recognition over time are not met.

- Especially in the Materials Services business area, depending on the Incoterms agreed with the individual customer, separate performance obligations will have to be identified in connection with the provision of transportation and/or insurance services. Under IFRS 15 the revenue for these services is recognized over time and not as previously at the time of delivery of the corresponding products.

- In cases where certain Incoterms are agreed for the supply of products to customers, control transfers to the customer under IFRS 15 in general exists only when the products concerned are transferred to the customer. An earlier revenue recognition at the point in time at which the significant risks and rewards are transferred to the customer is no longer sufficient for revenue recognition under IFRS 15. Particularly in the Materials Services business area, this will mean that revenue will be recognized later in individual cases.

- IFRS 15 requires to capitalize the costs of obtaining a contract when certain conditions are met. This will result in a slight increase in retained earnings as of October 1, 2017 when applying the full retrospective approach to initial application.

- The Group currently expects balance sheet extension especially as a result of the explicit requirement under IFRS 15 that due prepayments not yet received in cash from the customer must be recognized.

In January 2016 the IASB issued the new standard IFRS 16 “Leases”, which is to replace the current lease standard IAS 17. Application of the new standard is mandatory for fiscal years beginning on or after January 1, 2019. Earlier application is permitted as long as IFRS 15 is also applied. The Group will apply IFRS 16 for the first time in the fiscal year beginning October 1, 2019.

For the lessee a uniform accounting model applies under the new standard: For each lease a right-of-use asset and a lease liability are recognized. Where corresponding options are exercised, exceptions apply for leases of low-value assets and leases with a term of less than 12 months. For lessors, the rules of IFRS 16 differ very little from those of IAS 17. Lessors must continue to differentiate between finance leases and operating leases.

Most of thyssenkrupp’s leases are operating leases under which it is the lessee. The application of IFRS 16 will have the following effects on the presentation of the Group’s financial position and earnings performance: With regard to the minimum rental payments from operating leases reported under commitments, the adoption of the new standard will lead to an increase in non-current assets due to recognition of rights of use. Accordingly financial debt will increase due to recognition of the corresponding liabilities. In addition the classification of expenses from these leases will change because IFRS 16 replaces the current straight-line expenses for operating leases with depreciation of the rights of use and interest expense for the liabilities. In addition under IFRS 16 the principal portion of lease payments is reported under cash flows from financing activities, meaning that operating cash flow will improve.

The Group has launched a Groupwide project to implement the new standard. A reliable estimate of the quantitative impact on the consolidated financial statements cannot yet be made. The current operating lease volume is shown in Note 20.

In addition to the standards presented above in detail, the IASB has issued further standards, interpretations and amendments to standards and interpretations whose application is also not yet mandatory and which in part require EU endorsement before they can be applied. Management currently assumes that the application of these standards, interpretations and amendments will not have a material impact on the presentation of the consolidated financial statements:

- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures (2011)”: “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”, issued in September 2014, initial application deferred indefinitely

- Amendments to IAS 12 “Income Taxes”: “Recognition of Deferred Tax Assets for Unrealised Losses”, issued in January 2016, initial application in fiscal year 2017 / 2018

- Amendments to IAS 7 “Statements of Cash Flows”: “Disclosure Initiative”, issued in January 2016, initial application in fiscal year 2017 / 2018

- Amendments to IFRS 2 “Share-based Payment”: “Classification and Measurement of Share-based Payment Transactions”, issued in June 2016, not yet endorsed, expected initial application in fiscal year 2018 / 2019

- Annual Improvements to IFRSs 2014-2016 Cycle, issued in December 2016, not yet endorsed, expected initial application in fiscal years 2017 / 2018 and 2018 / 2019, respectively

- IFRIC 22: “Foreign Currency Transactions and Advance Consideration”, issued in December 2016, not yet endorsed, expected initial application in fiscal year 2018 / 2019

- Amendments to IAS 40: “Transfers of Investment Property”, issued in December 2016, not yet endorsed, expected initial application in fiscal year 2018 / 2019

- IFRIC 23: “Uncertainty over Income Tax Treatments”, issued in June 2017, not yet endorsed, expected initial application in fiscal year 2019 / 2020

- Amendments to IFRS 9 “Financial Instruments”, issued in October 2017, not yet endorsed, expected initial application in fiscal year 2019 / 2020

- Amendments to IAS 28: “Investments in Associates and Joint Ventures”, issued in October 2017, not yet endorsed, expected initial application in fiscal year 2019 / 2020

## 02 Consolidated companies and equity interests

### Compensation of the scope of consolidation

The changes in the scope of consolidation in fiscal 2015 / 2016 and 2016 / 2017, respectively are presented in the table below:

**ACQUISITIONS/DIVESTITURES OF BUSINESSES**

| Number of consolidated companies | Germany | Abroad | Total |
|---|---|---|---|
| **Balance as of Sept. 30, 2015** | **131** | **366** | **497** |
| Additions | — | 1 | 1 |
| Disposals | (9) | (18) | (27) |
| **Balance as of Sept. 30, 2016** | **122** | **349** | **471** |
| Additions | 4 | 26 | 30 |
| Disposals | (18) | (22) | (40) |
| **Balance as of Sept. 30, 2017** | **108** | **353** | **461** |

The additions in 2016 / 2017 mainly result from 14 acquisitions, while 27 of the disposals result from internal merging of Group entities. To further details see “acquisitions and disposals” in this Note and in Note 03.

7 (prior year: 8) controlled subsidiaries are not consolidated because their combined influence on the Group’s net assets, financial position and results of operations is not material. Their net sales amount to 0.004%, their income/(loss) before tax amounts to 0.38% and their total equity amounts to 0.03% of the Group’s respective balances.

The Group has 12 (prior year: 10) associated companies and 13 (prior year: 15) joint ventures that are accounted for using the equity method of accounting. Another 8 (prior year: 8) associated companies are not accounted for using the equity method of accounting because their combined influence on the Group’s net assets, financial position and results of operations is not material. The income before tax of the immaterial associated companies amounts to 3.7% and their total equity to 0.25% of the Group’s respective balances.

A complete listing of the Group’s subsidiaries and equity interests is published in the German Federal Gazette and is available on the thyssenkrupp website at **www.thyssenkrupp.com.**

### Structrued entities

thyssenkrupp includes 4 (prior year: 4) structured entities in the consolidated financial statements. One of these structured entities is the operating company of a leased facility for the production of coke. This operating company is the lessee under an operating lease, so liabilities from future minimum rental payments are part of the commitments included in the consolidated financial statements. The maximum loss risk to the Group from this facility is €61 million, resulting from the residual value guarantee – mainly transferred to third parties – for the facility up to the end of the lease contract (cf. Note 20). Another of the structured entities is a special purpose leasing company established to realize the second construction phase of the thyssenkrupp Quarter. The lease object and the corresponding liabilities are included in the consolidated financial statements. There are no obligations to provide financial support. The two other structured entities do not have a material influence on the Group’s net assets, financial position and results of operations.

thyssenkrupp also has contractual relationships with 3 (prior year: 6) non-controlled structured entities. The Group holds a maximum 1% share in these entities. One of these entities is the owner company and operating lessor of the coke production facility leased by the thyssenkrupp Group. Under factoring programs, contractual relationships exist with a structured entity in which the company holds no interests. The other non-controlled structured entity has a service contract with a Group company. Potential losses from these contracts are already included in the purchasing commitments stated under commitments (cf. Note 20).

## Acquisitions and disposals

### Year ended September 30, 2017

At the beginning of April 2017 thyssenkrupp completed the full takeover of Atlas Elektronik after approval for the acquisition of the 49% share held by Airbus was also given by the German government and the competition authorities. thyssenkrupp already held a 51% share in Atlas Elektronik and managed the company together with Airbus as a joint venture, which was accounted for in the consolidated financial statements using the equity method. Following the full acquisition, the Atlas Elektronik group is now fully consolidated.

The Atlas Elektronik group is an international maritime high-tech supplier of ships' electronic systems and has been a technology partner of thyssenkrupp Marine systems for many years. With the takeover the Marine Systems business of the Industrial Solutions business area is repositioning itself as an integrated system provider and developing strategic advantages in the global market for submarines and naval surface vessels.

Immediately before the acquisition of the remaining share, the value of the investment accounted for using the equity-method amounted to €111 million. Following remeasurement in connection with the acquisition, this increased to €161 million taking into account the purchase price for the 49% share; the resultant profit of €50 million is reported under other income in the consolidated statement of income. The purchase price for the 49% share amounted to €155 million. Based on the preliminary values at the time of acquisition, the ongoing purchase price allocation has led to an increase particularly in other intangible assets. This was the main reason preliminary goodwill, which contains items such as know-how, decreased by €162 million to €93 million. The purchase price allocation has not yet been finalized because the complex and customized structure of the individual projects and the large volume of information required meant that the analysis could not yet be completed; to this extent in particular intangible assets, provisions in connection with projects, and the corresponding goodwill are preliminary.

Taking into account the not yet finalized purchase price allocation, the acquisition affected the consolidated financial statements as follows:

## ACQUISITION OF ATLAS ELEKTRONIK GROUP

| million € | |
|---|---|
| Goodwill | 93 |
| Other intangible assets | 192 |
| Property, plant and equipment (including investment property) | 86 |
| Other non-current financial assets | 3 |
| Other non-current non-financial assets | 1 |
| Deferred tax assets | 13 |
| Inventories | 132 |
| Trade accounts receivable | 235 |
| Other current financial assets | 44 |
| Other current non-financial assets | 37 |
| Current income tax assets | 10 |
| Cash and cash equivalents | 167 |
| **Total assets** | **1,013** |
| Accrued pension and similar obligations | 176 |
| Deferred tax liabilities | 63 |
| Other non-current financial liabilities | 2 |
| Provisions for current employee benefits | 1 |
| Other current provisions | 99 |
| Current income tax liabilities | 9 |
| Trade accounts payable | 34 |
| Other current financial liabilities | 18 |
| Other current non-financial liabilities | 296 |
| **Total liabilities** | **697** |
| **Net assets** | **316** |
| Non-controlling interest | 0 |
| **Purchase price (paid via cash and fair value of equity-investment)** | **316** |
| Thereof: paid in cash and cash equivalents | 155 |

Since it was fully consolidated in the Group's financial statements effective April 3, 2017, the Atlas Elektronik group has generated sales of around €168 million and earnings before taxes of around €(4) million, which are contained in the consolidated income statement for the fiscal year ended September 30, 2017. If the acquisition had taken place instead as of October 1, 2016, the Atlas Elektronik group would have contributed additional sales of around €196 million and earnings before taxes of around €(17) million to the Group.

In the year ended September 30, 2017, the Group acquired furthermore the two Brazilian Ecosteel companies in December 2016 and acquired additional smaller companies that are, on an individual basis, immaterial. Based on the values as of acquisition date, these acquisitions affected in total the Group's consolidated financial statements as presented below:

### ADDITIONAL ACQUISITIONS

| million € | Year ended Sept. 30, 2017 |
|---|---|
| Goodwill | 14 |
| Other intangible assets | 5 |
| Property, plant and equipment (including investment property) | 31 |
| Other non-current financial assets | 20 |
| Deferred tax assets | 1 |
| Trade accounts receivable | 3 |
| Current income tax assets | 1 |
| Cash and cash equivalents | 5 |
| **Total assets** | **80** |
| Deferred tax liabilities | 1 |
| Other non-current non-financial liabilities | 3 |
| Trade accounts payable | 1 |
| Other current financial liabilities | 1 |
| Other current non-financial liabilities | 3 |
| **Total liabilities** | **9** |
| **Net assets** | **71** |
| Non-controlling interest | 0 |
| **Purchase prices** | **71** |
| Thereof: paid in cash and cash equivalents | 67 |

With the exception of the disposal of the Brazilian steel mill CSA Siderúrgica do Atlantico (CSA) (cf. Note 03), in fiscal year ended September 30, 2017, the Group had only some smaller disposals that were, on an individual basis und in total, immaterial.

### Year ended September 30, 2016

In fiscal year ended September 30, 2016 the Group had only some smaller acquisitions in the form of asset deals and some smaller disposals that were, on an individual basis und in total, immaterial.

## 03 Discontinued operation and disposal group

### Year ended September 30, 2017

As part of the Strategic Way Forward, thyssenkrupp reached agreement with Ternium on the sale of the Brazilian steel mill CSA as essential part of the Steel Americas business area at the end of February 2017. After the approval of the responsible competition authorities the sale was closed at the beginning of September 2017. The transaction meets the criteria of IFRS 5 for presentation of the Steel Americas business area as a discontinued operation. Consequently in the current reporting period all expense and income of Steel Americas until the disposal is reported separately in the income statement and all cash flows reported separately in the statement of cash flows; prior-period figures are adjusted accordingly. As a result of the disposal at the beginning of September 2017, the otherwise required separate presentation of the assets and liabilities attributable to Steel Americas in the statement of financial position is not applicable at the current balance sheet date; under IFRS 5 an adjustment of the prior-year period of the statement of financial position is not required.

In connection with the initiated disposal, the assets and liabilities of the discontinued operation are measured at fair value less costs to sell; this amounted to €1.5 billion (enterprise value). This resulted in an impairment loss of €808 million in accordance with IAS 36 immediately prior to the reclassification in the 2nd quarter ended March 31, 2017. Of this €8 million relates to goodwill, €1 million to other intangible assets, €83 million to land and buildings, €555 million to technical equipment and machinery, €1 million to other assets and €160 million to other non-financial assets. The expenses are included in the consolidated statement of income in the line "Income/(loss) from discontinued operations (net of tax)".

The assets and liabilities of Steel Americas business area classified as a discontinued operation are presented in the following table at the time of disposal:

## DISCONTINUED OPERATION STEEL AMERICAS

| million € | |
|---|---:|
| Intangible assets | 2 |
| Property, plant and equipment (including investment property) | 1,077 |
| Other non-financial assets | 102 |
| Deferred tax assets | 16 |
| Inventories | 380 |
| Trade accounts receivable | 59 |
| Other current financial assets | 9 |
| Other current non-financial assets | 173 |
| Cash and cash equivalents | 235 |
| **Total assets disposed of** | **2,053** |
| Other current provisions | 185 |
| Current income tax liabilities | 1 |
| Trade accounts payable | 186 |
| Other current financial liabilities | 80 |
| Other current non-financial liabilities | 55 |
| **Total liabilities disposed of** | **508** |
| **Net assets disposed of** | **1,545** |
| Cumulative other comprehensive income | (223) |
| Gain on disposal | 327 |
| **Selling price** | **1,649** |
| Thereof: paid in cash and cash equivalents | 1,649 |

The results of the Steel Americas business area until the disposal are as follows:

## DISCONTINUED OPERATION STEEL AMERICAS

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 |
|---|---|---|
| Net sales | 1,263 | 1,525 |
| Other income | 225 | 325 |
| Expenses | (1,527) | (2,880) |
| **Ordinary income/(loss) from discontinued operations (before tax)** | **(39)** | **(1,031)** |
| Income tax (expense)/income | (56) | (86) |
| **Ordinary income/(loss) from discontinued operations (net of tax)** | **(96)** | **(1,117)** |
| **Gain/(loss) recognized on disposal of discontinued operations (before tax)** | **0** | **327** |
| Income tax (expense)/income | 0 | (71) |
| **Gain/(loss) recognized on disposal of discontinued operations (net of tax)** | **0** | **256** |
| **Income/(loss) from discontinued operations (net of tax)** | **(96)** | **(861)** |
| Thereof: | | |
| thyssenkrupp AG's shareholders | (15) | (861) |
| Non-controlling interest | (80) | 0 |

### Year ended September 30, 2016

At Corporate the sale was initiated at June 30, 2016 of a package of non-operation real estate located in Germany which was classified as a disposal group under IFRS 5 and reported under “Assets held for Sale” in the statement of financial position. As of September 30, 2016 the group comprised investment property in the amount of €63 million and inventories in the amount of €2 million. Measurement of the disposal group at fair value less cost to sell resulted in impairment losses of €5 million on investment property which were recognized in cost of sales in the year ended September 30, 2016. In the meanwhile the transaction was consummated.

# Notes to the consolidated statement of financial position

## 04 Intangible assets

Changes in the Group's intangible assets were as follows:

### CHANGES IN INTANGIBLE ASSETS

| million € | Franchises, trademarks and similar rights and values as well as licenses thereto | Development costs, internally developed software and website | Goodwill | Total |
|---|---|---|---|---|
| **Gross amounts** | | | | |
| **Balance as of Oct. 1, 2015** | **1,736** | **708** | **4,385** | **6,829** |
| Currency differences | 0 | 1 | 23 | 25 |
| Acquisitions/divestitures of businesses | 7 | (13) | (3) | (8) |
| Additions | 78 | 54 | 0 | 132 |
| Transfers | 39 | 15 | 7 | 62 |
| Disposals | (16) | (8) | (1) | (25) |
| **Balance as of Sept. 30, 2016** | **1,845** | **757** | **4,413** | **7,015** |
| Currency differences | (36) | (19) | (112) | (167) |
| Acquisitions/divestitures of businesses | 195 | 1 | 109 | 306 |
| Additions | 99 | 64 | 0 | 163 |
| Transfers | 50 | 3 | 1 | 54 |
| Disposals | (22) | (7) | 0 | (28) |
| Reclassification due to the presentation as assets held for sale | (25) | 0 | (8) | (33) |
| **Balance as of Sept. 30, 2017** | **2,104** | **800** | **4,405** | **7,309** |
| **Accumulated amortization and impairment losses** | | | | |
| **Balance as of Oct. 1, 2015** | **1,161** | **494** | **645** | **2,300** |
| Currency differences | 3 | 1 | 1 | 4 |
| Acquisitions/divestitures of businesses | 3 | (8) | 0 | (6) |
| Amortization expense | 84 | 41 | 0 | 125 |
| Impairment losses | 5 | 3 | 0 | 8 |
| Reversals of impairment losses | 0 | 0 | 0 | 0 |
| Transfers | 32 | 0 | 4 | 36 |
| Disposals | (15) | (8) | 0 | (23) |
| **Balance as of Sept. 30, 2016** | **1,273** | **522** | **650** | **2,445** |
| Currency differences | (24) | (14) | (22) | (61) |
| Acquisitions/divestitures of businesses | (1) | 0 | 0 | (1) |
| Amortization expense | 97 | 39 | 0 | 136 |
| Impairment losses | 8 | 16 | 8 | 32 |
| Reversals of impairment losses | 0 | 0 | 0 | 0 |
| Transfers | 5 | (3) | 0 | 3 |
| Disposals | (19) | (7) | 0 | (26) |
| Reclassification due to the presentation as assets held for sale | (24) | 0 | (8) | (32) |
| **Balance as of Sept. 30, 2017** | **1,315** | **554** | **628** | **2,497** |
| **Net amounts** | | | | |
| **Balance as of Oct. 1, 2015** | **575** | **214** | **3,740** | **4,529** |
| **Balance as of Sept. 30, 2016** | **573** | **235** | **3,763** | **4,570** |
| **Balance as of Sept. 30, 2017** | **790** | **246** | **3,777** | **4,813** |

### Impairment of goodwill

Goodwill impairment losses are included in other expenses.

In 2016 / 2017 an €8 million impairment loss was recorded in the Steel Americas business area outside the annual impairment test in connection with the initiated disposal of the Brazilian steel mill CSA relating to goodwill from the acquisition of the Brazilian Ecosteel companies within the fiscal year (cf. Note 03).

### Impairment of other intangible assets

Impairment losses of intangible assets other than goodwill are included in cost of sales.

In 2016 / 2017 an €11 million impairment loss was recorded for capitalized development costs in the Camshafts business unit of the Components Technology business area because the amount was no longer recoverable due to the absence of future cash flows.

### Goodwill

Goodwill (excluding goodwill of equity method investments) has been allocated to cash generating units (CGU) of all business areas. The recoverable amount of each cash generating unit is determined based on a value in use calculation using after-tax cash flow projections based on bottom-up prepared financial budgets approved by thyssenkrupp AG's management covering a three-year period. The last budget year is generally used to determine the cash flows beyond the budget period and modified to calculate the perpetuity considering additional assumptions. A business specific, sustained growth rate is taken into account; as a rule this growth rate amounts to 1.5%. The weighted average cost of capital discount rate is based on a risk-free interest rate of 1.25% (prior year: 0.5%) and an unchanged market risk premium of 6.5%. Moreover for each CGU the beta, the cost of debt and the capital structure is derived individually from the relevant peer group. In addition CGU specific tax rates and country risk premiums are used. To discount cash flows after-tax discount rates are applied. Based on an iterative calculation the following pre-tax discount rates are derived from the after-tax discount rates:

**PRE-TAX DISCOUNT RATES**

| | Ranges | |
|---|---|---|
| in % | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 |
| Components Technology | 8.4 – 11.2 | 8.5 – 11.7 |
| Elevator Technology | 9.7 – 12.4 | 10.3 – 13.4 |
| Industrial Solutions | 7.4 – 11.2 | 9.1 – 12.9 |
| Materials Services | 5.1 – 10.2 | 6.2 – 10.9 |
| Steel Europe | 7.0 | 7.9 |
| Corporate | 10.4 | 8.3 |

The values in use for the CGUs are determined based on both historical data and expected forecast market performance. The values assigned to the key assumptions are generally consistent with external information sources.

22 CGUs were identified in the thyssenkrupp Group, of which 17 report goodwill. Total goodwill amounts to €3,777 million as of September 30, 2017. 70% of this goodwill relates to the CGUs Steel Europe, Americas, Europe / Africa and Marine Systems, as shown in the following table:

## SIGNIFICANT GOODWILL

| CGU (Business Area) | Carrying amount of goodwill allocated to CGU in million € | Proportion of total goodwill in % | Pre-tax discount rate in % | Growth rate in % | Description of key assumptions of budgeting | Procedure used to determine key assumptions |
|---|---|---|---|---|---|---|
| Steel Europe (Steel Europe) | 307 | 8 % | 7.9% | 1.5% | – Selling prices<br>– Procurement prices<br>– Production and sales volumes Business cycles | Internal estimates of sales and purchasing departments concerned and consideration of economic assumptions set by thyssenkrupp AG and external market studies |
| Americas (Elevator Technology) | 943 | 25 % | 10.6% | 1.5% | – Procurement prices<br>– Exchange and interest rates | Consideration of economic assumptions set by thyssenkrupp AG and external market studies |
| Europe / Africa (Elevator Technology) | 354 | 9 % | 10.3% | 1.5% | – Market growth rates<br>– Business cycles | Consideration of economic assumptions set by thyssenkrupp AG and external market studies as well as deduction of future demand and propensity to invest from the current development of end-product prices |
| Marine Systems (Industrial Solutions) | 1,041 | 28 % | 9.1% | 1.5% | – Market growth rates<br>– Realization of scheduled measures | Consideration of long-term budget plans of potential customers and if appropriate concrete negotiations with customers |

For none of the CGUs a goodwill impairment resulted from the annual impairment test because the recoverable amount of all CGUs was higher than the respective carrying amount.

In the prior year the recoverable amount of the Forging & Machining CGU exceeded the carrying amount of the CGU by less than 10%. As of September 30, 2017 the recoverable amount of each CGU exceeded the carrying amount by more than 10%.

## 05 Property, plant and equipment (inclusive of investment property)

Changes in the Group's property, plant and equipment were as follows:

### CHANGES IN PROPERTY, PLANT AND EQUIPMENT[1)]

| million € | Land, leasehold rights and buildings including buildings on third-party land | Technical machinery and equipment | Other equipment, factory and office equipment | Assets under finance lease | Assets under operating lease | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **Gross amounts** | | | | | | | |
| **Balance as of Oct. 1, 2015** | **6,058** | **23,978** | **2,090** | **144** | **321** | **731** | **33,322** |
| Currency differences | 15 | 62 | 1 | 0 | 1 | 0 | 79 |
| Acquisitions/divestitures of businesses | 28 | 0 | 1 | (6) | 0 | 2 | 25 |
| Additions | 51 | 320 | 130 | 1 | 0 | 613 | 1,115 |
| Transfers | 89 | 323 | 58 | (1) | 0 | (446) | 24 |
| Disposals | (31) | (181) | (76) | (7) | (18) | (2) | (316) |
| Reclassification due to the presentation as assets held for sale | (7) | (1) | 0 | (4) | (200) | 0 | (212) |
| **Balance as of Sept. 30, 2016** | **6,202** | **24,500** | **2,203** | **127** | **104** | **898** | **34,035** |
| Currency differences | (96) | (525) | (24) | (1) | 0 | (25) | (672) |
| Acquisitions/divestitures of businesses | 13 | 37 | 20 | 1 | 0 | 4 | 75 |
| Additions | 73 | 490 | 155 | 5 | 0 | 674 | 1,397 |
| Transfers | 215 | 433 | 41 | (1) | (7) | (606) | 75 |
| Disposals | (57) | (300) | (83) | (11) | (4) | (2) | (457) |
| Reclassification due to the presentation as assets held for sale | (806) | (6,537) | (29) | (5) | 0 | (69) | (7,445) |
| **Balance as of Sept. 30, 2017** | **5,545** | **18,098** | **2,283** | **115** | **93** | **875** | **27,009** |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| **Balance as of Oct. 1, 2015** | **3,536** | **18,988** | **1,644** | **81** | **96** | **10** | **24,354** |
| Currency differences | 6 | 52 | 1 | 0 | 0 | 0 | 59 |
| Acquisitions/divestitures of businesses | 13 | (6) | 0 | 1 | 0 | 2 | 9 |
| Depreciation expense | 125 | 758 | 146 | 9 | 1 | 0 | 1,040 |
| Impairment losses | 12 | 59 | 7 | 1 | 7 | 1 | 87 |
| Reversals of impairment losses | 0 | (7) | 0 | 0 | 0 | 0 | (7) |
| Transfers | (21) | (81) | (4) | 1 | 0 | (5) | (111) |
| Disposals | (20) | (173) | (72) | (7) | (10) | (1) | (282) |
| Reclassification due to the presentation as assets held for sale | (3) | (1) | 0 | (2) | (46) | 0 | (52) |
| **Balance as of Sept. 30, 2016** | **3,646** | **19,589** | **1,723** | **84** | **48** | **7** | **25,098** |
| Currency differences | (60) | (461) | (17) | (1) | 0 | 0 | (538) |
| Acquisitions/divestitures of businesses | (24) | (14) | (1) | 1 | 0 | 0 | (38) |
| Depreciation expense | 124 | 698 | 155 | 7 | 1 | 0 | 984 |
| Impairment losses | 85 | 567 | 5 | 0 | 2 | 0 | 659 |
| Reversals of impairment losses | (1) | 0 | 0 | 0 | 0 | 0 | (1) |
| Transfers | 27 | (12) | (3) | (2) | (2) | 0 | 8 |
| Disposals | (38) | (274) | (76) | (10) | (2) | (1) | (401) |
| Reclassification due to the presentation as assets held for sale | (630) | (5,713) | (20) | (4) | 0 | 0 | (6,368) |
| **Balance as of Sept. 30, 2017** | **3,129** | **14,380** | **1,766** | **75** | **48** | **7** | **19,403** |
| **Net amounts** | | | | | | | |
| **Balance as of Oct. 1, 2015** | **2,523** | **4,990** | **446** | **62** | **226** | **721** | **8,967** |
| **Balance as of Sept. 30, 2016** | **2,556** | **4,911** | **480** | **43** | **56** | **891** | **8,938** |
| **Balance as of Sept. 30, 2017** | **2,416** | **3,718** | **516** | **41** | **46** | **868** | **7,605** |

[1)] Figures from Oct. 1, 2015 through Sept. 30, 2016 have been adjusted.

Impairment losses of property, plant and equipment are for the most part included in cost of sales and to a minor extent in selling and administrative expenses.

In the 2nd quarter ended March 31, 2017, the sale of the Brazilian steel mill CSA was initiated and consummated in the 4th quarter. The transaction met the criteria of IFRS 5 for presentation of the Steel Americas business area as a discontinued operation. In connection with the initiated disposal, the assets and liabilities of the discontinued operation were measured at fair value less costs to sell based on the enterprise value. This resulted in impairment losses in accordance with IAS 36 immediately prior to the reclassification of €83 million to land and buildings, €555 million to technical equipment and machinery as well as €1 million to other assets that is included in the consolidated statement of income in the line "Income/(loss) from discontinued operations (net of tax)" (cf. Note 03).

In the US and German Forging & Machining businesses of the Components Technology business area, impairment losses in the total amount of €46 million were recognized on technical machinery and equipment in 2015 / 2016 to adjust capacities to the weak market situation. The relevant recoverable amounts used to determine the impairment loss in each case correspond to the respective values in use (USA: €45 million; Germany: slightly negative), which were determined applying a discount rate (after taxes) of 7.7% in the USA and 6.6% in Germany.

Property, plant and equipment include leased land and buildings of €32 million (prior year: €29 million), technical machinery and equipment of €6 million (prior year: €9 million) and other equipment, factory and office equipment of €3 million (prior year: €4 million) that have been capitalized, where the terms of the lease require the Group, as lessee, to assume substantially all of the benefits and risks of use of the leased asset (finance lease).

Property, plant and equipment have been pledged as security for financial debt of €173 million (prior year: €194 million).

### Investment property

Investment property located in Germany is primarily determined based on internally prepared valuations using the gross rental method which is regulated in Germany by the "Verordnung über die Grundsätze für die Ermittlung der Verkehrswerte von Grundstücken – (Immobilienwertermittlungsverordnung – ImmoWertV)". Investment property located outside Germany is generally determined by external appraisers.

As of September 30, 2017, the carrying amount of thyssenkrupp's investment property amounts to €58 million (prior year: €66 million). The total fair value of this investment property is €71 million (prior year: €81 million); thereof €24 million (prior year: €28 million) are assigned to level 2 and €47 million (prior year: €53 million) are assigned to level 3 valuations methods of the fair value hierarchy. Of the fair value €14 million (prior year: €22 million) are based on valuations of external appraisers.

## 06 Investments accounted for using the equity method

The investments accounted for using the equity method are, on an individual basis, immaterial. As of September 30, 2017, the carrying amount of associates is €40 million (prior year: €41 million) and of joint ventures is €114 million (prior year: €244 million). The reduction of the carrying amount of the joint ventures mainly results from the disposal of the 51% share in Atlas Elektronik.

Summarized financial information of immaterial investments accounted for using the equity method is presented in the table below. The information given represents the Group's interest:

### SUMMARIZED FINANCIAL INFORMATION OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | Associates | | Joint ventures | |
|---|---|---|---|---|
| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 |
| Income/(loss) from continuing operations (net of tax) | (26) | 1 | 37 | 30 |
| Income/(loss) from discontinued operations (net of tax) | 0 | 0 | 0 | 0 |
| Other comprehensive income | 0 | 0 | (2) | (6) |
| **Total comprehensive income** | **(26)** | **1** | **35** | **24** |

In 2016 / 2017, the unrecognized share of losses of associates and joint ventures accounted for using the equity method was €3 million (prior year: €2 million). There were cumulative unrecognized losses of €4 million (prior year: €46 million).

The associates and joint ventures are included in the list of the Group's subsidiaries and equity interests that is published in the German Federal Gazette and is available on the thyssenkrupp website at **www.thyssenkrupp.com.**

## 07 Operating lease as lessor

The Group is the lessor of various commercial real estates under operating lease agreements.

As of September 30, the future minimum lease payments to be received on non-cancellable operating leases are as follows:

### FUTURE MINIMUM LEASE PAYMENTS

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| Not later than one year | 10 | 8 |
| Between one and five years | 15 | 15 |
| Later than five years | 29 | 28 |
| **Total** | **53** | **51** |

## 08 Inventories

### INVENTORIES

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| Raw materials | 1,435 | 1,610 |
| Supplies | 478 | 438 |
| Work in process | 1,377 | 1,399 |
| Finished products, merchandise | 3,052 | 3,510 |
| **Total** | **6,341** | **6,957** |

Inventories of €15 million (prior year: €12 million) have a remaining term of more than one year. Inventories of €34,487 million (prior year: €32,637 million) are recognized as cost of sales during the period. Included in cost of sales are write-downs of inventories of €84 million (prior year: €146 million).

## 09 Trade accounts receivable

### TRADE ACCOUNTS RECEIVABLE

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| Trade accounts receivable (excluding construction work) | 4,023 | 4,333 |
| Amounts due from customers for construction work | 980 | 1,401 |
| **Total** | **5,003** | **5,734** |

Receivables from the sales of goods and services in the amount of €403 million (prior year: €290 million) have a remaining term of more than one year. As of September 30, 2017 cumulative impairment losses of €358 million (prior year: €355 million) are recognized for doubtful accounts.

As of the reporting date trade accounts receivable were as follows:

### ANALYSIS OF STRUCTURE

| | Carrying amount | thereof: | thereof: not impaired but past due as of balance sheet date | | | | | | thereof: |
|---|---|---|---|---|---|---|---|---|---|
| million € | Trade accounts receivable | neither impaired nor past due as of balance sheet date | past due up to 30 days | past due 31 to 60 days | past due 61 to 90 days | past due 91 to 180 days | past due 181 to 360 days | past due more than 360 days | impaired as of balance sheet date |
| **Sept. 30, 2016** | **5,003** | **4,108** | **315** | **113** | **77** | **111** | **76** | **53** | **150** |
| **Sept. 30, 2017** | **5,734** | **4,697** | **372** | **117** | **79** | **89** | **135** | **107** | **138** |

Amounts due from customers for construction work are calculated as follows:

### RECEIVABLES FOR CONSTRUCTION WORK

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| Contract costs incurred and recognized contract profits (less recognized losses) | 5,763 | 5,291 |
| Less advance payments received | (4,784) | (3,890) |
| **Total** | **980** | **1,401** |

Sales from construction contracts of €8,410 million were recognized in the period (prior year: €8,630 million).

The Group primarily sells credit insured trade accounts receivable under existing programs on a revolving basis as well as under one-time transactions.

The amount of receivables sold and derecognized from the balance sheet as of September 30, 2017, was €212 million (prior year: €237 million), resulting in net proceeds in the amount of €211 million (prior year: €236 million). In some cases, when the Group sells receivables it retains rights and immaterial obligations; these retained interests mainly consist of servicing as well as providing limited cash reserve accounts. The recognized assets and provided guarantees which serve as a cash reserve account amounted to €0 million (prior year: €0.1 million) as of September 30, 2017

## 10 Other financial assets

### OTHER FINANCIAL ASSETS

| | Sept. 30, 2016 | | Sept. 30, 2017 | |
|---|---|---|---|---|
| million € | current | non-current | current | non-current |
| Loans and receivables | 308 | 16 | 296 | 15 |
| Available-for-sale financial assets | 6 | 28 | 6 | 28 |
| Derivatives not qualifying for hedge accounting | 60 | — | 65 | — |
| Derivatives qualifying for hedge accounting | 33 | — | 52 | — |
| **Total** | **407** | **44** | **420** | **43** |

Other financial assets in the amount of €54 million (prior year: €56 million) have a remaining term of more than one year. As of September 30, 2017 cumulative impairments amount to €9 million (prior year: €16 million) regarding current other financial assets and €37 million (prior year: €62 million) regarding non-current other financial assets.

## 11 Other non-financial assets

### OTHER NON-FINANCIAL ASSETS

| | Sept. 30, 2016 | | Sept. 30, 2017 | |
|---|---|---|---|---|
| million € | current | non-current | current | non-current |
| Advance payments on intangible assets | — | 41 | — | 31 |
| Advance payments on property, plant and equipment | — | 169 | — | 158 |
| Advance payments to suppliers of inventories and to other current non-financial assets | 1,605 | — | 1,257 | — |
| Prepayments | 101 | — | 158 | — |
| Miscellaneous | 670 | 234 | 508 | 18 |
| **Total** | **2,376** | **445** | **1,923** | **207** |

Other non-financial assets in the amount of €606 million (prior year: €879 million) have a remaining term of more than one year. As of September 30, 2017 cumulative impairments amount to €36 million (prior year: €26 million) regarding current other non-financial assets and €5 million (prior year: €258 million) regarding non-current other non-financial assets.

## 12 Total equity

### Capital stock

The capital stock of thyssenkrupp AG consists of 622,531,741 (prior year: 565,937,947) no-par bearer shares of stock, all of which have been issued and are fully paid, with 622,531,741 outstanding as of September 30, 2017 (prior year: 565,937,947). Each share of common stock has a stated value of €2.56.

All shares grant the same rights. The stockholders are entitled to receive dividends as declared and are entitled to one vote per share at the stockholders' meetings.

On September 25, 2017, the Executive Board of thyssenkrupp AG with the approval of the Executive Committee of the Supervisory Board resolved in accordance with the authorization under § 5, par 5 of the Articles of Association of thyssenkrupp AG to increase the capital stock of thyssenkrupp AG by 10% by issuing 56,593,794 new no par bearer shares in thyssenkrupp AG and to exclude subscription rights. The announced capital increase was already successfully completed in an accelerated bookbuilding process as of September 25, 2017. The newly issued no par shares were placed with German and international institutional investors at a price of €24.30 per share. The placement resulted in gross proceeds of €1,375 million, the transaction costs incurred were recognized directly in equity.

### Additional paid-in capital

Additional paid-in capital includes the effects of the business combination of Thyssen and Krupp as well as premiums resulting from capital increases at subsidiaries with non-controlling interest.

### Retained earnings

Retained earnings include prior years' undistributed consolidated income. In addition, this line item includes the remeasurement effects of pensions and similar obligations.

### Management of capital

As of September 30, 2017 the Group's equity ratio was 9.7% (prior year: 7.4%) and its gearing was 57.5% (prior year: 134.2%). As in the previous year, the gearing agreed upon was met as of September 30, 2017. Among the thyssenkrupp Group's most important financial goals are a sustainable appreciation of entity value and ensuring solvency at all times. Creating sufficient liquidity reserves is therefore of great importance.

The thyssenkrupp Group's financial risks are assessed on the basis of ratings by rating agencies:

**RATING**

| | Long-term rating | Short-term rating | Outlook |
|---|---|---|---|
| Standard & Poor's | BB | B | watch positive |
| Moody's | Ba2 | Not Prime | developing |
| Fitch | BB+ | B | watch positive |

Currently, all ratings are below investment grade. Achieving investment grade status with all rating agencies is a major priority for thyssenkrupp. For the financing of the thyssenkrupp Group, an investment grade rating in the "BBB" range leads to an optimum of capital costs. But even in the current rating situation, thyssenkrupp was able to demonstrate its access to a broad investor base by issuing a bond in the total amount of €1,250 million (March 2017) on favorable conditions. Capital management at thyssenkrupp is based on debt ratios published by rating agencies, which measure cash-flow-to-debt ratios for a specific period. thyssenkrupp is not subject to capital requirements under its articles of association.

### Authorizations

Through resolution of the Annual General Meeting of January 30, 2015, the Executive Board of thyssenkrupp AG is authorized until January 29, 2020 to acquire treasury shares up to a total of 10% of the capital stock at the time of the resolution or – if lower – at the time the authorization is exercised and use them for the purposes expressly stated in the authorization resolution and for all legally permissible purposes. The Executive Board is authorized under certain circumstances to exclude shareholders' tender rights when purchasing treasury shares or subscription rights when using treasury shares. The resolution also includes authorization to use equity derivatives (put or call options or a combination of both) in connection with the purchase of treasury shares and to exclude tender and subscription rights. The Supervisory Board of thyssenkrupp AG may determine that measures of the Executive Board under these shareholder resolutions are subject to its approval.

The following authorizations were issued by resolution of the Annual General Meeting on January 17, 2014:

In revocation of the partly used authorization to increase the capital stock issued by the Annual General Meeting on January 20, 2012, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions on or before January 16, 2019 by up to €370 million by issuing up to 144,531,250 new no-par bearer shares in exchange for cash and/or contributions in kind (authorized capital). The shareholders are in principle entitled to subscription rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholder subscription rights in certain cases; the option of excluding subscription rights is limited to 20% of the capital stock. § 5, par. 5 of the Articles of Association of thyssenkrupp AG has been reworded accordingly.

The Executive Board was authorized, with the approval of the Supervisory Board, to issue once or several times bearer of registered warrant and/or convertible bonds in the total par value of up to €2 billion with or without limited terms, and to grant to or impose on the holders or creditors of convertible bonds conversion rights or obligations for no-par bearer shares of thyssenkrupp AG with a total share of the capital stock up to €250 million in accordance with the conditions of these bonds. The authorization is valid until January 16, 2019. The Executive Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in certain cases.

Furthermore, the Executive Board was authorized to conditionally increase the capital stock by up to €250 million by issue of up to 97,626,250 new no-par bearer shares (conditional capital). The conditional capital increase serves the granting of no-par bearer shares upon exercise of conversion or option rights, upon fulfilment of corresponding conversion obligations or upon exercise of an option of the thyssenkrupp AG to grant no-par shares of the thyssenkrupp AG in whole or in part instead of payment of the cash amount due to the holders or creditors of convertible or warrant bonds that are issued by thyssenkrupp AG or a subordinate Group company against cash contribution on or before January 16, 2019 as a result of the authorization resolution passed by the Annual General Meeting on January 17, 2014. New shares are issued at the option or conversion price to be determined in each case according to the above mentioned authorization resolution. A new paragraph 6 has been inserted in § 5 of the Articles of Association of thyssenkrupp AG.

### Dividend

The Executive Board and Supervisory Board have agreed to propose to the Annual General Meeting a dividend in the amount of €0.15 per share entitled to dividend to be distributed from unappropriated net income of the stand-alone entity thyssenkrupp AG for fiscal year 2016 / 2017 as determined in conformity with the principles of the German Commercial Code (HGB) and to carry forward the remaining net income. This would result in a dividend payout of €93 million in total. A dividend of €0.15 was paid for fiscal year 2015 / 2016 (2014 / 2015: €0.15).

## 13 Share-based compensation

### Management incentive plans

The long-term incentive plan (LTI) is a long-term oriented compensation component which issues stock rights to eligible participants. Plan participants are Executive Board members and several other selected executive employees. As of September 30, 2017, 1,916,972 stock rights were issued in the 5th installment, 2,495,438 stock rights in the 6th installment and 2,308,173 stock rights in the 7th installment of the LTI.

For installments of the LTI granted inclusive of fiscal year 2013 / 2014 (inclusive of the 4th installment), the number of stock rights issued based on individually fixed euro amounts will be adjusted at the end of each three-year tkVA performance period based on the average thyssenkrupp Value Added (tkVA) over this period, beginning October 1 of the year the stock rights were granted, compared to the average tkVA over the previous three fiscal year period. For the installments of the LTI granted beginning with fiscal year 2014 / 2015 (starting with the 5th installment) the number of stock rights issued will be adjusted at the end of the respective three-year tkVA performance period based on the average tkVA over this period compared with a tkVA target value set in advance. The amount of payment for an installment is calculated by multiplying the adjusted number of stock rights by the average price of thyssenkrupp's stock in the first three months after the end of the tkVA performance period, with the result that the term of each installment extends over four fiscal years in total.

To determine the fair value of the stock rights used to calculate the pro-rata liability as of the balance sheet date forward prices of the thyssenkrupp stock are calculated taking into account the existing caps. The forward calculation is carried out for predefined periods (averaging periods) taking into account the thyssenkrupp stock price and the euro interest rate curve as of the balance sheet date and the dividends assumed to be paid until the maturity of the stock rights. The following assumptions were used for the determination of the fair values as of September 30, 2016 and as of September 30, 2017, respectively:

## INCENTIVE PLANS – YEAR ENDED SEPT. 30, 2016

| | 4th installment LTI | 5th installment LTI | 6th installment LTI |
|---|---|---|---|
| Maturity | Dec. 31, 2016 | Dec. 31, 2017 | Dec. 31, 2018 |
| Averaging period | Oct. 1 to Dec. 31, 2016 | Oct. 1 to Dec. 31, 2017 | Oct. 1 to Dec. 31, 2018 |
| thyssenkrupp stock price as of balance sheet date | €21.22 | €21.22 | €21.22 |
| Assumed dividend payment(s) per stock until maturity | — | €0.15 on Jan. 30, 2017 | €0.15 on Jan. 30, 2017<br>€0.15 on Jan. 29, 2018 |
| Average dividend yield | — | 0.64% | 0.68% |
| Average interest rate (averaging period) | (0.36)% | (0.21)% | (0.22)% |
| **Fair value as of Sept. 30, 2016** | | | |
| **– without caps** | **€21.23** | **€21.08** | **€20.92** |
| **– with caps** | **€19.99** | **€21.08** | **€20.92** |

## INCENTIVE PLANS – YEAR ENDED SEPT. 30, 2017

| | 5th installment LTI | 6th installment LTI | 7th installment LTI |
|---|---|---|---|
| Maturity | Dec. 31, 2017 | Dec. 31, 2018 | Dec. 31, 2019 |
| Averaging period | Oct. 1 to Dec. 31, 2017 | Oct. 1 to Dec. 31, 2018 | Oct. 1 to Dec. 31, 2019 |
| thyssenkrupp stock price as of balance sheet date | €25.08 | €25.08 | €25.08 |
| Assumed dividend payment(s) per stock until maturity | — | €0.15 on Jan. 22, 2018 | €0.15 on Jan. 22, 2018<br>€0.26 on Jan. 28, 2019 |
| Average dividend yield | — | 0.54% | 0.78% |
| Average interest rate (averaging period) | (0.16)% | (0.24)% | (0.14)% |
| **Fair value as of Sept. 30, 2017** | | | |
| **– without caps** | **€25.09** | **€24.93** | **€24.66** |
| **– with caps** | **€25.09** | **€24.93** | **€24.66** |

In the 2nd quarter of 2016 / 2017, the 4th installment of the LTI was settled with a payment of €21.92 per stock right and a payment of €84.0 million in total, respectively. In the 2nd quarter of 2015 / 2016, the 3rd installment of the LTI was settled with a payment of €18.23 per stock right and a payment of €63.4 million in total, respectively. Also in fiscal 2016 / 2017 the 7th installment of the LTI was granted to the Executive Board and additional executive employees. In total in fiscal year 2016 / 2017 the Group recorded an expense of €46 million from the obligations of the incentive plans (prior year: €89 million). The liability arising from the LTI amounts to €106 million as of September 30, 2017 (prior year: €144 million).

For fiscal years 2009 / 2010 until 2013 / 2014, 25% of the performance bonus granted to the Executive Board members of thyssenkrupp AG for each fiscal year was compulsorily converted into thyssenkrupp AG stock rights to be paid out after a three-year lock-up period. The number of stock rights was calculated by dividing 25% of the performance bonus by the average thyssenkrupp share price in the 4th quarter of the fiscal year for which the performance bonus is granted. After expiration of three fiscal years, the payout amount is calculated by multiplying the number of stock rights by the average thyssenkrupp share price in the 4th quarter of the 3rd fiscal year. In addition, for each stock right the dividend amount which would have been paid for these three fiscal years per share is also paid out. Insofar as the Executive Board members of thyssenkrupp AG were granted an additional bonus alongside the performance bonus, as in fiscal years 2009 / 2010 until 2013 / 2014, 55% of this additional bonus was also converted into stock rights and treated in accordance with the performance bonus model. In fiscal 2010 / 2011 the structure of the variable compensation for additional executive employees was also modified. 20% of the performance bonus granted for the respective fiscal year will be obligatorily converted into thyssenkrupp AG stock rights to be paid out after the expiration of three fiscal years based on the average thyssenkrupp share price in the 4th quarter of the 3rd fiscal year. Effective as of fiscal 2014 / 2015, the compensation system of the Executive Board members of thyssenkrupp AG has been adjusted in such a way that stock rights are no longer granted for a portion of the current variable compensation. For further selected executives this was the last conversion into stock rights, which was finally discontinued from fiscal year 2015 / 2016. In 2016 / 2017 the Group recorded expenses of €1 million (prior year: €3 million) associated with this compensation component; the resultant obligation as of September 30, 2017 amounts to €8 million (prior year: €12 million). In 2016 / 2017 a payment of €5 million occurred relating to the stock rights granted in 2012 / 2013 (prior year: €3 million).

## 14 Accrued pension and similar obligations

### ACCRUED PENSION AND SIMILAR OBLIGATIONS

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| Accrued pension obligations | 8,534 | 7,684 |
| Partial retirement | 178 | 193 |
| Other accrued pension-related obligations | 43 | 46 |
| **Total** | **8,754** | **7,924** |

### Accrued pension liability

The Group maintains defined benefit pension plans and defined contribution plans that mainly cover employees in Germany, the USA, Great Britain and Liechtenstein and represent approx. 95% of the thyssenkrupp Group’s total pension obligations, so the information below mainly applies to the above-mentioned countries. In some other countries, eligible employees also receive benefits in accordance with the respective local requirements.

For historical reasons a wide variety of voluntary defined benefit pension plans (DB plans) exist in Germany based on different risk profiles. As a rule they provide benefits in the event of invalidity and/or death or on reaching a specified age limit, and are mainly based on individual or collective arrangements. In the past the employer-funded pension plans in Germany generally provided a life-long pension based on defined benefits.

These defined benefit plans (including final-salary pension plans, career-average pension plans, etc.) were created many years ago and replaced at the turn of the millennium by defined contribution pension plans with a risk-optimized payout form (lump sum, installments, or life-long pension). Particularly for newly recruited professionals and managers, the “flexplan” was introduced at January 1, 2017 and replaces the last open “benefits plan” at thyssenkrupp. The “flexplan” is a share-based pension plan in which a minimum of 1% interest is guaranteed by thyssenkrupp.

A key element in increasing employees’ share in responsibility for their company retirement benefits is salary conversion, which is an option under all pension schemes currently open and for which employer-funded matching contributions are offered as an incentive.

With regard to the funding of the company pension plans, particularly the “flexplan” is to be funded through the Group’s Contractual Trust Agreement (CTA), which will have a positive effect on the external funding level. At the same time payments under the former pension plans are funded through the CTA insofar as they exceed the protection limits of the mutual pension guarantee association (Pensionssicherungsverein a.G. (PSV)).

The majority of Group companies outside Germany also provide pension plans for their employees. These plans are in some cases based on statutory requirements or collective agreements, but in other cases they are provided by the Group companies on a voluntary basis. The range of benefits provided under the plans differs widely depending on local arrangements, extending from DC plans to final-salary defined-benefit schemes with regular pension payment.

Outside Germany pension obligations mainly exist in the form of DB plans in the USA, Great Britain, and Liechtenstein. Under statutory requirements in Liechtenstein, pension plans have to be offered to all employees in the mandatory social insurance scheme and are therefore also available to new employees of thyssenkrupp. By contrast, the mainly voluntary DB plans offered in Great Britain and the USA have now been closed to new employees and as far as possible frozen in respect of future service years. This means that the obligations under the DB plans relate mainly to the vested rights of former employees and pensioners. As a rule all active employees in Great Britain and the majority of employees in the USA now only accrue company benefit rights under DC plans.

To secure the payment obligations, the pension funds outside Germany are funded to a much greater extent by externally separated assets. This is due in part to legal minimum funding standards, which require full external funding of the obligations or a financing under a capital funding system. For further information regarding the composition and investment strategy refer to the disclosures of the plan assets.

Material risks associated with the different types of pension plans include above all financial risks as well as risks in the areas of inflation and biometrics.

Inflation risks which could lead to an increase in benefit obligations exist because some of the plans are based on (final) salary and in some cases annual pension modules are directly linked to current salaries (defined contribution plans). To this extent a rise in salaries above the salary/career trends assumed in the valuation of the obligation would also require a direct increase in the provisions (past service effect in the case of (final) salary pensions) or the future service cost (defined contribution plans).

In addition, further charges could result from the need for a cost-of-living adjustment in excess of the assumed pension trend during the pension payment phase, which would lead to an immediate increase in the provisions. A significant number of the pension plans in

Germany are required by law to provide a cost-of-living adjustment. A cost-of-living adjustment may also be required under (collective bargaining) agreements or agreed on a voluntary/discretionary basis.

Biometric risks can result either from early benefit claims (risk of sudden changes to the balance sheet after death or invalidity) or from underestimated life expectancies (longevity risk) and could likewise result in costs to the company due to unexpected increases in provisions and early cash outflows.

Risks from changes to the discount rate are purely balance sheet-related, i.e. the provisions are adjusted directly against equity without affecting income. Cash outflows are not affected.

Under the pension plans in Germany, individual beneficiaries are in part counted more than once due to entitlements under different components of the pension systems. The breakdown of total of pension plans is as follows:

## BREAKDOWN OF THE TOTAL OF PENSION PLANS BY BENEFICIARIES

| | Sept. 30, 2016 | | | Sept. 30, 2017 | | |
|---|---|---|---|---|---|---|
| | Germany | Outside Germany | Total | Germany | Outside Germany | Total |
| Active employees | 109,906 | 28,108 | 138,014 | 115,062 | 27,704 | 142,766 |
| Terminated employees with vested benefits | 22,212 | 6,290 | 28,502 | 22,669 | 4,746 | 27,415 |
| Pensioners | 118,632 | 12,583 | 131,215 | 115,164 | 12,333 | 127,497 |
| **Total** | **250,750** | **46,981** | **297,731** | **252,895** | **44,783** | **297,678** |

## Changes in defined benefit obligations and plan assets

The reconciliation of the changes in the defined benefit obligations and the fair value of plan assets are as follows:

### CHANGE IN DEFINED BENEFIT OBLIGATIONS AND PLAN ASSETS

| | Sept. 30, 2016 | | | Sept. 30, 2017 | | |
|---|---|---|---|---|---|---|
| million € | Germany | Outside Germany | Total | Germany | Outside Germany | Total |
| **Change in defined benefit obligations (DBO):** | | | | | | |
| DBO at beginning of fiscal year | 7,059 | 2,621 | 9,680 | 7,999 | 2,879 | 10,878 |
| Service cost | 117 | 51 | 168 | 153 | 57 | 210 |
| Interest expense | 170 | 76 | 246 | 102 | 55 | 157 |
| Remeasurement: Actuarial (gains)/losses from experience adjustments | (2) | (30) | (31) | (35) | 32 | (3) |
| Remeasurement: Actuarial (gains)/losses from changes in demographic assumptions | 0 | (14) | (14) | (2) | (48) | (50) |
| Remeasurement: Actuarial (gains)/losses from changes in financial assumptions | 1,096 | 398 | 1,495 | (569) | (150) | (719) |
| Past service cost (inclusive of curtailments) | 3 | (1) | 2 | 0 | 0 | 0 |
| Settlements | 0 | 0 | 0 | 0 | (21) | (21) |
| Currency differences | 0 | (101) | (101) | 0 | (108) | (108) |
| Participant contributions | 0 | 18 | 18 | 1 | 19 | 20 |
| Benefit payments | (445) | (141) | (587) | (404) | (128) | (532) |
| Settlement payments | 0 | (1) | (1) | (1) | (82) | (83) |
| Acquisitions/divestitures of businesses | 0 | 2 | 2 | 169 | 0 | 170 |
| Others | 0 | 2 | 2 | 0 | 0 | 0 |
| **DBO at end of fiscal year** | **7,999** | **2,879** | **10,878** | **7,414** | **2,505** | **9,920** |
| **Change in plan assets:** | | | | | | |
| Fair value of plan assets at beginning of fiscal year | 197 | 2,100 | 2,297 | 185 | 2,163 | 2,348 |
| Interest income | 5 | 63 | 68 | 3 | 43 | 45 |
| Remeasurement: Actuarial gains/(losses) on plan assets, excluding amounts included in interest income | 1 | 159 | 160 | 12 | 37 | 49 |
| Currency differences | 0 | (105) | (105) | 0 | (86) | (86) |
| Employer contributions | 0 | 72 | 72 | 24 | 82 | 105 |
| Participant contributions | 0 | 18 | 18 | 1 | 19 | 20 |
| Benefit payments | (19) | (135) | (154) | 0 | (121) | (121) |
| Settlement payments | 0 | (1) | (1) | 0 | (82) | (82) |
| Acquisitions/divestitures of businesses | 0 | 0 | 0 | 1 | 0 | 1 |
| Administration cost | 0 | (7) | (7) | 0 | (9) | (9) |
| **Fair value of plan assets at end of fiscal year** | **185** | **2,163** | **2,348** | **225** | **2,046** | **2,271** |

As of the balance sheet date, defined benefit obligations of €9,920 million (prior year: €10,878 million) in total related to plans that are wholly unfunded in the amount of €6,597 million (prior year: €7,187 million) and to plans that are wholly or partly funded in the amount of €3,323 million (prior year: €3,691 million).

The settlements relate mainly to the replacement of a DB plan for the active workforce and simultaneous transition to a DC plan as well as settlements of vested pension rights of former employees in the USA.

## Change of net defined liability

The net defined benefit liability changed as follows:

### CHANGE IN NET DEFINED BENEFIT LIABILITY

| million € | Sept. 30, 2016 Germany | Sept. 30, 2016 Outside Germany | Sept. 30, 2016 Total | Sept. 30, 2017 Germany | Sept. 30, 2017 Outside Germany | Sept. 30, 2017 Total |
|---|---|---|---|---|---|---|
| **Net defined benefit liability at beginning of fiscal year** | **6,862** | **541** | **7,403** | **7,814** | **716** | **8,530** |
| Service cost plus net interest income/(expense) | 282 | 64 | 347 | 253 | 69 | 322 |
| Remeasurements | 1,093 | 178 | 1,271 | (618) | (204) | (822) |
| Currency differences | 0 | 3 | 3 | 0 | (22) | (22) |
| Past service cost (inclusive of curtailments) | 3 | (1) | 2 | 0 | 0 | 0 |
| Settlements | 0 | 0 | 0 | 0 | (21) | (21) |
| Employer contributions | 0 | (72) | (72) | (24) | (82) | (105) |
| Benefit payments | (427) | (6) | (433) | (404) | (7) | (411) |
| Settlement payments | 0 | 0 | 0 | (1) | 0 | (1) |
| Acquisitions/divestitures of businesses | 0 | 2 | 2 | 168 | 0 | 168 |
| Administration cost | 0 | 7 | 7 | 0 | 9 | 9 |
| Others | 0 | 1 | 1 | 0 | 0 | 0 |
| **Net defined benefit liability at end of fiscal year** | **7,814** | **716** | **8,530** | **7,189** | **460** | **7,649** |
| thereof: accrued pension liability | 7,814 | 720 | 8,534 | 7,189 | 495 | 7,684 |
| thereof: other non-financial assets | 0 | (3) | (3) | 0 | (36) | (36) |

Other non-financial assets include an asset ceiling of €0 million (prior year: €1 million).

## Net periodic pension cost

The net periodic pension cost for the defined benefit plans were as follows:

### NET PERIODIC PENSION COST

| million € | Year ended Sept. 30, 2016 Germany | Year ended Sept. 30, 2016 Outside Germany | Year ended Sept. 30, 2016 Total | Year ended Sept. 30, 2017 Germany | Year ended Sept. 30, 2017 Outside Germany | Year ended Sept. 30, 2017 Total |
|---|---|---|---|---|---|---|
| Service cost | 117 | 51 | 168 | 153 | 57 | 210 |
| Net interest cost | 165 | 14 | 179 | 99 | 12 | 112 |
| Administration cost | 0 | 7 | 7 | 0 | 9 | 9 |
| Past service cost (inclusive of curtailments) | 3 | (1) | 2 | 0 | 0 | 0 |
| Settlement loss/(gain) | 0 | 0 | 0 | 0 | (21) | (21) |
| **Net periodic pension cost** | **286** | **70** | **356** | **253** | **58** | **311** |

## Assumptions

The assumptions for discount rates, the rates of compensation increase and the rates of pension progression on which the calculation of the obligations is based were derived in accordance with standard principles and established for each country as a function of their respective economic conditions. Discount rates are generally determined based on market yields of AA-rated corporate bonds of appropriate term and currency. As of September 30, 2017, the discount rate for pension obligations in Germany was 1.90%, compared with 1.30% in the prior year, with the discount rate rising to 1.8% at the end of the 2016 calendar year and remaining relatively stable for the rest of the fiscal year.

The Group applied the following weighted average assumptions to determine benefit obligation:

## WEIGHTED AVERAGE ASSUMPTIONS

| | Sept. 30, 2016 | | | Sept. 30, 2017 | | |
|---|---|---|---|---|---|---|
| in % | Germany | Outside Germany | Total | Germany | Outside Germany | Total |
| Discount rate | 1.30 | 1.78 | 1.41 | 1.90 | 2.29 | 2.00 |
| Rate of compensation increase | 2.50 | 1.27 | 2.25 | 2.50 | 1.37 | 2.27 |
| Rate of pension progression | 1.50 | 1.52 | 1.50 | 1.50 | 1.51 | 1.50 |

Accrued pensions in Germany are recognized on the basis of the “2005 G tables” of Prof. Dr. Klaus Heubeck, with modifications for certain beneficiary groups to take into account a longer life expectancy. In the other countries the following biometric tables were generally used: USA: Modified version of the RP-2014 Mortality Base Table and MP-2014 Mortality Projection Scale, Great Britain: Series Tables adjusted to the CMI2016 Model, and Liechtenstein: BVG2015 Gen.

Alternative assumptions (in each case weighted-average rate of all domestic and foreign pension obligations) would result in the following changes in the defined benefit obligation and the corresponding reverse changes in equity. The table shows the effects of the change in one assumption with all other assumptions remaining unchanged:

## SENSITIVITY ANALYSIS

| | | Sept. 30, 2016 | | Sept. 30, 2017 | |
|---|---|---|---|---|---|
| | | Change of defined benefit obligation (€ million) | | Change of defined benefit obligation (€ million) | |
| | | Germany | Outside Germany | Germany | Outside Germany |
| Discount rate | Increase by 0.5 percentage points | (514) | (211) | (443) | (177) |
| | Decrease by 0.5 percentage points | 549 | 228 | 484 | 190 |
| Rate of compensation increase | Increase by 0.5 percentage points | 19 | 16 | 15 | 15 |
| | Decrease by 0.5 percentage points | (19) | (16) | (15) | (15) |
| Rate of pension progression | Increase by 0.25 percentage points | 181 | 28 | 157 | 26 |
| | Decrease by 0.25 percentage points | (177) | (28) | (154) | (25) |
| Mortality probability | Decrease by 10.0 percentage points | 294 | 110 | 260 | 100 |

To test the sensitivity of the defined benefit obligation due to a change in the mortality and life expectancy assumptions, an alternative analysis was carried out on the basis of 10% lower mortality probabilities from retirement age. For beneficiaries currently aged 63 to 65, this roughly corresponds to a one year increase in life expectancy on entering retirement.

## Plan assets

In the Group, the majority of reported plan assets associated with the funded pension plans are located in the USA, Great Britain and to a lesser extent in Germany and some other European countries. The Group invests in diversified portfolios consisting of an array of asset classes that attempt to maximize returns while minimizing volatility. The asset classes mainly include national and international stocks, fixed income government and non-government securities, real estate and shares in highly diversified funds. Plan assets do not include any direct investments in thyssenkrupp debt securities, treasury shares or real estate used on its own.

The Group uses professional investment managers to invest plan assets based on specific investment guidelines. The Investment Committees of the respective plan consist of senior financial management especially from treasury and other appropriate executives. The Investment Committees meet regularly to review the risks and performance of the major assets and approve the selection and retention of external managers.

For the Group's main pension assets, regular asset liability studies are also carried out, in which actuaries conduct a detailed analysis of the structure of the pension obligations (among other things in terms of age structure, duration, possible interest rate/inflation risks). On this basis the investment strategy and target portfolio of the pension assets are then defined and updated. For risk management purposes, liability-driven investment strategies may be used through which assets are geared towards the pension liabilities.

The processes established for managing and monitoring the plan assets as described above are used to counter the usual risks associated with capital market investment – counterparty, liquidity/market and other risks.

As described above, the major pension obligations exist in Germany, the USA, Great Britain and Liechtenstein. The plan assets in these countries amount to 84% of the total plan assets as of September 30, 2017 (prior year: 84%). As of the balance sheet date the portfolio of these major plan assets comprises the following asset categories:

### ASSET ALLOCATION OF MAJOR PLAN ASSETS

| | Sept. 30, 2016 | | | | Sept. 30, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fair value (€ million) | | | | Fair value (€ million) | | |
| Asset categories | Total | Quoted market price in an active market | No quoted market price in an active market | Portion of major plan assets (in %) | Total | Quoted market price in an active market | No quoted market price in an active market | Portion of major plan assets (in %) |
| Equity securities | 683 | 665 | 18 | 34 | 697 | 676 | 21 | 37 |
| Bonds | 1,040 | 1,040 | 0 | 52 | 948 | 945 | 3 | 50 |
| Cash and cash equivalents | 52 | 52 | 0 | 3 | 44 | 44 | 0 | 2 |
| Others | 206 | 154 | 52 | 10 | 217 | 165 | 52 | 11 |
| **Total** | **1,981** | **1,911** | **70** | **100** | **1,906** | **1,830** | **76** | **100** |

In general, the Group's funding policy is to contribute amounts to the plans sufficient to meet the minimum statutory funding requirements relevant in the country in which the plan is located. In the USA, minimum funding is partially based on collective bargaining agreements. The Group may from time to time make additional contributions at its own discretion. thyssenkrupp's expected contribution in fiscal year 2017 / 2018 is €58 million (prior year: €96 million) related to its plan assets.

### Pension benefit payments

In fiscal year 2016 / 2017, pension benefit payments for plans in Germany of €404 million (prior year: €445 million) were mainly from provisions, and pension benefit payments for non-German plans of €128 million (prior year: €141 million) were made mainly from plan assets. The estimated future pension benefits to be paid by the Group's defined benefit pension plans are as follows:

#### ESTIMATED FUTURE PENSION BENEFIT PAYMENTS

| million € | Germany | Outside Germany | Total |
|---|---|---|---|
| (for fiscal year) | | | |
| 2017/2018 | 448 | 123 | 571 |
| 2018/2019 | 418 | 121 | 539 |
| 2019/2020 | 417 | 123 | 540 |
| 2020/2021 | 413 | 123 | 537 |
| 2021/2022 | 406 | 125 | 531 |
| 2022/2023 – 2026/2027 | 1,935 | 628 | 2,563 |
| **Total** | **4,038** | **1,243** | **5,281** |

The duration of defined benefit plans amounts to 13 years for Germany (prior year: 13 years) and to 15 years (prior year: 16 years) for the other countries.

### Defined contribution plans (DC Plans)

The Group also maintains domestic and foreign defined contribution plans. Amounts contributed by the Group under such plans are based upon percentage of the employees' salary or the amount of contributions made by the employees. The total cost of pension plans accounted for as defined contribution plans in the current fiscal year was €162 million (prior year: €161 million). In addition, contributions paid to public/state pension insurance institutions amounted to €644 million (prior year: €625 million).

### Partial retirement

In particular German companies have obligations resulting from partial retirement agreements. Under these agreements, employees work additional time prior to retirement, which is subsequently paid for in installments after retirement. In addition, employees receive a supplement on top of their pay. For these obligations, accruals were recognized in accordance with IAS 19 “Employee Benefits”.

## 15 Provisions for employee benefits and other provisions

### PROVISIONS FOR EMPLOYEE BENEFITS AND OTHER PROVISIONS

| million € | Employee benefits | Product warranties and product defects | Other contractual costs | Restruc-turing | Decom-missioning obligations | Others | Total |
|---|---|---|---|---|---|---|---|
| **Balance as of Sept. 30, 2016** | **781** | **470** | **102** | **196** | **259** | **525** | **2,333** |
| Currency differences | (11) | (11) | (3) | (1) | 0 | (10) | (37) |
| Acquisitions/divestitures of businesses | 7 | (2) | 3 | (2) | 0 | 159 | 165 |
| Additions | 793 | 130 | 119 | 300 | 8 | 304 | 1,653 |
| Accretion | 3 | 0 | 0 | 0 | 13 | 1 | 17 |
| Amounts utilized | (761) | (65) | (83) | (134) | (6) | (188) | (1,237) |
| Reversals | (100) | (109) | (38) | (7) | (2) | (98) | (354) |
| Reclassification due to the presentation as liabilities associated with assets held for sale | 0 | 0 | 0 | 0 | 0 | (1) | (1) |
| **Balance as of Sept. 30, 2017** | **711** | **413** | **101** | **353** | **270** | **691** | **2,539** |

As of September 30, 2017, €1,540 million (prior year: €1,371 million) of the total of provisions for employee benefits and other provisions are current, while €999 million (prior year: €963 million) are non-current. Provisions of €1,162 million (prior year: €1,117 million) have a remaining term of more than one year.

Provisions for employee compensation and benefit costs primarily represent employment anniversary bonuses and obligations for the management incentive plans, while social plan and related costs pertaining to personnel related structural measures are reflected in the provision for restructuring activities. Pension related obligations for partial retirement agreements and early retirement programs, partly resulting from restructurings, are part of the provision for pensions and similar obligations.

Product warranties and product defects represent the Group's responsibility for the proper functioning of the goods sold (product warranty) as well as the obligation that arise from the use of the products sold (product defect).

Provisions for other contractual costs represent pending losses from uncompleted contracts.

The provision for restructurings consists of provisions for employee termination benefits and exit costs which have been established by operating divisions for costs incurred in connection with activities which do not generate any future economic benefits for the Group. With the exemption of Steel Americas restructurings are being carried out in all business areas The additions to restructuring provisions in the fiscal year in the amount of €300 million in total consists of €105 million within the Industrial Solutions business area, €89 million within the Elevator Technology business area, €42 million within the Components Technology business area, €31 million within the Materials Services business area and €26 million within the Steel Europe business area.

The provision for decommissioning obligations mainly consists of obligations associated with mining activities and recultivating landfills. Obligations associated with mining activities and recultivating landfills are generally handled over long periods of time, in some cases more than 30 years. The technical parameters are very complex. As a result, uncertainty exists with regard to the timing and concrete amount of the expenses.

Other provisions include provisions for litigation risks, environmental obligations and other risks from individual items not allocable to other positions. Provisions for the following items are included:

Claims for damages have been filed both in and out of court against thyssenkrupp AG and companies of the thyssenkrupp Group by potential injured parties in connection with the elevator cartel. A part of the claims has not yet been quantified. The court proceedings are pending in Germany, Belgium, Austria and the Netherlands and are at various stages; in part proceedings have already been settled or the actions have been withdrawn or dismissed. For the part of the claims thyssenkrupp assesses will probably result in cash outflows, thyssenkrupp has recognized provisions for risks.

In connection with the rail cartel, which concerned prohibited cartel agreements in the period 2001-2011 with regard to the supply of rails, sleepers and turnouts to private companies, including construction companies and companies operating private rail operations as well as local transport authorities (the so-called “private market”), various companies, particularly local transport services, have also asserted or announced damage claims in or mostly out of court as potential injured parties. Proceedings are at various stages; in part proceedings have already been settled or otherwise brought to an end. thyssenkrupp has recognized provisions for the damage claims.

## 16 Financial debt

### FINANCIAL DEBT

| Carrying amounts in million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| Bonds | 5,019 | 4,670 |
| Loan notes | 326 | 252 |
| Liabilities to financial institutions | 537 | 154 |
| Finance lease liabilities | 24 | 20 |
| Other loans | 250 | 230 |
| **Non-current financial debt** | **6,157** | **5,326** |
| Bonds | 1,249 | 1,599 |
| Loan notes | 5 | 75 |
| Liabilities to financial institutions | 175 | 231 |
| Acceptance payables | 3 | 11 |
| Finance lease liabilities | 9 | 6 |
| Other loans | 13 | 8 |
| **Current financial debt** | **1,455** | **1,930** |
| **Financial debt** | **7,611** | **7,255** |

Current financial debt includes financial debt with a remaining term up to one year, while the non-current financial debt has a remaining term of more than one year.

Financial debt in the amount of €173 million (prior year: €194 million) is collateralized by real estate.

As of September 30, 2017, the financial debt reflects a total discount in the amount of €33 million (prior year: €34 million), which is offset by a total premium in the amount of €0 million (prior year: €1 million). Amortization of discounts and premiums of financial debt is included in “financial income/(expense), net”.

## BONDS AND LOAN NOTES

| | Carrying amount in million € as of Sept. 30, 2016 | Carrying amount in million € as of Sept. 30, 2017 | Notional amount in million € as of Sept. 30, 2017 | Interest rate in % | Fair value in million € as of Sept. 30, 2017 | Maturity |
|---|---|---|---|---|---|---|
| thyssenkrupp AG bond (€1,250 million) 2012/2017 | 1,250 | — | — | — | — | 02/28/2017 |
| thyssenkrupp AG bond (€1,600 million) 2013/2018 | 1,597 | 1,599 | 1,600 | 4.0000 | 1,654 | 08/27/2018 |
| thyssenkrupp AG bond (€1,250 million) 2014/2019 | 1,242 | 1,244 | 1,250 | 3.1250 | 1,316 | 10/25/2019 |
| thyssenkrupp AG bond (€750 million) 2015/2020 | 744 | 746 | 750 | 1.7500 | 777 | 11/25/2020 |
| thyssenkrupp AG bond (€600 million) 2015/2025 | 592 | 593 | 600 | 2.5000 | 640 | 02/25/2025 |
| thyssenkrupp AG bond (€850 million) 2016/2021 | 844 | 845 | 850 | 2.7500 | 905 | 03/08/2021 |
| thyssenkrupp AG bond (€1,250 million) 2017/2022 | — | 1,242 | 1,250 | 1.3750 | 1,264 | 03/03/2022 |
| thyssenkrupp AG loan note (€70 million) 2012/2017 | 69 | 70 | 70 | 3.5500 | 72 | 10/02/2017 |
| thyssenkrupp AG loan note (€8 million) 2014/2018 | 8 | 8 | 8 | 2.2500 | 8 | 12/30/2018 |
| thyssenkrupp AG loan note (€4 million) 2014/2019 | 4 | 4 | 4 | 2.5000 | 4 | 12/30/2019 |
| thyssenkrupp AG loan note (€100 million) 2015/2018 | 100 | 100 | 100 | 0.9310 | 101 | 12/14/2018 |
| thyssenkrupp AG loan note (€145 million) 2016/2021 | 150 | 145 | 145 | 1.7500 | 149 | 03/11/2021 |
| **Total** | **6,600** | **6,596** | **6,627** | | **6,890** | |

In March 2017 thyssenkrupp AG issued a bond with a volume of €1,250 million with a maturity of five years and a coupon of 1.375% p.a. under its €10 billion debt issuance program.

As of September 30, 2017, the financing structure of liabilities to financial institutions and other loans comprise the following:

## LIABILITIES TO FINANCIAL INSTITUTIONS AND OTHER LOANS

| | Carrying amount in million € as of Sept. 30, 2016 | Carrying amount in million € as of Sept. 30, 2017 | thereof in € | Weighted average interest rate in % as of Sept. 30, 2017 | thereof in other currencies | Fair value in million € as of Sept. 30, 2017 |
|---|---|---|---|---|---|---|
| Credits at variable interest rates | 494 | 220 | 139 | 2.2 | 81 | 220 |
| Credits at fixed interest rates | 481 | 403 | 206 | 5.1 | 197 | 487 |
| **Total** | **975** | **623** | **345** | **3.9** | **278** | **707** |

Under a syndicated joint credit multi-currency facility agreement, thyssenkrupp has access to funds of €2.0 billion with variable interest rates. The facility, which has a term until March 14, 2021, was not utilized as of the balance sheet date.

In addition to the syndicated joint credit multi-currency-facility agreement there are revolving credit agreements of €1.8 billion in total with banking institutions whereby thyssenkrupp AG or in part thyssenkrupp Finance USA, Inc. can borrow in euros, U.S. dollars or in British pounds Sterling. As of September 30, 2017, the credit agreements were not drawn.

In total the Group has available unused, committed credit lines amounting to €3.8 billion.

The Group's Commercial Paper Program also provides up to €1.5 billion in additional financing. Commercial papers are debt instruments which can be issued under our program with a term of up to 364 days depending on investor demand. As of September 30, 2017, the program was not used.

Maturity of financial debt is as follows:

### MATURITY OF FINANCIAL DEBT

| million € (for fiscal year) | Total financial debt | Thereof: Liabilities to financial institutions |
|---|---|---|
| 2017/2018 | 1,930 | 231 |
| 2018/2019 | 161 | 35 |
| 2019/2020 | 1,287 | 16 |
| 2020/2021 | 1,756 | 27 |
| 2021/2022 | 1,363 | 13 |
| nach 2021/2022 | 758 | 63 |
| **Total** | **7,255** | **385** |

## 17 Trade accounts payable

Trade accounts payable in the amount of €399 million (prior year: €288 million) have a remaining term of more than one year.

## 18 Other financial liabilities

### OTHER FINANCIAL LIABILITIES

| | Sept. 30, 2016 | | Sept. 30, 2017 | |
|---|---|---|---|---|
| million € | current | non-current | current | non-current |
| Financial liabilities measured at amortized cost | 748 | 221 | 751 | 182 |
| Derivatives not qualifying for hedge accounting | 163 | — | 59 | — |
| Derivatives qualifying for hedge accounting | 63 | — | 33 | — |
| **Total** | **975** | **221** | **842** | **182** |

Other financial liabilities amounting to €184 million (prior year: €228 million) have a remaining term of more than one year.

## 19 Other non-financial liabilities

### OTHER NON-FINANCIAL LIABILITIES

| | Sept. 30, 2016 | | Sept. 30, 2017 | |
|---|---|---|---|---|
| million € | current | non-current | current | non-current |
| Amounts due to customers for construction work | 3,638 | — | 3,359 | — |
| Advance payments | 1,087 | — | 991 | — |
| Selling and buying market related liabilities | 864 | — | 839 | — |
| Liabilities due to put options | 15 | 0 | 16 | 0 |
| Liabilities to the employees | 841 | — | 871 | — |
| Liabilities for social security | 95 | — | 133 | — |
| Deferred income | 44 | — | 45 | — |
| Tax liabilities (without income taxes) | 260 | — | 290 | — |
| Miscellaneous | 285 | 6 | 258 | 5 |
| **Total** | **7,130** | **6** | **6,802** | **5** |

Other non-financial liabilities amounting to €2,518 million (prior year: €2,328 million) have a remaining term of more than one year.

Amounts due to customers for construction work are calculated as follows:

### LIABILITIES FOR CONSTRUCTION WORK

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| Contract costs incurred and recognized contract profits (less recognized losses) | 10,250 | 6,326 |
| Less advance payments received | (13,889) | (9,686) |
| **Total** | **(3,638)** | **(3,359)** |

## 20 Contingencies and commitments

### Contingencies

thyssenkrupp AG as well as, in individual cases, its subsidiaries have issued or have had guarantees issued in favour of customers or lenders. The following table shows obligations under guarantees where the principal debtor is not a consolidated Group company:

### CONTINGENCIES

| | Maximum potential amount of future payments as of | | Provision as of | |
|---|---|---|---|---|
| million € | Sept. 30, 2016 | Sept. 30, 2017 | Sept. 30, 2016 | Sept. 30, 2017 |
| Advance payment bonds | 154 | 33 | 1 | 1 |
| Performance bonds | 133 | 2 | 2 | 0 |
| Residual value guarantees | 61 | 61 | 12 | 15 |
| Other guarantees | 75 | 7 | 0 | 0 |
| **Total** | **423** | **103** | **15** | **16** |

The significant decrease of contingencies is connected with the first-time consolidation of the Atlas Elektronic group as of April 03, 2017. Guarantees include contingent liabilities of joint ventures of €0 million (prior year: €337 million). Contingent liabilities of joint ventures include €0 million (prior year: €148 million) that apply to the shares of the other joint venturers.

The terms of these guarantees depend on the type of guarantee and may range from three months to ten years (e.g. rental payment guarantees).

The basis for possible payments under the guarantees is the non-performance of the principal debtor under a contractual agreement, e.g. late delivery, delivery of non-conforming goods under a contract, non-performance with respect to the warranted quality or default under a loan agreement.

All guarantees are issued by or issued by instruction of thyssenkrupp AG or subsidiaries upon request of the principal debtor obligated by the underlying contractual relationship and are subject to recourse provisions in case of default. Is such a principal debtor is a company owned fully or partially by a foreign third party, such third party is generally requested to provide additional collateral in a corresponding amount.

thyssenkrupp bears joint and several liability as a member of certain civil law partnerships, ordinary partnerships and consortiums.

thyssenkrupp has contingencies for the following material legal disputes:

In connection with the majority interest previously held by the Industrial Solutions business area in the Greek shipyard Hellenic Shipyards (HSY) and the construction of submarines for the Greek Navy, the Greek government has filed legal and arbitration actions to claim compensation of €2.1 billion and reimbursement of a €115 million installment payment from thyssenkrupp Industrial Solutions AG and thyssenkrupp Marine Systems GmbH as well as from HSY and the current majority shareholder of HSY. To date the Greek government has concretized claims only in a double-digit million euro amount, relating exclusively to its contract with HSY. The claims asserted against the thyssenkrupp companies appear unfounded. All contractual obligations of thyssenkrupp Marine Systems and other thyssenkrupp companies vis-à-vis the Greek government have been fulfilled since 2010.

In addition further legal and arbitration actions and official investigations and proceedings as well as claims have been filed against thyssenkrupp companies or may be initiated or filed in the future. Disputes in connection with the acquisition or disposal of companies or company units which may lead to partial repayment of the purchase price or to the payment of damages or to tax charges. Furthermore, damage claims may be payable to contractual partners, customers, consortium partners and subcontractors under performance contracts. Predicting the progress and results of lawsuits involves considerable difficulties and uncertainties. This means that lawsuits, official investigations and proceedings as well as claims not disclosed separately could also individually or together with other legal disputes, official investigations and proceedings as well as claims have a negative and also potentially major future impact on the Group's net assets, financial position and results of operations. However, at present thyssenkrupp does not expect pending lawsuits, official investigations and proceedings as well as claims not explained separately in this section to have a major negative impact on the Group's net assets, financial position and results of operations.

## Commitments and other contingencies

The Group is the lessee to property, plant and equipment classified as operating leases. Rental expense amounting to €340 million (prior year: €354 million) resulting from rental contracts, long-term leases and leasing contracts classified as operating leases, comprises as follows:

### EXPENSE RESULTING FROM OPERATING LEASE CONTRACTS

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 |
|---|---|---|
| Minimum rental payments | 354 | 334 |
| Contingent rentals | 2 | 8 |
| less income from sublease agreements | (2) | (1) |
| **Total** | **354** | **340** |

The future minimum rental payments, excluding accrued interest from such non-cancellable contracts that have an initial or remaining term of more than one year as of the balance sheet date are (at face amounts):

### FUTURE MINIMUM LEASE PAYMENTS

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| Not later than one year | 284 | 211 |
| Between one and five years | 462 | 429 |
| Later than five years | 110 | 93 |
| **Total** | **857** | **734** |

The commitment to enter into investment projects amounts to €396 million (prior year: €551 million) as of September 30, 2017 and relates mainly to property, plant and equipment of the Components Technology and Steel Europe business areas.

Payment commitments and obligations to make further contributions to corporations and cooperative associations exist in the total amount of €11 million (prior year: €42 million). In addition, other financial commitments exist in the amount of €1,713 million (prior year: €2,692 million), primarily from the commitments to purchase lime under long term supply contracts as well as purchasing commitments resulting from the Group's electricity and gas supply contracts. In addition, in the Steel Europe business area long term iron ore and iron ore pellets supply contracts exist which will result in purchasing commitments over a period of up to three years. Due to the high volatility of iron ore prices, the measurement of the complete purchasing commitments is based on the iron ore price as of the current balance sheet date resulting in purchasing commitments of €2,136 million (prior year: €7,127 million in total; of this €4,761 million related to the Steel Americas business area).

Based on the risk bearing ability of the Group or the Group companies, there exist adequate deductibles in the various classes of insurance. One or more damages at these units could impact the Group's net assets, financial position and results of operations.

## 21 Financial instruments

The following table shows financial assets and liabilities by measurement categories and classes. Finance lease receivables and liabilities, and derivatives that qualify for hedge accounting are also included although they are not part of any IAS 39 measurement category.

### FINANCIAL INSTRUMENTS AS OF SEPT. 30, 2016

| | | Measurement in accordance with IAS 39 | | | Measurement in accordance with IAS 17 | |
|---|---|---|---|---|---|---|
| million € | Carrying amount on balance sheet as of Sept. 30, 2016 | (Amortized) cost | Fair value recognized in profit or loss | Fair value recognized in equity | Amortized cost | Fair value as of Sept. 30, 2016 |
| Trade accounts receivable (excluding finance lease) | 5,001 | 5,001 | | | | 5,001 |
| Loans and receivables | | 5,001 | | | | 5,001 |
| Finance lease receivables | 1 | | | | 1 | 1 |
| Other financial assets | 451 | 340 | 60 | 51 | | 451 |
| Loans and receivables | | 324 | | | | 324 |
| Available-for-sale financial assets | | 16 | | 18 | | 34 |
| Derivatives not qualifying for hedge accounting (Financial assets held for trading) | | | 60 | | | 60 |
| Derivatives qualifying for hedge accounting | | | 0 | 33 | | 33 |
| Cash and cash equivalents | 4,105 | 4,105 | | | | 4,105 |
| Loans and receivables | | 4,105 | | | | 4,105 |
| **Total of financial assets** | **9,559** | | | | | |
| thereof by measurement categories of IAS 39: | | | | | | |
| Loans and receivables | 9,431 | 9,431 | | | | 9,431 |
| Available-for-sale financial assets | 34 | 16 | | 18 | | 34 |
| Derivatives not qualifying for hedge accounting (Financial assets held for trading) | 60 | | 60 | | | 60 |
| | | | | | | |
| Financial debt (excluding finance lease) | 7,578 | 7,578 | | | | 7,919 |
| Financial liabilities measured at amortized cost | | 7,578 | | | | 7,919 |
| Finance lease liabilities | 33 | | | | 33 | 33 |
| Trade accounts payable | 5,119 | 5,119 | | | | 5,119 |
| Financial liabilities measured at amortized cost | | 5,119 | | | | 5,119 |
| Other financial liabilities | 1,196 | 970 | 165 | 62 | | 1,196 |
| Financial liabilities measured at amortized cost | | 970 | | | | 970 |
| Derivatives not qualifying for hedge accounting (Financial assets held for trading) | | | 163 | | | 163 |
| Derivatives qualifying for hedge accounting | | | 2 | 62 | | 63 |
| **Total of financial liabilities** | **13,927** | | | | | |
| thereof by measurement categories of IAS 39: | | | | | | |
| Financial liabilities measured at amortized cost | 13,667 | 13,667 | | | | 14,008 |
| Derivatives not qualifying for hedge accounting (Financial assets held for trading) | 163 | | 163 | | | 163 |

## FINANCIAL INSTRUMENTS AS OF SEPT. 30, 2017

| | | Measurement in accordance with IAS 39 | | | Measurement in accordance with IAS 17 | |
|---|---|---|---|---|---|---|
| million € | Carrying amount on balance sheet as of Sept. 30, 2017 | (Amortized) cost | Fair value recognized in profit or loss | Fair value recognized in equity | Amortized cost | Fair value as of Sept. 30, 2017 |
| Trade accounts receivable (excluding finance lease) | 5,733 | 5,733 | | | | 5,733 |
| Loans and receivables | | 5,733 | | | | 5,733 |
| Finance lease receivables | 1 | | | | 1 | 1 |
| Other financial assets | 463 | 326 | 85 | 52 | | 463 |
| Loans and receivables | | 312 | | | | 312 |
| Available-for-sale financial assets | | 15 | | 20 | | 34 |
| Derivatives not qualifying for hedge accounting (Financial assets held for trading) | | | 65 | | | 65 |
| Derivatives qualifying for hedge accounting | | | 20 | 32 | | 52 |
| Cash and cash equivalents | 5,292 | 5,292 | | | | 5,292 |
| Loans and receivables | | 5,292 | | | | 5,292 |
| **Total of financial assets** | **11,489** | | | | | |
| thereof by measurement categories of IAS 39: | | | | | | |
| Loans and receivables | 11,337 | 11,337 | | | | 11,337 |
| Available-for-sale financial assets | 34 | 15 | | 20 | | 34 |
| Derivatives not qualifying for hedge accounting (Financial assets held for trading) | 65 | | 65 | | | 65 |
| | | | | | | |
| Financial debt (excluding finance lease) | 7,230 | 7,230 | | | | 7,608 |
| Financial liabilities measured at amortized cost | | 7,230 | | | | 7,608 |
| Finance lease liabilities | 25 | | | | 25 | 25 |
| Trade accounts payable | 5,729 | 5,729 | | | | 5,729 |
| Financial liabilities measured at amortized cost | | 5,729 | | | | 5,729 |
| Other financial liabilities | 1,024 | 932 | 70 | 22 | | 1,024 |
| Financial liabilities measured at amortized cost | | 932 | | | | 932 |
| Derivatives not qualifying for hedge accounting (Financial assets held for trading) | | | 59 | | | 59 |
| Derivatives qualifying for hedge accounting | | | 10 | 22 | | 33 |
| **Total of financial liabilities** | **14,009** | | | | | |
| thereof by measurement categories of IAS 39: | | | | | | |
| Financial liabilities measured at amortized cost | 13,892 | 13,892 | | | | 14,270 |
| Derivatives not qualifying for hedge accounting (Financial assets held for trading) | 59 | | 59 | | | 59 |

The carrying amounts of trade accounts receivable, other current receivables as well as cash and cash equivalents equal their fair values. The fair value of loans equals the present value of expected cash flows which are discounted on the basis of interest rates prevailing on the balance sheet date.

Available-for-sale financial assets primarily include equity and debt instruments. They are in general measured at fair value, which is based to the extent available on market prices as of the balance sheet date. When no quoted market prices in an active market are available and the fair value cannot be reliably measured, equity instruments are measured at cost.

The fair value of foreign currency forward transactions is determined on the basis of the middle spot exchange rate applicable as of the balance sheet date, and taking account of forward premiums or discounts arising for the respective remaining contract term compared to the contracted forward exchange rate. Common methods for calculating option prices are used for foreign currency options. The fair value of an option is influenced not only by the remaining term of an option, but also by other factors, such as current amount and volatility of the underlying exchange or base rate.

Interest rate swaps and cross currency swaps are measured at fair value by discounting expected cash flows on the basis of market interest rates applicable for the remaining contract term. In the case of cross currency swaps, the exchange rates for each foreign currency, in which cash flows occur, are also included.

The fair value of commodity futures is based on published price quotations. It is measured as of the balance sheet date, both internally and by external financial partners.

The carrying amounts of trade accounts receivable and other current liabilities equal their fair values. The fair value of fixed rate liabilities equals the present value of expected cash flows. Discounting is based on interest rates applicable as of the balance sheet date. The carrying amounts of floating rate liabilities equal their fair values.

Financial assets and liabilities measured at fair value could be categorized in the following three level fair value hierarchy:

## FAIR VALUE HIERARCHY AS OF SEPT. 30, 2016

| million € | Sept. 30, 2016 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Financial assets at fair value** | | | | |
| **Fair value recognized in profit or loss** | | | | |
| Derivatives not qualifying for hedge accounting (Financial assets held for trading) | 60 | 0 | 60 | 0 |
| Derivatives qualifying for hedge accounting | 0 | 0 | 0 | 0 |
| **Fair value recognized in equity** | | | | |
| Available-for-sale financial assets | 18 | 16 | 3 | 0 |
| Derivatives qualifying for hedge accounting | 33 | 0 | 33 | 0 |
| **Total** | **111** | **16** | **96** | **0** |
| **Financial liabilities at fair value** | | | | |
| **Fair value recognized in profit or loss** | | | | |
| Derivatives not qualifying for hedge accounting (Financial liabilities held for trading) | 163 | 0 | 51 | 113 |
| Derivatives qualifying for hedge accounting | 2 | 0 | 2 | 0 |
| **Fair value recognized in equity** | | | | |
| Derivatives qualifying for hedge accounting | 62 | 0 | 62 | 0 |
| **Total** | **227** | **0** | **114** | **113** |

## FAIR VALUE HIERARCHY AS OF SEPT. 30, 2017

| million € | Sept. 30, 2017 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Financial assets at fair value** | | | | |
| **Fair value recognized in profit or loss** | | | | |
| Derivatives not qualifying for hedge accounting (Financial assets held for trading) | 65 | 0 | 65 | 0 |
| Derivatives qualifying for hedge accounting | 20 | 0 | 20 | 0 |
| **Fair value recognized in equity** | | | | |
| Available-for-sale financial assets | 20 | 17 | 2 | 0 |
| Derivatives qualifying for hedge accounting | 32 | 0 | 32 | 0 |
| **Total** | **137** | **17** | **120** | **0** |
| **Financial liabilities at fair value** | | | | |
| **Fair value recognized in profit or loss** | | | | |
| Derivatives not qualifying for hedge accounting (Financial liabilities held for trading) | 59 | 0 | 59 | 0 |
| Derivatives qualifying for hedge accounting | 10 | 0 | 10 | 0 |
| **Fair value recognized in equity** | | | | |
| Derivatives qualifying for hedge accounting | 22 | 0 | 22 | 0 |
| **Total** | **92** | **0** | **92** | **0** |

The fair value hierarchy reflects the significance of the inputs used to determine fair values. Financial instruments with fair value measurement based on quoted prices in active markets are disclosed in level 1. In level 2 determination of fair values is based on observable inputs, e.g. foreign exchange rates. level 3 comprises financial instruments for which the fair value measurement is based on unobservable inputs.

The following table shows the reconciliation of level 3 financial instruments:

## RECONCILIATION LEVEL 3 FINANCIAL INSTRUMENTS

| million € | |
|---|---|
| Balance as of Sept. 30, 2016 (assets/(liability)) | (113) |
| Changes recognized in profit or loss | 51 |
| Disposal of Steel Americas buiness area | 62 |
| **Balance as of Sept. 30, 2017 (assets/(liability))** | **0** |

The financial liability, which is based on individual valuation parameters and recognized at fair value, primarily comprises a freight derivative which was valued according to the contractually agreed minimum volume on the basis of recognized hedge models taking into account the market data prevailing at the closing date. The resulting income effect is recognized in the consolidated statement of income under “Income/(loss) from discontinued operations (net of tax)”.

Financial liabilities measured at amortized cost with a carrying amount of €13,892 million (prior year: €13,667 million) have a fair value of €14,270 million (prior year: €14,008 million) that was determined based on fair value measurement attributable to Level 2.

### Netting of financial assets and financial liabilities

In general, master netting arrangements exist only for derivative financial instruments in the thyssenkrupp Group that however totally or partially do not meet the offsetting criteria under IAS 32.

In these cases a right of offsetting is enforceable only on termination of the contract on the grounds of a major breach of contract or insolvency of one of the contractual parties. The gross amounts for these derivatives are therefore presented separately in the statement of financial position. Potential offsetting exists in the amount of €46 million (prior year: €42 million). An exception from this are futures, for which the fair values are settled daily on the basis of margin calls. These derivatives meet the offsetting criteria under IAS 32 and are therefore shown as net amounts in the statement of financial position; they amount of €6 million (prior year: €13 million). Cash collateral exists in the amount of €6 million (prior year: €10 million).

The following table shows net gains and losses from financial instruments by measurement categories. Gains or losses arising from finance lease and from derivatives that qualify for hedge accounting are not included, as they are not part of any IAS 39 measurement category.

**NET GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS**

| million € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| Loans and receivables | 46 | 72 |
| Available-for-sale financial assets | 9 | 6 |
| Derivatives not qualifying for hedge accounting (Financial assets/liabilities held for trading) | 38 | (171) |
| Financial liabilities measured at amortized cost | (446) | (283) |

[1] Figures have been adjusted (cf. Note 03).

Net gains under “loans and receivables” mainly comprise interest income on financial receivables, individual allowances for trade accounts receivable as well as gains and losses on foreign currency receivables.

The category “available-for-sale financial assets” mainly includes current earnings from equity and debt instruments.

Gains and losses arising from changes in fair value of foreign currency, interest rate and commodity derivatives that do not comply with the hedge accounting requirements under IAS 39 are included in the “derivatives that do not qualify for hedge accounting” category.

The category “financial liabilities measured at amortized cost” mainly comprises of interest expenses on financial liabilities as well as gains and losses on foreign currency liabilities.

Included in net gains and losses are exchange differences of €126 million (prior year: €(69) million).

### Derivative financial instruments

The Group uses various derivative financial instruments, including foreign currency forward contracts, foreign currency options, interest rate swaps, cross currency swaps and commodity forward contracts. Derivative financial instruments are generally used to hedge existing or anticipated underlying transactions so as to reduce foreign currency, interest rate and commodity price risks.

The following table shows the notional amounts and fair values of derivatives used within the Group:

## DERIVATIVE FINANCIAL INSTRUMENTS

| million € | Notional amount as of Sept. 30, 2016 | Carrying amount as of Sept. 30, 2016 | Notional amount as of Sept. 30, 2017 | Carrying amount as of Sept. 30, 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| Foreign currency derivatives that do not qualify for hedge accounting | 2,100 | 41 | 1,071 | 33 |
| Foreign currency derivatives qualifying as cash flow hedges | 360 | 14 | 404 | 19 |
| Embedded derivatives | 70 | 1 | 89 | 3 |
| Interest rate derivatives that do not qualify for hedge accounting | 0 | 0 | 13 | 0 |
| Interest rate derivatives qualifying as cash flow hedges[1] | 618 | 9 | 106 | 4 |
| Commodity derivatives that do not qualify for hedge accounting | 278 | 18 | 335 | 28 |
| Commodity derivatives qualifying as cash flow hedges | 64 | 10 | 62 | 9 |
| Commodity derivatives qualifying as fair value hedges | 0 | 0 | 212 | 20 |
| **Total** | **3,490** | **93** | **2,292** | **117** |
| **Equity and liabilities** | | | | |
| Foreign currency derivatives that do not qualify for hedge accounting | 2,662 | 30 | 1,109 | 27 |
| Foreign currency derivatives qualifying as cash flow hedges | 400 | 7 | 244 | 10 |
| Embedded derivatives | 169 | 2 | 129 | 7 |
| Interest rate derivatives that do not qualify for hedge accounting | 11 | 0 | 11 | 0 |
| Interest rate derivatives qualifying as cash flow hedges[1] | 406 | 32 | 10 | 0 |
| Commodity derivatives that do not qualify for hedge accounting[2] | 483 | 131 | 294 | 25 |
| Commodity derivatives qualifying as cash flow hedges | 152 | 23 | 146 | 12 |
| Commodity derivatives qualifying as fair value hedges | 50 | 2 | 152 | 10 |
| **Total** | **4,332** | **227** | **2,095** | **92** |

[1] Inclusive of cross currency swaps
[2] Inclusive of freight derivatives as of Sept. 30, 2016

### Derivates that qualify for hedge accounting

Hedge accounting in accordance with IAS 39 is used to hedge foreign currency risks of firm commitments, future receivables and liabilities denominated in foreign currency, commodity price risks arising from sales and purchase transactions, and interest rate and foreign currency risks from non-current financings.

### Cash flow hedges

Cash flow hedges are mainly used to hedge future cash flows against foreign currency and commodity price risks arising from future sales and purchase transactions as well as interest rate and foreign currency risks from non-current liabilities. These derivatives are measured at fair value, divided into an effective and ineffective portion. Until realization of the hedged underlying transaction, the effective portion of fluctuations in fair value of these derivatives is recognized directly in equity in the cumulative other comprehensive income position, while the ineffective portion is recognized in profit or loss. The cumulative gain or loss recognized in equity is reclassified to profit or loss in the same period during which the future underlying transactions (hedged items) affect profit or loss. As of September 30, 2017, hedging instruments with positive fair value totaled €32 million (prior year: €33 million) and those with negative fair value totaled €22 million (prior year: €62 million). For the 2016 / 2017 fiscal year, €82 million (prior year: €104 million) (before tax) in unrealized gains or losses have been recognized directly in equity in the cumulative other comprehensive income position. Cash flows from future transactions are currently hedged for a maximum of 64 months.

During the current fiscal year, €11 million (prior year: €1 million) of cumulative other comprehensive income were reclassified to sales in profit or loss as a result of the underlying transactions being realized during the year. In addition, €3 million (prior year: €3 million to increase cost of inventories) of cumulative other comprehensive income were reclassified to decrease cost of inventories, as the hedged commodities were recognized, although the underlying transaction had not yet been taken to profit or loss. This resulted in increased expenses of €2 million in 2016 / 2017. Furthermore, €0 million (prior year: €19 million) of cumulative other comprehensive income were reclassified and increased cost of property, plant and equipment; they exclusively related to discontinued operations. Thereof expenses of €0 million impacted earnings in 2016 / 2017.

As of September 30, 2017, net income from the ineffective portions of derivatives classified as cash flow hedges totaled €0 million (prior year: €5 million; thereof €3 million relates to discontinued operations).

In the subsequent fiscal year fluctuations in fair value of derivatives included in cumulative other comprehensive income as of the reporting date is expected to impact earnings by expenses of €5 million. During the 2018 / 2019 fiscal year, earnings are expected to be impacted by expenses of €25 million, during the 2019 / 2020 fiscal year by expenses of €49 million and during the following fiscal years by expenses of €0 million.

### Fair value hedges

Fair value hedges are mainly used to hedge the exposure to changes in fair value of a firm commitment and exposure to inventory price risks as well as to hedge interest rate risks. These commodity and interest rate derivatives are measured at fair value. The carrying amounts of the corresponding underlying transactions are adjusted for the change of the fair values of the hedged risks. As of September 30, 2017 hedging instruments with positive fair value totaled €20 million (prior year: €0 million) and with negative fair value totaled €10 million (prior year: €2 million). During the fiscal year, income/(expense), net from the measurement of fair value hedging instruments totaled €(28) million (prior year: €(6) million), while income/(expense), net from the corresponding underlying transactions during the same period amounted to €28 million (prior year: €6 million).

### Derivatives that do not qualify for hedge accounting

If a hedging relationship does not meet the requirements for hedge accounting in accordance with the conditions under IAS 39 or hedge accounting is economically not reasonable, the derivative financial instrument is recognized as a derivative that does not qualify for hedge accounting. The resulting impact on profit or loss is shown in the table on net gains and losses from financial instruments by measurement categories. This item also includes embedded derivatives. They exist in the thyssenkrupp Group in the way that regular supply and service transactions with suppliers and customers abroad are not concluded in the functional currency (local currency) of either contracting parties.

## Financial risks

Being a global Group, thyssenkrupp is exposed to financial risks in the form of credit risks (default risk), liquidity risks and market risks (foreign currency, interest rate and commodity price risks) during the course of ordinary activities. The aim of risk management is to limit the risks arising from operating activities and associated financing requirements by applying selected derivate and non-derivative hedging instruments. Details are provided in the opportunity and risk report of the management report.

### Maturity analysis

Liquidity risk is the risk that the Group is unable to meet its existing or future obligations due to insufficient availability of cash or cash equivalents.

The following table shows future undiscounted cash outflows from financial liabilities based on contractual agreements:

## FUTURE UNDISCOUNTED CASH OUTFLOWS AS OF SEPT. 30, 2016

| million € | Carrying amount Sept. 30, 2016 | Cash flows in 2016/2017 | Cash flows in 2017/2018 | Cash flows between 2018/2019 and 2020/2021 | Cash flows after 2020/2021 |
|---|---|---|---|---|---|
| Bonds | 6,269 | 1,460 | 1,755 | 3,084 | 660 |
| Liabilities to financial institutions | 713 | 247 | 240 | 281 | 77 |
| Finance lease liabilities | 33 | 12 | 7 | 13 | 15 |
| Other financial debt | 596 | 33 | 101 | 330 | 246 |
| Trade accounts payable | 5,119 | 4,982 | 128 | 10 | 0 |
| Derivative financial liabilities not qualifying for hedge accounting | 163 | 73 | 27 | 64 | 0 |
| Derivative financial liabilities qualifying for hedge accounting | 63 | 45 | 0 | 23 | 0 |
| Other financial liabilities | 970 | 964 | 4 | 1 | 2 |

## FUTURE UNDISCOUNTED CASH OUTFLOWS AS OF SEPT. 30, 2017

| million € | Carrying amount Sept. 30, 2017 | Cash flows in 2017/2018 | Cash flows in 2018/2019 | Cash flows between 2019/2020 and 2021/2022 | Cash flows after 2021/2022 |
|---|---|---|---|---|---|
| Bonds | 6,269 | 1,772 | 108 | 4,309 | 645 |
| Liabilities to financial institutions | 385 | 307 | 35 | 68 | 59 |
| Finance lease liabilities | 25 | 8 | 7 | 9 | 14 |
| Other financial debt | 577 | 109 | 137 | 303 | 110 |
| Trade accounts payable | 5,729 | 5,330 | 345 | 46 | 9 |
| Derivative financial liabilities not qualifying for hedge accounting | 59 | 56 | 3 | 2 | 0 |
| Derivative financial liabilities qualifying for hedge accounting | 33 | 22 | 0 | 10 | 0 |
| Other financial liabilities | 932 | 930 | 1 | 0 | 2 |

Cash flows from derivatives are offset by cash flows from hedged underlying transactions, which have not been considered in the analysis of maturities. If cash flows from the hedged underlying transactions were also considered, the cash flows shown in the table would be accordingly lower.

### Sensitivity analysis

Market risk is the risk that fair values or future cash flows of non-derivative or derivative financial instruments will fluctuate due to changes in risk factors. Among market risks relevant to thyssenkrupp are foreign currency, interest rate, procurement (commodity price), and especially raw material price risks. Associated with these risks are fluctuations in income, equity and cash flow.

The following analyses and amounts determined by means of sensitivity analyses represent hypothetical, future-oriented data that can differ from actual outcomes because of unforeseeable developments in financial markets. Moreover, non-financial or non-quantifiable risks, such as business risks, are not considered here.

**Foreign currency risk exposure** – Foreign currency hedging is used to fix prices on the basis of hedging rates as protection against any unfavorable exchange rate fluctuations in the future. Hedging periods are generally based on the maturities of underlying transactions. Foreign currency derivative contracts usually have maturities of twelve months or less, but can also be up to six years in single exceptional cases.

The US dollar is the only relevant risk variable for sensitivity analyses under IFRS 7, as the vast majority of foreign currency cash flows occurs in US dollars. As hedging transactions are generally used to hedge underlying transactions, opposite effects in underlying and hedging transactions are almost entirely offset over the total period. Thus, the currency risk exposure described here results from hedging relationships with off-balance sheet underlying transactions, i.e. hedges of firm commitments and forecasted sales. Based on our analysis, the US dollar exposure as of September 30, 2017 was as follows:

If the euro had been 10% stronger against the US dollar as of September 30, 2017, the hedge reserve in equity and fair value of hedging transactions would have been €8 million (prior year: €8 million) higher and earnings resulting from the measurement as of the balance sheet date €28 million (prior year: €0 million) higher. If the euro had been 10% weaker against the US dollar as of September 30, 2017, the hedge reserve in equity and fair value of hedging transactions would have been €10 million (prior year: €10 million) lower and earnings resulting from the measurement as of the balance sheet date €32 million lower (prior year: €2 million higher).

**Interest rate risk** – To hedge interest rate risk, in some cases the Group uses derivatives. These instruments are contracted with the objective of minimizing interest rate volatilities and finance costs for underlying transactions.

As of September 30, 2016 and 2017, respectively, all interest derivatives are immediately and directly allocated to particular financings as cash flow hedges. As of the current balance sheet date almost all interest rate derivatives are accounted for as cash flow hedges, while as of the prior year's balance sheet date all interest derivatives qualified for hedge accounting.

Cross currency swaps have been contracted in connection with the financing of foreign activities, mainly for US dollars.

Interest rate instruments can result in cash flow risks, opportunity effects, as well as interest rate risks affecting the balance sheet and earnings. Refinancing and variable-rate financial instruments are subject to cash flow risk which expresses the uncertainty of future interest payments. Cash flow risk is measured by means of cash flow sensitivity. Opportunity effects arise from non-derivatives, as these are measured at amortized cost rather than fair value, in contrast to interest derivatives. This difference, the so-called opportunity effect, affects neither the balance sheet nor the statement of income. On-balance sheet interest rate risks affecting equity result from the measurement of interest derivatives qualifying as cash flow hedges. Interest rate risks affecting earnings arise from the remaining interest rate derivatives not qualifying for hedge accounting. Opportunity effects and interest rate risks affecting the balance sheet and earnings are determined by calculating fair value sensitivity analyses and changes.

As of September 30, 2017, a +100 /(20) basis point parallel shift in yield curves is assumed for all currencies in interest analyses. The parallel downward shift is limited to (20) basis points to account for continued low interest rates with in part negative interest rates. Negative interest rates are included in the current analysis. The analysis results in the opportunities (positive values) and risks (negative values) shown in the following table:

## INTEREST ANALYSIS

| | Changes in all yield curves as of | | | |
|---|---|---|---|---|
| | Sept. 30, 2016 by | | Sept. 30, 2017 by | |
| million € | + 100 basis points | (20) basis points | + 100 basis points | (20) basis points |
| Cash flow risk | 30 | (6) | 51 | (10) |
| Opportunity effects | 236 | (49) | 220 | (45) |
| Interest rate risks resulting from interest rate derivatives affecting balance sheet | (1) | 0 | (1) | 0 |
| Interest rate risks resulting from interest rate derivatives affecting earnings | 0 | 0 | 0 | 0 |

If, as of September 30, 2017, all yield curves combined had been 100 basis points higher, the hedge reserve in equity and fair value of the relevant interest derivatives would have been €1 million (prior year: €1 million) lower and earnings resulting from the measurement as of the balance sheet date €51 million (prior year: €30 million) higher. If, as of September 30, 2017, all yield curves combined had been 20 basis points lower, the hedge reserve in equity and fair value of the relevant interest derivatives would have been unchanged and earnings resulting from the measurement as of the balance sheet date €10 million (prior year: €6 million) lower.

**Procurement risk (Commodity price risk)** – To minimize risks arising from commodity price volatilities, the Group also uses derivatives, especially for ore, copper, nickel, zinc, aluminium and tin.

To minimize the risk of fluctuating freight prices, the Group uses among other things long-term fixed price contracts, of which one contract was recognized as a commodity forward transaction measured at fair value.

Only hypothetical changes in market prices for derivatives are included in scenario analysis, required for financial instruments under IFRS 7. Offsetting effects from underlying transactions are not taken into account and would reduce their effect significantly.

As of September 30, 2017 a +20%/(20)% shift in market prices for non-ferrous metals is assumed; in prior year, a shift in freight rates by +20%/(20)% was included in addition. If an increase of 20% in market prices for said non-ferrous metals is assumed, the estimated hypothetical impact on profit or loss resulting from the measurement as of the balance sheet date is €(6) million (prior year: €3 million inclusive of freight rates), and on equity €(1) million (prior year: €9 million inclusive of freight rates). If a decrease of 20% in market prices for said non-ferrous metals is assumed, the estimated hypothetical impact on profit or loss resulting from the measurement as of the balance sheet date is €11 million (prior year: €(3) million inclusive of freight rates), and on equity €12 million (prior year: €4 million inclusive of freight rates).

## 22 Related parties

Based on the notification received in accordance with German Securities Trade Act (WpHG) Art. 21 para. 1 as of December 3, 2013, the Alfried Krupp von Bohlen und Halbach Foundation holds an interest of 23.03% in thyssenkrupp AG; based on a voluntary disclosure of the Foundation as of September 2017, the interest in thyssenkrupp AG decreased to a slightly lower share of around 21%. Outside the services and considerations provided for in the by-laws (Article 21 of the Articles of Association of thyssenkrupp AG), there are no other significant delivery and service relations.

In 2015 / 2016 and 2016 / 2017, the Group has business relations with non-consolidated subsidiaries, associates and joint ventures. Transactions with these related parties result in general from the delivery and service relations in the ordinary course of business; the extent of the business relations is presented in the following table:

### RELATED PARTY TRANSACTIONS

| | Sales | | Supplies and services | | Receivables | | Total liabilities | |
|---|---|---|---|---|---|---|---|---|
| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 | Sept. 30, 2016 | Sept. 30, 2017 | Sept. 30, 2016 | Sept. 30, 2017 |
| Non-consolidated subsidiaries | 0 | 0 | 1 | 1 | 2 | 0 | 0 | 0 |
| Associates | 42 | 39 | 3 | 4 | 2 | 3 | 9 | 2 |
| Joint ventures | 15 | 17 | 13 | 3 | 4 | 3 | 28 | 0 |

### Compensation of current Executive and Supervisory Board members

The Group's key management personnel compensation which has to be disclosed in accordance with IAS 24 comprises of the compensation of the current Executive and Supervisory Board members.

Compensation of the current Executive Board members is as follows:

### COMPENSATION OF EXECUTIVE BOARD MEMBERS

| Thousand € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 |
|---|---|---|
| Short-term benefits (excluding share-based compensation) | 6,526 | 6,594 |
| Post-employment benefits | 4,848 | 1,497 |
| Share-based compensation | 4,056 | 5,289 |
| **Total** | **15,430** | **13,380** |

Service cost and past service cost resulting from the pension obligations of the current members of the Executive Board are disclosed as post-employment benefits. The disclosure of share-based compensation refers to the fair value at grant date.

As of September 30, 2016 and 2017, respectively, no loans or advance payments were granted to members of the Executive Board; also as in the previous year no contingencies were assumed for the benefit of Executive Board members.

Compensation of the current Supervisory Board members is as follows:

### COMPENSATION OF SUPERVISORY BOARD MEMBERS

| Thousand € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 |
|---|---|---|
| Short-term benefits (inclusive of meeting attendance fees) | 1,622 | 1,632 |

In addition, members of the Supervisory Board of thyssenkrupp AG received compensation of €56 thousand in fiscal 2016 / 2017 (prior year: €69 thousand) for supervisory board mandates at Group subsidiaries.

As of September 30, 2016 and 2017, respectively, no loans or advance payments were granted to members of the Supervisory Board; also as in the previous year no contingencies were assumed for the benefit of Supervisory Board members.

For individualized presentation and further details of Executive and Supervisory Board compensation refer to the compensation report presented in the “Corporate Governance” chapter that is part of the combined management report.

### Compensation of former Executive and Supervisory Board members

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €14.5 million (prior year: €17.4 million). Under IFRS an amount of €270.1 million (prior year: €304.1 million) is accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

## 23 Segment reporting

thyssenkrupp is organized in the following operating business areas that represent the Group’s activities within capital goods and materials. The business areas are in line with the internal organizational and reporting structure and represent the segments in accordance with IFRS 8. Until the closing of the disposal at the beginning of September 2017, the Steel Americas business area is classified as a discontinued operation.

### Components Technology

This business area offers efficient and innovative components for the automotive, construction and engineering sectors as well as for wind turbines.

### Elevator Technology

This business area is active in the construction, modernization and servicing of elevators, escalators, moving walks, stair and platform lifts as well as passenger boarding bridges. Alongside a full range of installations for the volume market, the business area also delivers customized solutions.

### Industrial Solutions

Industrial Solutions is a leading international supplier in special and large-scale plant construction as well as naval shipbuilding.

### Materials Services

The business area is focused on the global distribution of materials and the provision of complex technical services for the production and manufacturing sectors.

### Steel Europe

The business brings together the premium flat carbon steel activities, from intelligent materials solutions to finished parts.

### Corporate

Corporate comprises the Group's head office including the Regional Headquarters. Corporate also includes the Service Units which mainly perform processes in accounting, IT, real estate services and HR, and the Special Units, among other things for the management of the Group's real estate.

### Steel Americas

This business area mainly consists of the steel mill in Brazil (CSA). It runs the production, processing and marketing of high-quality steel. Until the closing of the disposal at the beginning of September 2017, the business area is classified as a discontinued operation.

### Consolidation

Consolidation essentially contains the elimination of intercompany profits in inventories and the reversal of intercompany interest income.

The accounting principles for the segments are the same as those described for the Group in the summary of significant accounting principles. In accordance with the management approach which is applicable to segment reporting all figures presented are inclusive of disposal groups and discontinued operations. Intersegment pricing is determined on an arm's length basis.

thyssenkrupp's key earnings performance indicator is EBIT (Earnings Before Interest and Taxes) and adjusted EBIT. EBIT is calculated according to economic criteria and is independent from IFRS rules. It provides information on the profitability of a unit and contains all elements of the income statement relating to operating performance. This also includes items of financial income/expense that can be characterized as operational, including income and expense from investments where there is a long-term intention to hold the assets. Adjusted EBIT is EBIT adjusted for special items, i.e. excluding disposal losses/gains from M&A, restructuring expenses, impairment losses/impairment reversals and other non-operating expenses and income. It is more suitable than EBIT for comparing operating performance over several periods.

Capital employed is the key indicator for capital tied up in operating activities. It mainly comprises fixed assets, inventories and receivables. Deducted from this are certain non-interest-bearing liability items such as trade accounts payable; cf. the following reconciliation.

## SEGMENT INFORMATION FOR THE YEAR ENDED SEPT. 30, 2016

| million € | Components Technology | Elevator Technology | Industrial Solutions | Materials Services | Steel Europe | Corporate | Steel Americas[1] | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|
| For the fiscal year year ended Sept. 30, 2016 | | | | | | | | | |
| Net sales | 6,802 | 7,465 | 5,732 | 11,601 | 6,362 | 38 | 1,263 | 0 | 39,263 |
| Internal sales within the Group | 5 | 3 | 13 | 285 | 1,271 | 217 | 226 | (2,020) | 0 |
| Total sales | 6,807 | 7,468 | 5,744 | 11,886 | 7,633 | 255 | 1,489 | (2,020) | 39,263 |
| Income from companies accounted for using the equity method | 0 | 2 | 9 | (2) | 37 | 0 | 0 | 0 | 46 |
| Aggregate investment in investees accounted for using the equity method | 0 | 4 | 125 | 47 | 107 | 2 | 0 | 0 | 284 |
| EBIT | 251 | 771 | 333 | 76 | 316 | (542) | (22) | 6 | 1,189 |
| Adjusted EBIT | 335 | 860 | 355 | 128 | 315 | (497) | (33) | 6 | 1,469 |
| Average capital employed | 3,587 | 1,197 | (475) | 3,861 | 5,012 | 653 | 2,145 | (46) | 15,933 |
| Depreciation and amortization expense | 319 | 80 | 65 | 113 | 401 | 49 | 143 | (6) | 1,165 |
| Impairment losses of intangible assets, property, plant and equipment inclusive of investment property | 57 | 6 | 7 | 7 | 11 | 7 | 0 | 0 | 95 |
| Reversals of impairment losses of intangible assets, property, plant and equipment inclusive of investment property | 0 | 0 | 0 | 0 | 7 | 0 | 0 | 0 | 7 |
| Significant non-cash items | (109) | (146) | (141) | (52) | (113) | (168) | 1 | 0 | (729) |
| Capital expenditures (intangible assets, property, plant and equipment inclusive of investment property) | 488 | 128 | 75 | 128 | 393 | 45 | 110 | (5) | 1,362 |

[1] Discontinued operation

## SEGMENT INFORMATION FOR THE YEAR ENDED SEPT. 30, 2017

| million € | Components Technology | Elevator Technology | Industrial Solutions | Materials Services | Steel Europe | Corporate | Steel Americas[1] | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|
| For the fiscal year year ended Sept. 30, 2017 | | | | | | | | | |
| Net sales | 7,561 | 7,660 | 5,487 | 13,364 | 7,378 | (2) | 1,525 | 0 | 42,971 |
| Internal sales within the Group | 11 | 14 | 35 | 301 | 1,537 | 280 | 323 | (2,502) | 0 |
| Total sales | 7,571 | 7,674 | 5,522 | 13,665 | 8,915 | 278 | 1,848 | (2,502) | 42,971 |
| Income from companies accounted for using the equity method | 0 | 2 | (20) | 2 | 31 | 0 | 0 | 0 | 15 |
| Aggregate investment in investees accounted for using the equity method | 0 | 2 | 6 | 42 | 101 | 2 | 0 | 0 | 154 |
| EBIT | 297 | 736 | (36) | 220 | 493 | (569) | (444) | (9) | 687 |
| Adjusted EBIT | 377 | 922 | 111 | 312 | 547 | (535) | 186 | (9) | 1,910 |
| Average capital employed | 3,740 | 1,127 | 430 | 3,652 | 5,286 | 849 | 1,654 | (9) | 16,728 |
| Depreciation and amortization expense | 328 | 85 | 79 | 111 | 410 | 54 | 60 | (5) | 1,121 |
| Impairment losses of intangible assets, property, plant and equipment inclusive of investment property | 20 | 3 | 6 | 7 | 2 | 5 | 648 | 0 | 691 |
| Reversals of impairment losses of intangible assets, property, plant and equipment inclusive of investment property | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Significant non-cash items | (141) | (552) | (257) | (86) | (145) | (135) | (1) | 0 | (1,316) |
| Capital expenditures (intangible assets, property, plant and equipment inclusive of investment property) | 551 | 136 | 92 | 132 | 566 | 58 | 75 | 1 | 1,610 |

[1] Discontinued operation

The reconciliations of net sales and of the earnings figure EBIT to EBT according to the statement of income are presented below:

## RECONCILIATION NET SALES

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 |
|---|---|---|
| **Net sales as presented in segment reporting** | **39,263** | **42,971** |
| – Net sales Steel Americas | (1,263) | (1,525) |
| **Net sales as presented in the statement of income** | **38,000** | **41,447** |

## RECONCILIATION EBIT TO EBT

| million € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| **Adjusted EBIT as presented in segment reporting** | **1,469** | **1,910** |
| Special items | (280) | (1,224) |
| **EBIT as presented in segment reporting** | **1,189** | **687** |
| + Non-operating income/(expense) from companies accounted for using the equity method | 0 | 0 |
| + Finance income | 1,030 | 1,019 |
| – Finance expense | (1,627) | (1,619) |
| – Items of finance income assigned to EBIT based on economic classification | 36 | (52) |
| + Items of finance expense assigned to EBIT based on economic classification | 25 | 26 |
| **EBT-Group** | **652** | **61** |
| – EBT Steel Americas | 39 | 705 |
| **EBT from continuing operations as presented in the statement of income** | **691** | **765** |

[1] Figures have been adjusted (cf. Note 03).

Total assets in accordance with the consolidated statement of financial position can be reconciled to average capital employed as follows:

## RECONCILIATION TOTAL ASSETS TO CAPITAL EMPLOYED

| million € | Sept. 30, 2016 | Sept. 30, 2017 |
|---|---|---|
| **Total assets** | **35,072** | **35,048** |
| Deferred tax assets | (2,322) | (1,680) |
| Current income tax assets | (172) | (220) |
| Cash and cash equivalents | (4,105) | (5,292) |
| Adjustments due to included assets classified as non-operating items | (143) | (198) |
| Liability items reducing capital employed: | | |
| Provisions for other non-current employee benefits | (373) | (354) |
| Other provisions, non-current | (589) | (645) |
| Other non-financial liabilities, non-current | (6) | (5) |
| Provisions for current employee benefits | (408) | (357) |
| Other provisions, current | (963) | (1,183) |
| Trade accounts payable | (5,119) | (5,729) |
| Other financial liabilities, current | (975) | (842) |
| Other non-financial liabilities, current | (7,130) | (6,802) |
| Adjustments due to included liabilities classified as non-operating items | 560 | 522 |
| **Capital employed as of balance sheet date** | **13,326** | **12,261** |
| Impact from adjusting average capital employed to capital employed as of balance sheet date | 407 | 2,267 |
| **Average capital employed (5-points-average)** | **13,733** | **14,528** |
| Correction factors with increasing impact on performance requirements for positive value added | 2,200 | 2,200 |
| **Average capital employed as presented in segment reporting** | **15,933** | **16,728** |

In presenting information for geographical areas, allocation of sales is based on the location of the customer. Allocation of segment assets and capital expenditures is based on the location of the assets. Capital expenditures are presented in line with the definition of the cash flow statement.

There are no individual customers that generate sales values that are material to the Group's consolidated net sales.

## EXTERNAL SALES BY REGIONS[1)]

| million € | Germany | USA | China | Outside Germany | Group |
|---|---|---|---|---|---|
| External sales (location of customer) | | | | | |
| **Year ended Sept. 30, 2016** | **10,719** | **6,955** | **2,728** | **18,860** | **39,263** |
| **Year ended Sept. 30, 2017** | **12,006** | **7,755** | **2,891** | **20,319** | **42,971** |

1) Inclusive of discontinued operation Steel Americas

### NON-CURRENT ASSETS BY REGIONS

| million € | Germany | USA | Brazil | Outside Germany | Group |
|---|---|---|---|---|---|
| Non-current assets (intangible assets, property, plant and equipment inclusive of investment property and other non-financial assets) (location of assets) | | | | | |
| **Sept. 30, 2016** | **6,458** | **1,422** | **2,197** | **3,876** | **13,953** |
| **Sept. 30, 2017** | **6,963** | **1,355** | **264** | **4,042** | **12,625** |

# Notes to the consolidated statement of income

## 24 Net sales

Net sales include revenues resulting from the sale of goods of €27,031 million (prior year: €23,754 million), the rendering of services of €5,422 million (prior year: €5,243 million) as well as sales from construction contracts of €8,410 million (prior year: €8,630 million).

## 25 Other income

### OTHER INCOME

| million € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| Gains from premiums and from grants | 11 | 12 |
| Insurance compensation | 34 | 21 |
| Miscellaneous | 168 | 246 |
| **Total** | **213** | **278** |

[1] Figures have been adjusted (cf. Note 03).

Miscellaneous other income contains a gain of €50 million from the remeasurement of the investment in Atlas Elektronik in connection with the switch to full consolidation. Furthermore miscellaneous other income includes a multitude of minor single items resulting from the 461 (prior year: 471) consolidated companies.

## 26 Other expenses

### OTHER EXPENSES

| million € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| Additions to/reversals of provisions | 12 | 17 |
| Other taxes | 9 | 28 |
| Miscellaneous | 75 | 122 |
| **Total** | **97** | **167** |

[1] Figures have been adjusted (cf. Note 03).

Miscellaneous other expenses include a multitude of minor single items resulting from the 461 (prior year: 471) consolidated companies.

## 27 Other gains/(losses), net

### OTHER GAINS/(LOSSES), NET

| million € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| Gain/(loss) on disposal of intangible assets, net | 0 | (1) |
| Gain/(loss) on disposal of property, plant and equipment, net | 5 | 29 |
| Gain/(loss) on disposal of investment property, net | 11 | 2 |
| Gain/(loss) on disposal of subsidiaries, net | 6 | 5 |
| Miscellaneous | (1) | (6) |
| **Total** | **22** | **29** |

[1] Figures have been adjusted (cf. Note 03).

## 28 Financial income/(expense), net

### FINANCIAL INCOME/(EXPENSE), NET

| million € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| **Income from companies accounted for using the equity method** | **46** | **15** |
| Interest income from financial receivables | 88 | 59 |
| Income from investments | 9 | 5 |
| Other finance income | 819 | 712 |
| **Finance income** | **916** | **776** |
| Interest expense from financial debt | (349) | (274) |
| Net interest cost of pensions and similar obligations | (182) | (113) |
| Expense from investments | (1) | 0 |
| Other finance expenses | (918) | (794) |
| **Finance expense** | **(1,449)** | **(1,181)** |
| **Total** | **(488)** | **(391)** |

[1] Figures have been adjusted (cf. Note 03).

For the investments accounted for using the equity method of accounting cf. also Note 06.

The line item “other finance income” includes interest income from financial assets that are not measured at fair value through profit or loss of €10 million (prior year: €17 million) and the line item “other finance expenses” include interest expense from financial liabilities that are not measured at fair value through profit or loss of €30 million (prior year: €28 million).

## 29 Income taxes

Income tax expense/(benefit) consists of the following:

### BREAKDOWN OF INCOME TAX EXPENSE/(BENEFIT)

| million € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| Current income tax expense/(benefit) | 303 | 254 |
| Deferred income tax expense/(benefit) | 31 | 241 |
| **Total** | **334** | **495** |

[1] Figures have been adjusted (cf. Note 03).

The components of income taxes recognized in total equity are as follows:

### INCOME TAXES RECOGNIZED IN TOTAL EQUITY

| million € | Year ended Sept. 30, 2016[1] | Year ended Sept. 30, 2017 |
|---|---|---|
| Income tax expense/(benefit) as presented on the statement of income | 334 | 495 |
| Income tax expense on discontinued operations | 56 | 157 |
| Income non-effective tax effect on other comprehensive income | | |
| Continuing operations | (395) | 246 |
| Discontinued operation | 0 | 0 |
| **Total** | **(5)** | **898** |

[1] Figures have been adjusted (cf. Note 03).

As of September 30, 2017, taxable temporary differences from undistributed profits of subsidiaries in the Group for which no deferred tax liability is recognized, as such profits are not to be distributed in the foreseeable future, amount to €397 million (prior year: €439 million).

Components of the deferred tax assets and liabilities are as follows:

## INVENTORY OF DEFERRED TAX ASSETS AND LIABILITIES

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| million € | Sept. 30, 2016 | Sept. 30, 2017 | Sept. 30, 2016 | Sept. 30, 2017 |
| **Deferred income taxes on non-current items** | | | | |
| Intangible assets | 91 | 66 | 500 | 546 |
| Property, plant and equipment (inclusive of investment property) | 696 | 108 | 452 | 466 |
| Financial assets | 70 | 81 | 31 | 18 |
| Other assets | 598 | 576 | 918 | 856 |
| Accrued pension and similar obligations | 1,265 | 1,130 | 1 | 6 |
| Other provisions | 125 | 136 | 33 | 43 |
| Other liabilities | 210 | 243 | 540 | 103 |
| **Deferred income taxes on current items** | | | | |
| Inventories | 451 | 395 | 39 | 151 |
| Other assets | 23 | 36 | 5 | 5 |
| Other provisions | 159 | 154 | 295 | 340 |
| Other liabilities | 1,087 | 899 | 488 | 568 |
| Valuation allowance - temporary differences | (521) | (29) | | |
| **Subtotal** | **4,254** | **3,795** | **3,302** | **3,102** |
| Tax losses carried forward | 2,982 | 1,461 | — | — |
| Interest carried forward | 266 | 257 | — | — |
| Foreign tax credits | 66 | 69 | — | — |
| Valuation allowance - tax losses carried forward etc. | (1,977) | (911) | | |
| **Subtotal** | **1,337** | **876** | **0** | **0** |
| **Gross amount before offsetting** | **5,591** | **4,671** | **3,302** | **3,102** |
| Offsetting | (3,269) | (2,991) | (3,269) | (2,991) |
| **Balance sheet amount** | **2,322** | **1,680** | **33** | **111** |

As of September 30, 2017, tax losses carried forward for which no deferred tax asset is recognized amount to €3,707 million (prior year: €7,337 million). According to tax legislation as of September 30, 2017, an amount of €3,689 million (prior year: €7,189 million) of these tax losses may be carried forward indefinitely and in unlimited amounts whereas an amount of €18 million (prior year: €148 million) of these tax losses carried forward will expire over the next 20 years if not utilized.

As of September 30, 2017, based on the existing tax losses carried forward, the following deferred tax assets are recognized among others, because these are supported by substantial evidence for sufficient future taxable income: thyssenkrupp AG (Germany) €247 million (prior year: €465 million) and Acciai Speciali Terni S.p.A. (Italy) €50 million (prior year: €0 million).

The German corporate income tax law applicable for 2016 / 2017 sets a statutory income tax rate of 32.0% (prior year: 31.7%) taking into account the different German municipal tax rates. The applicable tax rates for companies outside Germany range from 10.0% to 39.0% (prior rate: 10.0% to 39.0%).

### TAX RATE RECONCILIATION

| million € | Year ended Sept. 30, 2016[1] | in % | Year ended Sept. 30, 2017 | in % |
|---|---|---|---|---|
| Expected income tax expense/(benefit) | 220 | 31.7 | 245 | 32.0 |
| Tax rate differentials to the German combined income tax rate | (11) | (1.6) | (10) | (1.3) |
| Changes in tax rates or laws | 3 | 0.4 | 1 | 0.1 |
| Change in valuation allowance | 120 | 17.4 | 247 | 32.3 |
| Permanent items | 49 | 7.1 | 67 | 8.8 |
| Tax consequences of disposal of businesses | (1) | (0.1) | (2) | (0.3) |
| Income/(loss) from companies accounted for using the equity method | (15) | (2.2) | (5) | (0.7) |
| Non-creditable withholding taxes | 42 | 6.1 | 56 | 7.3 |
| Tax benefit related to prior periods | (75) | (10.9) | (107) | (14.0) |
| Others | 2 | 0.3 | 3 | 0.4 |
| **Income tax expense/(benefit) as presented on the statement of income** | **334** | **48.3** | **495** | **64.7** |

[1] Figures have been adjusted (cf. Note 03).

## 30 Earnings per share

Basic earnings per share are calculated as follows:

### EARNINGS PER SHARE

| | Year ended Sept. 30, 2016[1] | | Year ended Sept. 30, 2017 | |
|---|---|---|---|---|
| | Total amount in million € | Earnings per share in € | Total amount in million € | Earnings per share in € |
| Income/(loss) from continuing operations (net of tax) (attributable to thyssenkrupp AG's shareholders) | 311 | 0.55 | 212 | 0.37 |
| Income/(loss) from discontinued operations (net of tax) (attributable to thyssenkrupp AG's shareholders) | (15) | (0.03) | (861) | (1.52) |
| **Net income/(loss) (attributable to thyssenkrupp AG's shareholders)** | **296** | **0.52** | **(649)** | **(1.15)** |
| Weighted average shares | 565,937,947 | | 566,252,357 | |

[1] Figures have been adjusted (cf. Note 03).

In the year ended September 30, 2017 the weighted average number of shares increased as a result of the capital increase carried out at the end of September 2017 (cf. Note 12).

There were no dilutive securities in the periods presented.

## 31 Additional disclosures on the consolidated statement of income

Personnel expenses included in the consolidated statement of income are comprised of:

### PERSONNEL EXPENSES

| million € | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 |
|---|---|---|
| Wages and salaries | 6,829 | 7,305 |
| Social security taxes | 1,253 | 1,284 |
| Net periodic pension cost – defined benefit [1] | 177 | 199 |
| Net periodic pension costs – defined contribution | 161 | 162 |
| Other expenses for pensions and retirements | 154 | 338 |
| Related fringe benefits | 368 | 417 |
| **Total** | **8,942** | **9,705** |

[1] Excluding net interest that is recognized as part of financial expenses.

The annual average number of employees is as follows:

### ANNUAL AVERAGE NUMBER OF EMPLOYEES

| | Year ended Sept. 30, 2016 | Year ended Sept. 30, 2017 |
|---|---|---|
| Components Technology | 30,128 | 31,913 |
| Elevator Technology | 51,609 | 52,281 |
| Industrial Solutions | 19,528 | 20,553 |
| Materials Services | 19,843 | 19,784 |
| Steel Europe | 27,385 | 27,418 |
| Corporate | 3,318 | 3,715 |
| Steel Americas | 3,773 | 3,761 |
| **Total** | **155,584** | **159,424** |
| Thereof: | | |
| Wage earners | 82,519 | 83,718 |
| Salary earners | 69,553 | 72,050 |
| Trainees | 3,512 | 3,657 |

### Auditors' fees and services

For the services performed by the Group auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and the companies of the worldwide PricewaterhouseCoopers association the following fees (including expenses) were recognized as expenses:

### FEES OF GROUP AUDITOR

| | Year ended Sept. 30, 2016[1] | | Year ended Sept. 30, 2017 | |
|---|---|---|---|---|
| million € | Total | thereof Germany | Total | thereof Germany |
| Audit fees | 16 | 7 | 16 | 8 |
| Audit-related fees | 1 | 1 | 0 | 0 |
| Tax fees | 1 | 0 | 0 | 0 |
| Fees for other services | 0 | 0 | 1 | 0 |
| **Total** | **18** | **8** | **17** | **8** |

[1] Figures have been adjusted.

The audit fees include primarily fees for the year-end audit of the consolidated financial statements, the auditors' review of the interim consolidated financial statements and the statutory auditing of thyssenkrupp AG and the subsidiaries included in the consolidated financial statements. The audit-related fees mainly cover audits of the internal control system including project-related audits in connection with the introduction of IT systems and other audit-related services. The tax fees include in particular fees for the preparation of tax returns, for tax due diligence services as well as for tax advice in connection with projects and Group-internal reorganizations. The fees for other services are mainly fees for project-related consulting services.

# Notes to the consolidated statement of cash flows

## 32 Additional information on the consolidated statement of cash flows

The liquid funds considered in the consolidated statement of cash flows correspond to the "Cash and cash equivalents" line item in the consolidated statement of financial position. As of September 30, 2017 cash and cash equivalents of €52 million (prior year: €146 million) result from the joint operation HKM.

### Non-cash investing activities

In fiscal year 2016 / 2017, the acquisition and first-time consolidation of companies created an increase in non-current assets of €458 million (prior year: €3 million).

# Subsequent events

## 33 Subsequent events

No reportable events occurred.

# Other information

## 34 Declarations of conformity with the German Corporate Governance Code in accordance with Art. 161 of the German Stock Corporation Act (AktG)

The Executive Board and the Supervisory Board of thyssenkrupp AG issued the declaration of conformity in accordance with Art. 161 of the Stock Corporation Act (AktG) and made it publicly available to the shareholders on the company's website on October 1, 2017.

The declaration of conformity of our exchange-listed subsidiary Eisen- und Hüttenwerke AG was issued on October 1, 2017 and is now publicly available to the shareholders on the company's website.

## 35 Application of Art. 264 Par. 3 and Art. 264b of German Commercial Code (HGB)

The following domestic subsidiaries in the legal form of a capital corporation or a commercial partnership as defined in Art. 264a partly made use of the exemption clause included in Art. 264 Par. 3 and Art. 264b of German Commercial Code:

| | |
|---|---|
| **A** | |
| ATLAS ELEKTRONIK GmbH | Bremen |
| AWG Industrieanlagen und Wassertechnik GmbH Berlin | Berlin |
| **B** | |
| Becker & Co. GmbH | Neuwied |
| BERCO Deutschland GmbH | Ennepetal |
| Blohm + Voss Shipyards & Services GmbH | Hamburg |
| Brüninghaus Schmiede GmbH | Grünwald |
| **D** | |
| DWR - Deutsche Gesellschaft für Weißblechrecycling mbH | Andernach |
| **E** | |
| EH Güterverkehr GmbH | Duisburg |
| ELEG Europäische Lift + Escalator GmbH | Düsseldorf |
| **G** | |
| German Marine Systems GmbH | Hamburg |
| **H** | |
| Hagenuk Marinekommunikation GmbH | Flintbek |
| Hellweg Liegenschaften GmbH | Bochum |
| **J** | |
| Jacob Bek GmbH | Ulm |
| **K** | |
| KBS Kokereibetriebsgesellschaft Schwelgern GmbH | Duisburg |
| Krupp Hoesch Stahl GmbH | Dortmund |
| **L** | |
| LiftEquip GmbH Elevator Components | Neuhausen a.d.F. |
| **M** | |
| Max Cochius GmbH | Berlin |
| **P** | |
| PSL Wälzlager GmbH | Dietzenbach |
| **R** | |
| Rasselstein Verwaltungs GmbH | Neuwied |
| Reisebüro Dr. Tigges GmbH | Essen |

| | |
|---|---|
| **T** | |
| Tepper Aufzüge GmbH | Münster |
| Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co. KG Industrie | Essen |
| Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co. KG Stahl | Essen |
| Thyssen Stahl GmbH | Düsseldorf |
| thyssenkrupp Academy GmbH | Düsseldorf |
| thyssenkrupp Access Solutions GmbH | Essen |
| thyssenkrupp Aerospace Germany GmbH | Rodgau |
| thyssenkrupp Aufzüge GmbH | Neuhausen a.d.F. |
| thyssenkrupp Aufzugswerke GmbH | Neuhausen a.d.F. |
| thyssenkrupp Automotive Systems GmbH | Essen |
| thyssenkrupp Bilstein GmbH | Ennepetal |
| thyssenkrupp Business Services GmbH | Essen |
| thyssenkrupp Components Tech GmbH | Essen |
| thyssenkrupp DeliCate GmbH | Düsseldorf |
| thyssenkrupp Edelstahl-Service-Center GmbH | Willich |
| thyssenkrupp Electrical Steel GmbH | Gelsenkirchen |
| thyssenkrupp Electrical Steel Verwaltungsgesellschaft mbH | Gelsenkirchen |
| thyssenkrupp Elevator Europe Africa GmbH | Essen |
| thyssenkrupp Elevator Europe Africa Services GmbH | Essen |
| thyssenkrupp Elevator AG | Düsseldorf |
| thyssenkrupp Elevator Innovation GmbH | Essen |
| thyssenkrupp Facilities Services GmbH | Essen |
| thyssenkrupp Fahrtreppen GmbH | Hamburg |
| thyssenkrupp Federn GmbH | Hagen |
| thyssenkrupp Federn und Stabilisatoren GmbH | Hagen |
| thyssenkrupp Fertilizer Technology GmbH | Dortmund |
| thyssenkrupp Gerlach GmbH | Homburg/Saar |
| thyssenkrupp GfT Gleistechnik GmbH | Essen |
| thyssenkrupp Group Services Ruhr GmbH | Bochum |
| thyssenkrupp Grundbesitz Verwaltungs GmbH | Essen |
| thyssenkrupp Hohenlimburg GmbH | Hagen |
| thyssenkrupp Immobilien Verwaltungs GmbH & Co. KG Stahl | Essen |

| | |
|---|---|
| thyssenkrupp Industrial Solutions AG | Essen |
| thyssenkrupp Infrastructure GmbH | Essen |
| thyssenkrupp Intellectual Property GmbH | Essen |
| thyssenkrupp Management Consulting GmbH | Düsseldorf |
| thyssenkrupp Marine Systems GmbH | Kiel |
| thyssenkrupp Materials Processing Europe GmbH | Krefeld |
| thyssenkrupp Materials Services GmbH | Essen |
| thyssenkrupp Materials Trading EMEA GmbH | Essen |
| thyssenkrupp Plastics GmbH | Essen |
| thyssenkrupp Presta Chemnitz GmbH | Chemnitz |
| thyssenkrupp Presta Ilsenburg GmbH | Ilsenburg |
| thyssenkrupp Presta Mülheim GmbH | Mülheim |
| thyssenkrupp Presta Schönebeck GmbH | Schönebeck |
| thyssenkrupp Rasselstein GmbH | Andernach |
| thyssenkrupp Raw Materials GmbH | Essen |
| thyssenkrupp Regional Services Germany GmbH | Essen |
| thyssenkrupp Risk and Insurance Services GmbH | Essen |
| thyssenkrupp Rothe Erde GmbH | Dortmund |
| thyssenkrupp Schulte GmbH | Essen |
| thyssenkrupp Senior Experts GmbH | Essen |
| thyssenkrupp Stainless GmbH | Essen |
| thyssenkrupp Steel Europe AG | Duisburg |
| thyssenkrupp Steel Zweite Beteiligungsgesellschaft mbH | Duisburg |
| thyssenkrupp System Engineering GmbH | Essen |
| thyssenkrupp Technologies Beteiligungen GmbH | Essen |
| thyssenkrupp Transrapid GmbH | Kassel |
| thyssenkrupp Uhde Engineering Services GmbH | Haltern am See |
| thyssenkrupp Valvetrain GmbH | Ilsenburg |
| thyssenkrupp Vermietungs GmbH | Duisburg |
| **U** | |
| Uhde High Pressure Technologies GmbH | Hagen |
| Uhde Inventa-Fischer GmbH | Berlin |
| Uhde Services and Consulting GmbH | Dortmund |
| **V** | |
| Vermögensverwaltungsgesellschaft EZM mbH | Grünwald |
| Vermögensverwaltungsgesellschaft TAUS mbH | Grünwald |
| Vermögensverwaltungsgesellschaft TKAS mbH | Grünwald |

The following Dutch subsidiaries made use of the exemption clause included in Art. 2:403 of the Civil Code of the Netherlands:

| | |
|---|---|
| **T** | |
| thyssenkrupp Liften B.V. | Krimpen an den Ijssel |
| thyssenkrupp Materials Nederland B.V. | Amsterdam |
| thyssenkrupp Nederland Holding B.V. | Roermond |
| thyssenkrupp Participations B.V. | Veghel |
| thyssenkrupp Veerhaven B.V. | Rotterdam |

## 36 List of the Group’s subsidiaries and equity interests

A complete listing of the Group’s subsidiaries and equity interests is published in the German Federal Gazette and is available on the thyssenkrupp website at **www.thyssenkrupp.com**.

# Independent Auditors' Report

## To thyssenkrupp AG, Duisburg and Essen

### Report on the audit of the Consolidated Financial Statements and the Group Management Report

**Audit Opinions**

We have audited the consolidated financial statements of thyssenkrupp AG, Duisburg and Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2017 and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from October 1, 2016 to September 30, 2017 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of thyssenkrupp AG, which is combined with the Company's management report, for the fiscal year from October 1, 2016 to September 30, 2017. The Corporate Governance Statement pursuant to § (Article) 289a HGB ("Handelsgesetzbuch": German Commercial Code) and § 315 Abs. (paragraph) 5 HGB has not been audited by us with regard to content according to the German legal requirements.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply, in all material respects, with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at September 30, 2017 as well as the results of operations for the financial year from October 1, 2016 to September 30, 2017 in accordance with these requirements and
- the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, the group management report is consistent with the consolidated financial statements, complies with the German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the Corporate Governance Statement mentioned above.

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements and the group management report.

**Basis for Audit Options**

We conducted our audit of the consolidated financial statements and the group management report in accordance with § 317 HGB and the EU Audit Regulation (No 537/2014) under consideration of the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We conducted our audit of the consolidated financial statements under additional consideration of International Standards on Auditing (ISA). Our responsibilities under those provisions, standards as well as supplementary standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the Group entities in accordance with provisions under EU law as well as German commercial law and professional requirements, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. Furthermore, we declare in accordance with Article 10 (2) f) of the EU Audit Regulation that we have not provided any prohibited non-audit services referred to in Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group management report.

## Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from October 1, 2016 to September 30, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

① Recoverability of goodwill

② Presentation of deferred tax assets

③ Disposal of Steel Americas business area

④ Provisions for litigation and risk provisions in connection with antitrust risks

⑤ First-time consolidation of ATLAS Elektronik GmbH

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

① Recoverability of goodwill

① In the consolidated financial statements of thyssenkrupp AG, goodwill amounting to €3,777 million (111.0% of Group equity) is reported under the balance sheet item “Intangible assets” of the statement of financial position. The Company allocates the goodwill to the relevant groups of cash-generating units in each of the respective business areas. Goodwill is subject to an impairment test at least once annually as of the balance sheet date and if there are indications of impairment. During the impairment test, the value in use determined for the respective group of cash-generating units is generally compared against the carrying amounts reported for that group of cash-generating units. The discounted cash flow method is used to determine the recoverable amounts for the respective group of cash-generating units on the basis of the thyssenkrupp Group's medium-term planning adopted by the management. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The result of this measurement depends to a large extent on management's assessment of future cash flows of the respective group of cash-generating units and the discount rate used, and is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the measurement models, this matter was of particular importance for our audit.

② As part of our audit, we evaluated, among other things, the method used for performing impairment tests and assessed the calculation of the weighted average cost of capital. In addition, we assessed the appropriateness of the future cash flows used in the measurement, specifically by reconciling this information to the medium-term planning and by comparing it with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. In addition, we carried out a detailed examination of the measurement model and the planning for selected groups of cash-generating units as of the balance sheet date. The CGUs examined were selected on the basis of qualitative criteria and the amount by which the recoverable amount exceeded the respective carrying amount. In this connection, among other things, we analyzed on the basis of further evidence the consistency of planning assumptions and the viability of planned measures to increase future cash flows, and discussed this in detail with the management. We assessed the feasibility of the material measures which have an impact on value against the backdrop of, among other things, the business concept to date as well as current and expected market conditions. In addition, we conducted our own sensitivity analyses. We have found that as of the balance sheet date the discounted future cash flows were sufficient to cover the respective goodwill and, in general, the carrying amounts of the relevant groups of cash-generating units.

③ The Company's disclosures on goodwill and goodwill impairment are contained in section 04 of the notes to the consolidated financial statements.

② Presentation of deferred tax assets

① After set-offs and impairments, a total of €1,680 million in deferred tax assets (49.4% of Group equity) and €111 million in deferred tax liabilities (3.3% of Group equity) are reported in the consolidated financial statements of thyssenkrupp AG. Deferred tax assets were recognized to the extent that the management considers it probable that taxable profit will be available in the foreseeable future through which deductible temporary differences, unused tax losses and interest carryforwards can be utilized. For this purpose, insofar sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the planning. Deferred taxes are calculated using future tax rates, to the extent they have already been enacted or substantively enacted. Of the €5,611 million in the thyssenkrupp Group's total deferred tax assets before impairments and set-offs, €1,461 million was attributable to loss carryforwards and €257 million was attributable to interest carryforwards. €911 million of these deferred tax assets for loss carryforwards and interest carryforwards were adjusted, because it was not expected that sufficient taxable profit would be available to the relevant legal unit of the thyssenkrupp Group. In our view, this matter was of particular importance for our audit given the amounts involved and their dependence on the management's estimates and assumptions.

② As part of our audit, we evaluated, among other things, the processes and controls implemented for recording tax matters and the appropriateness of the accounting treatment. In instances where sufficient deferred tax liabilities were not available, we have assessed the recoverability of deferred tax assets, particularly those in relation to loss carryforwards recognized in Germany and temporary differences between the IFRS and tax accounts, on the basis the tax projections for the thyssenkrupp Group prepared by the management, and have evaluated the appropriateness of the underlying budget assumptions. On the basis of our audit procedures, we were able to follow the management's assumptions relating to the recognition and measurement of deferred taxes and verify the appropriateness of those assumptions.

③ The Company's disclosures relating to deferred taxes are contained in sections 01 and 29 of the notes to the consolidated financial statements.

③ Disposal of Steel Americas business area

① As part of the continued strategic development of the thyssenkrupp Group, the sale of the companies belonging to the "Steel Americas" business area, particularly the Brazilian steel mill thyssenkrupp CSA Siderúrgica do Atlantico, Rio de Janeiro, Brazil, was initiated and concluded in fiscal year 2016/2017. For this reason, the "Steel Americas" business area was designated as a disposal group in accordance with IFRS 5 as of February 28, 2017, and classified as a discontinued operation. The measurement of the assets and liabilities of the "Steel Americas" business area at fair value less costs of disposal resulted in an impairment of €808 million as of that date. In addition, at that date, a provision was recognized for the first time in relation to an obligation vis-à-vis the buyer relating to a slab supply agreement, which was recognized in the statement of financial position until the deconsolidation date. Once all necessary approvals had been received, the "Steel Americas" business area was deconsolidated with effect from August 31, 2017. The deconsolidation resulted in a €327 million gain on disposal at Group level, which resulted in particular from the cumulative other comprehensive income. In our view, this matter was of particular importance for our audit due to the complexity and the material effects on the Group.

② To assess whether the accounting treatment of the disposal of the "Steel Americas" business area was appropriate, we examined, among other things, as part of our audit, the company law principles as well as the terms of the underlying sale agreement. In this regard, we examined and assessed whether the conditions had been met for designation during the fiscal year as a disposal group in accordance with IFRS 5 the resulting effects on the measurement of assets and liabilities and the conditions for classification as a discontinued operation as well as the deconsolidation of the "Steel Americas" business area. We were able to verify that the recognition and presentation of the disposal of the interest in the companies belonging to the "Steel Americas" business area were systematically documented and the recognized effects on earnings were properly calculated.

③ The Company's disclosures relating to the disposal of the interest in the companies belonging to the "Steel Americas" business area are contained in section 03 of the notes to the consolidated financial statements.

④ Provisions for litigation and risk provisions in connection with antitrust risks

① Companies of the thyssenkrupp Group are parties in various court and out-of-court proceedings with authorities, competitors and other parties. The determination of whether or not a provision should be recognized to cover the risks, and if so, in what amount, is subject to a high degree of uncertainty.

Aside from antitrust investigations, civil damages claims in connection with the European elevator and escalator cartel and the rail cartel are pending against individual companies of the thyssenkrupp Group. Claimants in the civil damages cases in connection with the European elevator and escalator cartel and the rail cartel are seeking damages in particular on the basis of price gouging by the cartel. Corresponding risk provisions for the aforementioned legal disputes have been recognized in the consolidated financial statements under other provisions. In our view, these investigations and damages claims are of material significance to our audit based on the significant uncertainty as to their outcome and effects on the net assets, financial position and results of operations.

② As part of our audit, we assessed, among other things, the process established by thyssenkrupp to ensure that cartel risks and legal disputes are reported, their outcomes are estimated, and the risks and disputes are accounted for. This assessment also included a substantive review of the investigations and the pending damages cases in connection with the European elevator and escalator cartel and the rail cartel. Being aware that estimated values result in an increased risk of accounting misstatements and that management's recognition and measurement decisions have a direct effect on consolidated profit, we assessed the appropriateness of the carrying amounts, including by comparing these amounts with historical data, evaluating the consistently applied calculation methodology and inspecting the underlying documents. Furthermore, we also hold regular meetings with the Company's legal and compliance department in order to receive updates on current developments and the reasons for the corresponding estimates of the outcomes of the proceedings. The development of the aforementioned legal disputes, including management's estimates as to their potential outcomes, is provided to us by the Company in writing. In addition, we obtained external legal confirmations for selected proceedings as of the balance sheet date. We were able to follow management's estimates regarding the accounting for the aforementioned matters and the measurement of the provisions for pending damages claims.

③ The Company's disclosures relating to provisions for litigation and risks are contained in section 15 of the notes to the consolidated financial statements.

⑤ First-time consolidation of ATLAS Elektronik GmbH

① In fiscal year 2016/2017, thyssenkrupp acquired a 49% interest in Atlas Elektronik GmbH, Bremen (hereinafter "Atlas"), previously held by the Airbus Group. Prior to that date, thyssenkrupp AG already held a 51% interest in Atlas and managed the company as a joint venture together with the Airbus Group; that joint venture was included in thyssenkrupp AG's consolidated financial statements in accordance with the equity method. After all necessary approvals were obtained, the companies of the Atlas Elektronik Group were consolidated for the first time as at April 3, 2017. In connection with the first-time consolidation, the previously held 51% interest in Atlas was remeasured in accordance with IFRS 3, taking into account the purchase price, and the resulting gain of €50 million was recognized in the consolidated statement of income as other income. The preliminary purchase price allocation resulted in goodwill amounting to €93 million. This matter was of particular significance for our audit, particularly due to the impacts of the remeasurement of the previously held interest in Atlas on the statement of income and the complexity of the purchase price allocation.

② To assess whether the accounting treatment of the acquisition of the interest previously held by the Airbus Group was appropriate, we examined, among other things, as part of our audit, the company law principles as well as the terms of the underlying purchase agreement. In addition, we assessed the opening statement of financial position and the usability of the preliminary remeasurement of Atlas' assets and liabilities performed by an external expert in the course of the purchase price allocation. In this connection, we gained an understanding of the underlying data on the basis of which the provisional expert opinion was prepared and the assumptions made and used. Our analysis did not lead to any restrictions with regard to the usability of the provisional expert opinion. Based on the procedures performed, we were able to verify that the acquisition of the Atlas operations was sufficiently documented and appropriately presented.

③ The Company's disclosures relating to the acquisition of the interest in Atlas previously held by the Airbus Group are contained in section 02 of the notes to the consolidated financial statements.

### Other Information

Management is responsible for the other information. The other information comprises the Corporate Governance Statement pursuant to § 289a HGB and § 315 Abs. 5 HGB contained in the section "Legal information" of the group management report representing the part of the group management report which has not been audited with regards to content.

Other information also comprises the other parts of the annual report – excluding further references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report and

- the Responsibility Statement pursuant to § 297 Abs. 2 Satz 4 HGB on the consolidated financial statements and the Responsibility Statement pursuant to § 315 Abs. 1 Satz 5 HGB on the group management report, and
- the Corporate Governance Report according to section 3.10 of the German Corporate Governance Code.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information; and accordingly, we issue neither an audit opinion nor any other form of conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit; or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements, which comply, in all material respects, with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. In addition, management is responsible to disclose, as applicable, matters related to going concern. Furthermore management is responsible for using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Moreover, management is also responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as management determines are necessary to enable the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the group management report.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position as well as, in all material respects, is consistent with the consolidated financial statements as well as the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation under consideration of the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) as well as under additional consideration of the ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

Throughout the audit we exercise professional judgment and maintain professional skepticism. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the policies and procedures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of those systems.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate whether the group management report is consistent with the consolidated financial statements, its compliance with the German legal requirements and the view it provides of the Group's position.
- Perform audit procedures on the prospective information presented by management in the group management report. Based on sufficient and appropriate audit evidence, we hereby, in particular, evaluate the material assumptions used by management as a basis for the prospective information and the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events deviate significantly from the prospective information.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other legal and regulatory requirements

### Other Disclosures pursuant to Article 10 of the EU Audit Regulation

We were appointed as group auditor by the Annual General Meeting on January 27, 2017. We were engaged by the Supervisory Board on March 16, 2017. We have acted uninterruptedly as the group auditor of thyssenkrupp AG, Duisburg and Essen, since fiscal year 2012/2013.

We confirm that the audit opinions contained in this auditor's report are consistent with the additional report to the audit committee referred to in Article 11 of the EU Audit Regulation (German Longform Report).

## Responsible auditor

The auditor responsible for the audit is Michael Preiß.

Essen, November 20, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Prof. Dr. Norbert Winkeljohann | Michael Preiß |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

# Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Essen, November 14, 2017

thyssenkrupp AG
The Executive Board

Hiesinger

Burkhard Kaufmann Kerkhoff

# Additional information

4

# Multi-year overview

## THYSSENKRUPP GROUP

| | | Full Group | | | | | | | Continuing operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 2016 / 2017 vs. 2015 / 2016 | | | | 2016 / 2017 vs. 2015 / 2016 | |
| | | 2012 / 2013 | 2013 / 2014 | 2014 / 2015 | 2015 / 2016 | 2016 / 2017 | Change | in % | 2015 / 2016 | 2016 / 2017 | Change | in % |
| **Results of operations** | | | | | | | | | | | | |
| Net sales | million € | 39,782 | 41,212 | 42,778 | 39,263 | 42,971 | 3,709 | 9 | 38,000 | 41,447 | 3,447 | 9 |
| Gross profit | million € | 4,786 | 6,205 | 6,874 | 6,625 | 6,210 | (415) | (6) | 6,579 | 6,960 | 381 | 6 |
| EBIT | million € | (552) | 1,145 | 1,050 | 1,189 | 687 | (502) | (42) | 1,209 | 1,150 | (59) | (5) |
| EBT | million € | (1,648) | 429 | 485 | 652 | 61 | (591) | (91) | 691 | 765 | 73 | 11 |
| Net income/(loss) | million € | (1,576) | 195 | 268 | 261 | (591) | (852) | -- | 357 | 271 | (86) | (24) |
| Earnings per share (EPS) | € | (2.79) | 0.38 | 0.55 | 0.52 | (1.15) | (2) | -- | 0.55 | 0.37 | 0 | (33) |
| Gross margin | % | 12.0 | 15.1 | 16.1 | 16.9 | 14.5 | (2) | (14) | 17.3 | 16.8 | (1) | (3) |
| EBIT margin | % | (1.4) | 2.8 | 2.5 | 3.0 | 1.6 | (1) | (47) | 3.2 | 2.8 | 0 | (13) |
| EBT margin | % | (4.1) | 1.0 | 1.1 | 1.7 | 0.1 | (2) | (91) | 1.8 | 1.8 | 0 | 1 |
| Return on equity (before taxes) | % | (65.6) | 13.4 | 14.7 | 25.0 | 1.8 | (23) | (93) | | | | |
| Personnel expense per employee | € | 53,972 | 53,351 | 54,436 | 57,476 | 60,876 | 3,400 | 6 | | | | |
| Sales per employee | € | 252,631 | 257,069 | 272,805 | 252,356 | 269,541 | 17,185 | 7 | | | | |
| | | | | | | | | | | | | |
| **Assets/ liabilities situation** | | | | | | | | | | | | |
| Non-current assets | million € | 16,817 | 15,992 | 16,220 | 16,604 | 14,502 | (2,102) | (13) | | | | |
| Current assets | million € | 18,480 | 20,438 | 19,474 | 18,468 | 20,546 | 2,078 | 11 | | | | |
| Total assets | million € | 35,297 | 36,430 | 35,694 | 35,072 | 35,048 | (24) | 0 | | | | |
| Total equity | million € | 2,512 | 3,199 | 3,307 | 2,609 | 3,404 | 796 | 31 | | | | |
| Liabilities | million € | 32,785 | 33,231 | 32,387 | 32,463 | 31,643 | (820) | (3) | | | | |
| Accrued pension and similar obligations | million € | 7,376 | 7,122 | 7,654 | 8,754 | 7,924 | (831) | (9) | | | | |
| Financial debt non-current | million € | 6,957 | 6,651 | 6,385 | 6,157 | 5,326 | (831) | (13) | | | | |
| Financial debt current | million € | 1,914 | 1,071 | 1,570 | 1,455 | 1,930 | 475 | 33 | | | | |
| Financial debt non-current/current | million € | 8,871 | 7,722 | 7,955 | 7,611 | 7,255 | (356) | (5) | | | | |
| Trade accounts payable | million € | 3,819 | 4,945 | 4,985 | 5,119 | 5,729 | 610 | 12 | | | | |
| Equity ratio | % | 7.1 | 8.8 | 9.3 | 7.4 | 9.7 | 2 | 31 | | | | |
| Gearing | % | 200.6 | 114.9 | 103.2 | 134.2 | 57.5 | (77) | (57) | | | | |
| Inventory turnover | days | 61.5 | 65.8 | 58.4 | 58.1 | 58.3 | 0 | 0 | | | | |
| Average collection period | days | 46.4 | 50.4 | 42.7 | 45.9 | 48.0 | 2 | 5 | | | | |

## THYSSENKRUPP GROUP

| | | Full Group | | | | | | | Continuing operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 2016/2017 vs. 2015/2016 | | | | 2016/2017 vs. 2015/2016 | |
| | | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | Change | in % | 2015/2016 | 2016/2017 | Change | in % |
| **Value management** | | | | | | | | | | | | |
| Capital employed (average) | million € | 14,591 | 15,853 | 16,106 | 15,933 | 16,728 | 795 | 5 | | | | |
| ROCE | % | (3.8) | 7.2 | 6.5 | 7.5 | 4.1 | (3) | (45) | | | | |
| Weighted average cost of capital (WACC) | % | 9.0 | 9.0 | 9.0 | 8.0 | 8.0 | 0 | 0 | | | | |
| **Cash flow/financing situation** | | | | | | | | | | | | |
| Operating cash flows | million € | 786 | 903 | 1,300 | 1,387 | 610 | (777) | (56) | 1,310 | 483 | (827) | (63) |
| Cash flow for investments | million € | (1,411) | (1,260) | (1,235) | (1,387) | (1,666) | (279) | (20) | (1,277) | (1,535) | (258) | (20) |
| Free cash flow before divestments | million € | (625) | (357) | 65 | — | — | — | — | — | — | — | — |
| Free cash flow before M&A | | — | — | 115 | 198 | (798) | (996) | -- | 228 | (855) | (1,083) | -- |
| Cash flow from divestments | million € | 1,221 | 1,054 | 597 | 191 | 1,545 | 1,354 | ++ | 189 | 1,539 | 1,350 | ++ |
| Free cash flow | million € | 596 | 697 | 662 | 191 | 489 | 297 | 155 | 222 | 487 | 265 | 119 |
| Cash flows from financing activities | million € | 1,051 | (558) | (78) | (658) | 784 | 1,442 | ++ | (685) | 866 | 1,551 | ++ |
| Cash and cash equivalents | million € | 3,833 | 4,045 | 4,541 | 4,111 | 5,298 | 1,187 | 29 | | | | |
| Net financial debt | million € | 5,038 | 3,677 | 3,414 | 3,500 | 1,957 | (1,543) | (44) | | | | |
| Internal financing capability | | 4.1 | 4.4 | 2.0 | 1.2 | 5.0 | 4 | 335 | | | | |
| Debt to cashflow ratio | | 6.4 | 4.1 | 2.6 | 2.5 | 3.2 | 1 | 27 | | | | |
| **thyssenkrupp AG** | | | | | | | | | | | | |
| Net income/(loss) | million € | 772 | 1,535 | (122) | 161 | 59 | (102) | (63) | | | | |
| Dividend per share | € | — | 0.11 | 0.15 | 0.15 | 0.15[1)] | — | — | | | | |
| Dividend payout | million € | — | 62 | 85 | 85 | 93[1)] | — | — | | | | |

[1)] Proposal to the Annual General Meeting

# Other directorships held by Executive Board members

## Dr. Heinrich Hiesinger

**Chairman**

- ■ BMW AG

Within the Group:

- ■ thyssenkrupp Elevator AG (Chair)
- ■ thyssenkrupp Steel Europe AG (Chair)
- □ thyssenkrupp (China) Ltd./PR China (Chair)

## Oliver Burkhard

- □ PEAG Holding GmbH (Chair)

Within the Group:

- ■ thyssenkrupp Elevator AG
- ■ thyssenkrupp Industrial Solutions AG
- ■ thyssenkrupp Materials Services GmbH
- ■ thyssenkrupp Steel Europe AG

## Dr. Donatus Kaufmann

Within the Group:

- ■ thyssenkrupp Industrial Solutions AG
- □ thyssenkrupp North America, Inc./USA (Chair)

## Guido Kerkhoff

Within the Group:

- ■ thyssenkrupp Elevator AG
- ■ thyssenkrupp Industrial Solutions AG (Chair)
- ■ thyssenkrupp Materials Services GmbH (Chair)

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2017)

□ Membership of comparable German and non-German control bodies of business enterprises within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2017)

# Other directorships held by Supervisory Board members

## Prof. Dr. Ulrich Lehner, Düsseldorf

**Chairman // Member of the Shareholders' Committee of Henkel AG & Co. KGaA**

- Deutsche Telekom AG (Chair)
- E.ON SE
- Porsche Automobil Holding SE
- ◻ Henkel AG & Co. KGaA (Member of the Shareholders' Committee)

## Markus Grolms, Frankfurt/Main

**Vice Chairman // Trade union secretary at IG Metall**

## Achim Hass, Kiel

**(since February 7, 2017)**

**Power electronics technician // Chairman of the Works Council of thyssenkrupp Marine Systems GmbH (Kiel) // Chairman of the General Works Council of thyssenkrupp Marine Systems GmbH // Vice Chairman of the Works Council Union Industrial Solutions**

- Babcock Pensionskasse VvaG

Within the Group:

- thyssenkrupp Industrial Solutions AG
- thyssenkrupp Marine Systems GmbH

## Dr. Ingrid Hengster, Frankfurt/Main

**Member of the Executive Board of KfW Bankengruppe**

- Deutsche Bahn AG
- ◻ European Investment Bank (EIB)/Luxembourg (Expert on the Board of Directors)

## Susanne Herberger, Dresden

**Engineer (FH) – information technology // Chairwoman of the Works Council of thyssenkrupp Aufzüge GmbH (Dresden) // Chairman of the Works Council Union Elevator Technology // Vice Chairwoman of the Group Works Council of thyssenkrupp AG**

Within the Group:

- thyssenkrupp Elevator AG

## Tanja Jacquemin, Frankfurt/Main

**Dipl.-Kauffrau // Head of the Company Policy and Codetermination Department at IG Metall**

- Porsche Holding Stuttgart GmbH
- Porsche AG
- Vinci Energies Deutschland GmbH

## Prof. Dr. Hans-Peter Keitel, Essen

**Former Chairman of the Executive Board of Hochtief AG**

- Airbus Defence and Space GmbH
- National-Bank AG
- RWE AG
- Voith GmbH & Co. KGaA (Chair)
- ◻ Airbus SE/Netherlands

## Dr. Norbert Kluge, Ratingen

**Diplom-Sozialwirt // Head of Codetermination Support Department at the Hans Böckler Foundation**

## Tekin Nasikkol, Ratingen

**Bachelor of Arts (Business Administration) // Vice Chairman of the Works Council of thyssenkrupp Steel Europe AG (Duisburg-Hamborn) // Vice Chairman of the General Works Council of thyssenkrupp Steel Europe AG // Vice Chairman of the Group Works Council of thyssenkrupp AG**

## Dr. Ralf Nentwig, Essen

**Member of the Executive Committee of the Alfried Krupp von Bohlen und Halbach Foundation**

- ◻ Margarethe Krupp-Stiftung für Wohnungsfürsorge (Vice Chairman of the Supervisory Board)

## René Obermann, Berlin

**Partner at Warburg Pincus LLC**

- CompuGroup Medical SE
- Inexio Beteiligungs GmbH & Co. KGaA (Chair)
- 1&1 Internet SE (Chair)
- Strato AG (Chair)
- Allianz Deutschland AG

### Prof. Dr. Bernhard Pellens, Bochum

**Professor of Business Studies and International Accounting, Ruhr University Bochum**

- ■ LVM Versicherung aG

### Peter Remmler, Wolfsburg

**Wholesale and export trader // Chairman of the Works Council of thyssenkrupp Schulte GmbH (Braunschweig) // Chairman of the Works Council Union Materials Services**

Within the Group:

- ■ thyssenkrupp Materials Services GmbH

### Carola Gräfin v. Schmettow, Düsseldorf

**CEO of HSBC Trinkaus & Burkhardt AG**

- ■ BVV Versicherungsverein des Bankgewerbes aG
- □ HSBC France SA Paris

### Wilhelm Segerath, Duisburg

**Automotive body maker // Chairman of the Group Works Council of thyssenkrupp AG**

- □ PEAG Holding GmbH (Member of the Advisory Board)

### Carsten Spohr, Munich

**Chairman of the Executive Board of Deutsche Lufthansa AG**

- ■ Lufthansa Technik AG (Chair)
- □ Dr. August Oetker KG (Member of the Advisory Board)

### Dr. Lothar Steinebach, Leverkusen

**Former member of the Management Board of Henkel AG & Co. KGaA**

- ■ Altana AG
- ■ Carl Zeiss AG
- ■ Ralf Schmitz GmbH & Co. KGaA
- □ Diem Client Partner AG/Switzerland (Member of the Management Board)

### Jens Tischendorf, Zurich

**Partner and Director of Cevian Capital AG**

- ■ Bilfinger SE

### Friedrich Weber, Schöndorf

**Machine setter // Chairman of the General Works Council of thyssenkrupp Bilstein GmbH // Chairman of the Works Council Union Components Technology**

Within the Group:

- ■ thyssenkrupp Bilstein GmbH

### Isolde Würz, Mülheim/Ruhr

**Attorney // General Counsel and Head of Governance, Corporate Function Legal at thyssenkrupp AG**

In the course of the fiscal year 2016 / 2017 Ernst-August Kiel left the Supervisory Board at the close of January 31, 2017. Where he held other directorships at the time of departure these are listed below:

### Ernst-August Kiel, Blumenthal

**(until January 31, 2017)**

**Fitter // Chairman of the Works Council of thyssenkrupp Marine Systems GmbH (Kiel) // Chairman of the General Works Council of thyssenkrupp Marine Systems GmbH // Chairman of the Works Council Union Industrial Solutions**

Within the Group:

- ■ thyssenkrupp Industrial Solutions AG

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2017)

□ Membership of comparable German and non-German control bodies of business enterprises within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2017)

# Glossary

## List of definitions and abbreviations

**Average collection period**
Trade accounts receivable divided by sales, multiplied by 360 (the lower the ratio, the faster customers pay)

**Capital Employed**
Interest-bearing invested capital

**Cluster Management**
Joint strategic management of purchasing requirements. Clusters are groups of outsourced products and services that due to their similarity (e.g. comparable technical requirements or same suppliers) can be managed jointly.

**COSO**
Committee of Sponsoring Organizations of the Treadway Commission

**EBIT margin**
Earning power in the period under review; ratio of EBIT to sales

**EBT**
Earnings before taxes

**Equity ratio**
Ratio of total equity to balance sheet total (the higher the ratio, the lower the indebtedness)

**EMIR audit**
European Market Infrastructure Regulation. Adopted in August 2012. Designed to make over-the-counter trading in derivatives more transparent and secure. Compliance is audited annually.

**FCF before divestments**
Free cash flow before divestments = Operating cash flows less cash flow from investing activities excluding cash inflows from divestments

**Gearing**
Ratio of net financial debt to total equity (the lower the ratio, the higher the share of total equity in capital employed)

**Greater China**
Mainland China, Hong Kong, Mongolia, Macau and Taiwan

**IASB**
International Accounting Standards Board

**IFRIC**
International Financial Reporting Interpretations Committee or interpretations of the IFRIC

**impact**
Corporate program to enhance performance and execute the corporate strategy

**Internal financing strength**
Ratio of operating cash flows to cash flows from investing activities

**Inventory turnover**
Inventories divided by sales, multiplied by 360 (the lower the ratio, the faster the inventory turnover)

### Long Term Incentive plan (LTI)
Long term variable compensation for Executive Board members and other selected executives through stock rights

### NAFTA
North American Free Trade Agreement

### Net financial debt
Difference between the cash and cash equivalents shown in the statement of financial position plus current other financial assets available for sale, and non-current and current financial debt. The corresponding assets and liabilities of the disposal groups – where applicable – are also taken into account.

### Operating cash flows
Inflow/outflow of cash and cash equivalents outside of investing, divesting or financing activities

### Rating
Ratings are used to assess the future ability of a company to meet its payment obligations on time and in full. They are based on an analysis of quantitative and qualitative factors.

### ROCE
Return on Capital Employed.
EBIT divided by average capital employed

### STI
Short Term Incentive plan

### synergize+
Program for the Groupwide management of all purchasing activities. Part of the “impact” initiative.

# Contact and 2018 / 2019 financial calendar

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## 2018 / 2019 financial calendar

### January 19, 2018
Annual General Meeting

### February 14, 2018
Interim report 1st quarter 2017 / 2018 (October to December)
Conference call with analysts and investors

### May 15, 2018
Interim report 1s half 2017 / 2018 (October to March)
Conference call with analysts and investors

### August 9, 2018
Interim report 9 months 2017 / 2018 (October to June)
Conference call with analysts and investors

### November 21, 2018
Annual report 2017 / 2018 (October to September)
Annual press conference
Analysts' and investors' conference

### February 1, 2019
Annual General Meeting

**This annual report was published on November 23, 2017.**
**Produced in-house using firesys.**
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**We thank our employees for being part of our campaign.**
**Employee on cover:** Mark Stricker

**Forward-looking statements**
This document contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond thyssenkrupp's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. thyssenkrupp does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of these materials.

**Rounding differences and rates of change**
Percentages and figures in this report may include rounding differences. The signs used to indicate rates of change are based on economic aspects: Improvements are indicated by a plus (+) sign, deteriorations are shown in brackets ( ). Very high positive and negative rates of change (≥500% or ≤(100)%) are indicated by ++ and −− respectively.

**Variances for technical reasons**
Due to statutory disclosure requirements the Company must submit this annual report electronically to the Federal Gazette (Bundesanzeiger). For technical reasons there may be variances in the accounting documents published in the Federal Gazette. German and English versions of the annual report can be downloaded from the internet at www.thyssenkrupp.com. In the event of variances, the German version shall take precedence over the English translation.

www.thyssenkrupp.com