Annual Report 2017/2018

engineering. tomorrow. together.

thyssenkrupp

thyssenkrupp at a glance

THYSSENKRUPP IN FIGURES

(Group without Steel Americas)

		2017/2018	Change in %
Order intake	€ million	**42,754**	0
Sales	€ million	**42,745**	3
Adjusted EBIT	€ million	**1,551**	–10
Net income	€ million	**60**	–78
Earnings per share	€	**0.01**	–96
Free cash flow before M&A	€ million	**–134**	84
Net financial debt [1]	€ million	**2,364**	21
tkVA [1]	€ million	–217	67
Market capitalization	€ million	13,534	–13
Dividend per share	€	0.15 [2]	–

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

ORDER INTAKE
in € million

42,754

Order intake in 2017/2018 at high prior-year level

~€42.7 billion

sales generated by thyssenkrupp in fiscal 2017/2018

6 regional HQs

78 countries

~1,900 locations

161,096

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

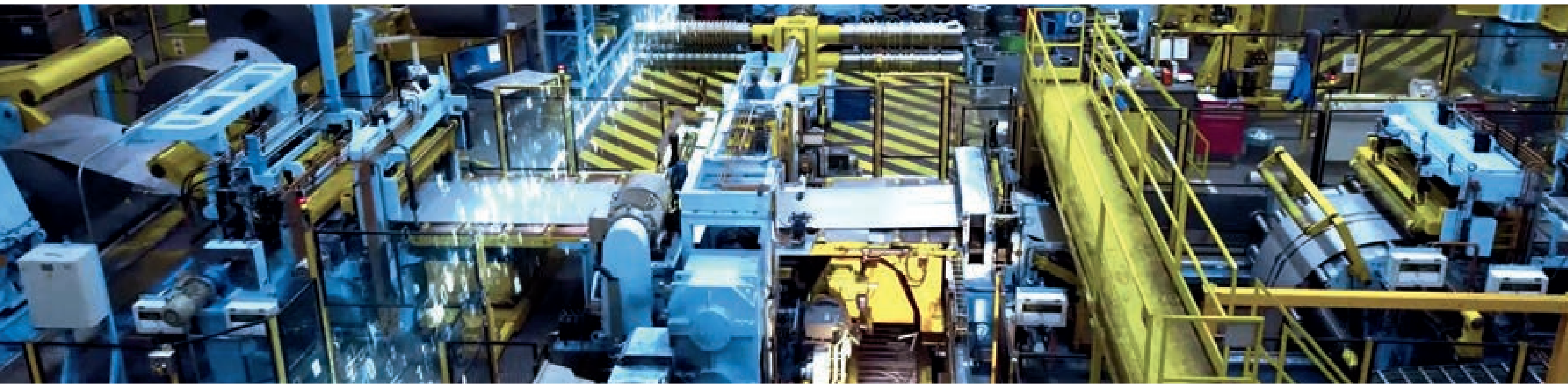
(as at September 30, 2018)

BUSINESS AREAS

- CT Components Technology
- ET Elevator Technology
- IS Industrial Solutions
- MX Materials Services
- SE Steel Europe [1]

[1] Discontinued operation

The more specific the targets, the better the performance. So let's talk specifics.



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From thyssenkrupp in transition

Guido Kerkhoff, Donatus Kaufmann and Oliver Burkhard have been out and about a lot in recent weeks. Around the world they been talking with employees, answering questions, and explaining the separation of thyssenkrupp and the next steps. Here they talk about current developments in the company – and why “best for both” also means the best for our shareholders.

to thyssenkrupp on the rise.

Looking back, last fiscal year was very eventful, and the past few weeks have been turbulent too. Is thyssenkrupp ever going to settle down again?

Guido Kerkhoff: After last summer it was obvious that we need a clear decision on which direction thyssenkrupp should take and agreement at the top on how to move the company forward. This clarity has been achieved with the full support of the Supervisory Board. We are deciding thyssenkrupp's future ourselves. For this we initiated the biggest transformation in the company's history at the end of the past fiscal year.

Also, over recent months we have provided transparency into a number of problem areas in the Group – also in our operating business – and addressed the challenges. In my personal experience, problems that are put off get bigger over time. So we are tackling the issues and have also set ourselves ambitious three-year targets.

What makes you optimistic?

Guido Kerkhoff: In a year's time when we report on the current fiscal year we should have already completed work on a number of problem areas and made significant progress on others. By then the steel joint venture should have long been operating independently, the turnaround in plant engineering should be well on track, the quality problems in the components business should be resolved, and the elevator business should once again be focusing fully on improving its margin.

Donatus Kaufmann: In a year's time thyssenkrupp Materials and thyssenkrupp Industrials will have taken shape: They will be positioned as separate operating businesses with their own brand and their own strategy. Our plan is for our two thyssenkrupps to then be ready for a future in which they are both stronger, more focused and faster.

We can only achieve our common goal, if everyone works on achieving it.

Oliver Burkhard: We will approach all the issues with a basic attitude of confidence: thyssenkrupp has undergone an incredible transformation in recent years thanks to the hard work and motivation of all employees. That's something we can be proud of, and we will continue to follow this path. We now have a strategy that meets both the expectations of our customers and shareholders and our responsibility towards our employees. thyssenkrupp has huge potential, and I am convinced that with the path we are taking we will exploit this potential significantly better than we have in the past.

Sounds good, but what specifically needs tackling?

Guido Kerkhoff: An honest assessment shows that we need to improve in several areas. Forecasts don't need to be adjusted when everything is going well. In the past fiscal year we increased our sales and order intake, and significantly reduced our G&A costs. Our materials businesses – particularly our steel business – profited from the positive cyclical upturn in the market. But Industrial Solutions was a serious cause for concern. We conducted an extensive analysis to reassess our projects and create transparency. In plant engineering in particular we now need to deal carefully with the problems that have accumulated. We have also addressed operating issues at Elevator Technology and Components Technology. And for thyssenkrupp AG as a whole we must achieve a breakthrough in adjusted EBIT and free cash flow. That will be key to the profitability of thyssenkrupp and to enabling us to build two strong companies.

After the changes on the Board of Industrial Solutions in summer, you announced two further changes in early November.

Oliver Burkhard: In recent years Elevator Technology has improved in many areas. Nevertheless there are still strategic discussions about the direction of the business. At the same time the earnings situation at Elevator Technology is not as it should be. In this context we have decided to make a fresh start in terms of personnel. At Materials Services we have started an orderly process to find a successor to Mr. Limberg, who is entering retirement, to reflect the new role of Materials Services against the background of the separation.

Materials and Industrials – two new companies: Why is that the right step for thyssenkrupp?

Guido Kerkhoff: We are creating two companies each with a clear profile and a clear focus. These two companies will be financially viable and build on joint strengths, but will have different success factors: On the one hand we have the capital goods businesses characterized by their engineering and service capabilities. thyssenkrupp Industrials will consist of three units: Elevator Technology will remain unchanged in its current set-up. Components Technology will be focused on the automotive business.

Bearings and Forged Technologies will be transferred out of Industrials and integrated into thyssenkrupp Materials. System Engineering, which for example develops production lines for the auto industry, will join Industrials from the current Industrial Solutions business area. As a result our automotive capabilities will be combined in one area, enabling us to offer all products and services from a single source and focus more strongly on the latest customer requirements and technology trends. The third pillar of the capital goods businesses will be Plant Engineering, which in its new structure will be able to focus on its core competencies.
The second company – thyssenkrupp Materials – will comprise the following units: Materials Services, the 50 percent interest in the future steel joint venture with Tata Steel, Bearings, Forged Technologies and Marine Systems. This will create a powerful, viable materials group that will bring together carbon and stainless steel production, materials distribution and steel-related processing. In the materials distribution and steel businesses we hold leading market positions in Europe, while our forging and bearings businesses are among the world's leading suppliers. In the new set-up we can grow these market positions and utilize opportunities for consolidation from a position of strength.

So in the future there will be two strong thyssenkrupps. We are convinced that this will open up new prospects for thyssenkrupp and give all our businesses better opportunities for development. After the separation our companies will be less complex and able to operate faster on the market. We regard our strategy as a continuation of the Strategic Way Forward we have been following for the past seven years. We are confident that our shareholders will profit from our new set-up – in particular through our greater financial strength, clear growth and profitability targets, a clear strategy with different industrial logic for the two companies, and consequently clear profiles on the capital market.

Are the employees supportive of these changes? Can you understand that some of them are feeling uneasy?

Oliver Burkhard: Focusing our businesses is something we have been pursuing for years, in materials we divested our stainless steel operations and the overseas steel mills, so this is a logical next step. But it is also understandable that many people have been asking themselves in the past few months just where the company is headed. We have now answered this question with our clear strategic decision. We have concluded a basic agreement with the IG Metall trade union that provides security for everyone going forward. People at thyssenkrupp traditionally have a special bond with their company. Some 160,000 women and men come to work every morning and give their all. Our people weren't shell-shocked. Things didn't grind to a halt. Our company has been around for over 200 years – with many highs and also a few lows. We always carried on. And this is not me trying to boost morale from above, it's what our people are telling me. "Now more than ever" is something I hear very frequently. At thyssenkrupp we have a culture of moving closer together in more difficult times. That's pretty extraordinary, and it's a great source of motivation for us on the Board.

How exactly will thyssenkrupp be separated?

Guido Kerkhoff: We will proceed very carefully and responsibly, because we attach great importance to giving both companies a good start and solid prospects for the future. And we will apply the principle of "best for both" to everything we do.

Donatus Kaufmann: Our aim is for the Annual General Meeting at the end of January 2020 to be able to decide on the separation of our Group. For this we need to have already set up the two parts of the company as separate stock corporations. So the aim is for thyssenkrupp Materials AG and thyssenkrupp Industrials AG to be operational at the start of the next fiscal year on October 1, 2019, though formally still under the roof of thyssenkrupp AG.

Just before publication of the annual financial statements thyssenkrupp recognized provisions for possible antitrust fines in the steel business. Has the company not learned anything since the rail cartel?

Donatus Kaufmann: We recognized these provisions because as a corporation we are obliged to set aside provisions for risks in this way. It is true that thyssenkrupp Steel Europe AG has long been the subject of ongoing investigations by the Federal Cartel Office into alleged cartel agreements from many years ago relating to the product groups heavy plate and flat carbon steel. We reported on this last year. We have taken this matter very seriously from the outset, and with the help of an external law firm we undertook an internal investigation. None of the relevant persons is still working in their former area of responsibility and some left the company a long time ago.
But these investigations show that despite all our successful efforts in recent years to prevent antitrust violations from happening in the first place, possible misconduct from the past can still come back to haunt us. That's why we remain firm: For us, cartel agreements are not a means of doing business. Anyone who sees that differently has no place at thyssenkrupp.

Will thyssenkrupp's values and corporate culture only be half as important on each side in the future?

Oliver Burkhard: Our corporate culture is indivisible – and in the restructuring we will ensure that our values continue to be lived at both companies. This continuity is also expressed by the thyssenkrupp brand: Both companies will remain thyssenkrupp – with the same DNA. Our special responsibility for our colleagues, our courage to change, and our roots and history – all these will help us on our way forward and provide a strong foundation for both companies.

thyssenkrupp needs to further improve its performance before the new set-up takes effect. What needs to happen?

Guido Kerkhoff: We still cannot measure ourselves against our best competitors in all areas, and that is also reflected in our EBIT margin and cash flow. This has to change, and it will change. Our target for the end of the 2020/2021 fiscal year is to achieve free cash flow before M&A of at least 1 billion euros. That is ambitious but realistic. We have set clear EBIT margin and cash conversion targets for all our businesses. These targets continue to apply. Since I joined thyssenkrupp we have managed to reduce our costs year by year – by more than five billion euros in total. And now we are taking this a step further by sticking to our ambitious savings targets for our central administrative costs. For the two new companies, 1 plus 1 will have to be less than 2.

Oliver Burkhard: We obviously expect the biggest improvement at Industrial Solutions. So it's all the more important that the reorganization there is implemented uncompromisingly. We have divided Industrial Solutions by activity – plant engineering will do plant engineering, Marine Systems will do naval shipbuilding, and System Engineering will be allocated to the automotive components business. So each of these areas can concentrate on what they do best. But we also want to see better results. The new leadership team at Industrial Solutions will help achieve this.

The joint venture documents have been submitted to the authorities. The creation of a new steel company with Tata Steel is gathering momentum. What do you feel is important?

Donatus Kaufmann: First of all, it's important not to let ourselves be put under pressure to meet deadlines. We are doing everything we can to ensure that the competition authorities complete their merger control procedures as quickly as possible and give their approval for the joint venture to start up. But official examinations of this kind take time. And from a legal point of view it's important that the joint venture does not start work before the closing has taken place. Until then Tata Steel Europe remains a competitor and the rules of competition law continue to apply in full. And after the closing, the global activities of Tata Steel will then be in competition with the European joint venture. So compliance will continue to be an important issue.

Regarding the steel joint venture: What are the next steps? And how will the joint venture advance thyssenkrupp as a whole?

Guido Kerkhoff: Alongside the merger control procedures we are working hard to set up our steel business as an independent entity in preparation for the joint venture. The aim of this is to ensure that the units being contributed to the joint venture, above all Steel Europe, are fully functional and can operate independently from the first day after the closing. With the new company we are creating a powerful number two on the European flat steel market with excellent prospects going forward. At the same time the joint venture is a major milestone in the transformation of thyssenkrupp. That will also be reflected sustainably in our figures.

Occupational safety and health is a key area of your work. But there are still too many accidents in the company, aren't there?

Oliver Burkhard: The safety and health of our employees is paramount, wherever they work in the world and regardless of whether they are on our payroll or not. We are already doing a great deal to raise awareness of this issue and to improve working conditions. The "Safety Moments" are a good example of this, where managers talk about their most emotional moments relating to safety and symbolically pass on a baton.

But we still need to improve significantly in the area of health and safety. We want to reduce the number of accidents to a minimum. And that means everyone acting as a role model for safety and looking out for each other. We need to apply this standard worldwide, not just in certain regions. To this end we have launched the "Vision2Zero" initiative. Its aim is to reduce the accident frequency rate – that's the number of accidents per 1 million hours worked – to 2 and the number of fatal accidents to 0. We've already made big progress here, but we are still not good enough. Accidents will continue to happen, but every life lost is one too many.

To you all: To close, what motivates you to work for thyssenkrupp?

Donatus Kaufmann: At thyssenkrupp performance and values are part of the same vision – and that's very important to me. The transformation phase will present us with new challenges in this regard. I see it as my job to ensure we have the right processes, structures and mindset for this – and that motivates me!

Oliver Burkhard: thyssenkrupp is an emotional company that inspires and moves people – few other companies have this on that scale. It's not just what we do that's important, it's how we do it: with decency, respect, openness and also the fun of creating something together. Living and working in this culture and developing it further – that motivates me.

Guido Kerkhoff: I feel a great commitment to this company and our customers and shareholders. I am aware of the responsibility that goes with being CEO of thyssenkrupp, especially during the major changes that lie ahead of us. Our employees give their all for thyssenkrupp every day – that's a unique mentality, and one that makes us on the Board even more committed. The trust of our customers constantly motivates me to give my all for the team.

Business Areas

Each of our business areas is unique and holds great potential. That's something we're firmly convinced of. We want to measure ourselves against the best in each of our markets.

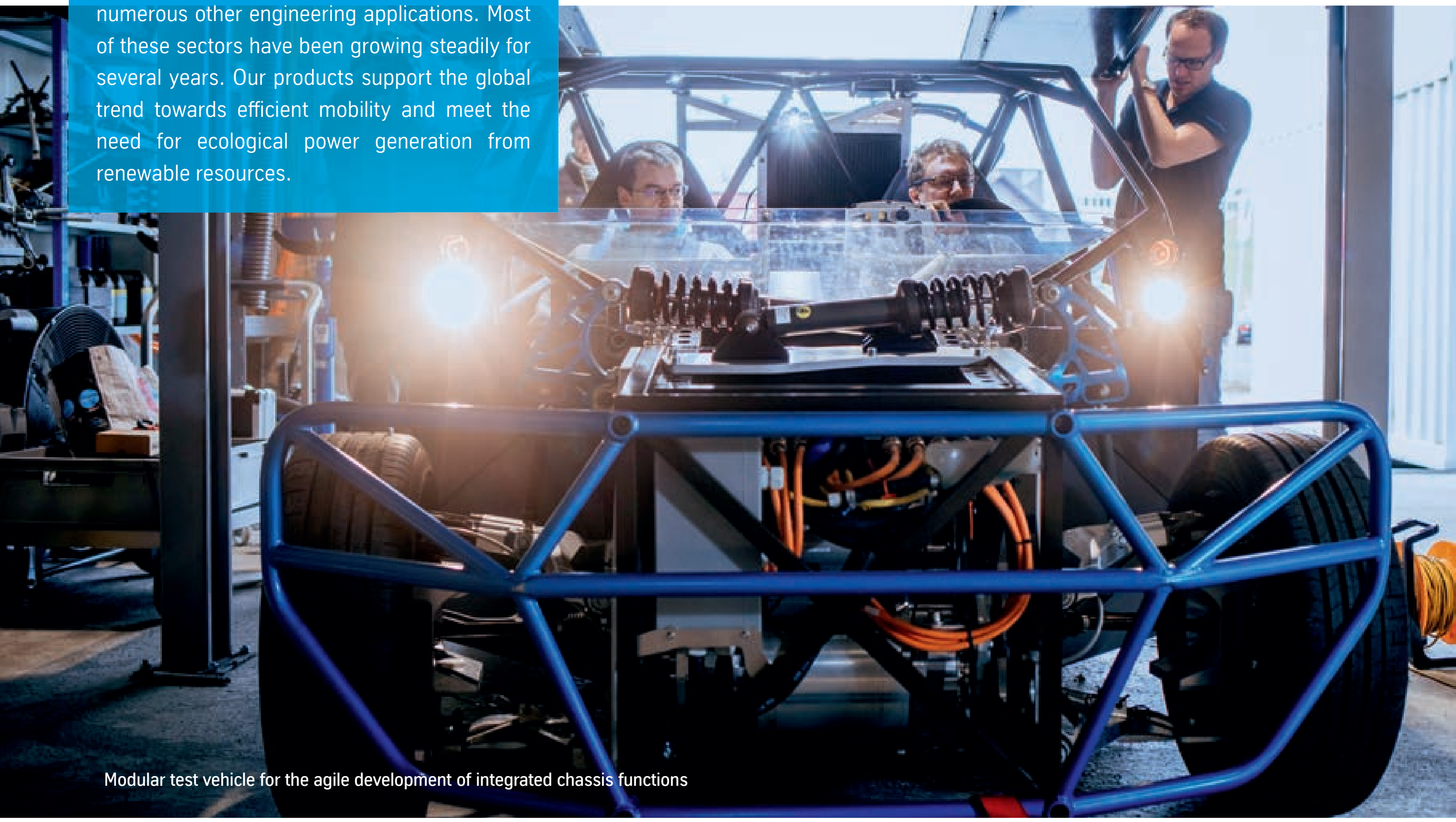
Together with our business areas we are working systematically to identify ways of improving performance in every single one of our activities. This is nothing new, it's something we've been doing for years – with visible success. Over the next few pages we want to show you how our business areas have constantly reinvented themselves over the past few years. The figures for the past fiscal year are presented transparently in the financial section of this Annual Report.

As a group and in each of our business areas we have come a long way in recent years. But we also know that we still need to improve further. Together with our business areas we have defined ambitious targets to be met by the 2020/2021 fiscal year – with constant evolution, innovation and engineering expertise as the hallmarks of our group.

Components Technology

On track to success with a clear commitment to the auto business

Our Components Technology business area supplies parts and systems for cars, trucks, construction machinery, wind turbines and numerous other engineering applications. Most of these sectors have been growing steadily for several years. Our products support the global trend towards efficient mobility and meet the need for ecological power generation from renewable resources.

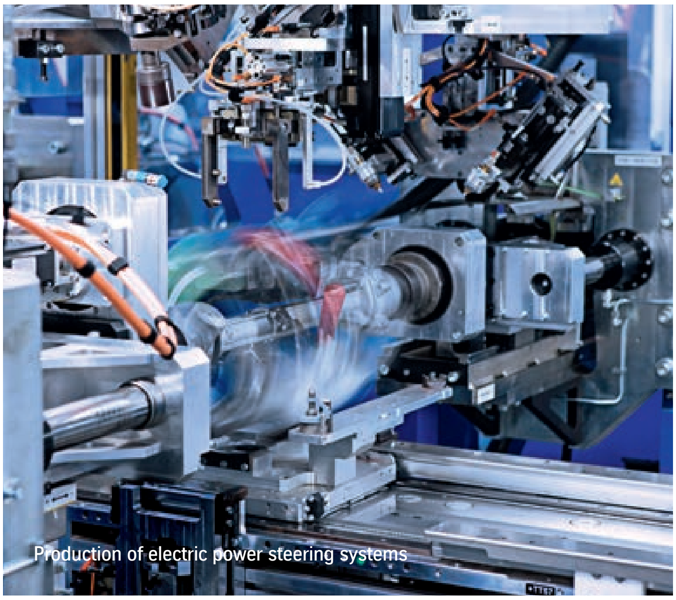


Modular test vehicle for the agile development of integrated chassis functions

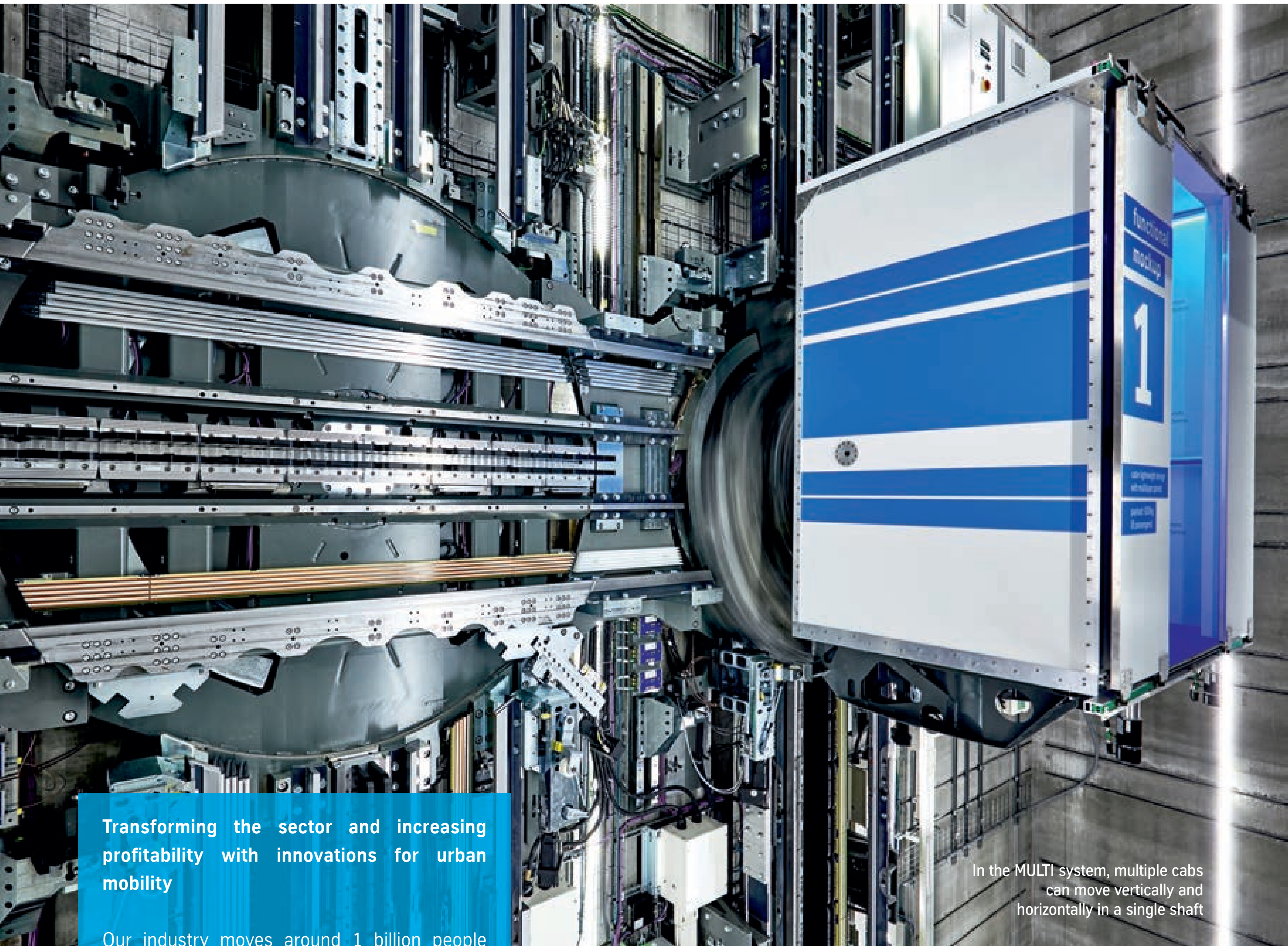
Our clear commitment to the automotive business has helped position us as a recognized Tier 1 supplier. Our major investments and the continuous expansion of our international production network are paying dividends, with sales now up for the fifth year in succession.

Our order books are already looking very healthy up to 2020/2021. Now we need to ensure that this growth is reflected in our earnings. Our target is an adjusted EBIT margin of more than 7% and we are working hard to achieve it. Right now our biggest program launches are in electric steering systems, but we will shortly also be opening important new plants for dampers, springs, stabilizers and industrial components. We expect these to have a positive impact on our earnings.

At present we are focused on implementing numerous customer projects, for which we will further streamline the organizational structures of our production and IT operations. We will also be pressing ahead with the digitization of our production processes, for example making greater use of autonomous logistics concepts, machine learning to improve product quality, and collaborative robot applications. The next step will be to standardize and modularize our product portfolio and optimize the use of intelligent software solutions. In the future we will also be expanding our capabilities in the chassis area, enabling us to become a dependable partner to customers in the area of autonomous driving, for example.



Production of electric power steering systems



In the MULTI system, multiple cabs can move vertically and horizontally in a single shaft

Transforming the sector and increasing profitability with innovations for urban mobility

Our industry moves around 1 billion people every day. Our portfolio includes passenger and freight elevators, escalators, moving walks, passenger boarding bridges, stair lifts, platform lifts and tailored services for the entire range. We create innovative solutions for intelligent cities.

Elevator Technology

Through sustained investment in research and development, the business area has positioned itself successfully as an innovator in recent years. We operate in global growth markets and focus in particular on the industry drivers of urbanization and digitization to expand our business.

Our predictive maintenance solution MAX is a prime example of how we are using digitization to transform our business. More than 120,000 elevator systems were already connected up to MAX by the end of the 2017/2018 fiscal year. Predictive maintenance helps significantly reduce system downtimes for our customers. The rope-free elevator MULTI shows that our sustained investment in innovations is creating stand-out technologies. The establishment of a dedicated company unit will create further opportunities to win new customers for MULTI in line with our goal of bringing innovations to market profitably and defining new standards for a 160-year-old sector.

We are also focused on improving our business in Europe. Among other things we will be streamlining our administrative functions to eliminate inefficiencies and unnecessary expense, resulting in planned cost savings of 100 million euros.

Our target for the 2020/2021 fiscal year is an adjusted EBIT margin of more than 13%. In the longer term we are aiming for 15%.

Industrial Solutions

Our customers know and value our expertise. Around 70% of our employees are engineers and technicians. Outstanding engineering capabilities are central to what thyssenkrupp stands for, so the expectations for our business area are high. We will do everything we can to make Industrial Solutions a strong, integrated engineering and construction organization. The ingredients are all there.

We have built a vast number of plants around the world – over 2,500 in the chemical sector alone. That's a good platform from which to further expand our increasingly important service business, grow faster than the market and thus generate more stable earnings in the long-term. For this we plan to double our global service network over the next three years. We also intend to utilize the opportunities provided by digitization to move into new fields of business and develop new business models.

Industrial Solutions operates in growth markets, and we intend to systematically tap into this growth. Our priority is to improve our profitability by enhancing our sales efficiency and expanding our service business. At the same time we will be adjusting our structures in line with market conditions and our strategic goals. Our target for the Industrial Solutions business area is an adjusted EBIT margin of around 6% by the 2020/2021 fiscal year.

Groundbreaking fully automated polysius® bulk material storage system

Bastion of engineering expertise

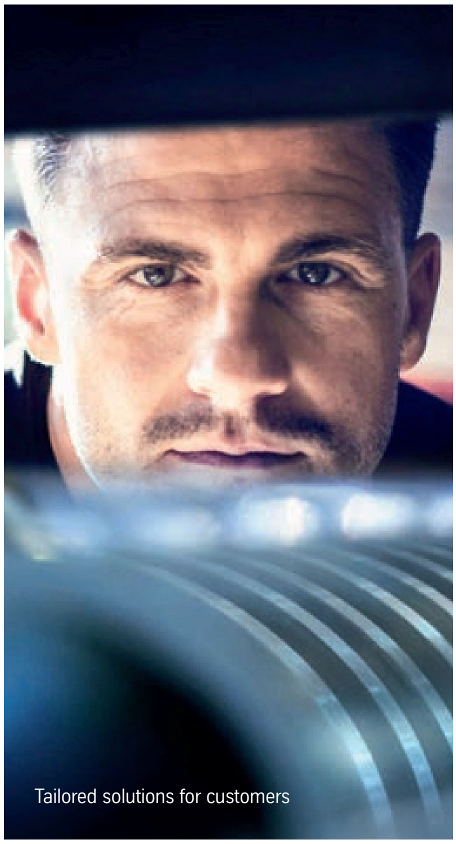
The Industrial Solutions business area is a leading partner for the engineering, construction and servicing of industrial plants and systems. With our global network we supply turnkey plants worldwide that set new standards in terms of efficiency and resource-friendly technology. The carve-out of Marine Systems enables us to focus fully on plant engineering.

Materials Services

Over the past ten years we have greatly simplified our structure, reducing from 235 to 74 companies. At the same time we have significantly improved our productivity. A further key to our success is the trust of our customers, built up over many years.

And our quest for greater efficiency goes on, for example with dedicated project teams managing optimization processes around the world and supporting their colleagues on the ground with methods developed specifically for Materials Services. Digitization is a key efficiency driver at Materials Services, opening up completely new possibilities. In the 2016/2017 and 2017/2018 fiscal years we realized two groundbreaking projects: connecting up all our machines via the in-house developed IoT platform "toii" and launching the world's biggest virtual material warehouse. Our aim is to digitize our entire portfolio. But there's more to Materials Services than just the global distribution of materials.

We already generate over 50% of our sales in the growing, high-margin service business, which we are expanding systematically and which encompasses a broad range of materials and supply chain management services. A new AI solution enables us to analyze huge amounts of data much more efficiently and better understand the needs of our customers: Ultimately we will think in completely new business dimensions. Through our ongoing digital transformation, efficiency improvements and the expansion of our services we aim to achieve an adjusted EBIT margin of 3% by fiscal 2020/2021.


Tailored solutions for customers


IoT platform toii connects machines

Moving into a digital future

As one of Europe's leading materials distributors Materials Services offers an unrivalled range of materials and extended services – from high-quality raw materials to technical services to the development of intelligent processes for automation, the extended supply chain and warehouse/ inventory management.

Steel Europe (discontinued operation)

Steel Europe has undergone major changes in recent years. We have significantly improved our performance and efficiency and focused our business more firmly than ever on customers and the entire value chain. That includes data harmonization, which is simplifying our business processes. We are driving the consolidation of the European steel industry from a position of strength: thyssenkrupp achieved an important milestone in the reporting year with the signing of an agreement to combine its European steel activities in the 50/50 joint venture thyssenkrupp Tata Steel. Together we want to create a powerful no. 2 on the European flat steel market and thus create a solid future for our employees. Following approval by the antitrust authorities and the closing of the deal, we will focus on growing the joint venture. We plan to strengthen our position in markets of the future such as e-mobility. This strategy will be backed by continuous targeted investments in our technological capabilities, strengthening our sites so that we can continue to serve the rising demand for high-quality materials.

New ladle furnace at the Duisburg steel mill

Fresh tailwind for a powerful European flat steel specialist

With around 27,000 employees we supply high-quality flat steel products for innovative and demanding applications in a wide range of industries. Custom solutions and services around steel round out our range. We operate in important industries such as the automotive, engineering, packaging and energy sectors.

Contents

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

1

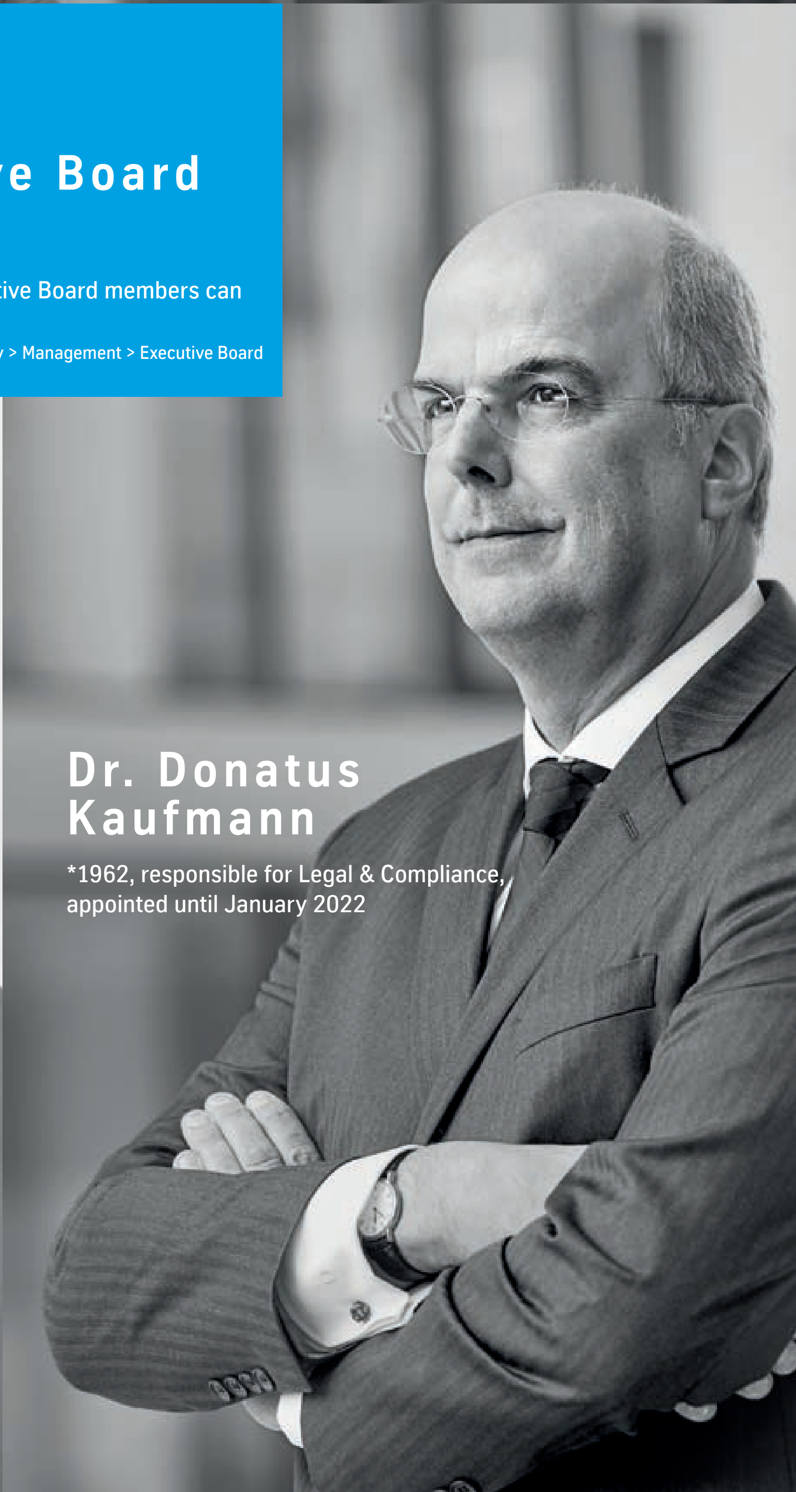
To our shareholders

Guido Kerkhoff

*1967, CEO and CFO,
appointed until September 2023

Executive Board

Résumés of the Executive Board members can be found at
thyssenkrupp.com > Company > Management > Executive Board



Dr. Donatus Kaufmann

*1962, responsible for Legal & Compliance,
appointed until January 2022

Oliver Burkhard

*1972, responsible for Human Resources,
Labor Director, appointed until
September 2023

Prof. Dr. Bernhard Pellens
Chairman of the Supervisory Board

Report by the Supervisory Board

Dear Shareholders,

Before informing you about the work of the Supervisory Board and its committees in fiscal year 2017 / 2018, allow me to make one or two remarks on the past fiscal year: losing the chairman of the Executive Board and the chairman of the Supervisory Board within a short space of time were major events which we members of the Supervisory Board very much regret.

In our responsibility for the Company and its employees, however, we now turn our attention to the future. On June 29, 2018 we decided to form a joint venture with Tata Steel for the steel business. In addition, on September 30, 2018 the Executive Board and Supervisory Board decided to separate thyssenkrupp into two new companies. We will now take this path together. The realignment makes economic sense and is borne out of responsibility to the Company, its employees and all its shareholders.

Cooperation between Supervisory Board and Executive Board

In fiscal year 2017 / 2018 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. It 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 Chairmen of the Supervisory Board, Audit Committee and 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. Important facts were reported immediately to the following Supervisory Board or Committee meetings. Before the Supervisory Board meetings the shareholder and the employee representatives each held separate meetings to discuss the agenda items. The members of the Supervisory Board were regularly advised of the confidentiality of the content of all meetings. Conflicts of interest of Executive Board and Supervisory Board members, which must be disclosed to the Supervisory Board immediately, did not occur in the past fiscal year.

Supervisory Board meetings

Ten Supervisory Board meetings were held in the reporting year. The average attendance rate at the meetings of the Supervisory Board and its committees was 93%. 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. The position of Supervisory Board Chairman was held by Prof. Dr. Ulrich Lehner until his departure on July 31, 2018. Until the election of Prof. Dr. Bernhard Pellens as Chairman in the meeting on September 30, 2018, the business of the Supervisory Board was conducted by Vice Chairman Markus Grolms.

The range of topics that the Supervisory Board dealt with in fiscal year 2017 / 2018 included the current business and earnings situation and the parent-company and consolidated financial statements for the year ended September 30, 2017. On the recommendation of the Audit Committee and after discussion with the auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) the Supervisory Board approved the parent-company and consolidated financial statements for the 2016 / 2017 fiscal year. At the end of the reporting year the Supervisory Board also discussed and approved the parent-company and consolidated financial statements for the year ended September 30, 2018. Further topics discussed by the Supervisory Board included the corporate and investment planning for fiscal year 2017 / 2018, the preparation of the Annual General Meeting on January 19, 2018, questions of Executive Board compensation and the diversity strategy for the Executive Board and Supervisory Board, which the Supervisory Board adopted. The Supervisory Board regularly received reports from the committees and on the subject of compliance. In addition the focus was on corporate governance, the thyssenkrupp Internal Control System (ICS) and the 2017 EMIR compliance audit pursuant to § 32 WpHG.

In connection with the report on the state of the thyssenkrupp Group and the strategic way forward, the discussions on the planned establishment of a joint venture with Tata Steel Europe played a major role. The Supervisory Board dealt intensively with important topics – including pension obligations at Tata Steel UK, the sustainable profitability of Tata Steel UK, the environmental situation at the Port Talbot steel mill in Wales and the indebtedness and economic viability of the joint venture. External reports were commissioned for each of these topics. After intensive and in part fiercely debated discussions in the Supervisory Board, in its committees and in a working group – partly with the participation of external experts – the Supervisory Board approved the combination of the European flat steel activities of the thyssenkrupp Group and the Tata Steel Group in a 50 / 50 joint venture, called thyssenkrupp Tata Steel, on June 29, 2018.

Shortly afterwards in its meeting on July 6, 2018 the Supervisory Board with great regret accepted Dr. Heinrich Hiesinger's request for the termination by mutual consent of his appointment as Chairman and member of the Executive Board of thyssenkrupp AG with immediate effect. In the following meeting on July 13, 2018 the Supervisory Board appointed Guido Kerkhoff as Chairman of the Executive Board of thyssenkrupp AG and approved an amended organization chart. A short time later Prof. Dr. Ulrich Lehner announced his resignation as Chairman of the Supervisory Board effective July 31, 2018. From August 1, 2018 the Vice Chairman Markus Grolms took over the chair of the Supervisory Board.

The Supervisory Board dealt with the activities and strategy of the Industrial Solutions business area twice in the reporting year, namely on January 18 and September 11, 2018. In the second meeting the focus was on the status of the necessary restructuring measures and recent developments in the business area which had necessitated the replacement of members of the Industrial Solutions business area board and a reorganization of the Marine Systems business unit. The Supervisory Board decided to allocate Marine Systems directly to the Executive Board of thyssenkrupp AG. Since then this unit has been headed directly by Oliver Burkhard.

In the last meeting of the Supervisory Board in the reporting year on September 30, 2018, Prof. Dr. Bernhard Pellens was elected as the new Chairman of the Supervisory Board of thyssenkrupp AG. In addition, the Supervisory Board approved the plan proposed by the Executive Board for the strategic development of the Group, separating the current thyssenkrupp AG into two listed companies (in the future: thyssenkrupp Materials and thyssenkrupp Industrials). Implementation will be carried out taking into account the general agreement made between the Executive Board of thyssenkrupp AG and IG Metall on September 29, 2018.

In fiscal year 2017 / 2018 the Supervisory Board, after reviewing the recommendations and suggestions of the German Corporate Governance Code (GCGC) as amended on February 7, 2017, decided to issue and publish declarations of conformity – also during the year. The most recently issued joint declaration of conformity by the Executive Board and Supervisory Board has been available on the thyssenkrupp website since October 1, 2018. In addition, the Executive Board and Supervisory Board report on corporate governance at thyssenkrupp in the corporate governance report and the corporate governance statement.

As part of its further education the Supervisory Board dealt on May 04, 2018 with the Materials Services business area and visited the TechCenter Additive Manufacturing (3D printing) in Mülheim/Ruhr and thyssenkrupp Materials Processing Europe GmbH in Krefeld in order to obtain a direct impression of production conditions and the work of management on site.

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. The compositions of the six committees are shown in the section "Supervisory Board". The chairmen of the committees were also in close contact with the other members of their committees outside the regular meetings to coordinate special projects.

The **Executive Committee** (Praesidium) met eight 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.

The **Personnel Committee** held twelve meetings in the 2017 / 2018 fiscal year to prepare personnel matters concerning the Executive Board for 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 2017 / 2018 fiscal year. Alongside Executive Board members, the meetings were also attended by representatives of the auditors PwC, who were elected by the 2018 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 2017 / 2018 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 2017 / 2018 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 2017 / 2018 fiscal year. Further main topics were the determination of the key audit area for the financial statement audit (introduction of new IFRS 15 rules for complete and correct revenue recognition in accounting), the implementation of the CSR directive, the equity capital and rating situation, the EMIR compliance audit for the 2016 / 2017 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. The committee members dealt in detail with governance matters in relation to the planned joint venture with Tata Steel.

The **Strategy, Finance and Investment Committee** held five meetings in the 2017 / 2018 fiscal year. Discussions focused on the strategic development of thyssenkrupp and portfolio optimization measures. The committee also discussed in detail reports presented to the Supervisory Board on the business activities and strategy of the individual business areas and corporate functions, in particular on the formation of a joint venture with Tata Steel Europe. 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.

The members of the **Nomination Committee** convened for eleven meetings in the past fiscal year. Discussions focused in particular on preparing the appointments that had become necessary on the shareholder side of the Supervisory Board. Other main areas of discussion included succession planning for the Supervisory Board – taking into account the recommendations of the German Corporate Governance Code – and the preparation of a competency profile for the Supervisory Board as a whole and a diversity strategy for the Executive Board and Supervisory Board.

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 19, 2018 to audit the financial statements for the 2017 / 2018 fiscal year, PwC audited the parent-company financial statements for the fiscal year October 1, 2017 to September 30, 2018 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, 2017 to September 30, 2018, 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 2017 / 2018 fiscal year were discussed in detail in the meetings of the Audit Committee on November 15, 2018 and the Supervisory Board on November 20, 2018. 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 of the Group into account, the Supervisory Board concurred with the Executive Board's proposal to allocate an amount from net income to other retained earnings and for the appropriation of the remaining unappropriated income including a dividend of €0.15 per share for the 2017 / 2018 fiscal year.

Personnel changes on the Supervisory Board

The following changes took place on the shareholder side: Upon the close of the Annual General Meeting on January 19, 2018 Dr. Ralf Nentwig, who was delegated by the Alfried Krupp von Bohlen und Halbach Foundation, left the Supervisory Board. At the time of the close of the Annual General Meeting the Alfried Krupp von Bohlen und Halbach Foundation delegated Prof. Dr. Dr. h. c. Ursula Gather as a new member to the Supervisory Board. Prof. Dr. Ulrich Lehner left the Supervisory Board on July 31 and René Obermann on August 31 of the reporting year. On the employee side Wilhelm Segerath left the Supervisory Board at the end of fiscal year 2017 / 2018 after over 20 years of membership. Dirk Sievers was court-appointed as his successor with effect from October 2, 2018. The members of the Supervisory Board thanked all departing members for their good and constructive work over many years. The compositions of the committees at September 30, 2018 are shown in the Notes to the Annual Report. The two vacancies on the shareholder side will be filled in a structured process. The successors are to be initially appointed by court and put up for election at the Annual General Meeting on February 1, 2019.

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 2017 / 2018 fiscal year.

The Supervisory Board

Prof. Dr. Bernhard Pellens
Chairman
Essen, November 20, 2018

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. In the thyssenkrupp Group, corporate governance stands for responsible corporate management and control geared to long-term value creation. At thyssenkrupp good corporate governance takes in all areas of the company.

Key corporate governance principles

thyssenkrupp Code of Conduct

While the Group mission statement describes our goals and standards, the concrete principles and ground rules for our work and our behavior towards business partners and the public are summarized in the thyssenkrupp Code of Conduct. This provides employees, managers, and board members with guidelines on subjects such as the requirements for compliance, equality and non-discrimination, cooperation with the employee representatives, occupational safety and health, environmental and climate protection, as well as data protection and information security. Suppliers are required to follow the thyssenkrupp Supplier Code of Conduct. In addition, thyssenkrupp has signed the United Nations Global Compact, the BME Code of Conduct, and the Diversity Charter.

All these principles are implemented with the aid of the existing programs and management systems and the Indirect Financial Targets. Details are presented in the sustainability section of our website as well as in this annual report (in the sections "Fundamental information about the Group", "Targets").

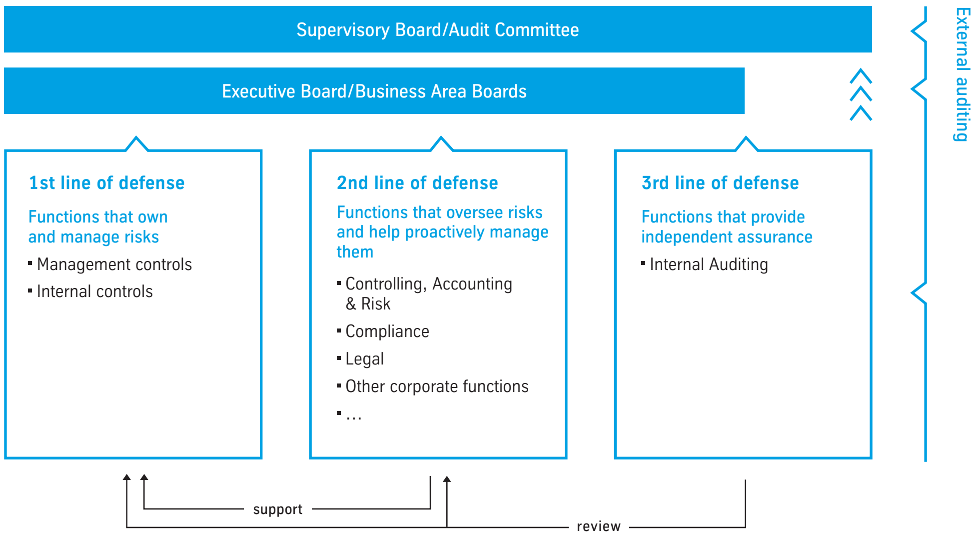
www.thyssenkrupp.com > Company > Sustainability > Sustainability strategy and targets

Integrated governance, risk management, and compliance model

Dealing responsibly with risks is part of corporate governance at thyssenkrupp, because the continuous and systematic management of business risks – but also opportunities – is fundamental to professional governance. An integrated governance, risk management and compliance (GRC) model, embedded in the Groupwide GRC Policy, provides the basis for risk management in the Group. As a framework for this, thyssenkrupp uses the internationally established three lines of defense model adapted to the Group's specific organizational structure. This model shows the responsibilities for risk management in the Group within each line of defense and how these are segregated within the GRC model.

The risk management system is designed on the basis of international standards.

THREE LINES OF DEFENSE MODEL



Risks have to be prevented where they occur. If this is not practicable they must be identified and reduced to an appropriate level. Systematic risk management on the 1st line of defense must be strengthened 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 2nd 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 binding internal documents – and support the 1st line of defense with implementation. At the same time these functions oversee and manage the Group's risks 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.

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. We treat violations, in particular antitrust or corruption violations, with zero tolerance.

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.

compliance

Compliance is a question of mindset.

The 3rd line of defense is Corporate Function Internal Auditing, which independently reviews the appropriateness and efficiency of the processes and systems implemented by the other two lines of defense. The head of Corporate Internal Auditing reports on the auditing function to 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 supplemented by the work of the external financial statement auditors.

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

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 the corporate governance structures throughout the Group are being harmonized, tightened and optimized beyond the established understanding of corporate governance defined in the German Corporate Governance Code. The focus is on increasing transparency and ensuring full compliance with our binding internal regulations and supporting managers in the use of internal corporate governance instruments.

Corporate management and control

In the two-tier governance system prescribed by German stock corporation law, the Executive Board of thyssenkrupp AG is responsible for managing the Company. The Supervisory Board of thyssenkrupp AG is responsible for advising and overseeing the Executive Board. The Company has taken out directors and officers (D&O) liability insurance with an appropriate deductible for the members of the Executive Board and Supervisory Board.

Executive Board

On the basis of the management structure it has adopted, the Executive Board bears responsibility for managing the Company in the interest of the Company, i.e. taking into account the concerns of the shareholders, employees and other stakeholders, with the aim of sustainable value creation. It makes provisions for compliance with the statutory requirements and binding internal regulations, and works to ensure that these are observed by the Group companies. The Executive Board has established appropriate compliance and risk management systems. Significant business transactions are subject to the approval of the Supervisory Board; they are listed in Annex 2 of the Rules of Procedure for the Executive Board.

The Executive Board of thyssenkrupp AG must consist of at least two members. The Executive Board members bear joint responsibility for overall business management; they decide on key management measures such as corporate strategy and corporate planning. The Executive Board Chairman is responsible for coordinating all the directorates of the Executive Board and for communicating with the Supervisory Board; he also represents the Executive Board. More detailed information on the individual members of the Executive Board and their areas of responsibility

www.thyssenkrupp.com > Company > Management > Executive Board

(directorates) can be found on the Company's website **(www.thyssenkrupp.com)**. The Executive Board has not formed any committees.

Supervisory Board

The Supervisory Board advises and oversees the Executive Board in its management of the Company. It determines the number of members the Executive Board has above the minimum number, appoints and dismisses the members of the Executive Board, and defines their directorates. It also determines the compensation of the Executive Board members (details of Executive Board compensation are provided in the compensation report). The Supervisory Board reviews the parent-company and consolidated financial statements along with the combined management report of thyssenkrupp AG, adopts the parent-company financial statements and approves the consolidated financial statements and the combined management report. It examines the proposal for the appropriation of net income and with the Executive Board submits it to the Annual General Meeting for resolution. On the substantiated recommendation of the Audit Committee, the Supervisory Board proposes the auditors for election by the Annual General Meeting. After the corresponding resolution is passed by the Annual General Meeting, the Audit Committee awards the contract to the auditors and monitors the audit of the financial statements together with the independence, qualifications, rotation and efficiency of the auditors. Details of the activities of the Supervisory Board in the 2017 / 2018 fiscal year are contained in the report by the Supervisory Board. The compensation of the Supervisory Board members is determined by the Annual General Meeting. It was last resolved in the Annual General Meeting of January 17, 2014. The compensation paid to the individual Supervisory Board members is presented in the compensation report.

The composition of the Supervisory Board of thyssenkrupp AG is governed by law and the detailed provisions of § 9 of the Articles of Association. In accordance with the German Codetermination Act, it must be composed of 10 shareholder representatives and 10 employee representatives. Under the Articles of Association, the Alfried Krupp von Bohlen und Halbach Foundation has a designation right.

In accordance with § 27 (1) of the Codetermination Act, the chairman of the Supervisory Board is elected from among the Supervisory Board members. The task of the Supervisory Board chairman is to coordinate the work of the Supervisory Board and chair the Supervisory Board meetings. Public statements by the Supervisory Board are issued by the Supervisory Board chairman. At thyssenkrupp at least one Supervisory Board member must have expertise in the fields of accounting or auditing. All members of the Supervisory Board are subject to a statutory secrecy obligation. More detailed information on the individual members of the Supervisory Board and its six committees can be found on the Company's website **(www.thyssenkrupp.com)**.

www.thyssenkrupp.com > Company > Management > Supervisory Board

Shareholders and Annual General Meeting

The shareholders of thyssenkrupp AG exercise their rights at the Company's Annual General Meeting. At the Annual General Meeting the shareholders regularly pass resolutions on the appropriation of net income, the ratification of the acts of the Executive Board and Supervisory Board, and the election of the financial-statement auditors. Shareholders can exercise their voting rights at the

www.thyssenkrupp.com > Investors > Annual General Meeting

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. They can also cast their votes in writing by postal vote. The Annual General Meeting can be viewed live and in full on the Company's website (www.thyssenkrupp.com). Also on our website we make all documents and information on the Annual General Meeting available to shareholders in good time.

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).

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 19, 2018 elected PwC to audit the annual financial statements and review the interim financial reports for fiscal year 2017 / 2018 and to review the interim financial reports for fiscal year 2018 / 2019 drawn up before the 2019 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 Harald Kayser (since fiscal year 2017 / 2018) 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.

Avoiding conflicts of interest

In the reporting year there were no consulting or other service agreements between Supervisory Board members and the Company. There were no conflicts of interest that Executive Board or Supervisory Board members would have had to disclose immediately to 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 2017 / 2018 fiscal year.

More information on corporate governance

More information on corporate governance can be found in the corporate governance declaration on the Company's website **(www.thyssenkrupp.com).**

www.thyssenkrupp.com > Investors > Reporting and publications

Compensation report

The following compensation report, which is part of the combined management report, explains the compensation system for the Executive Board and Supervisory Board. In addition the compensation received by the members of the Executive Board and Supervisory Board of thyssenkrupp AG for the fiscal year 2017 / 2018 is disclosed individually, also taking into account the recommendations of the German Corporate Governance Code (GCGC).

Fundamentals of the Executive Board compensation system

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

The compensation of the individual Executive Board members is determined by the Supervisory Board following preparation by the Personnel Committee. The Personnel Committee regularly reviews the appropriateness of the compensation – both as a whole and in terms of the individual compensation components – and proposes adjustments to the Supervisory Board where required. 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 otherwise in the Company. In all compensation decisions the Personnel Committee and the Supervisory Board observe the requirements of the Stock Corporation Act (AktG) as well as the recommendations and suggestions of the GCGC. In reviewing the market position of the system and the appropriateness of the level of compensation the Personnel Committee is advised by an independent external compensation expert.

The aim of the compensation system is to support successful and sustainable corporate governance by linking the compensation of Executive Board members to both the short and long-term performance of the Company. The compensation system includes performance-related and company success-oriented parameters which are also found in the compensation systems for management levels below the Executive Board. The variable compensation components are mainly based on performance over several years and therefore set long-term incentives. The design of the long-term variable compensation, which also recognizes the performance of the stock price, also reconciles the objectives of management with the direct interests of shareholders.

The compensation system for the Executive Board of thyssenkrupp AG is geared to sustainable long-term company development.

Overview of compensation components

COMPENSATION COMPONENT

	Assessment basis/parameters
Performance-independent compensation	
Fixed compensation	Chairman of the Executive Board: €1,340,000 Member of the Executive Board: €700,000
Fringe benefits	Company car, security services, insurance premiums
Pension plans	
Defined benefit plans (Guido Kerkhoff, Dr. Heinrich Hiesinger)	Pension in the amount of 50% of fixed compensation for fiscal year 2014 / 2015 – For Guido Kerkhoff: pension entitlement of €350,000 p.a. – For Dr. Heinrich Hiesinger: pension entitlement of €670,000 p.a. Widow's allowance in the amount of 60% and orphan's allowance in the amount of 20% each of the respective pension entitlement, max. 100%
Defined contribution plans (Oliver Burkhard, Dr. Donatus Kaufmann)	Provision of annual contributions in the amount of €280,000 (corresponds to 40% of fixed compensation for fiscal year 2014 / 2015) – For Oliver Burkhard: maximum attainable pension entitlement capped at €350,000 p.a. (corresponds to 50% of fixed salary for fiscal year 2014 / 2015) – For Dr. Donatus Kaufmann: pension benefits to be paid in the form of a lump sum
Performance-related compensation	
Annual bonus (short-term incentive; STI)	Target bonus for 100% target achievement: – For the Executive Board chairman: €1,250,000 – For the members of the Executive Board: €630,000 – €680,000 Level of target achievement dependent on: – Company's financial performance targets: EBIT, ROCE and FCF before M&A – Targets derived from corporate planning and set annually by the Supervisory Board Bonus-malus factor in a band of +/- 20%: – Sustainability multiplier: indirect financial targets in the areas people, innovations, environment and procurement – Discretionary factor: assessment of overall performance of Executive Board Cap: 200% of target bonus
Possibility of special bonus	For exceptional achievements and successes at the discretion of the Supervisory Board and within the applicable overall cap
Long-term incentive (LTI)	Award of virtual shares in the company with three-year tkVA performance period: – Initial value for the Executive Board chairman: €2,000,000 – Initial value for the members of the Executive Board: €950,000 – €1,050,000 The number of virtual shares provisionally granted at the beginning of each installment is obtained by dividing the initial value by the average thyssenkrupp share price during the 1st quarter of the fiscal year in which the tkVA performance period begins. The final number of virtual shares after the end of the performance period depends on the average tkVA achieved over the performance period. The average thyssenkrupp share price during the 1st quarter of the fiscal year after the end of the three-year tkVA performance period determines the final value of the payout. Cap: 250% of the target value
Other compensation rules	
Overall cap	Upper limit of €9,000,000 for the Executive Board chairman and €4,500,000 for each of the other members of the Executive Board in relation to overall compensation including pension service cost per fiscal year – GCGC-compliant
Severance payment cap	Severance payments limited to a maximum of two years' compensation, compensation over remaining contract term may not be exceeded – GCGC-compliant
Severance in case of change of control	Severance payments in the case of a change of control may not exceed 100% of the severance payment cap – GCGC-compliant
Clawback rule	Supervisory Board right to reduce compensation in case of deterioration in company's situation pursuant to § 87 (2) AktG

Structure and components of the Executive Board compensation system

The compensation of Executive Board members is made up of performance-independent and performance-related elements. The former comprise fixed compensation, fringe benefits and pension plans. The performance-related compensation includes the bonus (short-term incentive plan; STI) and the long-term incentive plan (LTI). The individual components are explained below.

The target direct compensation (fixed compensation + bonus + LTI) of the Executive Board mainly comprises performance-related compensation elements. The fixed compensation makes up around 30% of the target direct compensation, the bonus around 28%, and LTI around 42%. The ratio of long-term to short-term performance-related compensation is around 60 : 40. Executive Board compensation therefore complies with the GCGC recommendations that the compensation structure be aligned to sustainable company development and that the variable compensation components be generally measured over several years.

Performance-independent compensation

Fixed compensation

The fixed compensation is paid to the Executive Board members monthly 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.

Fringe benefits

In addition to the fixed compensation the Executive Board members 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.

Retirement benefits

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

Guido Kerkhoff and the former Executive Board member Dr. Heinrich Hiesinger who left in the year under review have a pension entitlement of 50% of their respective fixed salaries in fiscal year 2014 / 2015. The pension entitlements of Oliver Burkhard and Dr. Donatus Kaufmann are based on a defined contribution pension plan; the annual pension contribution is 40% of their annual fixed salary in fiscal year 2014 / 2015. For Oliver Burkhard it has additionally been agreed that his maximum pension entitlement is capped at 50% of his fixed salary in fiscal year 2014 / 2015. The pension of Dr. Donatus Kaufmann will be paid in principle in the form of a lump sum.

The retirement age is 60, provided a service contract with the Company no longer exists at this time. If the service contract ends on or after the member's 60th birthday, the retirement benefits can only be claimed after the service contract ends. In the case of Guido Kerkhoff and Dr. Heinrich Hiesinger current pension payments will be adjusted annually in line with the consumer price index and in the case of Oliver Burkhard will be increased by 1% per year.

In the case of Guido Kerkhoff, Oliver Burkhard and Dr. Heinrich Hiesinger the surviving dependants' benefits plan provides for a payment of 60% of the pension for the partner and 20% for each dependent child, up to a maximum of 100% of the regular pension entitlement. In the case of Dr. Donatus Kaufmann surviving dependants will receive the amount of the pension contributions plus interest at the time the benefits become payable.

In the case of new contracts and contract renewals the Personnel Committee regularly reviews the level of benefits of Executive Board members and the annual and long-term service costs deriving therefrom, and proposes adjustments to the plans to the Supervisory Board as necessary. This procedure complies with the recommendations of the GCGC.

Performance-related compensation

Bonus (short-term incentive; STI)

The first performance-related compensation element is the annual bonus. The amount of the bonus is dependent on three key performance indicators of the Group for the respective fiscal year. Earnings before interest and taxes (EBIT) and free cash flow before M&A (FCF before M&A) are each weighted at 40%, while return on capital employed (ROCE) accounts for the remaining 20%. Total target achievement for the three financial targets is therefore determined from the weighted average of the three parameters.

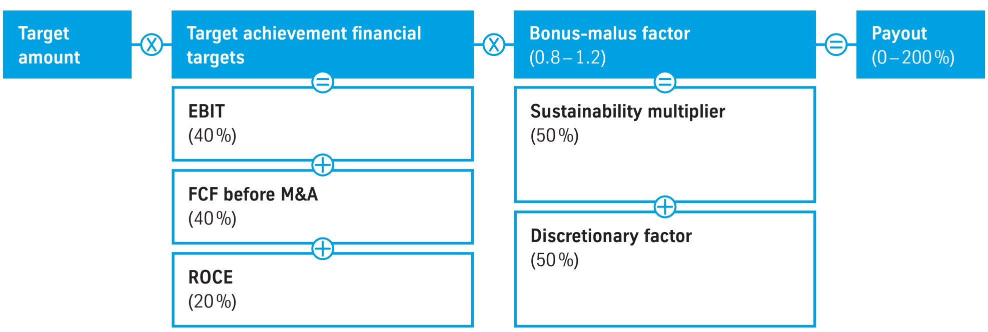
Annual bonus target amounts for the 2017 / 2018 fiscal year

Guido Kerkhoff	€680,000
Oliver Burkhard	€630,000
Dr. Donatus Kaufmann	€630,000
Dr. Heinrich Hiesinger[1]	€955,480

[1] Prorated compensation until July 6, 2018

To reflect the overall performance of the Executive Board members more accurately and include non-financial, strategically important as well as direct financial aspects, the bonus also includes a bonus-malus factor, which is multiplied by the total target achievement for the financial targets. This factor consists of a sustainability multiplier as well as a discretionary factor, each weighted equally. The sustainability multiplier is based on Indirect Financial Targets from the areas people, innovations, environment and procurement. The discretionary factor allows the Supervisory Board to evaluate the overall performance of the Executive Board. The bonus-malus factor lies in a range from 0.8 to 1.2 and can therefore correct financial target achievement either upwards or downwards; it also allows individual differentiation. The Supervisory Board decides on target achievement in respect of this part of the bonus at its own discretion, taking into account in particular the appropriateness criteria of § 87 AktG and the GCGC.

BONUS CALCULATION



Details on the individual sustainability targets can be found in the section Fundamental information about the Group > Targets > Sustainability and Indirect Financial Targets.

Total target achievement and the resultant payout on the bonus are capped at 200% of the target value. There is no guaranteed minimum bonus, so there may be no payout at all.

The target values for the financial targets are derived from the corporate planning; in addition threshold values are defined for all three indicators, above or below which a further improvement or deterioration of the result has no effect on the level of target achievement. At the beginning of each fiscal year the Supervisory Board, based on preparations by the Personnel Committee, decides on the target and threshold values with a view to setting challenging targets.

Long-Term Incentive (LTI)

The second performance-related compensation element is the LTI, which has a long-term incentive effect. Determining factors here are value generation – measured on the key performance indicator thyssenkrupp Value Added (tkVA) – and the performance of the thyssenkrupp stock. The design of the LTI and the link to stock performance reconcile the objectives of management and the direct interests of shareholders. The LTI is based on virtual shares and is granted to Executive Board members in annual installments. The term of the individual installments begins October 1 of each year and extends in total over four fiscal years (three-year tkVA performance period and stock price performance in the 1st quarter of the following fiscal year), so creating incentives for the long-term development of the Company.

At the beginning of each installment a certain number of virtual shares is granted, initially provisionally. This number is obtained by dividing the initial value (target amount) by the average thyssenkrupp stock price in the 1st quarter of the fiscal year in which the tkVA performance period begins, with the number being rounded half even. The provisionally granted number of virtual shares can therefore vary from year to year.

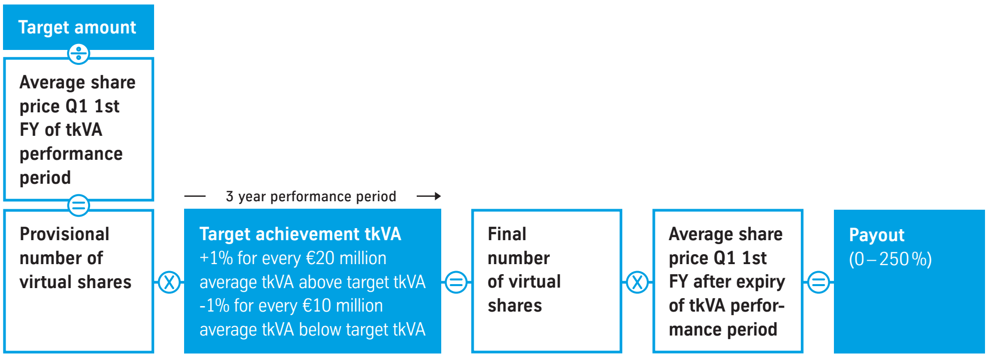
The number of virtual shares finally awarded to the Executive Board members at the end of the three-year tkVA performance period may be higher or lower than the provisionally granted number. The parameter used to determine the final number of virtual shares is the development of average tkVA over the three-year performance period.

LTI initial values for the 2017 / 2018 fiscal year

Guido Kerkhoff	€1,050,000
Oliver Burkhard	€950,000
Dr. Donatus Kaufmann	€950,000
Dr. Heinrich Hiesinger[1]	€1,528,767

[1] Prorated compensation until July 6, 2018

LONG-TERM INCENTIVE (LTI) CALCULATION



For every €20 million of average actual tkVA above the target value set by the Supervisory Board, the number of virtual shares increases by 1%. For every €10 million of average actual tkVA below the target value set by the Supervisory Board, the number of virtual shares decreases by 1%. Intermediate values are linearly interpolated and the obtained number of virtual shares is rounded half even. The number of virtual shares can fall to zero, meaning there is no payout.

To determine the payout amount the final number of virtual shares achieved at the end of the performance period is multiplied by the average thyssenkrupp stock price in the 1st quarter of the fiscal year immediately after the three-year tkVA performance period. The payout amount calculated in this way is capped at 250% of the target value.

In the case of the LTI, too, the Supervisory Board – based on preparations by the Personnel Committee – decides on the target and threshold values for each new annual installment at the beginning of each fiscal year with a view to setting challenging targets. The target value for the LTI installment granted to the Executive Board members in January 2018 relates to the tkVA performance period 2017 / 2018 through 2019 / 2020. The Supervisory Board set an average tkVA of zero as the target value. A tkVA of zero means that the cost of capital has been earned by the level of EBIT achieved and at the same time a sufficiently high net income has been attained.

Details on tkVA can be found in the section “Management of the Group”

Compensation caps

In accordance with the recommendation of the GCGC the compensation system for the Executive Board provides for caps for both total compensation and the individual components of Executive Board compensation. In addition to the caps applying to the variable compensation elements the Company has therefore set the following caps for total compensation received by Executive Board members per fiscal year – including fixed compensation, fringe benefits, performance-related compensation (bonus and LTI), retirement benefit costs and any special compensation: €9 million for the Executive Board chairman and €4.5 million each for the other Executive Board members.

In accordance with the recommendation of the GCGC thyssenkrupp has set caps for total compensation of Executive Board members.

The compensation caps take precedence over any other rules agreed for the amount of compensation. In future reviews by the Supervisory Board of the amount of Executive Board compensation the caps (individual caps and total cap) will also be reviewed accordingly.

Commitments in connection with the ending of Executive Board service

Severance payments

Severance payment arrangements are agreed in the service contracts of Executive Board members which comply with the recommendations of the GCGC. They provide that severance payments may not exceed two years' compensation (severance payment cap) and may not compensate more than the remaining term of the service contract.

Change of control

In the event of a change of control the Executive Board members have the right, within a period of six months after the change of control, to resign their employment for good reason and terminate their Executive Board service contract on three months' notice to the end of a month (special termination right).

The contractual severance payment arrangements comply with the recommendations of the GCGC and apply also in the event of a change of control.

The arrangements applying on exercise of the special termination right provide that severance payments in connection with a change of control may not exceed two years' compensation, limited however to fixed salary and bonus, and may not compensate more than the remaining term of the service contract. The special termination right and the right to severance payments do not apply if the change of control is by the Alfried Krupp von Bohlen und Halbach Foundation.

Loans, advance payments, third-party benefits

As in previous fiscal years, no loans or advance payments were granted to the Executive Board members in fiscal year 2017 / 2018, nor were any guarantees or other commitments entered into by thyssenkrupp in their favor. thyssenkrupp has no knowledge of benefits or corresponding promises given to Executive Board members by third parties in connection with their Executive Board positions.

Actual performance-related compensation for fiscal year 2017 / 2018

Bonus 2017 / 2018

The target achievement rates and resultant bonus amounts for fiscal year 2017 / 2018 are calculated as follows:

CALCULATION OF BONUS AMOUNTS 2017 / 2018

Name	Target value	Company target achievement	Bonus-malus factor	Bonus[1] 2017 / 2018
Guido Kerkhoff	€680,000	64.6%	1.1	€484,000
Oliver Burkhard	€630,000	64.6%	1.1	€448,000
Dr. Donatus Kaufmann	€630,000	64.6%	1.1	€448,000
Dr. Heinrich Hiesinger[2]	€955,480	64.6%	0.9	€556,000

1) Rounded up to full €000s
2) Prorated compensation until July 6, 2018

LTI 2014 / 2015

The 5th installment of the LTI due in fiscal year 2017 / 2018 was issued for the fiscal year 2014 / 2015 and is the first installment where the average tkVA during the performance period is compared with a set target value. The associated payment amount is calculated as follows:

CALCULATION OF THE LTI PAYOUT FOR THE INSTALLMENT 2014 / 2015[1]

Performance targets	thyssenkrupp Value Added (tkVA) Performance of thyssenkrupp stock	
tkVA performance period	2014 / 2015 – 2016 / 2017	
Relevant stock price	Avg. stock price Q1 FY 2017 / 2018 vs. average stock price Q1 FY 2014 / 2015	
Link	Multiplicative	
Possible target achievement	0–250%	
Provisionally granted number of virtual shares	Initial value: €950,000 Avg. stock price Q1 FY 2014 / 2015: €19.86	47,835 virtual shares
Target achievement tkVA	Average tkVA actually achieved is €378.3 million below the target tkVA leading to a reduction in the number of awarded virtual shares by 37.83%	
Finally granted number of virtual shares	(100% – 37.83%) x 47,835 virtual shares = 29,739 virtual shares	
Payout	29,739 virtual shares Avg. stock price Q1 FY 2017 / 2018: €23.20	€689,945

1) Example of an ordinary Executive Board member
2) Rounded half even

On the basis of achieved tkVA and the stock performance, €689,945 was paid out to each of Guido Kerkhoff, Oliver Burkhard and Dr. Donatus Kaufmann. The former Executive Board member Dr. Heinrich Hiesinger who left in the year under review received a payout of €1,307,250.

Total Executive Board compensation in accordance with HGB

The following table shows total Executive Board compensation in accordance with HGB rules. It accords with the GCGC Table 1 (benefits granted) shown below, with the difference that the payout amounts for the bonuses according to GCGC Table 2 (allocations) are included. In accordance with HGB the service cost is not included.

EXECUTIVE BOARD COMPENSATION 2017 / 2018 IN ACCORDANCE WITH HGB

	Guido Kerkhoff		Oliver Burkhard		Dr. Donatus Kaufmann		Dr. Heinrich Hiesinger	
	Chairman of the Executive board since July 13, 2018		Ordinary member of the executive board since February 01, 2013		Ordinary member of the executive board since February 01, 2014		Chairman of the Executive board until July 06, 2018	
	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018
Executive board compensation in accordance with HGB in €000s	2,498	2,326	2,328	2,198	2,348	2,198	4,709	3,323

The total compensation paid to the active Executive Board members in the respective fiscal year in accordance with HGB for their work in the reporting year amounted to €10.0 million. The corresponding prior-year figure was €11.9 million.

Executive Board benefits granted and allocations in accordance with GCGC

The following two tables show total Executive Board compensation in accordance with the recommendations of Section 4.2.5 (3) of the GCGC in the form of the GCGC model tables:

- GCGC Table 1 shows the benefits granted for fiscal year 2017 / 2018, i.e. the individual compensation promised in the case of 100% target achievement as well as the minimum and maximum values for the individual Executive Board members.

- GCGC Table 2 (allocations) shows the compensation actually paid out to the individual Executive Board members for fiscal year 2017 / 2018.

GCGC-TABLE 1: EXECUTIVE BOARD COMPENSATION 2017 / 2018 (BENEFITS GRANTED)

		Guido Kerkhoff				Oliver Burkhard				Dr. Donatus Kaufmann				Dr. Heinrich Hiesinger			
		Chairman of the Executive board since July 13, 2018				Ordinary member of the executive board since February 01, 2013				Ordinary member of the executive board since February 01, 2014				Chairman of the Executive board until July 06, 2018			
all figures in €000s		2016 / 2017 Initial value	2017 / 2018 Initial value	2017 / 2018 Minimum	2017 / 2018 Maximum[1]	2016 / 2017 Initial value	2017 / 2018 Initial value	2017 / 2018 Minimum	2017 / 2018 Maximum[1]	2016 / 2017 Initial value	2017 / 2018 Initial value	2017 / 2018 Minimum	2017 / 2018 Maximum[1]	2016 / 2017 Initial value	2017 / 2018 Initial value	2017 / 2018 Minimum	2017 / 2018 Maximum[1]
Fixed compensation		700	700	700	700	700	700	700	700	700	700	700	700	1,340	1,027	1,027	1,027
Fringe benefits		51	44	44	44	34	57	57	57	54	57	57	57	83	142	142	142
Total		**751**	**744**	**744**	**744**	**734**	**757**	**757**	**757**	**754**	**757**	**757**	**757**	**1,423**	**1,169**	**1,169**	**1,169**
One-year variable compensation	Performance bonus (cash)	680	680	–	1,360	630	630	–	1,260	630	630	–	1,260	1,250	955	–	1,911
Multiple-year variable compensation	8th installment LTI 2017 / 2018 – 2020 / 2021	–	1,098	–	2,625	–	993	–	2,375	–	993	–	2,375	–	1,598	–	3,822
	7th installment LTI 2016 / 2017 – 2019 / 2020	1,122	–	–	–	1,015	–	–	–	1,015	–	–	–	2,137	–	–	–
Total		**2,553**	**2,522**	**744**	**4,729**	**2,379**	**2,380**	**757**	**4,392**	**2,399**	**2,380**	**757**	**4,392**	**4,810**	**3,722**	**1,169**	**6,902**
Service costs in accordance with IFRS [2]		716	610	610	610	1,198	924	924	924	291	280	280	280	2,254	1,543	1,543	1,543
Total		**3,269**	**3,132**	**1,354**	**5,339**	**3,577**	**3,304**	**1,681**	**5,316**	**2,690**	**2,660**	**1,037**	**4,672**	**7,064**	**5,265**	**2,712**	**8,445**

[1] In addition to the individual caps stated in the "Maximum" column, total annual compensation is limited to €9.0 million for the Executive Board chairman and €4.5 million for the ordinary Executive Board members.

[2] To apply the compensation caps and improve the comparability of the defined benefit plans and defined contribution pension plans as well as comparability with the prior-year figures, the service cost in accordance with IFRS shown for Guido Kerkhoff and Dr. Heinrich Hiesinger is prorated in line with the Executive Board work performed in the fiscal year. To take account of the vested contractual pension rights of the Executive Board members further provisions were recognized for Guido Kerkhoff and Dr. Heinrich Hiesinger in the past. Taking these provisions into account and without proration, the service costs come to the amounts shown in the table below "Executive Board pension provisions 2017 / 2018".

GCGC-TABLE 2: EXECUTIVE BOARD COMPENSATION 2017 / 2018 (ALLOCATIONS)

		Guido Kerkhoff		Oliver Burkhard		Dr. Donatus Kaufmann		Dr. Heinrich Hiesinger	
		Chairman of the Executive board since July 13, 2018		Ordinary member of the executive board since February 01, 2013		Ordinary member of the executive board since February 01, 2014		Chairman of the Executive board until July 06, 2018	
all figures in €000s		2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018
Fixed compensation		700	700	700	700	700	700	1,340	1,027
Fringe benefits		51	44	34	57	54	57	83	142
Total		**751**	**744**	**734**	**757**	**754**	**757**	**1,423**	**1,169**
One-year variable compensation	Performance bonus (cash)	625	484	579	448	579	448	1,149	556
Multiple-year variable compensation	Performance bonus in stock rights 2013 / 2014 – 2016 / 2017	321	–	321	–	214	–	642	–
	Additional bonus in stock rights 2013 / 2014 – 2016 / 2017	269	–	269	–	179	–	538	–
	5th installment LTI 2014 / 2015 – 2017 / 2018	–	690	–	690	–	690	–	1,307
	4th installment LTI 2013 / 2014 – 2016 / 2017	1,120	–	1,120	–	746	–	2,239	–
Total		**3,086**	**1,918**	**3,023**	**1,895**	**2,472**	**1,895**	**5,991**	**3,032**
Service costs in accordance with IFRS [1]		716	610	1,198	924	291	280	2,254	1,543
Total		**3,802**	**2,528**	**4,221**	**2,819**	**2,763**	**2,175**	**8,245**	**4,575**

[1] See footnote 2 to GCGC Table 1.

Stock-based Executive Board compensation 2017 / 2018

In January 2018 the Executive Board members were granted new virtual shares from the 8th installment of the LTI. In total the Executive Board members now possess 687,658 virtual shares granted but not yet payable from the 6th to 8th installments of the LTI.

STOCK-BASED EXECUTIVE BOARD COMPENSATION 2017 / 2018

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

		Guido Kerkhoff		Oliver Burkhard		Dr. Donatus Kaufmann		Dr. Heinrich Hiesinger	
		Chairman of the Executive board since July 13, 2018		Ordinary member of the executive board since February 01, 2013		Ordinary member of the executive board since February 01, 2014		Chairman of the Executive board until July 06, 2018	
		2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018
Number of stock rights granted	LTI 2017 / 2018 – 2020 / 2021	–	45,259	–	40,948	–	40,948	–	65,895
	LTI 2016 / 2017 – 2019 / 2020	47,901	–	43,339	–	43,339	–	91,241	–
Cost of stock-based compensation in fiscal year in €000s		1,304	748	1,187	656	1,138	656	2,495	860

EXECUTIVE BOARD PENSION PROVISIONS 2017 / 2018

		Guido Kerkhoff [1]		Oliver Burkhard		Dr. Donatus Kaufmann		Dr. Heinrich Hiesinger [1]	
		Chairman of the Executive board since July 13, 2018		Ordinary member of the executive board since February 01, 2013		Ordinary member of the executive board since February 01, 2014		Chairman of the Executive board until July 06, 2018	
all figures in €000s		2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018
Figures in accordance with IFRS	Service costs	3	2	1,198	924	291	280	5	4
	Present value of the obligation	9,466	9,762	5,753	7,379	1,094	1,411	19,380	19,656
Figures in accordance with HGB	Service costs	1	1	513	547	256	262	3	3
	Present value of the obligation	5,848	6,495	3,367	4,657	1,003	1,327	13,762	14,756

[1] To apply the compensation caps and improve the comparability of the defined benefit plans and defined contribution pension plans as well as comparability with the prior-year figures, the service cost in accordance with IFRS shown for Guido Kerkhoff and Dr. Heinrich Hiesinger in the GCGC Tables 1 and 2 is prorated in line with the Executive Board work performed in the fiscal year. Under this approach the service cost is €610K (IFRS)/ €384K (HGB) (prior year: €716K [IFRS]/ €348K [HGB]) for Guido Kerkhoff and €1,543K (IFRS)/ €1,114K (HGB) (prior year: €2,254K [IFRS]/ €1,349K [HGB]) for Dr. Heinrich Hiesinger. The present values of the obligations at September 30, 2018 are then €4,681K (IFRS)/ €3,106K (HGB) (prior year: €3,970K [IFRS]/ €2,459K [HGB]) for Guido Kerkhoff and €16,401K (IFRS)/ €12,213K (HGB) (prior year: €14,267K [IFRS]/ €10,134K [HGB]) for Dr. Heinrich Hiesinger.

Benefits in connection with the ending of Executive Board service

Effective July 6, 2018 Dr. Heinrich Hiesinger's position as chairman and member of the Executive Board of thyssenkrupp AG was ended by mutual agreement. Based on his service contract, which was due to expire at the end of September 2020, Dr. Heinrich Hiesinger received a severance payment of €4,555,250. As provided for in the service contract a cap of two years' compensation (fixed salary and bonus) served as the basis for agreeing the amount of the severance payment. The severance payment is therefore in line with the recommendations of the GCGC. Dr. Heinrich Hiesinger will receive the compensation for fiscal year 2017 / 2018 (fixed compensation, fringe benefits, bonus and 8th installment LTI) on a pro rata basis. In accordance with the GCGC, the stock rights (virtual shares) of LTI installments 6 and 7 granted in previous years continue to apply in full and will be settled at the regular end of the plan. The retirement benefits are vested and can be claimed in full from October 1, 2020.

None of the Executive Board members have been promised benefits beyond those stated in the event that they end their employment relationship.

Compensation paid to former Executive Board members

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €19.0 million for fiscal year 2017 / 2018 (prior year: €14.5 million). For pension obligations benefiting former members of the Executive Board and their surviving dependants, €279.8 million (prior year: €270.1 million) was accrued in the financial statements under IFRS and €223.1 million (prior year: €208.2 million) in the financial statements under German GAAP (HGB).

Adjusted compensation for Guido Kerkhoff and Oliver Burkhard from fiscal year 2018 / 2019

In its meeting on September 30, 2018 the Supervisory Board prematurely extended the Executive Board appointments of Guido Kerkhoff and Oliver Burkhard for a further five years until September 30, 2023 and confirmed Guido Kerkhoff permanently as Executive Board chairman. In connection with these reappointments the following adjustments to compensation from fiscal year 2018 / 2019 were resolved:

- From October 1, 2018 Guido Kerkhoff will receive fixed compensation of €1,340,000 per year, an annual target bonus of €1,250,000 and an LTI initial value of €2,000,000 per installment. His previous pension plan was terminated effective September 30, 2018, with the pension entitlement earned up to that point remaining intact. From the start of the new appointment period Guido Kerkhoff will receive a defined contribution plan with an annual pension contribution of €350,000; this pension will be paid in the form of a lump sum.

- From October 1, 2018 Oliver Burkhard will receive an annual target bonus of €680,000 and an LTI initial value of €1,050,000 per installment. The previous fixed compensation of €700,000 per year and the existing pension plan remain unchanged.

- New share ownership guidelines have been introduced: Guido Kerkhoff and Oliver Burkhard undertake in principle to purchase thyssenkrupp shares to the value of one year's fixed salary (Guido Kerkhoff) and half a year's fixed salary (Oliver Burkhard) within their appointment period and to keep them for a certain period, set by the Supervisory Board at its equitable discretion, during the term of their employment relationship.

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 memberships and chairs of committees. The other Supervisory Board members receive premiums for the chairs/memberships 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 €1.74 million (prior year: €1.68 million). This includes compensation paid to Supervisory Board members for directorships at Group companies in the amount of €60,965 (prior year: €55,618). The trade union affiliated employee representatives have declared they will pass their compensation to the Hans Böckler Foundation in accordance with the guidelines of the German Trade Union Confederation.

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

SUPERVISORY BOARD COMPENSATION 2017 / 2018

	Fixed compensation		Compensation for committee work		Meeting fee		Compensation from directorships within the group		Total remuneration	
all figures in €	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018	2016 / 2017	2017 / 2018
Prof. Dr. Bernhard Pellens (Chairman since September 30, 2018)	50,000	62,500	52,500	49,167	7,500	14,500	-	-	110,000	126,167
Prof. Dr. Ulrich Lehner (Chairman) (until July 31, 2018)	200,000	166,667	-[1]	-[1]	12,000	15,000	-	-	212,000	181,667
Markus Grolms (Vice Chairman)	150,000	150,000	-[1]	-[1]	11,000	17,500	-	-	161,000	167,500
Prof. Dr. Dr. h. c. Ursula Gather (since January 19, 2018)	-	37,500	-	14,167	-	7,000	-	-	-	58,667
Achim Hass	33,333	50,000	-	-	1,500	4,500	12,613	21,550	47,446	76,050
Dr. Ingrid Hengster	50,000	50,000	-	-	2,500	5,000	-	-	52,500	55,000
Susanne Herberger	50,000	50,000	12,500	12,500	5,000	7,000	16,000	16,000	83,500	85,500
Tanja Jacquemin	50,000	50,000	20,000	20,000	4,500	6,000	-	-	74,500	76,000
Prof. Dr. Hans-Peter Keitel	50,000	50,000	50,000	50,000	7,500	16,000	-	-	107,500	116,000
Ernst-August Kiel (until January 31, 2017)	16,667	-	-	-	1,000	-	5,305	-	22,972	-
Dr. Norbert Kluge	50,000	50,000	-	-	2,500	5,000	-	-	52,500	55,000
Tekin Nasikkol	50,000	50,000	-	-	2,500	5,000	-	1,315	52,500	56,315
Dr. Ralf Nentwig (until January 19, 2018)	50,000	16,667	32,500	10,833	7,000	3,000	-	-	89,500	30,500
René Obermann (until August 31, 2018)	50,000	45,833	-	-	2,500	3,500	-	-	52,500	49,333
Peter Remmler	50,000	50,000	12,500	12,500	5,000	7,500	16,250	16,500	83,750	86,500
Carola v. Schmettow	50,000	50,000	-	6,250	2,500	9,000	-	-	52,500	65,250
Wilhelm Segerath (until September 30, 2018)	50,000	50,000	57,500	57,500	11,000	17,500	-	-	118,500	125,000
Carsten Spohr	50,000	50,000	-	-	2,500	3,000	-	-	52,500	53,000
Dr. Lothar Steinebach	50,000	50,000	25,000	23,125	5,500	8,000	-	-	80,500	81,125
Jens Tischendorf	50,000	50,000	12,500	16,250	4,000	9,500	-	-	66,500	75,750
Friedrich Weber	50,000	50,000	-	-	2,500	5,000	5,450	5,600	57,950	60,600
Isolde Würz	50,000	50,000	-	-	2,500	5,000	-	-	52,500	55,000
Total	**1,250,000**	**1,229,167**	**275,000**	**272,292**	**102,500**	**173,500**	**55,618**	**60,965**	**1,683,118**	**1,735,923**

[1] Covered by fixed compensation in accordance with § 14 (3) of the Articles of Association

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

		2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017	2017 / 2018
Capital stock	million €	1,449	1,449	1,449	1,593	1,593
Number of shares (total)	million shares	565.9	565.9	565.9	622.5	622.5
Market capitalization end September	million €	11,754	8,873	12,008	15,613	13,534
Closing price end September	€	20.78	15.68	21.22	25.08	21.74
High	€	22.72	26.30	22.27	26.83	26.41
Low	€	16.60	15.25	12.84	19.77	18.86
Dividend per share	€	0.11	0.15	0.15	0.15	0.15[1]
Dividend yield	%	0.5	1.0	0.7	0.6	0.7
Dividend payout	million €	62	85	85	93	93[1]
Earnings per share (EPS)	€	0.38	0.55	0.52	(1.15)	0.01
Number of shares (outstanding[2])	million shares	557.1	565.9	565.9	566.3	622.5
Trading volume (daily average)	million shares	2.4	2.6	2.7	2.6	3.1

[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

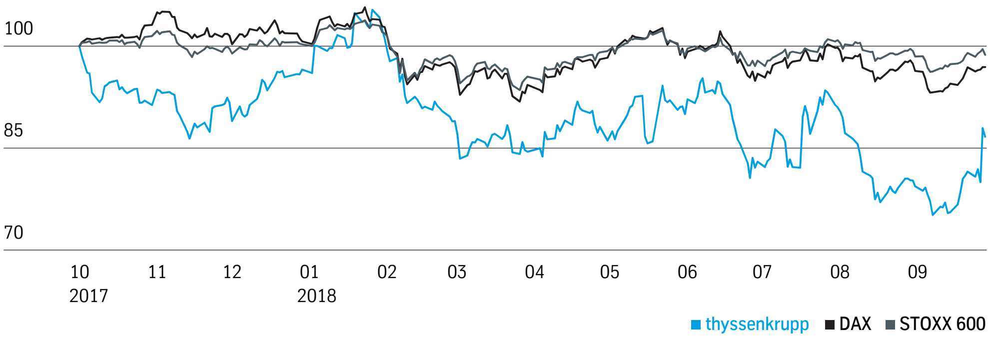
At the center of the dialogue between Investor Relations and the capital market is the Group's value proposition. The aim of our Investor Relations work is to provide financial indicators and other valuation-relevant facts fully, equally and promptly to all target groups. To ensure this, Investor Relations has a direct reporting line to the Executive Board. Together with the management – including management of the business areas – Investor Relations is in regular and intensive dialogue with capital market participants worldwide in roadshows and investor conferences, on Capital Market Day, in conference calls on the publication of interim and annual reports and whenever the situation demands. Venues, dates, presentations, audio and video recordings of conference calls and events as well as news on current developments in the Group can be found on the Investor Relations website.

Stock performance

In fiscal year 2017 / 2018 the performance of thyssenkrupp's stock was initially driven by further operating earnings improvements and strategic progress. The negotiations with Tata Steel on a joint venture of the European steel activities and the signing of the transaction at the end of June were important milestones in this context. These positive developments were overshadowed by protectionist measures of individual countries which had a negative impact on the entire global economy and also on the capital markets. Towards the end of the fiscal year thyssenkrupp's stock was unable to keep pace with the benchmark indexes, also due to the unexpected changes on the Executive Board and Supervisory Board. In the final days of the fiscal year the stock received a boost from the announcement of the separation of the Group.

PERFORMANCE OF THYSSENKRUPP STOCK RELATIVE TO DAX AND STOXX 600

Indexed, fiscal year 2017 / 2018



On January 26, 2018 thyssenkrupp's stock reached its fiscal year high at €26.41. At September 30, 2018 the stock stood at €21.74, down 13% from a year earlier; the DAX and STOXX 600 fell by only 3.1% and 1.3% respectively in the course of the fiscal year.

Shareholder structure

The capital stock of thyssenkrupp AG amounts to €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.

www.thyssenkrupp.com > Investors > Shares & ADRs > Shareholder structure

The biggest shareholder in thyssenkrupp AG is the Alfried Krupp von Bohlen und Halbach Foundation, Essen. The remaining shares are widely held internationally with focal points in North America and the UK. thyssenkrupp AG holds no treasury shares. The free float generally taken into account in the weighting of thyssenkrupp's stock in stock indexes accounts for approx. 79% of the capital stock. The share held by the Krupp Foundation is not included in the free float.

Dividend proposal of €0.15 per share

The Executive Board and Supervisory Board will propose to the Annual General Meeting on February 1, 2019 that a dividend of €0.15 per share be paid for the 2017 / 2018 fiscal year.

Investor Relations
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Email: ir@thyssenkrupp.com
www.thyssenkrupp.com > Investors

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. Based on the integrated reporting approach we have used for many years, the combined non-financial disclosures pursuant to § 289b HGB are included in the combined management report. An overview chart can be found in the section “Overview of non-financial disclosures”.

This report follows thyssenkrupp’s internal management model which continues to be based on the current structure of the business areas and thus on the full Group in its structure up to September 30, 2018 (Group without Steel Americas (AM)).

In addition, the continuing operations are presented, comprising the full Group without the discontinued steel operations; the latter include the Steel Europe business area, thyssenkrupp MillServices & Systems GmbH from the Materials Services business area, and individual Corporate companies.

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

Fundamental information about the Group

Profile and organizational structure

Profile and value proposition

We work with passion and expertise to develop high-quality products and intelligent industrial processes and services. We combine our engineering craftsmanship with traditionally strong materials capabilities. Together with our customers we want to develop competitive solutions to the challenges of the future in their individual sectors. Our aim is to promote efficient use of resources, produce consumer and capital goods in a more eco-friendly way, 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. 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

Organizational and management structure

Our business operations are organized in five business areas: Components Technology, Elevator Technology, Industrial Solutions, Materials Services, and the discontinued operation Steel Europe. The business areas are divided into business units and operating units. In 78 countries, 449 companies and 23 investments accounted for by the equity method are included in the consolidated financial statements.

78

Companies in 78 countries are included in the consolidated financial statements

THYSSENKRUPP GROUP

Corporate headquarters

thyssenkrupp AG

Business areas

Components Technology	Elevator Technology	Industrial Solutions	Materials Services	Steel Europe [1]
Sales €7.9 billion **Adjusted EBIT €197 million**	**Sales €7.6 billion** **Adjusted EBIT €866 million**	**Sales €5.0 billion** **Adjusted EBIT €-255 million**	**Sales €14.7 billion** **Adjusted EBIT €317 million**	**Sales €9.5 billion** **Adjusted EBIT €687 million**
▪ Development and manufacture of high-tech components for the automotive industry, wind turbines, and the engineering sector worldwide	▪ Development, production, installation, maintenance and modernization of passenger and freight elevators, escalators and moving walks, passenger boarding bridges, stair and platform lifts	▪ Construction of plants for the chemical, cement and minerals industries ▪ Development of automated production systems for the auto industry ▪ Construction of non-nuclear naval submarines and ships [2]	▪ Global materials distribution ▪ Custom services such as quality management, logistics services and supply chain solutions ▪ Stainless steel production	▪ Production of flat-rolled carbon steel for the auto industry and other sectors

[1] Discontinued operation
[2] From October 1, 2018 separated and managed by thyssenkrupp AG

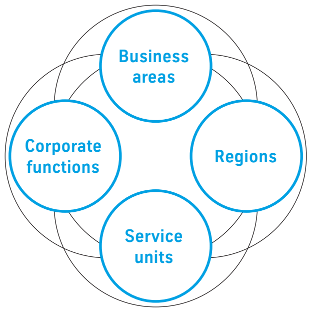
Since the joint venture agreement to combine the European steel activities in the 50 / 50 joint venture with Tata Steel was signed at the end of June 2018, the Steel Europe business area, thyssenkrupp MillServices & Systems GmbH from the Materials Services business area, and individual companies from Corporate have been reported as discontinued operations. Further details on how this is accounted for in the consolidated financial statements and on the joint venture can be found in the sections “Preliminary remarks” and “Strategy”. In connection with the realignment of the Industrial Solutions business area, the Marine Systems business was separated at October 1, 2018 and is now directly managed by thyssenkrupp AG. This will allow Industrial Solutions to concentrate on the transformation process in plant engineering and the associated restructuring measures.

As part of its strategic realignment, thyssenkrupp AG resolved on September 30, 2018 to separate the Group into two independent, listed companies. The exact structure will be worked out in a carefully considered process in consultation with the employee representatives. The separation must then be decided by the Annual General Meeting of thyssenkrupp AG. This could take place in 12 to 18 months from the September 2018 announcement. More information is provided in the next section "Strategy".

The Group is led strategically by thyssenkrupp AG. 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 in Essen via the various corporate functions.

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 selected 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 accounting, IT, real estate service; HR, purchasing, and project-related sub-processes. Alongside the two German locations in Essen and Bochum we also operate service centers in Gdansk (Poland), Porto Alegre (Brazil), and Thane (India). Further centers are currently being established in the North America and Asia/Pacific regions.

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

www.thyssenkrupp.com > Company > Strategy

Strategy

Strategic realignment

The 2017 / 2018 fiscal year was a year of major strategic decisions for thyssenkrupp. At the end of June we signed an agreement with Tata Steel to combine our European steel activities in a 50 / 50 joint venture. We expect several clear advantages from the joint venture:

- For our steel businesses we are creating a sustainable future in a challenging market environment.
- For the Group, key balance sheet ratios – particularly equity ratio and capital employed – will improve significantly with the launch of the joint venture; at the same time the transfer of pension obligations from existing or former steel activities will almost halve the Group's pension provisions.
- The remaining businesses will gain more latitude to act flexibly and seize growth opportunities.

With the joint venture agreement we created the conditions to evolve the strategy the Group has pursued since 2011. On September 30, 2018, thyssenkrupp AG decided to divide the Group into two separate and much more focused companies: The capital goods and materials businesses are to be managed in the future as independent, listed companies with direct access to the capital markets. The separation combines industrial logic with the requirements of the capital market. The Executive Board is convinced that this new structure will allow the businesses to develop better and concentrate on their strengths. Both companies will continue to use the name thyssenkrupp, but will evolve their strategies separately and independently of each other.

- thyssenkrupp Industrials will consist of three units: the elevator business, the automotive components business, and plant engineering. Elevator Technology will remain unchanged in its current configuration. Components Technology will be focused on the automotive business. As materials-related activities, the Bearings and Forged Technologies units will be transferred to thyssenkrupp Materials. A new addition is System Engineering, which develops for example production lines for cars and is currently part of Industrial Solutions. This means our automotive expertise will be concentrated in one area. The third pillar of our industrials business will be focused plant engineering. thyssenkrupp Industrials will then be a pure capital goods company. Its globally positioned businesses will have attractive growth opportunities from megatrends such as urbanization, globalization, and digitization. We want to profit from this with our engineering expertise, service know-how, and digital innovations.
- thyssenkrupp Materials will consist of the following units: Materials Services, the 50% interest in the future steel joint venture, Bearings, Forged Technologies, and Marine Systems. The result will be a materials group that combines steel and stainless steel production, materials distribution, and steel-related processing. In materials distribution and steel we hold leading market positions in Europe; in forgings, bearings, and naval shipbuilding we are among the leading suppliers worldwide. The new setup will allow us to expand these market positions and take advantage of consolidation opportunities from a position of strength.

The separation into two companies will take the form of a spin-off. After the separation, thyssenkrupp AG shareholders will hold shares in two companies: thyssenkrupp Materials AG (formerly thyssenkrupp AG) and thyssenkrupp Industrials AG. Existing shareholders will continue to hold 100% of thyssenkrupp Materials AG, and initially a clear majority of thyssenkrupp Industrials AG. The remaining interest will initially be held by thyssenkrupp Materials AG and will serve to strengthen thyssenkrupp Materials AG's capital base. This will give both companies a good start.

Regardless of the planned separation, thyssenkrupp will carry on working continuously to improve the performance of all its businesses. The initiatives and measures to achieve this are combined in our Groupwide efficiency program "impact". The growth and profitability targets issued for the individual business areas at the beginning of August 2018 remain valid and are to be achieved by the end of the 2020 / 2021 fiscal year (see section "Targets"). We are also adhering to the savings program for general and administrative costs we initiated in the 2016 / 2017 fiscal year. Successes are already being seen in particular at the Group's headquarters, where costs were reduced by over €158 million to €377 million in the reporting year. Further significant savings are targeted by the end of fiscal 2020 / 2021.

€890 million

With savings of €890 million, the 2017 / 2018 "impact" target of €750 million was again clearly exceeded.

Business opportunities

Business opportunities are arising for thyssenkrupp from global mega 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 mega trends that require more and better solutions.

BUSINESS OPPORTUNITIES FOR THYSSENKRUPP

Meeting demand for **“more”**

Demography
More consumer and capital goods

Urbanization
More infrastructure and buildings

Globalization
More resources and energy use

Digitization
More digital value creation

through **leading engineering expertise**

in a **“better”** way.

Climate change
Reduced CO_2 emissions, renewable energies

Finite resources
Efficient resource and energy use, alternative energies

Regulatory and political
Compliant products and services

Increasing connectivity
Intelligent products and holistic solutions

We use our engineering expertise and materials capabilities to develop tailored technological and competitive 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, industrial processes, materials, and services, both in industrialized countries and in emerging markets. A key role is played by our brand and our brand promise summed up in our slogan “engineering.tomorrow.together.”

More information on the business opportunities of our business areas can be found in the “Opportunity and risk report” section, subsection “Operational opportunities of the business areas”.

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 +/– operational components of financial income	**EBIT** +/– cost of capital	**Operating cash flow** +/– cash flows from investing activities
EBIT +/– special items	**tkVA**	**Free cash flow** +/– 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

Financial targets

Our goal is to increase the efficiency of all our business areas in order to generate stable positive value added and cash flow for the Group. To crystallize our vision, we have for the first time set a clear timeline for our financial targets. With our growth and earnings targets, the individual business areas and our share in the planned steel joint venture are aiming to achieve total free cash flow before M & A of at least €1 billion in the 2020 / 2021 fiscal year. The targets for the business areas and for Corporate are derived from comparisons with best-in-class peers and in their current configuration and taking into account the reclassification of Marine Systems are as follows:

≥ €1 billion

free cash flow before M & A by 2020 / 2021 is our minimum requirement.

- **Components Technology –** Annual sales growth in mid single-digit percentage range through successful ramp-up of new plants and production lines for steering systems; increase in adjusted EBIT margin to over 7%

- **Elevator Technology –** Annual sales growth in low to mid single-digit percentage range as well as efficiency and restructuring measures to increase EBIT contribution to more than €1 billion with an EBIT margin of over 13% (long-term target 15%)
- **Industrial Solutions (without Marine Systems) –** Return to an adjusted EBIT margin of around 6% through refocusing of the division on smaller and medium-size orders as well as growth in high-margin service business
- **Marine Systems –** Return to at least a positive adjusted EBIT margin through better project execution and continuation of the transformation process already underway
- **Materials Services –** Improvement in adjusted EBIT margin to around 3% through continuation of the digitization initiatives with efficiency gains throughout the value chain; at the same time reduction in general and administrative costs
- **Corporate –** Reduction of costs to clearly below €400 million
- **Steel Europe (discontinued operation) –** Ramp-up of the dividend from the joint venture with Tata Steel to a low to mid three-digit million € amount through rigorous implementation of the synergy plan; until the closing of the steel joint venture, positive contribution to adjusted EBIT and normal seasonal build-up of net working capital weighing on free cash flow

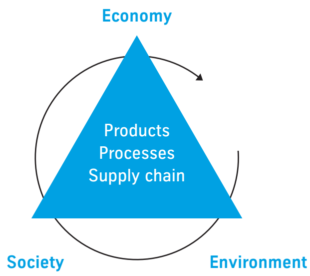
We expect further progress will again be reflected positively in our key performance indicators in fiscal 2018 / 2019. Sales and earnings in large parts of our materials and components businesses may be subject to short-term fluctuations. Nevertheless for our continuing operations we expect a strong improvement in adjusted EBIT and free cash flow before M & A as well as positive tkVA for the Group.

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. In our strategic sustainability management we continuously identify the requirements of our stakeholders and develop corresponding targets and measures to improve our performance. Sustainability activities in the Group are managed by the Sustainability Committee. It consists of the Group Executive Board, the CEOs of the business areas, and heads of various corporate functions, and decides on measures and on our Indirect Financial Targets (IFTs). Implementation is the responsibility of the corresponding departments and business units, who report regularly on their progress.

Our understanding of sustainability



Indirect Financial Targets to secure continuous improvement

The Sustainability Committee has set Indirect Financial Targets in the areas technology and innovations, environment, climate, energy, purchasing and people. Progress towards these targets is factored into variable compensation for the Group Executive Board and business area boards via the sustainability multiplier (more information can be found in the compensation report). In the reporting year most of the Indirect Financial Targets were achieved or are on track to being met.

OVERVIEW OF INDIRECT FINANCIAL TARGETS

Group overall		Sept. 30, 2017	Sept. 30, 2018	Change	Section
Annual energy efficiency gains of 150 GWh in 2017 / 2018	GWh	330	253	-	Environment, energy, climate
100% of relevant activities covered by ISO 50001 energy management system by 2019 / 2020	%	66	83	+ 17% points	Environment, energy, climate
100% of relevant activities covered by ISO 14001 environmental management system by 2019 / 2020	%	85	91	+6% points	Environment, energy, climate
Sustainable adjusted R&D intensity of around 2.5%	%	2.7	2.5	(0.2) % points	Technology and Innovations
15% share of women in leadership positions by 2019 / 2020	%	11.6	12	+0.4% 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	3.1	3.0	(3.3)%	Employees
100 supplier sustainability audits each year	#	161	173	+12	Purchasing

A new target has been adopted for energy efficiency: in the 2018 / 2019 fiscal year energy efficiency gains of 100 GWh are to be achieved (continuing operations only). The R&D intensity target was also adjusted: the new adjusted R&D intensity target is 3.0% (continuing operations only).

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

Report on the economic position

Macro and sector environment

Global economic growth continues, but momentum has peaked

After a moderate start, global economic growth initially strengthened this year, but momentum now appears to have peaked. After increasing clearly by 3.6% in 2017, global GDP is expected to show slightly weaker growth of 3.5% in 2018. For the coming year a further slowdown to 3.3% is forecast. At the same time regional differences increased against the prior year. With continuing relatively expansionary monetary policy, the average growth rate in the industrialized countries is expected to be 2.3% in 2018 and 2.0% in 2019, while in the emerging markets economic output should increase by 4.5% (2018) and 4.4% (2019).

3.5%

The global economy is expected to grow at a rate of 3.5% in 2018 before slowing slightly in 2019.

The global growth outlook remains marked by major uncertainty. Current risk factors mainly result from geopolitical imponderables: it is unclear how the numerous flashpoints will unfold or whether the trade conflicts will escalate further. The planned normalization of monetary policy could stifle global economic growth. A sharper slowdown in China could also have a dampening effect. Dependent on the price situation for oil and raw materials, the economy in numerous raw materials exporting countries remains fragile. The political uncertainties in the euro zone have also increased, especially with the change of government in Italy. 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 European Union. Recently the currency crisis in Turkey and other emerging economies has stoked fears of instabilities on the international financial markets, especially with the mushrooming of some countries' foreign debts due to high trade deficits in recent years.

Economic activity in the euro zone noticeably lost momentum recently. After quarter-on-quarter growth of 0.4% in each of the first two quarters of 2018, provisional figures for the 3rd quarter of the current year indicate a growth rate of only 0.2%. The impending trade conflict with the USA weighed above all on exports. While leading indicators point to continued economic growth in the euro zone, the exceptionally strong momentum of the prior year will not be repeated. Overall we anticipate economic growth rates in the euro zone of 2.1% in 2018 and 1.7% in 2019.

In the 2nd quarter of this year German GDP showed quarter-on-quarter growth of 0.5%, up from 0.4% in the 1st quarter. The main reason was strong consumer spending. Exports also increased, but not as steeply as imports so the net trade balance dampened GDP growth. Capital spending was moderately higher. In the coming quarters the German economy is expected to show significantly lower growth, and according to provisional data even contracted slightly in the 3rd quarter. As a result overall economic output is forecast to increase by around 1.8% in 2018. With the slowdown in the global economy, we expect growth to weaken again to 1.6% in the coming year.

Growth in 2018 bolstered by consumer spending and investment activity

The US economy remained robust. After a weak start to the year, output picked up considerably in the 2nd quarter. With employment and incomes rising, consumer spending remains buoyant. On the back of the tax reform which came into effect at the start of the year, brisk investment activity additionally fueled expansion. However, the economic momentum is expected to peak this year and then gradually weaken as interest rates rise and fiscal stimulus diminishes. Overall the US economy is expected to expand by 2.9% in 2018 and 2.5% in 2019.

After 6.9% growth last year, economic growth in China is expected to slow to 6.6% in 2018; for 2019 a further decline in the growth rate to 6.2% is forecast. The background is the government's intention to curb risks such as high corporate debt and the property market bubble. There are also plans to accelerate the structural change towards higher value-added industries and services.

India’s economy has been expanding strongly to date, aided by buoyant consumer spending and increased investment activity. However, the outlook has deteriorated slightly as uncertainty on the global financial markets is making financing conditions less favorable. Overall Indian GDP growth is expected to be strong at 7.2% in 2018, slowing slightly to 7.1% in 2019.

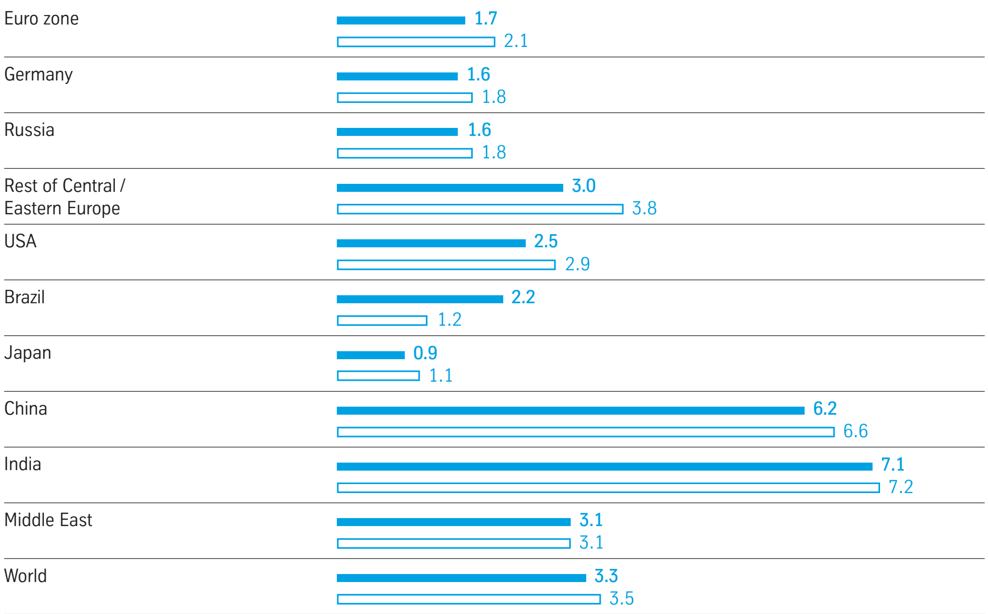
In Brazil the economy was near stagnation in the first two quarters of 2018. Among other things the political situation and uncertainty regarding the future course of the new government are weighing on the economy. For 2018 as a whole we therefore expect weak growth of just 1.2%, and for 2019 a moderate 2.2% rise in GDP.

Russia’s economic upturn continues, but cannot develop any real momentum. The current investor withdrawal from the emerging markets and the announcement of further US sanctions are inhibiting growth. After 1.8% this year, slightly slower growth of 1.6% is expected in 2019.

GROSS DOMESTIC PRODUCT

Real change compared with previous year in %

□ 2018 [1] ■ 2019 [1]



[1] Forecast

Uncertainties mark trend in industrial activity

Automotive – Growth in global car and light truck production will slow in 2018 and 2019. Output is expected to increase by only 0.5% to 92.7 million units in 2018, and by less than 2% to 94.3 million units in 2019. The global markets continue to show a mixed picture: For the world's biggest producer China, a slowdown in the second half has led to an unexpected forecast of stagnation for the full-year 2018. For 2019 moderate growth of almost 3% to 28.6 million units is expected, significantly lower than the growth rates of previous years. In Western Europe the introduction of new emission standards led to unforeseen pull-forward effects in the first half of 2018. However, with the opposite effect anticipated for the second half of 2018, a 1.6% decline in vehicle production is predicted overall for 2018. For 2019 stagnation is currently forecast for the Western European market. From the weak prior year, German auto production is expected to decrease by a further 5.8% in 2018 to no more than 5.4 million units. Observers currently anticipate sideways movement of the market in 2019. In the USA, where a drastic 8.5% fall in output was reported in 2017, the situation is expected to stabilize. Weak growth of 0.7% is forecast for 2018 and 0.8% for 2019. India's auto industry continues to expand strongly. With output expected to rise by 8.2% this year and by 5.4% in 2019, the 5 million unit milestone could soon be passed. After bottoming out in 2016, auto production in Brazil bounced back, rising by roughly 26% in 2017. Growth of 8.7% is forecast for 2018 and 3.6% for 2019. This would see an increase in output to over 2.9 million units in 2019, around 85% of the record production level of 2013.

92.7 million

Global car and light truck production to reach around 92.7 million units in 2018.

IMPORTANT SALES MARKETS

	2017	2018[1]	2019[1]
Vehicle production, million cars and light trucks			
World	92.2	92.7	94.3
Western Europe (incl. Germany)	14.7	14.5	14.5
Germany	5.7	5.4	5.4
USA	10.9	11.0	11.1
Mexico	3.9	4.0	4.0
Japan	9.2	9.2	9.2
China	27.7	27.7	28.6
India	4.4	4.7	5.0
Brazil	2.6	2.8	2.9
Machinery production, real, in % versus prior year			
Germany	3.9	4.5	2.1
USA	7.2	3.7	3.1
Japan	8.2	4.9	1.5
China	11.0	8.8	4.0
Construction output, real, in % versus prior year			
Germany	3.2	2.9	2.8
USA	0.7	3.0	2.1
China	4.4	4.8	4.2
India	1.9	8.8	7.5

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

Global machinery production growth will slow noticeably in the coming year

Machinery – The global machinery sector will expand in 2018. However, in the coming year production growth will slow noticeably due mainly to a loss of momentum on the capital goods markets. In China for example the pace of expansion in 2018 will be only slightly down from the year before at around 9%, but is expected to fall to just 4% in 2019 with the general economic slowdown. After a strong prior year, the US machinery sector is expected to report solid production growth of 3.7% in 2018 on the back of increased capital investment. For 2019 we anticipate slightly lower growth. In Europe, too, a steep rise in machinery production in 2017 will be followed by more moderate growth of just over 4% in the current year; in 2019 the pace of expansion will drop to around 2% as a result of the global economic slowdown.

The German machinery sector reported robust 3.9% production growth in 2017, with order growth even higher at 8%. In the period to September 2018 order intake was up 6% year-on-year, reflecting a 9% rise in domestic orders and 5% higher exports. At 91%, capacity utilization exceeded the record level of 2009. In view of the stable order situation – a result of generally brisk investment activity – production is expected to increase by 4.5% this year. However, with rising protectionist measures and increased trade conflicts, significantly weaker growth of around 2% is forecast for 2019.

Construction – Construction activity in the euro zone is expected to grow by 3.3% in 2018 and 2.6% in 2019. After increasing by 3.2% last year, German construction output is up year-on-year by 2.8% in 2018 to date. For the foreseeable future, housing construction should continue to profit from numerous factors, above all sustained demand for rented homes in metropolitan areas, the solid labor market, and continuing low mortgage rates. Public sector construction too should increase further due to the strong cash reserves available to local authorities and higher investment in roads, railways and waterways. Overall construction output in Germany is expected to rise by around 3% in both 2018 and 2019. Increasingly, stronger growth is now being inhibited by capacity bottlenecks. After rising to around 5% in 2018, construction growth in China will fall again to around 4% next year on account of the government's efforts to cool the overheating property market, particularly in the big cities. The US real estate market shows a mixed picture, with no clear trend in building starts and building permits in recent months. However, house prices have increased year-on-year by around 6.5% (according to S&P Case-Shiller 20-City Composite Home Price Index). After a weak year in 2017, US construction output is forecast to grow by around 3% in 2018 and around 2% next year.

3.3%

Construction activity in the euro zone expected to grow by almost 3.3% in 2018.

Steel – With the global economy largely robust despite increasing geopolitical and foreign trade tensions and uncertainties, steel demand will rise again in 2018, though the pace of growth is expected to slow in the second half of the year. For the full year, there are signs that demand worldwide will increase by around 2% to around 1.66 billion tons of finished steel. Defying the forecasts at the start of the year, the steel market in China continues to expand, mainly thanks to the construction sector and its high steel consumption. Overall Chinese steel demand in real terms, adjusted for statistical effects, is expected to rise by 2%. Up to 2% growth in steel demand is also forecast for both the USA and EU, though demand for steel in Germany, which is already at a high level, will rise by no more than 1%. The steel markets in the emerging economies excluding China, in particular in India and the ASEAN states, are growing at above-average rates. By contrast, demand for steel is expected to stagnate in Japan and contract for the second year in succession in South Korea. In Turkey, too, there are now signs of a decrease in demand. Since mid-2018 the global steel markets have been increasingly impacted by exchange-rate and (trade) policy developments. Persistent structural overcapacities and increasing dislocations in international steel trade flows – a result of the US tariffs on steel imports – continue to weigh on the markets, particularly in Europe.

Global steel demand to grow by 2% to 1.66 billion tons in 2018.

In the first eight months of 2018 the flat carbon steel market in the EU grew by around 2% year-on-year, supported by continued solid growth in the steel-processing sectors, particularly the auto industry. For the European steel industry, which achieved slightly higher shipments, the competitive situation nevertheless remained challenging. While imports from China continued to fall due to the trade measures, there was an increase in imports to the EU from other countries – mainly Turkey and Russia, but also smaller, increasingly export-oriented countries. On average over the first eight months of 2018, total flat carbon steel imports from third countries to the EU exceeded the already high prior-year volume by around 2%. For the coming months at least no further increase in import pressure is expected because the provisional safeguard measures to prevent trade diversion into the EU as a consequence of the US tariff policy came into force in July. Prices for flat steel on the European spot markets have largely been firm in 2018 – with initial raw materials price increases, robust steel demand, and limited availability of competitively priced imports. After weakening in early summer – mainly due to uncertain market expectations – steel prices mostly recovered slightly in August and September.

With the global economic outlook deteriorating and significantly increased risks, growth in global steel demand is expected to slow to around 1% to 2% in 2019. The steel market in China will stagnate at a high level; for the other emerging economies we anticipate solid and above-average growth in demand, with India and the ASEAN states again showing the strongest expansion. In the industrialized countries, growth in steel demand will be subdued. In the USA we forecast growth of 1%, in the EU and in Germany roughly 2%. With continued overcapacities worldwide and rising protectionism, import pressure on the European steel market is likely to remain high.

Summarized assessment by the Executive Board

thyssenkrupp paves the way for new strategic setup

thyssenkrupp achieved an important milestone in the reporting year with the signing of the joint venture agreement to combine the European steel activities in the 50 / 50 joint venture thyssenkrupp Tata Steel. To now move the transformation of the Group further forward and help create a focused setup for the businesses, it was decided near the end of the fiscal year to separate the Group into thyssenkrupp Industrials AG and thyssenkrupp Materials AG. In the future the companies are to be managed as independent listed companies with direct access to the capital market. As well as reducing the complexity of the organization, the separation will enable the two companies, operating independently of each other, to respond to their respective customers and markets faster and more effectively and address investors with different interests. More information on our strategic restructuring can be found in the section "Fundamental information about the Group", subsection "Strategy".

Our targets for adjusted EBIT were not met.

In the reporting year our targets for adjusted EBIT were not met. In particular the inadequate order situation and additional project expenses at Industrial Solutions and provisions for quality issues at Components Technology weighed on earnings. Other factors at Components Technology were lower demand with strong price competition for wind turbine components, weaker productivity in springs and stabilizers, and a flatter start-up curve for new plants due to factors on the customer side. Significant adverse currency effects and the rise in material costs over the course of the year impacted both Components Technology and Elevator Technology. By contrast our materials businesses Materials Services and Steel Europe (discontinued operation) reported a clear earnings improvement overall, thanks mainly to continued stable and high prices on the material markets. However at Steel Europe (discontinued operation) production restrictions due to the low water levels on the Rhine and reduced shipments following the introduction of new emission standards (WLTP) in the auto industry weighed on earnings in the 4th quarter. Adjusted EBIT at Corporate improved significantly, mainly due to the faster than planned implementation of measures to reduce G&A costs. EBIT effects of €890 million were achieved across all businesses under our efficiency program "impact".

Net income was down sharply year-on-year, mainly reflecting the development of adjusted EBIT. In addition a provision for risks from a cartel case and valuation allowances for deferred tax assets on tax loss carryforwards in connection with the steel joint venture weighed on earnings, while net interest improved.

FCF before M & A improved clearly against the prior year but remained negative over the full year mainly due to low order intake and high expenditures on projects from orders in hand at Industrial Solutions. Strongly positive FCF before M & A in the 4th quarter was unable to offset this.

The Group's net financial debt at €2.4 billion was clearly higher than the prior-year figure (€2.0 billion), mainly reflecting the Group's negative FCF before M & A and the dividend payment.

The Group's equity amounted to €3.3 billion (prior year €3.4 billion). Above all the losses recognized in other comprehensive income from currency translation and from the remeasurement of pensions and similar obligations as well as dividend distributions outweighed the net income achieved in the reporting year.

At the balance-sheet date gearing was 72.2% (prior year: 57.5%). With cash and cash equivalents and undrawn committed credit lines totaling €6.6 billion (September 30, 2018) and a balanced maturity profile, thyssenkrupp remains solidly financed.

Performance profile improved

thyssenkrupp's performance profile improved in many areas. Components Technology continued its growth and regionalization strategy. However, the positive earnings trend over recent years could not be maintained due to the factors described above. However, with the investments made in recent years Components Technology has built a solid basis to drive further growth in the future; this should also be reflected in earnings. Elevator Technology continued its efficiency and restructuring measures and achieved important milestones in its growth strategy. However, negative currency effects and higher material prices in China are weighing on earnings and margin. At Industrial Solutions a comprehensive transformation program was initiated on top of the measures already underway aimed at further reducing costs and reversing the trend in order intake by focusing on smaller and medium-size orders. Materials Services continued work on initiatives for the digital transformation designed to increase productivity and efficiency throughout the supply chain. At Corporate the measures to reduce general and administrative costs are progressing faster than planned. Steel Europe (discontinued operation) increased its earnings and margin significantly thanks to higher average net selling prices, supported by efficiency measures. The signing of the joint venture agreement with Tata Steel will create a sustainable future and tackle the structural challenges facing the European steel industry.

The signing of the joint venture agreement will create a sustainable future for our steel business.

In view of what has been achieved we look forward to the new fiscal year with optimism and expect an increase in adjusted EBIT for our continuing operations.

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, the Group without Steel Americas (AM), and the continuing operations versus the prior year are shown in the following tables:

THYSSENKRUPP IN FIGURES

		Full Group[1]				Group without Steel Americas (AM)[1]			
		Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Change	in %	Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Change	in %
Order intake	million €	44,288	42,754	(1,534)	(3)	42,756	42,754	(3)	0
Net sales	million €	42,971	42,745	(226)	(1)	41,447	42,745	1,298	3
EBIT[2]	million €	687	1,045	358	52	1,150	1,045	(105)	(9)
EBIT margin	%	1.6	2.4	0.8	53	2.8	2.4	(0.3)	(12)
Adjusted EBIT[2]	million €	1,910	1,551	(359)	(19)	1,722	1,551	(171)	(10)
Adjusted EBIT margin	%	4.4	3.6	(0.8)	(18)	4.2	3.6	(0.5)	(13)
Income/(loss) before tax	million €	61	668	607	++	765	668	(97)	(13)
Net income/(loss) or earnings after tax	million €	(591)	60	650	++	271	60	(211)	(78)
attributable to thyssenkrupp AG's shareholders	million €	(649)	8	658	++	212	8	(204)	(96)
Earnings per share (EPS)	€	(1.15)	0.01	1.16	++	0.37	0.01	(0.36)	(96)
Operating cash flows	million €	610	1,184	575	94	483	1,184	701	145
Cash flow for investments	million €	(1,666)	(1,386)	280	17	(1,535)	(1,386)	149	10
Cash flow from divestments	million €	1,545	87	(1,458)	(94)	1,539	87	(1,452)	(94)
Free cash flow [3]	million €	489	(115)	(603)	--	487	(115)	(602)	--
Free cash flow before M & A [3]	million €	(798)	(134)	665	83	(855)	(134)	721	84
Net financial debt (Sept. 30)	million €	1,957	2,364	407	21				
Total equity (Sept. 30)	million €	3,404	3,274	(130)	(4)				
Gearing (Sept. 30)	%	57.5	72.2	14.7	26				
ROCE	%	4.1	6.6	2.5	61				
thyssenkrupp Value Added	million €	(651)	(217)	434	67				
Dividend per share	€	0.15	0.15[4]	—	—				
Dividend payout	million €	93	93[4]	—	—				
Employees (Sept. 30)		158,739	161,096	2,357	1				

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

THYSSENKRUPP IN FIGURES

		Group - continuing operations[1]			
		Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Change	in %
Order intake	million €	35,357	35,133	(224)	(1)
Net sales	million €	33,993	34,777	785	2
EBIT	million €	658	464	(194)	(29)
EBIT margin	%	1.9	1.3	(0.6)	(31)
Adjusted EBIT	million €	1,164	706	(459)	(39)
Adjusted EBIT margin	%	3.4	2.0	(1.4)	(41)
Income/(loss) before tax	million €	329	163	(165)	(50)
Income/(loss) (net of tax)	million €	12	(198)	(210)	--
attributable to thyssenkrupp AG's shareholders	million €	(39)	(245)	(206)	--
Earnings per share (EPS)	€	(0.07)	(0.39)	(0.33)	--
Operating cash flows	million €	27	185	157	++
Cash flow for investments	million €	(959)	(935)	24	2
Cash flow from divestments	million €	1,511	66	(1,445)	(96)
Free cash flow[2]	million €	579	(684)	(1,264)	--
Free cash flow before M & A[2]	million €	(763)	(678)	84	11
Employees (Sept. 30)		129,441	131,606	2,165	2

[1] See preliminary remarks.
[2] See reconciliation in the analysis of the statement of cash flows.

Forecast-actual comparison

Adjusted EBIT, FCF before M & A and net income were lower than planned.

The targets set at the start of the reporting year for the key performance indicators adjusted EBIT and free cash flow before M & A and the target for net income were not met. The target for the key performance indicator thyssenkrupp Value Added (tkVA) was met.

The main reason we missed our target for adjusted EBIT were additional project expenses at Industrial Solutions in the 3rd quarter. In addition, due to the unsatisfactory order situation, sales at Industrial Solutions were lower than expected, which resulted in underutilization and corresponding pressure on earnings. Accordingly, in the 9-month report we lowered our adjusted EBIT target to the bottom end of the target range forecast at the start of the fiscal year. This also reflects significant exchange-rate effects not included in our assumptions and higher than anticipated material costs at Components Technology and Elevator Technology. Other factors at Components Technology were lower demand with strong price competition for wind turbine components, weaker productivity in springs and stabilizers, and a flatter start-up curve for our new plants due to factors on the customer side. At the same time Materials Services and Steel Europe (discontinued operation) performed better than expected, mainly as a result of continued stable and high prices on the material markets. However, we were unable to meet the target formulated in the 9-month report owing to provisions for quality issues at Components Technology. Also production restrictions due to the low water levels on the Rhine and reduced shipments following the introduction of new emission standards (WLTP) in the auto industry weighed on earnings at Steel Europe (discontinued operation). Earnings at Elevator Technology were also lower than planned due to persistent cost pressure.

Our corporate program again made a major contribution to earnings: The "impact" target of reducing costs by €750 million that we set for 2017 / 2018 at the beginning of the fiscal year was again substantially exceeded with savings of €890 million.

The Group's business performance was again strongly supported by our corporate program "impact"

Our target of achieving a clear increase in net income was not met mainly due to the development of adjusted EBIT. In addition a provision for risks from a cartel case and write-downs of deferred tax assets on loss carryforwards in connection with the steel joint venture weighed on earnings.

The target set at the start of the fiscal year of generating positive free cash flow before M & A (FCF before M & A) was not achieved. This was mainly due to the situation at Industrial Solutions – lower than expected order intake and high expenditures on projects from orders in hand. The updated forecast for FCF before M & A given in the 9-month report was achieved.

The tkVA of the Group increased clearly but remained negative. The year-on-year improvement resulted mainly from the absence of the negative tkVA contribution from the sold Steel Americas business area and higher contributions from Elevator Technology and Materials Services.

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 2017 / 2018:

FORECAST AND ACTUAL RESULTS FOR FISCAL YEAR 2017 / 2018

	Forecast in annual report 2016 / 2017	Update in interim report 1st half 2017 / 2018	Update in interim report 9 months 2017 / 2018	Actual fiscal year 2017 / 2018
Group sales	**Growth in low to mid single-digit percentage range**		Increase in low single-digit percentage range	**+ 3% On comparable basis: +5%**
Components Technology	Growth in mid to high single-digit percentage range	Growth in mid single-digit percentage range		+4% On comparable basis: +8%
Elevator Technology	Growth in low to mid single-digit percentage range	At prior-year level	Slightly lower year-on-year	(2)% On comparable basis: +4%
Industrial Solutions	Increase in almost double-digit percentage range	At prior-year level	Slightly lower year-on-year	(9)% On comparable basis: (10%)
Materials Services				+7% On comparable basis: +9%
Steel Europe (discontinued operation)				+6% On comparable basis: +7%
Adjusted EBIT (Group)	**€1.8 – €2.0 billion**		Around €1.8 billion	**Year-on-year decline by €171 million to €1,551 million**
Components Technology	Improvement from increase in sales and margin	Margin at prior-year level	Adjusted EBIT lower year-on-year; before exchange-rate effects and increased material costs higher year-on-year	Decline by €180 million to €197 million
Elevator Technology	Improvement from increase in sales and margin by 0.5 to 0.7 percentage points	Margin at prior-year level or higher	Adjusted EBIT and margin slightly lower year-on-year; on comparable basis higher year-on-year	Decline by €56 million to €866 million with 0.5 percentage point decline in margin to 11.5%
Industrial Solutions	Clear improvement; improvement in margin but noticeably below target range	Significant earnings increase over 2nd half	Adjusted EBIT clearly negative	Decline by €366 million to €(255) million with decline in margin to (5.1)%
Materials Services	Slight decline versus prior year		Close to prior-year figure	Improvement by €5 million to €317 million
Steel Europe (discontinued operation)	Subject to limited visibility, at prior-year level; assuming prices remain stable at a high level, higher than prior year	Assuming continued stable and high prices, clearly higher year-on-year	Clearly higher year-on-year, also absence of amortization and depreciation	Improvement by €140 million to €687 million
Net income (Group)	**Significant increase**			**Decline by €211 million to €60 million**
tkVA (Group)	**Significant improvement**			**Increase by €434 million to €(217) million**
FCF before M & A (Group)	**Positive**		Negative	**Improvement by €721 million to €(134) million**
Investments (Group)	**Around €1.5 billion**			**Decline by €149 million to €1,386 million**

Group review

Course of business

Slight growth in sales with stable orders in hand, adjusted EBIT down sharply year-on-year

Order intake matched the high prior-year level. While Components Technology achieved a new record, the weak market environment at Industrial Solutions and associated absence of major orders had a negative impact. The Group's sales increased year-on-year by 3%, with the strong, mainly price-related, increase in sales of the materials businesses outweighing the decline in sales at Industrial Solutions. Adjusted EBIT was down sharply year-on-year, mainly due to additional expenses at Industrial Solutions in connection with a major project review and revaluation of individual projects, and provisions for quality issues at Components Technology. Support was provided by EBIT effects from cost reductions and efficiency gains in the amount of €890 million from the corporate program "impact". Of this around €700 million related to the continuing operations.

ORDER INTAKE BY BUSINESS AREA

million €	2016 / 2017	2017 / 2018	Change in %	Change on a comparable basis[1] in %
Components Technology	7,674	7,861	2	6
Elevator Technology	7,834	7,853	0	5
Industrial Solutions	6,490	5,188	(20)	(21)
Materials Services	13,760	14,544	6	8
Steel Europe	8,969	9,157	2	3
Corporate	287	190	(34)	(34)
Consolidation	(2,257)	(2,040)	—	—
Group without AM	**42,756**	**42,754**	**0**	**2**
Discontinued operations Steel Americas	1,531	0	--	--
Full Group	**44,288**	**42,754**	**(3)**	**(1)**
Discontinued steel operations	7,399	7,621	3	
Discontinued operations Steel Americas	1,531	0	--	
Group continuing operations	**35,357**	**35,133**	**(1)**	**2**

[1] Excluding material currency and portfolio effects

Order intake at high prior-year level

The order intake of the capital goods businesses Components Technology, Elevator Technology and Industrial Solutions remained below the high prior-year level overall. At Components Technology order intake reached a new high despite adverse currency effects. Generally robust growth in demand for car components in Western Europe and China offset declining demand in the USA. The market environment for heavy truck components remained positive thanks mainly to the good situation in the USA. Demand for industrial components in the wind energy sector remained weak, while the market for construction machinery components continued to recover from a low level. At Elevator Technology order intake was at the strong prior-year level despite adverse currency effects (mainly US dollar, Chinese yuan, Brazilian real); on a comparable basis order intake increased. At €5.1 billion (excl. service), orders in hand were higher than the year before.

New record level of orders at Components Technology.

Customers' reluctance to invest in major projects weighing on Industrial Solutions.

Order intake at Industrial Solutions was clearly down from the year before due to the slowdown in major project awards. In particular Marine Systems, which profited from two major orders in the submarine and surface vessel business in the prior year, booked only smaller and medium-size orders in the reporting year. While the market for cement plants slowed due to the buildup of capacities in recent years, demand for mining equipment continued to pick up. In chemical plant engineering orders were higher year-on-year due to a major contract for a chemical complex in Hungary and a medium-size refinery contract in Germany, but the order situation for major projects remains difficult due to customers' reluctance to invest, particularly in the area of fertilizers. At System Engineering order intake reached a new high, mainly reflecting continuing high demand for production systems for the automotive industry.

At our materials businesses Materials Services and Steel Europe (discontinued operation) order intake was higher year-on-year, primarily due to continuing stable and high prices on the material markets.

NET SALES BY BUSINESS AREA

million €	2016 / 2017	2017 / 2018	Change in %	Change on a comparable basis[1] in %
Components Technology	7,571	7,875	4	8
Elevator Technology	7,674	7,554	(2)	4
Industrial Solutions	5,522	5,020	(9)	(10)
Materials Services	13,665	14,652	7	9
Steel Europe	8,915	9,470	6	7
Corporate	278	329	18	18
Consolidation	(2,179)	(2,156)	—	—
Group without AM	**41,447**	**42,745**	**3**	**5**
Discontinued operations Steel Americas	1,525	0	--	
Full Group	**42,971**	**42,745**	**(1)**	**2**
Discontinued steel operations	7,454	7,968	7	
Discontinued operations Steel Americas	1,525	0	--	
Group continuing operations	**33,993**	**34,777**	**2**	**5**

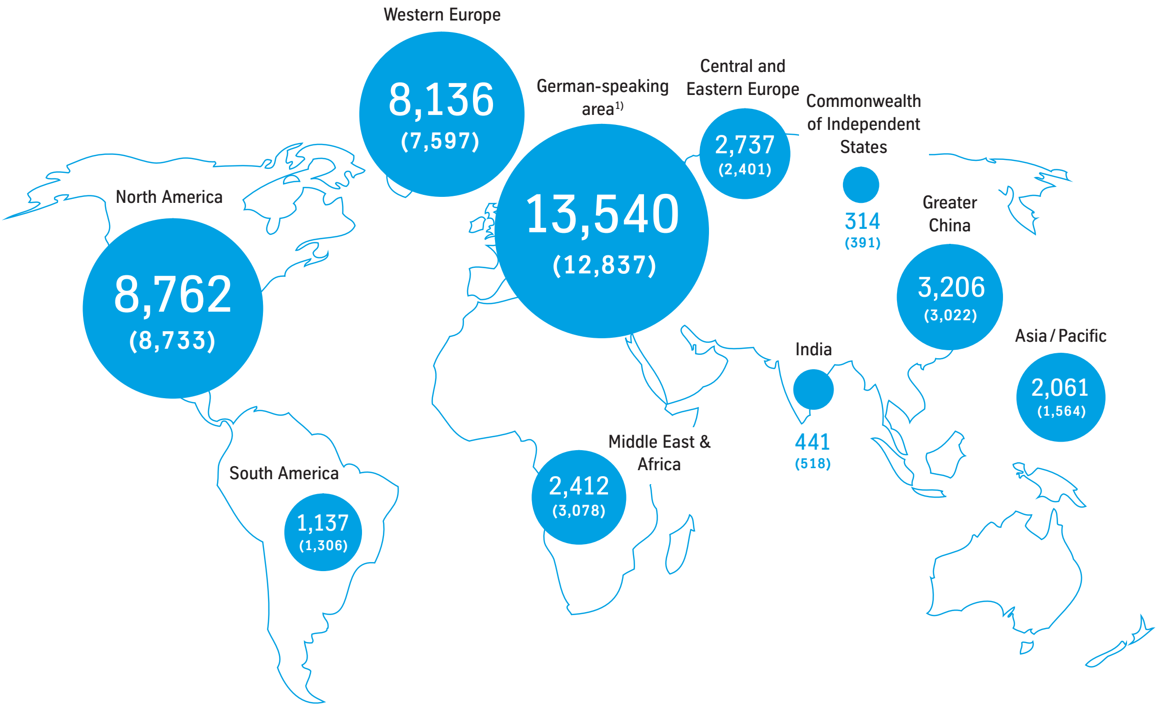
[1] Excluding material currency and portfolio effects

Slight sales growth

Sales of the capital goods businesses followed the trend in order intake. Despite adverse currency effects, higher shipments of auto components and crankshafts for heavy trucks, mainly in the USA, led to record sales at Components Technology. At Elevator Technology sales were slightly lower year-on-year due to adverse currency effects, but on a comparable basis higher. At Industrial Solutions, weaker order intake and slower progress on projects at Marine Systems led to a clear downturn in sales. At System Engineering, cement plant engineering, and Mining, sales were stable year-on-year.

SALES BY REGION

in million € (prior-year figures in brackets)



[1)] Germany, Austria, Switzerland, Liechtenstein

SALES BY CUSTOMER GROUP 2017/2018

in %

The materials businesses Materials Services and Steel Europe (discontinued operation) increased their sales significantly. In particular, higher average net selling prices along with stable shipments led to a clear increase in sales at Steel Europe.

The regional breakdown of sales of the continuing operations was largely unchanged. The most important sales market for thyssenkrupp with a slightly higher 32% of sales was once again the German-speaking region (Germany, Austria, Switzerland and Liechtenstein). It was followed by sales to customers in North America, which were stable at around 20%, and sales in Western Europe. The share of sales in the greater China region remained unchanged at 7%.

Accounting for a share of now 28%, the automotive industry remained the most important customer group, with particular significance for our components and steel business (discontinued operation). It was followed by trading and the engineering sector, which gained in relative and absolute importance. The share of sales accounted for by steel and related processing declined slightly, while the share of sales to the construction industry remained unchanged.

Adjusted EBIT down sharply year-on-year

ADJUSTED EBIT BY BUSINESS AREA

million €	2016 / 2017	2017 / 2018	Change in %
Components Technology	377	197	(48)
Elevator Technology	922	866	(6)
Industrial Solutions	111	(255)	--
Materials Services	312	317	2
Steel Europe	547	687	26
Corporate	(535)	(377)	29
Consolidation	(12)	117	—
Group without AM	**1,722**	**1,551**	**(10)**
Discontinued operations Steel Americas	189	0	--
Full Group	**1,910**	**1,551**	**(19)**
Discontinued steel operations	558	846	52
Discontinued operations Steel Americas	189	0	--
Group continuing operations[1]	**1,164**	**706**	**(39)**

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

The adjusted EBIT of the capital goods businesses was clearly lower year-on-year despite the success of sustainable efficiency and cost-reduction measures. The main factors weighing on earnings were additional expenses at Industrial Solutions in connection with a major project review and the revaluation of individual projects in the 3rd quarter. Earnings were impacted in particular by higher anticipated total costs, particularly for a naval project in Turkey, a cement plant in Saudi Arabia, and a biomass power plant in Australia. In addition, lower than expected sales due to the absence of major projects, an unfavorable sales mix, and partial underutilization contributed to the clearly negative earnings of Industrial Solutions. Adjusted EBIT margin in the reporting year was an unacceptable (5.1)%. At Elevator Technology performance measures could not fully offset highly adverse currency effects and material cost increases particularly in China: Margin fell to 11.5% and remained below the medium- and long-term targets, but was robust compared with competitors. At Components Technology adjusted EBIT was down sharply year-on-year, primarily reflecting provisions for quality issues as well as adverse currency effects and material price increases. Other factors were lower demand for wind turbine components with strong price competition, weaker productivity in springs and stabilizers, and a flatter start-up curve for new plants due to factors on the customer side. These influences were only partly offset by improvements in camshaft modules, damper systems, crankshafts and construction machinery components. At 2.5%, margin was significantly below the 7% target, due partly to mix effects.

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

In the materials businesses overall, adjusted EBIT was significantly higher year-on-year in a positive market environment, also supported by cost-saving programs. Materials Services achieved a slight increase in earnings year-on-year; margin remained stable but below the 3% target. AST's contribution to earnings was down from the high prior year due to pressure from imports and higher raw material costs, but still at a high level thanks to profitable growth in end consumer business and operating performance improvements. With clear gains over the course of the fiscal year, adjusted EBIT at Steel Europe (discontinued operation) was up significantly from the already good prior-year figure due to higher selling prices. The margin trend was correspondingly positive. However, production restrictions mainly as a result of the low water levels on the Rhine and lower shipments following the introduction of new emission standards (WLTP) in the auto industry weighed on earnings in the final quarter.

Adjusted EBIT at Corporate showed a significant year-on-year improvement at €(377) million. Alongside the faster than planned implementation of measures to reduce G&A costs, lower project expenses for IT infrastructure standardization and data and process harmonization led to lower costs.

Earnings impacted by special items

The Group's EBIT was impacted by special items totaling €507 million in the reporting year.

Special items down from prior year.

SPECIAL ITEMS BY BUSINESS AREA

million €	2016 / 2017	2017 / 2018	Change
Components Technology	80	76	(4)
Elevator Technology	185	90	(95)
Industrial Solutions	147	(12)	(160)
Materials Services	91	47	(44)
Steel Europe	55	216	162
Corporate	35	89	54
Consolidation	(22)	0	22
Group without AM	**572**	**507**	**(66)**
Discontinued operations Steel Americas	651	0	(651)
Full Group	**1,224**	**507**	**(717)**
Discontinued steel operations	66	265	200
Discontinued operations Steel Americas	651	0	(651)
Group continuing operations	**507**	**241**	**(265)**

Special items at Components Technology in the reporting period were mainly in connection with closure costs and impairment charges on operating assets. At Elevator Technology special items were recognized for the restructuring and reorganization in Europe. At Industrial Solutions special expenses for a legacy contract were partly offset by the reversal of restructuring provisions. Materials Services reported further, mainly restructuring-related measures, among other things in materials distribution in Germany. Steel Europe (discontinued operation) recognized a provision for risks from a cartel case. This was partly offset by a disposal gain from divestment projects. Special items at Corporate mainly reflect the sale of an investment and expenses from M&A divestment projects, particularly for the steel joint venture.

thyssenkrupp Value Added (tkVA) clearly higher year-on-year

In the reporting year, the tkVA of the Group improved significantly but remained negative. The year-on-year improvement resulted mainly from the absence of the negative tkVA contribution of the now sold Steel Americas business area. The highest tkVA was once again generated by Elevator Technology. At Components Technology tkVA was clearly lower year-on-year: alongside clearly lower earnings, capital employed increased due to growth investments. At Industrial Solutions capital employed was also significantly higher: with negative operating earnings, tkVA was down sharply from the year before. The tkVA of Materials Services improved year-on-year – particularly thanks to the increase in earnings – but remained negative. At Steel Europe (discontinued operation) average capital employed was higher year-on-year, mainly due to the price-related increase in net working capital. As a provision for risks from a cartel case weighed on earnings, tkVA was lower year-on-year. Details on tkVA and its main components are shown in the following table.

THYSSENKRUPP VALUE ADDED (TKVA) BY BUSINESS AREA

	2016 / 2017				2017 / 2018				
	EBIT (million €)	Capital employed (million €)	WACC (%)	tkVA (million €)	EBIT (million €)	Capital employed (million €)	WACC (%)	tkVA (million €)	Change tkVA (million €)
Group	**687**	**16,728**	**8.0**	**(651)**	**1,045**	**15,773**	**8.0**	**(217)**	**434**
Thereof:									
Components Technology	297	3,740	8.5	(21)	120	3,897	8.5	(211)	(190)
Elevator Technology	736	1,127	7.5	652	775	1,143	7.5	690	38
Industrial Solutions	(36)	430	8.0	(71)	(243)	762	8.0	(304)	(233)
Materials Services	220	3,652	8.0	(72)	270	3,623	8.0	(20)	52
Steel Europe	493	5,286	8.5	43	471	5,545	8.5	(1)	(44)
Steel Americas	(444)	1,654	10.0	(609)	0	0	0.0	0	609

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

COMPONENTS TECHNOLOGY IN FIGURES

		Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Change in %
Order intake	million €	7,674	7,861	2
Net sales	million €	7,571	7,875	4
EBIT	million €	297	120	(59)
EBIT margin	%	3.9	1.5	—
Adjusted EBIT	million €	377	197	(48)
Adjusted EBIT margin	%	5.0	2.5	—
Employees (Sept. 30)		32,904	34,481	5

Growth and regionalization strategy continued

In a mixed market environment, order intake at Components Technology was up slightly by 2% from the prior year, sales by around 4%. The markets for car components in Western Europe were robust, in China the climate deteriorated towards the end of the fiscal year, while demand in the USA weakened. After years of recession, demand picked up in Brazil, albeit from a low level. The heavy truck markets benefited from the positive trend in the USA, particularly in the Class 8 market (> 15 t). Demand also strengthened in Brazil, and remained robust in Europe. In the industrial components business we registered a sustained slowdown in demand for bearings for the wind energy sector, particularly in Brazil and India. However, the pick-up in demand for construction equipment components continued.

We continued our growth and regionalization strategy in the reporting year. Our global automotive production network is progressing further: Among other things the new plant for electric steering systems in China started production. The expansion of our damper system site in Romania and the establishment of new plants for three product groups in Hungary and a further production plant for springs and stabilizers in China are well advanced. The Hungarian plant for cylinder head cover modules with integrated camshafts has already started production supplies to our customers.

Earnings under pressure as a result of several quality issues, currency effects and material price increases

Provisions for quality issues, currency effects and increased material costs weighed on adjusted EBIT.

Adjusted EBIT of Components Technology was clearly lower year-on-year, due mainly to provisions for quality issues. Other factors weighing on earnings were currency effects (US dollar and Chinese yuan), material price increases which could not be passed on in full to our customers, lower demand for wind turbine components alongside strong price competition, and a flatter start-up curve for new plants in the automotive sector. In springs and stabilizers, productivity was down due among other things to an overload situation at plants in Germany together with new product launches. Bottlenecks in material logistics in Mexico also weighed heavily on earnings and were only partly offset by improvements in camshafts, damper systems, crankshafts and construction machinery components.

Elevator Technology

www.thyssenkrupp.com > Company > Corporate structure > Elevator Technology

ELEVATOR TECHNOLOGY IN FIGURES

		Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Change in %
Orders in hand (Sept. 30)	million €	4,814	5,066	5
Order intake	million €	7,834	7,853	0
Net sales	million €	7,674	7,554	(2)
EBIT	million €	736	775	5
EBIT margin	%	9.6	10.3	—
Adjusted EBIT	million €	922	866	(6)
Adjusted EBIT margin	%	12.0	11.5	—
Employees (Sept. 30)		52,660	53,013	1

Adjusted for currency effects, order intake and sales higher

On a comparable basis, order intake and sales higher.

At €7.9 billion, the business area's order intake in the reporting year was level with the prior year despite negative currency effects. On a comparable basis – i.e. excluding the negative exchange-rate effects – orders grew by 5%. As in previous years, Elevator Technology profited from increased demand mainly for new installations in North and Latin America. The number of new installations was level with the year before in China but slightly lower year-on-year in Europe and South Korea. Service business, which is particularly important for the business area, showed growth in Asia and Europe. At €5.1 billion (excl. service) on September 30, 2018, orders in hand were higher than a year earlier despite negative currency effects.

Due to adverse currency effects, sales at €7.6 billion were down slightly year-on-year. On a comparable basis sales showed 4% growth. Excluding currency factors, sales increased in all markets, particularly in the service business; in the new installations business in China sales fell slightly due to price pressure.

Further milestones achieved in Elevator Technology's global strategy

We achieved further milestones in the implementation of our major growth strategy.

At the start-up conference "StartupCon" in October 2017 Elevator Technology presented its vision for Industry 4.0 in elevator maintenance: The aim is to reduce downtime by up to 50%. A key part of this vision is MAX, the first cloud-based predictive maintenance solution for elevators: By means of real-time diagnostics, service technicians are informed in advance when old or defective components and systems need replacing. More than 120,000 elevators worldwide have already been fitted with MAX technology. After the USA, Germany and Spain, South Korea is now also part of the MAX network. In addition we have started using the Microsoft HoloLens mixed reality headset, which provides remote support to help local service technicians perform challenging maintenance work more efficiently. We have also begun to use HoloLens technology for measuring stairlifts to further reduce lead and delivery times.

In October 2017 Elevator Technology opened Germany's highest viewing platform on the test tower in Rottweil. In the test tower, which is now fully up and running, engineers are testing the rope-free, sideways moving elevator system MULTI, as well as high-speed elevators. In addition the MULTI unit acquired its own leadership team this fiscal year.

In March 2018 the official opening of a high-speed test tower took place at our new Zhongshan site in China. This underlines thyssenkrupp's commitment to research and development (R&D) in China. At 248 meters, the test tower is one of the tallest in the world and is specially designed for high-speed tests and rope-less elevator systems.

In addition to the above two test towers in Rottweil and Zhongshan, thyssenkrupp is planning to build a third test tower for high-speed elevators in Atlanta/USA. As a world leader in urban mobility, thyssenkrupp Elevator Technology is expanding its presence in the USA: The building complex, which also houses further R&D capacities, will also be the new headquarters of Elevator Technology Americas.

Earnings under pressure from currency effects and material price increases

Adjusted EBIT was down year-on-year due to lower sales and margin. This mainly reflected negative currency effects and higher material prices in China. These adverse effects were partly offset by efficiency and restructuring measures under the corporate program “impact”. Adjusted EBIT margin was down year-on-year by 0.5 percentage points to 11.5%. However, EBIT improved by €39 million to €775 million.

Adjusted EBIT was down year-on-year due to lower sales and margin.

Industrial Solutions

www.thyssenkrupp.com > Company > Corporate structure > Industrial Solutions

INDUSTRIAL SOLUTIONS IN FIGURES

		Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Change in %
Orders in hand (Sept. 30)	million €	11,341	11,281	(1)
Order intake	million €	6,490	5,188	(20)
Net sales	million €	5,522	5,020	(9)
EBIT	million €	(36)	(243)	--
EBIT margin	%	(0.7)	(4.8)	—
Adjusted EBIT	million €	111	(255)	--
Adjusted EBIT margin	%	2.0	(5.1)	—
Employees (Sept. 30)		21,777	21,535	(1)

Order intake down from high prior-year level in difficult market environment

In the reporting year the business area's order intake was down from the high prior-year level. Above all there was a slowdown in project awards in plant engineering owing among other things to difficult political and economic conditions and volatile oil and gas prices.

In the mining business demand for equipment and components was positive overall. Among other things we won medium-size orders for coal handling and power plant equipment in India, a port handling system in Russia, a bucket-wheel excavator system in Thailand, and belt conveyors in Peru. At the same time investment in new mine openings remained subdued. This is one of the main reasons we are continuously evolving our service offering for the mining industry.

In the cement plant business demand was down overall. The market environment was characterized by overcapacities together with increasing competitive pressure from Asia. Nevertheless we succeeded in winning medium-size orders for two production lines in Mexico as well as smaller orders for systems and components, mainly for customers in West Africa and India.

In the chemical plant business we registered an increase in order intake in the reporting year, mainly on the back of a major order for a chemical complex in Hungary in the 4th quarter and a medium-size refinery contract in Germany. In addition we won smaller orders for plants and services in China, India, and Tanzania. Although we are still observing a reluctance to invest on the part of our customers, in the medium term we see growth opportunities for the entire chemical plant engineering business.

Order intake at System Engineering once again exceeded the 1 billion euro mark and reached a new record high. This reflected continued brisk demand for automated production systems for the automotive industry, mainly in Europe and Asia. Alongside several major orders for body-in-white production lines, we succeeded in winning medium-size and smaller orders for engine and battery assembly lines.

€ 1 bn

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

Marine Systems reported a sharp downturn in order intake in the reporting year, with the prior year benefiting from two major orders in the submarine and surface vessel business. We received smaller and medium-size orders mainly in marine electronics, maintenance and service.

Sales in the Industrial Solutions business area were down year-on-year at €5 billion. This was mainly the result of weaker order intake and slower progress on projects at Marine Systems. However, in the chemical plant, mining and cement businesses and at System Engineering, sales were near stable.

Earnings and margin down clearly year-on-year – focus on turnaround

Adjusted EBIT and adjusted EBIT margin were down sharply year-on-year. The main reason was that after a major project review and revaluation in the 3rd quarter, higher expenses had to be recognized for some projects. These were mainly a naval project in Turkey, a cement plant in Saudi Arabia, and a biomass power plant in Australia. Adjusted EBIT was additionally impacted by lower sales, a weaker margin mix on billed projects, and partial underutilization.

In line with our market expectations, the transformation process at Industrial Solutions so far has been geared to sales growth, above all with major projects in the chemical and cement plant businesses. However, recently there has been a sharp drop in the number of major projects awarded; in addition the time from the announcement of projects to their realization has almost doubled. These changed circumstances create the need for a larger restructuring at Industrial Solutions. Moving forward we want to focus on smaller and medium-size projects and further strengthen our high-margin service business in plant construction. To do so we have to adapt our structures in line with market requirements. That means reducing costs and complexity, making order execution better, faster and more flexible, and optimizing our technology portfolio in plant construction – particularly with a view to the digital transformation. In this connection the Marine Systems business unit was separated from the business area effective October 1, 2018 and is now managed directly by thyssenkrupp AG. As a result Industrial Solutions will concentrate exclusively on plant construction in the future. With this strategic refocusing, the board of Industrial Solutions was also reorganized.

Materials Services

www.thyssenkrupp.com > Company > Corporate structure > Materials Services

MATERIALS SERVICES IN FIGURES

		Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Change in %
Order intake	million €	13,760	14,544	6
Net sales	million €	13,665	14,652	7
EBIT	million €	220	270	23
EBIT margin	%	1.6	1.8	—
Adjusted EBIT	million €	312	317	2
Adjusted EBIT margin	%	2.3	2.2	—
Employees (Sept. 30)		19,861	20,273	2

Order intake and sales up year-on-year

In a positive market environment with appreciably higher volumes, order intake and sales showed a clearly positive trend. This was true of almost all areas of Materials Services and particularly the warehousing and service businesses in North America, Eastern Europe, and the auto-related service centers. AST also achieved further year-on-year growth in sales. Only the aerospace business was impacted by lower orders from the aviation industry. The trend in shipments was positive across all units, particularly in the important warehousing and service business with growth of 4.5%. In total 11.1 million tons of materials were sold. Shipments of flat-rolled stainless steel products at AST were stable at 0.9 million tons. The net sales of the continuing operations of Materials Services, i.e. excluding the discontinued thyssenkrupp MillServices & Systems GmbH, which is to be transferred in connection with the planned steel joint venture, came to €14,458 million in the reporting year.

Digitization as an element of customer focus and efficiency enhancement

In our business, customer and service 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: Our entire range is being digitized and consolidated in the world's biggest virtual materials warehouse at 271 operating sites worldwide, putting Materials Services within close reach of its customers at all times. Thanks to the omnichannel architecture, our 250,000 customers also have 24 / 7 access to bespoke services and supplies from whichever channel or point of contact they choose.

Adjusted EBIT higher year-on-year

Materials Services achieved a slight increase in earnings from the high prior-year level. The volume-related growth in sales and further measures to enhance performance and earnings outweighed the lower effects from weaker price momentum versus the prior year. Materials Services also benefited from property disposals, while currency effects weighed on earnings. AST's contribution to earnings was down from the high prior year due to import pressure and higher material costs but still at a high level thanks to profitable growth in end consumer business and operating performance improvements. The adjusted EBIT of the continuing operations of Materials Services came to €308 million.

Steel Europe (discontinued operation)

www.thyssenkrupp.com
Company > Corporate structure > Steel

STEEL EUROPE IN FIGURES

		Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Change in %
Order intake	million €	8,969	9,157	2
Net sales	million €	8,915	9,470	6
EBIT	million €	493	471	(4)
EBIT margin	%	5.5	5.0	—
Adjusted EBIT	million €	547	687	26
Adjusted EBIT margin	%	6.1	7.3	—
Employees (Sept. 30)		27,646	27,764	0

Business expanded on higher market prices

Although the market environment remained structurally difficult and uncertain in the reporting year, Steel Europe further expanded its business volume and achieved significantly higher earnings year-on-year. Continued robust activity in the main steel-using industries was reflected in higher market prices and higher average selling prices. With volumes down slightly, order intake and sales increased.

Order intake at Steel Europe increased by 2% to €9.2 billion. The higher market price level was reflected in our newly negotiated contracts. At 10.8 million tons, order volumes were around 4% lower year-on-year: In the 1st quarter our scope for booking orders was limited due to investment and repair shutdowns; in the following months we were able to serve demand more fully again. Towards the end of the fiscal year – in August and September – production was again limited, this time by logistical problems due to low water levels on the River Rhine.

Steel Europe clearly increased its sales to €9.5 billion. We profited above all from the higher prices agreed with our customers. Shipments were down slightly year-on-year at 11.3 million tons altogether. Volume growth was achieved mainly with customers in the automotive industry and their suppliers, while supplies to other industrial customers were mostly slightly lower. However, shipments of heavy plate were down sharply: partly due to the closure of two cut-to-length lines and partly to production disruptions. The downturn in shipments was offset in part by higher prices.

At 11.8 million tons, crude steel production including supplies from Hüttenwerke Krupp Mannesmann was down by around 2% year-on-year. Temporary problems created a difficult supply situation for starting materials, but this was overcome with the purchase of slabs. In the final quarter production fell sharply: Due to the Rhine's low water levels in August and September, supplies of raw materials were severely disrupted, which meant output on our blast furnaces, meltshops and downstream units had to be scaled back. Rolled steel production for customers was down 4% year-on-year at 11.3 million tons.

Earnings significantly higher

Steel Europe's earnings in the reporting year again significantly exceeded the already good prior-year figure. Positive factors were above all the pleasing market price trend which resulted in a year-on-year increase in average net selling prices. Added to this were effects from earnings-securing measures and this year also from the "one steel" initiative, which among other things introduced improvements in sales management. The cost-side impacts remained high overall, but in the second half of the fiscal year, with slightly reduced volatility, prices for iron ore and coking coal softened slightly. In the final quarter temporary production restrictions due to the low Rhine water levels, and lower shipments due to the introduction of new emissions standards (WLTP) led to a negative earnings effect.

Corporate at thyssenkrupp AG

thyssenkrupp AG manages the Group centrally.

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.

CorpHQ mainly comprises the corporate functions. It also includes the management of the Group-wide 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 improved significantly year-on-year, coming to €(377) million in the reporting year. Alongside the faster than planned implementation of measures to reduce G&A costs, significantly lower project expenses for IT infrastructure standardization and data and process harmonization contributed to the earnings improvement. In addition a real estate sale bolstered earnings in the 1st quarter. EBIT was €(466) million and included special items of altogether €89 million.

Adjusted EBIT of the continuing operations of Corporate – i.e. without Krupp Hoesch Stahl GmbH and without Thyssen Stahl GmbH, which are to be transferred to the planned steel joint venture – came to €(370) million in the reporting year.

Results of operations and financial position

Analysis of the statement of income

Net sales from continuing operations in fiscal year 2017 / 2018 were 2% higher than a year earlier. Above all the continuing materials operations contributed to the rise; this was partly offset by the overall decline in net sales at the capital goods businesses. Cost of sales from continuing operations increased at a higher rate than net sales, particularly in connection with material expenses. Gross margin decreased to 14.2%.

2%

Net sales increased by 2%.

The decrease in selling expenses from continuing operations was mainly due to reduced personnel expenses and lower allowances for trade accounts receivable. The decline in general and administrative expenses from continuing operations mainly reflected lower restructuring expenses and reduced consulting and IT expenses. The main reason for the decrease in other income was the absence of the prior-year gain from the remeasurement of the investment in Atlas Elektronik in connection with the switch to full consolidation as a result of the acquisition of the remaining shares.

The improvement in income from equity-method investments of the continuing operations mainly reflected the absence of the losses from the equity-method investment in Atlas Elektronik recognized in the prior year until the switch to full consolidation. The overall improvement in net financial expense of the continuing operations mainly reflected reduced interest expense for financial debt.

Tax expense from continuing operations was substantially impacted by one-time effects from the US tax reform and by valuation allowances for deferred tax assets on tax loss carryforwards in Germany. After taking into account income taxes there was a loss from continuing operations of €198 million, compared with income of €12 million in the prior year.

The strong €651 million improvement to a net income of €60 million mainly resulted from the absence of the losses of Steel Americas recognized in the prior year in loss from discontinued operations (net of tax). Earnings per share therefore increased strongly by €1.16 to a profit of €0.01.

Consolidated statement of income

million €, earnings per share in €	Year ended Sept. 30, 2017[1]	Year ended Sept. 30, 2018
Net sales	33,993	34,777
Cost of sales	(28,543)	(29,847)
Gross margin	**5,449**	**4,930**
Research and development cost	(285)	(259)
Selling expenses	(2,326)	(2,218)
General and administrative expenses	(2,321)	(2,077)
Other income	246	195
Other expenses	(122)	(136)
Other gains/(losses), net	42	36
Income/(loss) from operations	**684**	**472**
Income from companies accounted for using the equity method	(16)	(1)
Finance income	768	703
Finance expense	(1,107)	(1,010)
Financial income/(expense), net	**(355)**	**(308)**
Income/(loss) from continuing operations before tax	**329**	**163**
Income tax (expense)/income	(317)	(362)
Income/(loss) from continuing operations (net of tax)	**12**	**(198)**
Income/(loss) from discontinued operations (net of tax)	**(603)**	**258**
Net income/(loss)	**(591)**	**60**
Thereof:		
thyssenkrupp AG's shareholders	**(649)**	**8**
Non-controlling interest	59	51
Net income/(loss)	**(591)**	**60**
Basic and diluted earnings per share based on		
Income/(loss) from continuing operations (attributable to thyssenkrupp AG's shareholders)	**(0.07)**	**(0.39)**
Net income/(loss) (attributable to thyssenkrupp AG's shareholders)	**(1.15)**	**0.01**

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

Analysis of the statement of financial position

Total assets decreased significantly from September 30, 2017.

The sharp decrease in non-current assets mainly reflected reclassifications of property, plant and equipment and intangible assets to assets held for sale in connection with the discontinued steel operations. The significant reduction in deferred taxes also reflected reclassifications in connection with the discontinued steel operations but mainly one-time effects due to the US tax reform as well as the valuation allowances for deferred tax assets on tax loss carryforwards in Germany.

The significant increase in current assets mainly reflected the above mentioned reclassifications from non-current assets in connection with the discontinued steel operations. The decreases in inventories and in trade accounts receivable were also impacted to a large extent by reclassifications to assets held for sale in connection with the discontinued steel operations; at the same time there were overall increases at the continuing materials and capital goods operations. The additional sharp decline in cash and cash equivalents resulted mainly from the repayment of financial debt and from the negative free cash flow of the continuing operations in the reporting year; the financing of the discontinued operations had an increasing effect.

Total equity at September 30, 2018 was slightly lower year-on-year at €3,274 million. This was mainly due to losses from currency translation and remeasurement of pensions and similar obligations recognized in other comprehensive income, and dividend payments. The net profit achieved in the reporting year as well as gains from cash flow hedges included in other comprehensive income had an increasing effect. The equity ratio was unchanged at 9.7%.

€3,274 m

Total equity decreased slightly from €3,404 million to €3,274 million.

The sharp decrease in non-current liabilities mainly reflected reclassifications to liabilities associated with assets held for sale in connection with the discontinued steel operations, in particular regarding accrued pension and similar obligations.

The strong increase in current liabilities mainly reflected the above mentioned reclassifications of non-current liabilities in connection with the discontinued steel operations. Such reclassifications were also the main reason for the decreases in other provisions and other financial and non-financial liabilities. In the case of trade accounts payable, reclassifications in connection with the discontinued steel operations were partly offset in particular by increases at the continuing materials operations. The additional significant decrease in current financial debt mainly reflected the repayment of a bond in August 2018 and the repayment of liabilities to financial institutions.

Consolidated statement of financial position

ASSETS

million €	Sept. 30, 2017	Sept. 30, 2018
Intangible assets	4,813	4,393
Property, plant and equipment (inclusive of investment property)	7,605	4,791
Investments accounted for using the equity method	154	48
Other financial assets	43	32
Other non-financial assets	207	144
Deferred tax assets	1,680	1,116
Total non-current assets	**14,502**	**10,524**
Inventories	6,957	5,159
Trade accounts receivable	5,734	5,529
Other financial assets	420	330
Other non-financial assets	1,923	1,838
Current income tax assets	220	249
Cash and cash equivalents	5,292	2,987
Assets held for sale	0	7,252
Total current assets	**20,546**	**23,344**
Total assets	**35,048**	**33,868**

See accompanying notes to consolidated financial statements.

EQUITY AND LIABILITIES

million €	Sept. 30, 2017	Sept. 30, 2018
Capital stock	1,594	1,594
Additional paid-in capital	6,664	6,664
Retained earnings	(5,401)	(5,535)
Cumulative other comprehensive income	33	82
[thereof discontinued operations]	[—]	[97]
Equity attributable to thyssenkrupp AG's stockholders	**2,890**	**2,805**
Non-controlling interest	515	469
Total equity	**3,404**	**3,274**
Accrued pension and similar obligations	7,924	4,128
Provisions for other employee benefits	354	182
Other provisions	645	295
Deferred tax liabilities	111	28
Financial debt	5,326	5,087
Other financial liabilities	182	157
Other non-financial liabilities	5	4
Total non-current liabilities	**14,546**	**9,882**
Provisions for current employee benefits	357	334
Other provisions	1,183	1,067
Current income tax liabilities	254	207
Financial debt	1,930	147
Trade accounts payable	5,729	5,266
Other financial liabilities	842	635
Other non-financial liabilities	6,802	6,626
Liabilities associated with assets held for sale	0	6,430
Total current liabilities	**17,097**	**20,711**
Total liabilities	**31,643**	**30,593**
Total equity and liabilities	**35,048**	**33,868**

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.

Cash inflows from operating activities are our main source of liquidity.

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 non-current and current financial debt. The corresponding assets and liabilities of the disposal groups – where applicable – are also taken into account.

thyssenkrupp remains solidly financed.

The net financial debt of the full Group at September 30, 2018 stood at €2,364 million, €407 million higher than the level at September 30, 2017 (€1,957 million). The main reasons for the increase were the negative FCF before M & A and the dividend payment. Taking into account cash, cash equivalents, committed undrawn credit lines and the balanced maturity structure, thyssenkrupp remains solidly financed.

At September 30, 2018 the Group's available liquidity came to €6.6 billion, consisting of €3.0 billion cash and cash equivalents and €3.6 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, 2018 we had not made use of the program.

€6.6 bn

The Group's available liquidity came to €6.6 billion.

The available liquidity offers enough scope to cover debt maturities. The gross financial debt repayable in the 2018 / 2019 fiscal year amounts to €0.2 billion.

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

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, 2018 the applicable gearing limit for thyssenkrupp AG based on these agreements was 165%.

72.2%

The gearing ratio was 72.2%.

At the balance sheet date the gearing ratio was 72.2% and therefore below the agreed limit.

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 light of the announcement made in September 2018 regarding the planned separation of the thyssenkrupp Group into two independent companies all three rating agencies revised their rating outlook at the beginning of October. Moody's downgraded its Ba2 rating outlook from "stable" to “negative, while Fitch downgraded its BB+ rating outlook from “watch positive” to “watch negative”. The changes reflect the agencies’ expectation that in connection with the separation of the thyssenkrupp Group the current ratings of thyssenkrupp AG will transfer to the future thyssenkrupp Materials AG. The agencies expect a weaker credit profile and higher cyclicality for this unit. Standard & Poor’s changed its BB rating outlook from “watch positive” to “developing”, not specifying the direction of a possible rating change due to uncertainty over the exact form of the planned separation of the Group.

RATING

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

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 up significantly from the prior year. The increase reflected higher cash inflows at both the continuing and discontinued operations, in each case mainly due to releases of funds via operating assets and liabilities.

Cash flows from investing activities

Investments in the reporting year were down from the prior year, mainly due to lower investments at Steel Europe (discontinued operation). The share of the capital goods businesses in total investments increased to 55%. In all business areas and at Corporate forward-looking projects were carried out in connection with digitization, IT modernization and harmonization of the systems landscape to enhance efficiency, lower costs and as a basis for Industry 4.0.

INVESTMENTS BY BUSINESS AREA

million €	2016 / 2017	2017 / 2018	Change in %
Components Technology	551	523	(5)
Elevator Technology	144	113	(21)
Industrial Solutions	82	122	49
Materials Services	132	113	(14)
Steel Europe	566	442	(22)
Corporate	58	66	14
Consolidation	3	6	—
Group without AM	**1,535**	**1,386**	**(10)**
Discontinued operations Steel Americas	131	0	--
Full Group	**1,666**	**1,386**	**(17)**
Discontinued steel operations	576	450	(22)
Discontinued operations Steel Americas	131	0	--
Group continuing operations	**959**	**935**	**(2)**

Components Technology – Investments in the Automotive business focused mainly on existing facilities and building 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 of damper technology in Romania. The construction of two new plants in China and Hungary to produce springs and stabilizers is at an advanced stage. In addition, capacities for cylinder head modules in Mexico and Hungary were expanded. The focus in the industrial components business was on equipment rationalization and modernization.

The construction of two new plants in China and Hungary to produce springs and stabilizers is at an advanced stage.

Elevator Technology – The business area is implementing an extensive innovation and growth strategy involving investment in innovative products such as MAX and MULTI and in the international expansion of the service network and production facilities. Details of the strategy are presented in the section “Business area review”.

Industrial Solutions – To strengthen our market position and exploit growth opportunities we continued to invest in infrastructure and the expansion of our technology portfolio in the mining and cement businesses as well as in chemical plant construction. System Engineering also invested in growth with the construction of a new body-in-white components plant for a new electric car model. The main focus at Marine Systems was on the continuing modernization of the Kiel shipyard, with investments in particular in infrastructure measures and IT.

Materials Services – In the reporting year we invested above all in smart storage, logistics and IT systems and in the digitization of business processes and sales channels in order to open up new possibilities of dialogue and cooperation and leverage efficiency advantages by digitally connecting customers and suppliers. Further funds were invested in the purchase of land for a new logistics center for thyssenkrupp Schulte and in site modernization and maintenance.

Steel Europe (discontinued operation) – A new ladle furnace to produce high-quality steels, among others high-strength grades for the auto industry, was successfully commissioned at BOF meltshop 2 in Duisburg. As a new strategic investment project we decided to build a hot-dip coating plant (FBA 10) at the Dortmund site to serve increasing auto industry demand for high-quality hot-dip coated products. The Packaging Steel business unit is building a new coating facility meeting higher environmental standards to continue the production of chromium-coated blackplate. Steel Europe also invests continuously in equipment modernization, for example in connection with the quality offensive at the Electrical Steel business unit, and in improving environmental protection: Among other things a new sinter belt dust collector is being built at the Duisburg site.

Corporate – Investment is currently focused on the two major projects Carbon2Chem and Additive Manufacturing being carried out by Corporate in the area of technology development. The aim of Carbon2Chem is to use steel mill off-gases, including the CO_2 they contain, as raw materials for chemical products. More information on Carbon2Chem can be found in the section “Technology and innovations”. Additive manufacturing allows 3D objects to be built up layer by layer to form innovative parts. There was also spending in the reporting year in the area of real estate, which is consolidated centrally – independently of the business areas – at Asset Management. One example is the elevator test and development tower in Rottweil for the Elevator Technology business area. Further investments related to the IT area, for example standardizing the IT infrastructure, data and process harmonization and the central purchasing of software licenses. In addition, fractional shares were purchased in connection with the planned steel joint venture.

The net cash outflow from investing activities in the reporting year was significantly higher than a year earlier, mainly due to the proceeds from the sale of Steel Americas recognized in the prior year at the continuing operations and the year-on-year decrease in investments in property, plant and equipment at the discontinued operations.

Free cash flow

Negative free cash flow

In the reporting year free cash flow in total and at the continuing operations was negative. This was mainly due to the above mentioned high cash outflow from investing activities of the continuing operations, partly offset in particular by cash inflows from operating activities at the discontinued operations.

The Group’s overall free cash flow before M & A, i.e. cash inflow from operating activities excluding proceeds and expenditures due to major portfolio measures, improved significantly year-on-year but remained negative. Positive cash flow contributions, in particular from Materials Services and the discontinued operation Steel Europe, were unable to offset the negative effects at Industrial Solutions due to the continued low order intake and high expenditures on existing projects.

Cash flows from financing activities

Financing activities in the reporting year resulted in a significant cash outflow, in particular due to the repayment of financial debt. The overall high cash inflow in the prior year was influenced in particular by the increase of the capital stock of thyssenkrupp AG in September 2017.

RECONCILIATION TO FREE CASH FLOW BEFORE M & A

million €	2016 / 2017	2017 / 2018	Change
Operating cash flows – continuing operations (consolidated statement of cash flows)	27	185	157
Cash flow from investing activities – continuing operations (consolidated statement of cash flows)	552	(869)	(1,421)
Free cash flow from continuing operations (FCF)	**579**	**(684)**	**(1,264)**
–/+ Cash inflow/cash outflow resulting from material M&A transactions	(1,342)	6	1,348
Free cash flow before M&A – continuing operations (FCF before M&A)	**(763)**	**(678)**	**84**
Discontinued steel operations	(92)	545	++
Discontinued operations Steel Americas	57	0	--
Free cash flow before M&A – Group (FCF before M & A)	**(798)**	**(134)**	**665**

CONSOLIDATED STATEMENT OF CASH FLOWS

million €	Year ended Sept. 30, 2017[1)]	Year ended Sept. 30, 2018
Net income/(loss)	**(591)**	**60**
Adjustments to reconcile net income/(loss) to operating cash flows:		
Income/(loss) from discontinued operations (net of tax)	603	(258)
Deferred income taxes, net	75	88
Depreciation, amortization and impairment of non-current assets	688	688
Reversals of impairment losses of non-current assets	(1)	0
Income/(loss) from companies accounted for using the equity method, net of dividends received	16	1
(Gain)/loss on disposal of non-current assets	(44)	(28)
Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes		
– Inventories	(397)	(539)
– Trade accounts receivable	(677)	(557)
– Accrued pension and similar obligations	(44)	(23)
– Other provisions	116	(23)
– Trade accounts payable	692	672
– Other assets/liabilities not related to investing or financing activities	(409)	105
Operating cash flows – continuing operations	**27**	**185**
Operating cash flows – discontinued operations	583	1,000
Operating cash flows – total	**610**	**1,184**
Purchase of investments accounted for using the equity method and non-current financial assets	(4)	(2)
Expenditures for acquisitions of consolidated companies net of cash acquired	4	(8)
Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property	(839)	(801)
Capital expenditures for intangible assets (inclusive of advance payments)	(121)	(124)
Proceeds from disposals of investments accounted for using the equity method and non-current financial assets	5	3
Proceeds from disposals of previously consolidated companies net of cash disposed	1,418	0
Proceeds from disposals of property, plant and equipment and investment property	90	63
Proceeds from disposals of intangible assets	(1)	1
Cash flows from investing activities – continuing operations	**552**	**(869)**
Cash flows from investing activities – discontinued operations	(673)	(430)
Cash flows from investing activities – total	**(121)**	**(1,299)**

CONSOLIDATED STATEMENT OF CASH FLOWS

million €	Year ended Sept. 30, 2017[1]	Year ended Sept. 30, 2018
Proceeds from issuance of bonds	1,250	0
Repayments of bonds	(1,250)	(1,600)
Proceeds from liabilities to financial institutions	3,470	366
Repayments of liabilities to financial institutions	(3,722)	(551)
Proceeds from/(repayments on) loan notes and other loans	(21)	(75)
Increase/(decrease) in bills of exchange	9	(11)
(Increase)/decrease in current securities	0	1
Payment of thyssenkrupp AG dividend	(85)	(93)
Proceeds from capital increase	1,375	0
Profit attributable to non-controlling interest	(37)	(38)
Expenditures for acquisitions of shares of already consolidated companies	(1)	(2)
Financing of discontinued operations	(162)	568
Other financing activities	33	(66)
Cash flows from financing activities – continuing operations	**858**	**(1,501)**
Cash flows from financing activities – discontinued operations	(74)	(613)
Cash flows from financing activities – total	**784**	**(2,114)**
Net increase/(decrease) in cash and cash equivalents – total	1,273	(2,229)
Effect of exchange rate changes on cash and cash equivalents – total	(86)	(57)
Cash and cash equivalents at beginning of year – total	4,105	5,292
Cash and cash equivalents at end of year – total	**5,292**	**3,006**
[thereof cash and cash equivalents within the discontinued operations]	[63]	[19]
Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows of continuing operations:		
Interest received	60	37
Interest paid	(319)	(232)
Dividends received	34	34
Income taxes paid	(332)	(354)

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 nonrecourse factoring of receivables, which the Group as a whole sold in connection with ordinary business activities in the amount of €1.8 billion at the closing date (prior year: €1.6 billion); €1.4 billion was attributable to the continuing operations (prior year: €1.1 billion).

Annual financial statements of thyssenkrupp AG

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. 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 2017 / 2018

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 2018 / 2019 with material opportunities and risks

In June an agreement was signed with Tata Steel to combine the European steel activities in a joint venture. thyssenkrupp AG will hold a 50% stake in this joint venture via thyssenkrupp Technologies Beteiligungen GmbH. Moreover thyssenkrupp AG decided to separate the Group into two independent listed companies in the form of a spin-off. After the separation, thyssenkrupp AG's shareholders will hold shares in both companies. More details on the joint venture with Tata Steel and the separation are provided in the "Strategy" section.

The expected development of thyssenkrupp AG in the 2018 / 2019 fiscal year 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 2018 / 2019 should also be reflected in the income of thyssenkrupp AG. Overall we expect an unappropriated profit at thyssenkrupp AG in 2018 / 2019 that will allow our shareholders to share appropriately in the earnings of the Group.

Results of operations

thyssenkrupp AG reported net income of €1,579 million in the 2017 / 2018 fiscal year, compared with net income of €59 million a year earlier.

Net sales mainly included income from amounts charged on in accordance with the corporate design, company naming and trademark policy for the corporate mark (€353 million), income from insurance services (€68 million), and usage fees for Group licenses (€56 million).

General administrative expenses decreased by €55 million to €589 million. This was mainly due to lower expenses in the IT area and reflects above all an around €50 million reduction in expenses for the Group's IT strategy. Personnel expense reported under general administrative expenses was lower mainly on account of a €7 million decrease in allocations to provisions for share-based compensation (LTI).

The €1,675 million increase in other operating income mainly included income of €1,751 million from the contribution in kind at fair value of the share in Thyssen Stahl GmbH to thyssenkrupp Technologies Beteiligungen GmbH.

Other operating expenses fell by €373 million to €86 million and include expenses for maintenance and other services for non-operating real estate in the amount of €20 million. The prior-year figure includes 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 did not impact income at Group level due to offsetting effects at other Group companies.

Income from investments was €497 million lower at €476 million.

Income from profit and loss transfer agreements was up by €574 million to €758 million. In particular Thyssen Stahl GmbH's profit transfer increased by €407 million to €559 million on account of higher profit transfers from the Steel Europe business area companies it holds. This was partly offset by a €543 million increase in expenses from loss transfers to €659 million. This was mainly due to thyssenkrupp Technologies Beteiligungen GmbH, which transferred negative earnings of €631 million after positive earnings of €20 million in the prior year, on account of higher loss absorptions, lower profit transfers, and write-downs on the companies held by thyssenkrupp Technologies Beteiligungen GmbH.

In addition, a total of €378 million income from investments resulted in particular from dividend payments of thyssenkrupp North America Inc. and thyssenkrupp (China) Ltd.

In the course of fiscal 2017 / 2018 there were impairment charges on financial assets of €84 million relating to the shares of thyssenkrupp Business Services GmbH and €53 million relating to the shares of thyssenkrupp UK Plc.

Income taxes related to corporation and trade income tax as well as comparable foreign income taxes.

Financial position

Total assets decreased year-on-year by €7,157 million to €30,213 million. At September 30, 2018, fixed assets as a percentage of total assets were unchanged from a year earlier at 74%.

Fixed assets decreased by €5,423 million to €22,285 million. Shares in affiliated companies were €5,397 million lower at €18,953 million, mainly reflecting a capital repayment of €6,832 million at thyssenkrupp Nederland Holding B.V. This was partly offset by a contribution in kind of the share held in Thyssen Stahl GmbH to thyssenkrupp Technologies Beteiligungen GmbH, which increased the carrying value of this investment by €3,190 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, 2018 receivables from affiliated companies were €289 million higher at €5,705 million. This was mainly due to increased receivables from profit and loss transfer agreements.

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 €284 million. This was recognized under pension obligations accordingly.

At September 30, 2018 cash in hand and cash at banks was €1,986 million down from a year earlier at €1,858 million due to the repayment of financial liabilities.

Total equity increased by €1,485 million to €8,677 million at September 30, 2018. This change resulted from the year-on-year increase in net profit to €2,097 million and the allocation of €789 million of net income to other retained earnings by the Executive Board and Supervisory Board. The equity ratio therefore rose to 29% (prior year: 19%).

29%

The equity ratio rose to 29%.

The €17 million reduction in pension provisions was mainly due to payments (€51 million) and the change in the aforementioned internally transferred pension obligations (€32 million). This was partly offset by €41 million additions and €28 million accrued interest. As thyssenkrupp AG adopted the role of Groupwide hedging platform for currency risks as of the 2017 / 2018 fiscal year, other provisions contain provisions for unrealized exchange-rate losses in the amount of €16 million.

Liabilities to affiliated companies are mainly deposits by subsidiaries in the Group's central financial clearing system. Liabilities to affiliated companies were €6,940 million lower year-on-year at €14,840 million. This was mainly due to a €7,431 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. It is calculated from the €1,579 million net income for the year of thyssenkrupp AG, less the €789 million allocation to other retained earnings decided by the Executive Board and Supervisory Board under § 58 (2) AktG, plus the profit carried forward from the prior year. The annual financial statements therefore show unappropriated income of €2,097 million.

The Executive Board and Supervisory Board propose to the Annual General Meeting that the unappropriated income for the 2017 / 2018 fiscal year in the amount of €2,097 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, 2017	Sept. 30, 2018
Fixed assets		
Intangible assets	73	71
Property, plant and equipment	328	312
Financial assets	27,307	21,902
	27,708	**22,285**
Operating assets		
Receivables and other assets	5,773	6,032
Cash on hand and cash at banks	3,844	1,858
	9,617	**7,890**
Prepaid expenses and deferred charges	**45**	**38**
Total assets	**37,370**	**30,213**

EQUITY AND LIABILITIES

million €	Sept. 30, 2017	Sept. 30, 2018
Total equity		
Capital stock	1,594	1,594
Additional paid-in capital	2,703	2,703
Other retained earnings	1,494	2,283
Unappropriated income	1,401	2,097
	7,192	**8,677**
Provisions		
Accrued pension and similar obligations	1,093	1,076
Other provisions	193	232
	1,286	**1,308**
Liabilities		
Bonds	6,300	4,700
Liabilities to financial institutions	347	252
Liabilities to affiliated companies	21,780	14,840
Other liabilities	462	435
	28,889	**20,227**
Deferred income	**3**	**1**
Total equity and liabilities	**37,370**	**30,213**

STATEMENT OF INCOME

million €	Year ended Sept. 30, 2017	Year ended Sept. 30, 2018
Net sales	441	515
Cost of sales	(133)	(144)
Gross profit	308	371
General administrative expenses	(644)	(589)
Other operating income	155	1,830
Other operating expense	(459)	(86)
Income from investments	973	476
Net interest	(235)	(254)
Write-downs of financial assets and securities classed as operating assets	(51)	(143)
Income taxes	12	(26)
Earnings after taxes / Net income	**59**	**1,579**
Profit appropriation		
Net income/ loss	59	1,579
Profit carried forward	1,342	1,308
Transfer to other retained eanings	0	789
Unappropriated income	**1,401**	**2,097**

Technology and innovations

Innovation strategy

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 formulates and coordinates joint procedures for research and development (R&D) and secures patent protection. At the same time it introduces new topic areas in the Group and provides initial support in addressing them. Using a standardized digitally supported Product Lifecycle Management (PLM) process we coordinate product development from idea to market.

Our global research and development network includes some 5,000 employees at around 90 sites. We supplement this network by cooperating with external partners such as universities, research institutes and other industrial enterprises.

In the reporting period we registered around 2,200 new patents and utility models. As a result thyssenkrupp's patent portfolio now contains some 20,700 patents and utility models. In the trademark area there were around 300 new filings, including designs, bringing the overall portfolio to around 10,500 property rights.

2,200

We registered some 2,200 new industrial property rights.

Total spending on R&D at the thyssenkrupp Group came to €787 million in the reporting year, a decline of 3% year-on-year. Adjusted R&D intensity – the ratio of R&D costs to sales excluding trading and distribution – was 2.5%, exactly in line with our goal of a sustainable adjusted R&D intensity of around 2.5%. Spending at the continuing operations came to €688 million with an adjusted R&D intensity of 3%, including research and development costs of the continuing operations of €259 million. Due to the initial application of IFRS 15 (International Financial Reporting Standard) from the following fiscal year and the steel joint venture, the target for adjusted R&D intensity has been raised to 3% from fiscal year 2018 / 2019.

In the 2017 / 2018 fiscal year we capitalized development costs of €63 million, compared with €33 million in 2016 / 2017. The share of capitalized costs in overall R&D costs – the capitalization ratio – rose to 15.3% from 8% a year ago. The capitalized development costs of the continuing operations came to €57 million with a capitalization ratio of 18%.

RESEARCH AND DEVELOPMENT

million €	2016 / 2017	2017 / 2018	Change in %
Research and development costs	383	348	(9)
Amortization of capitalized development costs	56	37	(34)
Order-related development costs	377	402	7
Full Group	**816**	**787**	**(3)**
Discontinued steel operations	108	99	(8)
Group continuing operations	**708**	**688**	**(3)**

Key development areas

Our research and development work is focused on fundamental technological and social challenges of the future. Central among these are the digital transformation of industry, climate change and energy transition, and mobility in increasingly densely populated cities.

www.thyssenkrupp.com > Company > Innovation

Digitization

thyssenkrupp is systematically utilizing the opportunities opened up by the digital transformation. Smart products and optimized processes play a key part in this. We are also defining new business models. On this basis we are developing a consistent digitization strategy for the Group, driven by our eight Centers of Competence (CoC) which make knowledge of digitization trends available throughout the Group.

The most recent addition to our CoCs is the TechCenter Analytics and Software Engineering established in Pune, India in response to the growing number of big data applications in the Group and corresponding analysis requirements. Pune, India's ninth biggest city, is regarded as a center of software development on the subcontinent.

In materials distribution we are digitizing our entire range and consolidating it in the world's biggest virtual warehouse. thyssenkrupp's omnichannel model provides round-the-clock access to more than 150,000 products and services. Customers can place orders via individual customer portals, EDI interfaces, online shops and in the future also via external platforms. This is made possible by a powerful AI (artificial intelligence) solution developed in-house. With toii, a platform to connect all its machinery, thyssenkrupp Materials Services last year reached a key milestone in its digital transformation along the entire value chain.

The omnichannel concept offers round-the-clock access to more than 150,000 products and services.

In cement plant engineering we started using digital 3D models in the reporting year, created using drones, cameras, laser scanners and modeling technologies. Among other things this concept is used on projects to extend existing plants that have undergone numerous changes since they were originally built. The models can be processed as required on a computer and extended with made-to-measure plant parts. The new technology also makes it easier to document construction progress on new plants. This innovation is in part the result of the "Beyond Conventions" initiative we launched during the reporting period which represents a creative form of cooperation with external start-ups. The aim is to develop unconventional solutions for forward-looking digital projects in the Group. Beyond Conventions is a new method adding to the previously established concepts for identifying disruptive innovations –TechCenters and thyssenkrupp Garage.

INDIGO (Industrial Digital Governance) is a platform we have developed for our core plant engineering business. Machinery and equipment are fitted with sensors and communications technology and the data they collect analyzed centrally. This enables us to offer our customers added value, e.g. through predictive maintenance and process optimization. The platform is in the prototype phase and currently includes around 40 machines around the world in areas such as mining and cement production.

Climate change/energy transition

Under the Carbon2Chem project we started operation of the new technical center in the reporting year with a two megawatt water electrolysis unit and a gas cleaning system, producing the synthetic fuel methanol from steel mill gases. This is the first time anywhere in the world that gases from steel production – including the CO_2 they contain – are being converted into chemicals. The technology replaces the use of fossil carbon from natural gas and coal and is a first step towards a circular carbon economy. Carbon2Chem is a major project initiated by thyssenkrupp and involving 17 further partners from research and industry. The goal is to convert steel mill gases into various basic chemicals.

We started operation of the technical center with a 2 MW water electrolysis unit and gas cleaning system.

In plant engineering we have developed a new concept for small-scale ammonia plants that allows ammonia to be produced using renewable energies. Ammonia consists of hydrogen and nitrogen. As well as being an intermediate product in the production of fertilizer, it is also a high-density energy carrier. Whereas in conventional ammonia plants the required hydrogen is mainly produced from natural gas, thyssenkrupp's concept is based on water electrolysis fed by electricity and water. The nitrogen required for ammonia synthesis is produced from ambient air by an air separation unit.

Sustainable mobility

To allow new solutions for the auto industry to be developed more quickly and with greater agility we developed the Mobility Research Platform (MRP), a modular vehicle in which chassis parts such as steering, brakes and dampers can be replaced in just a few minutes and tested under practical conditions at a very early stage of development. An on-board computer evaluates data from sensors that provide information on the driving and steering properties of the respective systems. While it has previously been common practice to integrate prototype parts into existing vehicles, MRP can significantly speed up the development of new chassis components.

MRP is a research platform designed to speed up the development of new chassis components.

In the Open Hybrid Lab Factory (OHLF) in Wolfsburg we are working with Volkswagen, component suppliers, die makers and plastics manufacturers on hybrid materials of steel and plastic for mass production. thyssenkrupp is contributing new steel materials to the OHLF. Predevelopment projects can be tested and initial production applications designed together with the OEM. For example designs are being investigated in which materials such as CFRPs (carbon fiber-reinforced plastics) can be applied to steel using established processes such as injection or compression molding. The aim is to further drive down weight in automobile production while ensuring extremely high production reliability.

Environment, climate and energy

thyssenkrupp attaches great importance to environmental and climate protection and energy efficiency – from supply chain to internal processes to products. With our solutions we want to help meet rising demand for goods and services in a resource-efficient way. Environmental and climate protection are therefore a core component of thyssenkrupp's sustainability approach and thus its corporate strategy.

Our environmental, climate and energy management systems are based on the Group's global environment and energy policy and a corresponding Group Regulation. We have defined three indirect financial targets (IFTs) for the areas of environmental management, energy management and energy efficiency on the basis of our general strategic requirements. Implementation of these targets is supported by internal committees at various levels; in addition we provide corresponding training for auditors and promote regular exchanges of experience by organizing international and regional conferences within the Group.

Environmental management at our sites

Internationally recognized standards of environmental management implemented worldwide

thyssenkrupp has set itself the binding target for all Group companies with environmentally relevant activities to have implemented an ISO 14001 environmental management system by fiscal year 2019 / 2020. This international standard covers all relevant environmental aspects, from the reduction of wastewater, waste and emissions to the environmental impact of products during use through to disposal. We have set out clear requirements for our Group companies: They must continuously improve their environmental performance and at the same time meet legal and other requirements and concrete environmental goals at their individual sites.

Activities regarded as environmentally relevant are defined in our Group Regulation. At September 30, 2018 almost 70 thyssenkrupp companies (around 60 in the continuing operations) were determined as environmentally relevant in line with this Regulation. Of these around 90% already comply with the required standard (continuing operations: around 90%). Related to the overall workforce the Group therefore handles around 60% of its environmental management activities in accordance with ISO 14001.

Continuous improvements in energy efficiency and energy management

Clear increase in energy efficiency through the corporate program GEEP

The Group's energy consumption came to more than 70 terawatt hours (TWh) in the 2017 / 2018 fiscal year, with the continuing operations accounting for more than 6 TWh.

Energy efficiency has always played an important role at thyssenkrupp. Launched four years ago, the global Groupwide Energy Efficiency Program (GEEP) includes measures such as better use of waste heat, the reduction of stand-by times and the replacement of plant components. In the reporting year we set ourselves the goal under GEEP of increasing energy efficiency in the Group as a whole by 150 GWh. At 253 GWh we exceeded this goal. Mathematically these efficiency gains enabled us to avoid more than 80,000 tons of greenhouse gas emissions. For the continuing operations, the goal for the current fiscal year 2018 / 2019 is to achieve efficiency gains of 100 GWh.

In addition, all energy-relevant activities are to be covered by an ISO 50001 energy management system by 2019 / 2020. Among other things this means setting concrete energy targets for each site, measuring energy flows and optimizing organizational and technical processes. At September 30, 2018 this applies to almost 60 companies in the Group; more than 80% of them already comply with the standard. In the continuing operations this applies to around 50 companies, of these around 80% comply with the requirements. In terms of energy consumption this means that more than 90% of energy management activities at thyssenkrupp are covered by the ISO 50001 standard.

Climate protection in production and products

The Group's emissions (Scope 1 and 2 emissions as per Greenhouse Gas Protocol) amounted to more than 20 million tons in the reporting period (incl. the discontinued operations). This will change significantly when the steel joint venture starts up: In the future the Group's share in the steel joint venture will be treated as an investment, so going forward the corresponding greenhouse gas emissions under the Greenhouse Gas Protocol will count as indirect emissions and thus as Scope 3 emissions. For the continuing operations emissions (scope 1 and 2) will then be around 2 million tons.

Groupwide climate program CAPS launched

thyssenkrupp's commitment to climate protection is demonstrated by the Groupwide climate program CAPS (Climate Action for Sustainable Solutions) that was launched in the reporting year. We support the goals formulated in the Paris Climate Agreement – keeping the global temperature rise to well below two degrees and achieving net greenhouse gas neutrality in the second half of the century – and aim to make our contribution to this with CAPS. The best way thyssenkrupp can do this is by providing products and services that significantly reduce greenhouse gas emissions during use by customers. So CAPS not only stipulates efficiency improvements in our own production processes, it also defines concrete targets for existing solutions, such as the use of alternative fuels in cement production and the development of innovative disruptive technologies such as Carbon2Chem for the steel industry. In addition we are planning to work closely with relevant partners and stakeholders to improve the global conditions for climate protection.

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, climate and energy

Purchasing

thyssenkrupp buys in a wide variety of products, product groups and services. Our goal is not just to achieve an optimum price/quality ratio; we also look at our own products and design them 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 comprises the Group's total spend on products and services. In the reporting year it increased year-on-year by 7% to €27 billion (€23 billion continuing operations). Materials expense as a percentage of sales of the continuing operations came to 65% (prior year: 63%). Depending on business model, the percentages of the business areas ranged between 36% (Elevator Technology) and 83% (Materials Services). The following table shows the materials expense of each business area in absolute figures:

63%

Materials expense as a percentage of sales came to 63%.

MATERIALS EXPENSE BY BUSINESS AREA

million €	2016 / 2017	2017 / 2018	Change in %
Components Technology	4,751	5,004	5
Elevator Technology	2,656	2,705	2
Industrial Solutions	3,142	3,059	(3)
Materials Services	11,135	12,136	9
Steel Europe	5,291	5,877	11
Corporate/ consolidation	(1,926)	(1,882)	2
Group without AM	**25,049**	**26,900**	**7**
Discontinued operations Steel Americas	900	0	
Full Group	**25,949**	**26,900**	**4**
Discontinued steel operations	3,745	4,277	
Discontinued operations Steel Americas	900	0	
Group continuing operations	**21,304**	**22,623**	**6**

Our global purchasing organization once again reliably 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".

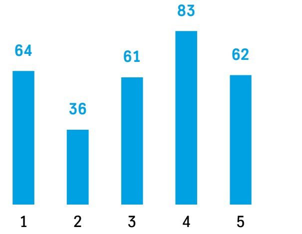
Corporate initiative "synergize+"

We manage our global purchasing volume strategically via our Groupwide procurement organization.

"synergize+", the corporate initiative to reduce material costs, was again responsible for roughly half the total EBIT effects of the corporate program "impact" in fiscal year 2017 / 2018.

The core of "synergize+" is strategic cluster management, which consolidates purchasing volumes across businesses, regions and functions using commercial and technical levers such as complex negotiation strategies and standardization and optimization of our own products. This is supported by in-depth procurement market analyses to provide supply market intelligence, a further development of purchasing market research. Following standardized analyses of demand in the respective material or service field, detailed reports are prepared, for example on suppliers or general product cost structures. Already roughly 40% of the entire Group's purchasing volume was analyzed and evaluated in this way in the reporting year. Based on this the Group's material cluster teams developed suitable measures to strategically utilize the respective procurement markets.

Materials Expense of the business areas
as % of sales 2017 / 2018



1	Components Technology	64%
2	Elevator Technology	36%
3	Industrial Solutions	61%
4	Materials Services	83%
5	Steel Europe	62%

The digitization of purchasing continues to be a key issue for thyssenkrupp. Based on our development partnership with a world leading software supplier further purchasing processes will be digitized step and step and rolled out across the Group via five modules (sourcing, contracts, suppliers, catalogs and document exchange). With the introduction of a standard online procurement platform for the entire Group we have taken an important step in the digitization of the purchase-to-pay process. Via the platform we carry out online tenders and auctions and use a large and steadily growing spectrum of catalogs. Increasingly documents are being exchanged with suppliers by electronic means. In addition, our contract management system is already in use worldwide; we use it to administer contracts centrally. The introduction of the modules as cloud solutions is being driven forward in more and more Group units. We are also working on the full integration of the modules into Group companies' local ERP systems. Pilot projects have already been implemented successfully.

In our first event in the "Beyond Conventions" series we identified further topics in the area of digitization which we are now addressing together with start-up companies. They include for example the design of a digital supply chain and the use of bots for robot-controlled process automation.

www.thyssenkrupp.com > Company > Procurement

Sustainability in supplier management

To be able to work with thyssenkrupp, suppliers must sign our Supplier Code of Conduct or comply with equivalent standards. The Supplier Code of Conduct addresses possible risks and negative impacts along the supply chain, including areas such as human rights, fair working conditions,

Each year at least 100 suppliers are selected where we carry out sustainability audits.

environmental protection, combating corruption, and transparency into the origin of conflict minerals. We expect all our suppliers to comply with the principles set out in the code. Based on standard Groupwide risk criteria for specific countries and sectors, the business areas and Corporate select at least 100 suppliers a year where we carry out sustainability audits to check they comply with the above principles and consistently meet the requirements; this process is part of strategic supplier management at thyssenkrupp. More than 170 sustainability audits were carried out in the reporting year. Where necessary, improvement measures are agreed during the audits and then followed up. Important themes in fiscal year 2017 / 2018 were working hours, occupational safety and the documentation of business processes. In this way we support supplier development and reduce our risks and possible negative impacts along the supply chain.

Employees

Employees in figures

www.thyssenkrupp.com > Company > Sustainability > Employees

On September 30, 2018 thyssenkrupp employed 161,096 people worldwide, 2,357 (1.5%) more than a year earlier. Components Technology registered an increase of 1,577 employees (4.8%), mainly reflecting the growth in business and associated ramp-up of plants in China, Mexico and Hungary as well as the expansion of a plant of thyssenkrupp Bilstein in Romania. Elevator Technology increased its headcount by 353 (0.7%) altogether, mainly to handle the rising number of service contracts in China. Under a restructuring plan, Industrial Solutions scaled back 242 jobs (1.1%) – fewer than planned to date. A reduction in plant engineering was partly offset by an increase in growth areas, mainly the service business. At Materials Services the number of employees was up by 338 (1.9%), above all due to the growth in project business in North America. At Corporate the workforce increased by 139 (3.6%) – partly because of employees returning to thyssenkrupp at the end of a major IT project, and partly because extra staff were needed for work on projects at our TechCenters. At the same time jobs at the headquarters were scaled back in connection with an ongoing efficiency program. The number of employees at Steel Europe increased by 118, partly because apprentices (also from the outplacement service PEAG) and temporary employees who have worked for the company for a long time were given permanent contracts. At the same time the headcount was reduced in connection with restructuring at Heavy Plate and preparations for implementing the 33-hour week. Vacancies created through normal employee turnover were left unfilled.

EMPLOYEES BY BUSINESS AREA

	Sept. 30, 2017	Sept. 30, 2018	Change in %
Components Technology	32,904	34,481	5
Elevator Technology	52,660	53,013	1
Industrial Solutions	21,777	21,535	(1)
Materials Services	18,209	18,547	2
Corporate	3,891	4,030	4
Employees of the continuing operations	**129,441**	**131,606**	**2**
Germany	35,470	35,627	0
Other countries	93,971	95,979	2
Employees of the discontinued operations	**29,298**	**29,490**	**1**
Steel Europe (Germany)	25,827	25,918	0
Steel Europe (other contries)	1,819	1,846	1
tk MillServices & Systems (Germany)	1,652	1,726	4
Total employees	**158,739**	**161,096**	**1**
Germany	62,949	63,271	1
Other countries	95,790	97,825	2

EMPLOYEES BY REGION – TOTAL

	Sept. 30, 2017	Sept. 30, 2018	Change in %
Asia/Pacific	4,184	4,346	4
Central and Eastern Europe	5,090	5,736	13
Commonwealth of Independent States	887	846	(5)
German-speaking region	66,951	67,354	1
Greater China	17,019	17,307	2
India	6,246	6,499	4
Middle East & Africa	4,551	4,750	4
North America	22,545	23,698	5
South America	9,792	9,872	1
Western Europe	21,474	20,688	(4)
thyssenkrupp full Group	**158,739**	**161,096**	**1**

No compromise on safety and health: Vision2Zero

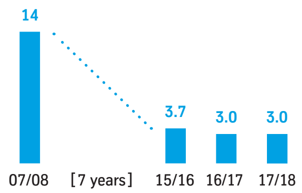
The safety and health of every employee is of primary importance to us. We want to reduce the number of accidents by employing exemplary practices, showing concern for each other, and systematically eliminating unsafe conditions and potentially dangerous activities. This requires us to identify safety weaknesses and risks to health in order to discuss ways of making targeted improvements. We implement improvement ideas and monitor their effect. In the area of safety and health, we measure our performance against best-in-class peers.

“Vision2Zero” is the name we have given to our safety and health initiative. Our aim is to reduce accident frequency to 2.0 (number of accidents per 1 million hours worked) and bring the number of fatal accidents down to zero. We are making good progress. In the fiscal year our accident rate was 3.0.

The number of fatal accidents decreased slightly, from five in the prior year to four in fiscal 2017 / 2018. We rely on our managers to take particular responsibility: On visits to their sites, they are required to schedule in time for so-called Safety Gemba Walks – inspections of production operations, storage facilities and job sites – to get a first-hand impression and talk about safety to the people who work there. Safety is also top of the agenda at big meetings: Leaders share with the group their own personal “safety moments”. These emotional messages and appeals are passed on in the company – together with a symbolic baton inscribed with the words “It’s cool to follow the rules”. Top executives are closely involved in the investigation of accidents and high-potential incidents (incidents that could lead to fatal accidents or serious injuries). Furthermore in the event of a fatal accident we have a 48-hour rule which requires the responsible business area board member or CEO of the region concerned to go immediately to the scene of the accident for initial talks. This rule now also applies for accidents involving employees of contractors and partner companies.

Accident rate

Number of occupational accidents resulting in lost time ≥ 1 day per 1 million hours worked [1)]



[1)] incl. discontinued operation

To further improve our safety culture, we continued work on various activities and systems. One example is the thyssenkrupp Academy’s learning program “Pathways to a Sustainable Safety Culture” which offers employees across the world support with the use of self-evaluations and incident analyses; it is based on scientific findings from organizations with particularly high safety requirements. In the 2017 / 2018 fiscal year the program drew participants from seven countries, above all China and India. Under our “we care” campaign we have been taking part in the “World Day for Safety and Health at Work” organized by the International Labor Organization (ILO) since 2015. For this year’s events in April, we asked our managers to reflect with their teams on their own safety and health behaviors, agree concrete steps for improvements, and make a conscious and consistent effort to “Be a role model” in line with this year’s campaign motto. We also held a photo competition calling on managers and employees to share photos of themselves acting as role models either as part of a group or alone. Managers from 81 countries took part, more than 3,000 photos were entered from 52 countries, and 21 prizes were awarded in seven categories.

We presented our “we care Award” for outstanding achievements in occupational safety and health management for the third time. Prizes were awarded to thyssenkrupp units in Germany and Mexico (Materials Services) as well as Saudi Arabia (Industrial Solutions).

At thyssenkrupp, promoting health initiatives involves more than just monitoring quantitative key performance indicators such as the number of addiction prevention or stress management programs. For the first time we have now also developed qualitative minimum standards for these programs, which we published in a guide in nine languages for our “we care” day.

Employee Assistance Programs (EAP) aim to strengthen individual motivation and performance. They meet with strong interest, particularly in China and India. In Germany, our work on the continuous improvement of working conditions is currently focused on addressing possible mental workloads. For the reliable risk assessment of mental workloads, target agreements going beyond the statutory requirements exist at all German Group companies. To help companies achieve these targets, we provide information and communication materials for experts and executives, and offer employees the opportunity to talk to colleagues and work psychologists.

HR strategy

The goal of thyssenkrupp's mission statement is delivered through the combined effort of our motivated and highly skilled employees: "engineering.tomorrow.together". The goal of our HR work is to create optimum conditions for this at all times. As our global HR strategy is based on our corporate strategy, it is tailored to the needs of our businesses. However, the environments in which they operate are constantly changing on all markets, and production systems are also changing, which is changing the way we work together. This also requires changes from our employees, a process our HR work supports.

www.thyssenkrupp.com > Career > discover career opportunities around the globe.

Demographic change, growing diversity in society, and digitization are further important developments for thyssenkrupp which we address in our HR strategy. Demographic change offers opportunities and risks on our various markets. thyssenkrupp prepares for these changes in its recruitment and personnel development activities. We want to offer our employees in all age groups interesting work and bespoke training and development programs to enable them to deliver their top performance. Attracting the right talents to our company is a fundamental aspect of our HR work. How we build and nurture networks, also with our customers, increasingly depends on our ability to use digital work forms and resources. This applies across the board from purchasing to research and development through to sales and services.

What we want to achieve: networks instead of hierarchies

At the same time our workforce is also growing in diversity. The HR function fosters and promotes a corporate culture that accommodates people with different talents and strengths. What we want to achieve are networks instead of hierarchies, a culture of experimenting and cooperating, and a fluid exchange of ideas, also across teams. To us good leadership therefore means fostering trust and collaboration. HR work should provide security but at the same time also show clearly what is required of employees and credibly represent the company's values.

We have structured our HR services and products based on our employees' progression through the company – from applying for a job to eventually joining our Senior Expert Service. HR work focuses on thyssenkrupp's attractiveness as an employer and the development of our experts and executives worldwide.

Training in more than 60 occupations: Work as an engine of integration

Training young people is a top priority at thyssenkrupp. In the 2017 / 2018 fiscal year we had 3,162 apprentices (prior year: 3,194) in 62 different occupations, mostly in Germany but also in Spain and Hungary. At 5.0% the apprentice training rate is stable (prior year: 5.1%). The trend towards integrated degree courses continues, with more than 340 of our apprentices (2016 / 2017: 235) enrolled on these programs, mainly in economics and engineering. In December 2017 we concluded a collective agreement with IG Metall for apprentices on integrated degree courses which will ensure consistent high quality standards at our sites.

As a founding member of German industry's integration initiative "We Together" ("Wir-Zusammen – Die Integrations-Initiative der deutschen Wirtschaft") we pledged to create an additional 150 apprenticeship places and 230 internships for refugees on top of our existing apprenticeship places. We have done more than that. Under the "we.help" program thyssenkrupp has given 150 apprenticeship places and more than 400 internships to refugees – including 55 introductory training measures. The first apprentices have successfully completed their training and now work for us. With this we are making a concrete contribution to the integration of refugees in Germany.

We provided an additional 150 apprenticeship places and 400 internships for refugees.

Attracting the right people quickly and efficiently

The competition for talent is rising in the recruitment fields most important to thyssenkrupp: engineering and IT. To improve speed and efficiency, we have expanded the HR function under a major specialization and professionalization transformation project (HR Transformation).

The newly formed Global Functional Team Sourcing & Recruiting (GFT S&R) has been operating in China, Germany and the USA since October 1, 2017. It is centrally managed and ensures the use of globally consistent recruitment standards and processes; for this it works with a unified IT system. In terms of quality and costs, GFT already achieved important targets in the reporting year. Examples include:

- Costs: In the three countries in which GFT has been rolled out, expenses for headhunters have been reduced by around 35%. Additional personnel expenses for new experts (e.g. talent sourcers who – like headhunters – approach interested candidates directly) have already been recouped.
- Transparency: In all three countries we can make increased use of data to optimize our recruitment work because for the first time we can now measure parameters such as candidate experience, time to hire, and conversion rates.
- One face to the market: Our efforts to further strengthen thyssenkrupp as a unified employer brand have paid off. This is reflected in the company's rise in the relevant rankings ("Potentialpark" Online Talent Communication in Germany: number 58 in 2016, number 5 in 2017, number 3 in 2018; "trendence" IT ranking: number 87 in 2017, number 52 in 2018).
- For the professionalization of our global recruiting processes, thyssenkrupp was awarded second place in the 2018 German HR management prize.

GFT S&R is a pilot project under the HR Transformation program which is to be rolled out further.

Talent management, learning & transformation

Offering our employees attractive prospects for the future and meeting the workforce requirements of the global organization is the core mission of our talent management program. For this we use established assessment and development processes as well as specific talent pools and programs for the different levels in the company. We systematically and therefore quickly identify professionals and managers with above-average performance and a willingness to change, strengthen their Groupwide visibility to promote diversity in key positions, and offer them development opportunities to motivate and empower them so that they would always choose thyssenkrupp as an employer.

Core mission of talent management: to offer attractive prospects for the future and meet the workforce requirements of the global organization.

With the “tk Talents” program we are rolling out these structures worldwide up to 2020. In the 2017 / 2018 fiscal year we identified more than 1,500 new talents, over 900 more than the year before. As the share of women is 23% (up by 3 percentage points), we hope to achieve our target for the proportion of women in leadership positions in the medium term.

The “Job Swap” program established in 2017 is developing into a success story. Under the program all employees have the opportunity to exchange places for an agreed time with a colleague from a different part of the company. As well as injecting impetus into the development of our employees, this strengthens Groupwide collaboration.

Employees can search for a job swap partner using a fully automated matching platform; feedback apps and other online tools are used to support our modern and efficient talent development.

thyssenkrupp Academy: Learning programs for everyone

The thyssenkrupp Academy is driving the Group’s transformation with business-focused strategic and cultural programs. In the 2017 / 2018 fiscal year the thyssenkrupp Academy made good progress with the establishment of its Global Functional Team Learning & Transformation (GFT L&T), made up of all the Group’s internal learning providers. Among other things the learning programs for skills and capabilities needed in all business areas were expanded. Together the learning providers ensure that a core curriculum specifically for thyssenkrupp is available everywhere.

Our training program for middle management is now established in more than 20 countries. Our new virtual platform “L&T home base” provides a functional home for around 450 learning and transformation management employees: Here they can widen their network, find tools for their daily work, share best practices, find Group-internal experts, and obtain information on the Groupwide L&T organization. The platform also provides access to numerous new digital learning instruments made available by the thyssenkrupp Academy.

Together for diversity

thyssenkrupp employs around 161,000 people from 144 nations. A culture of equal opportunities, trust and mutual respect is of great importance to us. We want everyone who works for us to be able to reach their full potential – irrespective of origin, gender, religious beliefs or sexual orientation. Three current examples:

We want everyone who works for us to be able to reach their full potential.

- Increasing the proportion of women in leadership positions, equal opportunities, and helping people balance family and work commitments are key aspects of our diversity management. Currently around 15% of our employees are women; on this basis we aim to fill at least 15% of leadership positions with women by 2020 (at September 30, 2018 the share was 12%, up from 11.6% a year earlier).
- In May 2018 thyssenkrupp sent a signal by adopting the United Nations 2017 standards against the discrimination of lesbian, gay, bi, trans and intersex (LGBTI) people. thyssenkrupp is one of the first 100 companies worldwide to support the UN’s “Free&Equal” initiative.

- In 2018 the new thyssenkrupp Senior Experts GmbH began building a pool of retired or soon-to-retire experts and executives who are prepared to work on a project for thyssenkrupp for an agreed period – whether as interim manager, project leader, deputy or coach. The senior experts provide decades of experience on demand. The program is directed at people from all areas and all levels of the company. This allows us to keep expertise in the company while raising the profile of older experts and supporting the success of entrepreneurial projects in accordance with the needs of our business. Senior Expert GmbH acts as employer and takes care of contractual arrangements and pay. As of September 30, 2018 the pool numbered more than 130 former employees. In the fiscal year some 60 contracts were signed for work in the Group.

www.thyssenkrupp.com > Career > Your career > Senior Experts

Social responsibility

thyssenkrupp regards itself as an active corporate citizen. The Group and its companies want to engage positively with the communities around our locations and support the people who live there. At thyssenkrupp, contributing to the creation of a sustainable society is a must. Accordingly the Group is actively involved in various local projects, collaborations, multi-stakeholder initiatives and associations.

In our corporate citizenship activities, we are guided by our slogan “engineering.tomorrow.together”. For this reason thyssenkrupp promotes enthusiasm for technology and innovation, education, and local engagement. To ensure we maintain our high compliance standards in all our work, we have among other things a global documentation and approval system for corporate citizenship activities. More than 400 measures were documented worldwide in the reporting year. Donations to political parties or organizations, elected representatives or candidates for political office at home or abroad are not compatible with the Group’s values and are therefore not permitted.

Compliance

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. As well as providing comprehensive support for the core compliance areas antitrust law, corruption prevention, money laundering prevention, and data protection, compliance work in the 2017 / 2018 fiscal year focused on three main tasks:

- the continuing implementation of our Compliance 2020 strategy,
- the implementation and Europe-wide observance of the extensive requirements of the General Data Protection Regulation (GDPR),
- competition law support for the planned joint venture of our steel operations with our competitor Tata Steel Europe.

Compliance firmly embedded in our corporate structure

Our compliance strategy is aimed at embedding a sustainable value culture at thyssenkrupp – a culture in which reliability, honesty, credibility, and integrity are the cornerstones of our actions. To ensure that this value culture is supported and lived by all employees, open communications are essential.

www.thyssenkrupp.com > Company > Compliance

Our managers play a key part in this as compliance ambassadors: They are role models – not just for our employees but also for our suppliers, customers and other stakeholders. They create awareness that our value culture is important and right. All managers at thyssenkrupp are therefore expected to 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 exclusively for fair and straight business. We would rather sacrifice a contract than win it by breaking the law.

But at the same time we also want to support entrepreneurial risk-taking within a defined framework – the willingness to take calculable entrepreneurial risks, and in doing so to possibly make mistakes and (to a reasonable extent) accept mistakes by others.

In a healthy corporate and management culture, commitment and shared values go hand-in-hand. Violations of the law or internal rules are not compatible with our understanding of compliance. The following rules therefore apply unequivocally:

- We systematically 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 without delay.
- Any violations identified are systematically and appropriately sanctioned as necessary, regardless of the name and function of the person involved.

Compliance 2020 Strategy

Developed in fiscal 2013 / 2014, our “Compliance 2020 Strategy” is aimed at establishing a behavior-guiding, sustainable integrity culture in the Group and 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 integration of compliance in our business processes, and targeted communications.

Numerous Compliance 2020 Strategy measures were implemented in the past fiscal year. One was the company-wide roll-out of an e-learning program for compliance managers. It is designed to inform them about their duties in even more detail and – in combination with our new compliance toolbox – provide them with a wide range of aids to help them perform their role effectively and efficiently.

The Compliance function also performs the role of advisor, coordinator and consolidator in areas such as occupational safety, supplier compliance, use of contractors, and environmental protection, and ensures uniform reporting to the Executive Board. Substantive compliance responsibility in these areas remains with the competent corporate functions and business areas. This ensures that in all areas of the company 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 the resultant synergies in organization, processes and methods are utilized.

Compliance program and key areas of compliance work

thyssenkrupp’s compliance 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. The program focuses on the key areas antitrust law and corruption prevention, money laundering prevention, and data protection.

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

As the EU General Data Protection Regulation (GDPR) came into force in May 2018, data security was a particular focus of our compliance work in the past fiscal year. We optimized our organizational structure and supported our Group companies throughout Europe with implementation of the requirements. In the business units around 260 people were established as data protection officers and data protection coordinators. The continued practical implementation of the GDPR, in particular process improvements, will remain a focus of our compliance activities in the coming year.

A further important compliance task in the reporting year was providing in-depth competition law support to the corporate functions in connection with the project to contribute our steel operations to a joint venture with Tata Steel Europe. Since Tata Steel Europe is a competitor of thyssenkrupp, the central question was what exchange of information is permissible between the future partners and in what form.

Further compliance activities in each of the following three program elements in the reporting year were as follows:

- “Inform & advise”: Our compliance officers trained and advised employees around the world on applicable statutory requirements, internal Groupwide policies, and also looked at concrete individual cases. In the reporting year around 5,500 employees worldwide attended classroom courses, mainly on antitrust law and corruption prevention. In addition we continued the fourth cycle of the e-learning program on corruption prevention and antitrust law launched in November 2015. A total of more than 112,000 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. Our new ombudsman since October 2017 is attorney-at-law Dr. Carsten Thiel von Herff. He succeeded attorney-at-law Dr. Dietrich Max an, who had held this function since April 2013.

- "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: Where necessary, sanctions are systematically imposed on those concerned.

Compliance organization

Our Compliance function has the important job of strategic business partner, advising on relevant strategic decisions from an early stage. In addition to the compliance program, this requires a needs-based compliance organization 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 nearly 350 compliance managers. The latter 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

Since November 2016 the Israeli state attorney has been carrying out investigations in connection with Israeli 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 immediately 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.

350

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

The discontinued operation 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 alleged antitrust violations in determining surcharges and premiums for certain steel prices. thyssenkrupp takes this matter very seriously and has pursued its own internal investigation with external support. Due to developments in the investigation process, thyssenkrupp has decided to set aside a risk provision in its consolidated financial statements. Based on current knowledge, we are still unable to rule out substantial adverse effects on the Group's financial position.

Overview of non-financial disclosures

The full non-financial disclosures pursuant to § 289b HGB are integrated in the various sections of the combined management report as this information is important for understanding the business performance and position of the Group. The combined disclosures relating to the Group apply equally to thyssenkrupp AG. In compiling the information, various frameworks, e.g. UN Global Compact, were used as guidance. Risks of negative environmental and social impacts from thyssenkrupp's business activities are also addressed in the various sections of the management report. Based on this, there are no additional risks to be reported in the risk report. Respect for human rights and social issues in the meaning of German GAAP (HGB) are addressed as cross-cutting issues which have large overlaps with each other and with employee issues. Beyond this, the aspect of social issues is important but not necessary for an understanding of our business performance, the situation of the Group, or the impacts of business activity.

OVERVIEW OF NON-FINANCIAL DISCLOSURES

	Environmental issues	Employee issues	Respect for human rights	Social issues	Anti-corruption and prevention of bribery
Section	Sustainability and Indirect Financial Targets Environment, climate and energy Sustainability in supplier management Opportunity and risk report Regulatory risks Production risks Procurement risks Provisions for employee benefits and other provisions	Sustainability and Indirect Financial Targets Employees Sustainability in supplier management Opportunity and risk report – Production risks – Personnel risks – Procurement risks Provisions for pensions and similar obligations Provisions for employee benefits and other provisions	Sustainability and Indirect Financial Targets Sustainability in supplier management Employees Opportunity and risk report – Procurement risks	See respect for human rights and labor standards, also Social responsibility	Sustainability and Indirect Financial Targets Compliance Sustainability in supplier management Opportunity and risk report – Legal risks and compliance risks – Procurement risks Provisions for employee benefits and other provisions

Forecast, opportunity and risk report

2018 / 2019 forecast

The following forecast relates to the continuing operations, i.e. the full Group without the discontinued steel activities; the latter include the Steel Europe business area, thyssenkrupp MillServices & Systems GmbH from the Materials Services business area and individual Corporate companies.

In addition we report on the discontinued steel activities that are fully consolidated until the closing of the transaction. After the closing our 50% share in the joint venture will be accounted for by the equity method.

Overall assessment by the Executive Board

Overall we expect that further operating progress in our segments will be reflected in our key performance indicators in fiscal 2018/2019. However, it must be kept in mind that sales and earnings in many parts of our materials and components businesses may be subject to short-term fluctuations. Uncertainties surrounding the economic conditions have increased recently. These uncertainties arise among other things from geopolitical flashpoints and the global economic situation and concern in particular

- the future economic policy of the USA, above all a further escalation of the existing trade conflicts with corresponding protectionist countermeasures by China and the EU that may appreciably impact global economic growth
- the slowing growth of the Chinese economy as a key factor for global growth and as an important sales market
- the outcome of the Brexit negotiations on economic growth in Europe, on exports and on future investment – above all in the UK itself but also in the other countries of Europe; also the conflict in the euro zone regarding Italy's proposed budget and increasing concerns about the country's financial stability
- the targeted normalization of monetary policy
- dislocations in the automotive sector, in part due to the introduction of new emissions standards and measuring procedures (WLTP)
- 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 continuing structural overcapacities in the steel industry, the corresponding competitive and import pressure on the European market and increasing dislocations in international steel trade flows, among other things as a result of the US tariffs on steel imports.

The forecasts for our key performance indicators are predicated on the assumption that impacts from possible changes to the economic conditions described will remain manageable and there will be no significant effects from exchange rate changes. However, if these uncertainties exert a clearly negative influence on economic growth and risks build up in particular for our main customer sector, the automotive industry, our key performance indicators may come in significantly below the following forecast.

Nevertheless on the whole we take a cautiously optimistic view of developments in the 2018 / 2019 fiscal year and expect a significant improvement in adjusted EBIT and free cash flow before M & A and positive tkVA for the Group's continuing operations.

Key assumptions

For 2019 we assume weaker growth in the euro zone, slower growth in China and slightly weaker momentum in the emerging countries overall. For the USA we expect lower but still relatively solid growth.

Global production of cars and light trucks shows a mixed picture. Due in particular to the slowdown in China and the new test procedures for fuel and electricity consumption and vehicle emissions (WLTP), there is a risk of temporary production declines at individual customers which will particularly impact our components business. We see growth opportunities from the ramp-up of new plants and production lines, including increasing deliveries of our electromechanical steering systems. In addition demand for our slewing bearings is expected to pick up again. This will be flanked by efficiency measures, mainly in the areas of steering systems and slewing bearings.

The high order backlog 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, production and administrative processes. In addition we will reduce the complexity of our product portfolio in terms of platforms and components and improve our earnings quality. Our growth expectations will be supported by construction activity in China, the USA and Europe.

At Industrial Solutions (excluding Marine Systems) we expect an improvement in orders and sales by focusing mainly on smaller and medium-size projects and service business. As part of the refocusing of our engineering operations we will greatly simplify organizational structures to enable decisions to be made more quickly and to increase accountability and transparency. In addition to expanding our service network in selected growth regions we will also raise the long-term capacity utilization of our business units to more appropriate levels.

At Marine Systems we expect an improvement in order intake in particular due to our nomination as an exclusive strategic partner to the Norwegian-German submarine program and other potential surface vessel projects. Depending on the order situation, capacity utilization in the surface vessel activities – in conjunction with further performance measures such as integration of production sites and simplification of the organizational structure – will enhance the quality of earnings.

With economic growth prospects subdued overall we expect global demand for steel to rise slightly again in the coming year, with moderate low single-digit percentage increases in both Europe and the USA. While the Chinese market will likely stagnate at a high level, we expect solid, above-average growth in the other emerging countries such as India and the ASEAN nations. Import pressure on the European 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.

At Materials Services we will continue to drive the digitization of our business processes and distribution channels. With the further roll-out of the B2B portal and other digital applications such as toii – our "Industrial Internet of Things" platform – we aim to improve productivity and efficiency along the entire value chain.

At Steel Europe (discontinued operation) we expect a temporary fall in production at the start of the fiscal year due to logistics problems resulting from low water levels on the Rhine and the introduction of new emissions standards (WLTP). The efficiency measures planned for the production operations in the coming fiscal year are aimed above all at improving melt shop performance with an associated increase in slab production. A further project will address ways of optimizing logistics.

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

2018 / 2019 forecast: Significant improvement in earnings and FCF before M & A at the continuing operations; tkVA in the Group positive

Sales of the continuing operations – adjusted for effects from the adoption of IFRS 15 – are expected to increase year-on-year in the low single-digit percentage range (prior year, continuing activities, adjusted for effects of IFRS 15: €33.6 billion). The potential decline at Materials Services due to the effects of restructuring and trade restrictions is expected to be more than offset by growth in the other segments.

Adjusted EBIT of the continuing operations is expected to be >€1 billion (prior year, continuing operations: €706 million); supported by initiatives from the corporate program “impact”.

- At **Components Technology** – assuming a largely stable automotive market – we expect a significant recovery of adjusted EBIT (prior year €197 million) from a sales increase in the mid-single-digit percentage range (prior year, adjusted for effects of IFRS 15: €6.6 billion) and a significant improvement in margin (prior year, adjusted for effects of IFRS 15: 3.0%). This will reflect in particular the absence of additional expense for quality-related risk provisions and the further ramp-up of the new plants, supported by efficiency and restructuring programs.
- At **Elevator Technology** we expect an improvement in adjusted EBIT (prior year: €866 million) from sales growth in the low single-digit percentage range and an increase in adjusted EBIT margin (prior year: 11.5%) from restructuring and efficiency measures, also depending on effects of materials prices – particularly in China – and tariffs on imports of materials to the USA.
- At **Industrial Solutions** depending on order intake we expect a significant recovery in sales in the almost double-digit percentage range. Supported by extensive transformation and restructuring measures and without the additional expenses incurred in the prior year for an extensive project analysis and reassessment of individual projects we expect a significant improvement in adjusted EBIT with gradual progress over the course of the year towards break-even earnings (prior year: €(127) million).
- At **Materials Services** with signs of a slowing economy we expect adjusted EBIT to be slightly lower year-on-year (prior year: €317 million; prior year continuing activities of Materials Services €308 million).
- At **Marine Systems** we expect a significant recovery in order intake. Supported by an extensive performance program and without the additional costs of the project analysis and reassessment in the prior year we anticipate a clear improvement towards break-even adjusted EBIT (prior year: €(128) million).
- At **Corporate** with continued cost reductions adjusted EBIT, which benefited in the prior year from positive nonrecurring items, is expected to be roughly level with the prior year (prior year: €(377) million; prior year continuing operations of Corporate €(370) million).

With continuing restructuring expenses we expect **income net of tax of the continuing operations** to improve significantly and return to positive (prior-year income net of tax, continuing operations: €(198) million).

Our goal is to achieve a significant increase in earnings and FCF before M&A of the continuing operations.

Capital spending before M & A of the continuing operations is expected to total around €1 billion in the current fiscal year (prior year, continuing operations: €935 million).

As a result of the improved earnings and depending on order intake and payment profiles for individual major orders, in particular at Marine Systems, **FCF before M&A of the continuing operations** (prior year, continuing operations: €(678) million) is expected to improve significantly year-on-year but remain negative overall.

For the **FCF of the full Group** (prior year, Group FCF: €(115) million) we expect additional negative effects in particular from portfolio changes.

Until the closing of the steel joint venture we expect from Steel Europe (discontinued operation):
- a clearly positive contribution to the Group's adjusted EBIT
- a negative impact on FCF in the mid to high 3-digit million euro range also due to the typical seasonal increase in net working capital.

FCF could be further impacted depending on the outcome of the Federal Cartel Office's investigations into alleged cartel agreements at tk Steel Europe AG relating to the product groups heavy plate and flat carbon steel.

Following the closing and initial recognition of our share in the joint venture we expect a significant positive effect on the net income of the full Group and a correspondingly positive effect on total equity.

The creation of the transaction structures for the **separation of the Group** will significantly impact net income and FCF. Based on current preliminary calculations we expect an impact in the high three-digit million euro range.

We expect **the Group's net financial debt** to increase sharply year-on-year (prior year: €2,364 million) due in particular to the aforementioned effects.

At the same time our pension liabilities will be reduced almost by half upon closing of the joint venture deal.

Net income of the Group is expected to improve significantly year-on-year (prior year: €60 million); expense from the preparation of the separation of the Group will be comfortably offset by the earnings increases of the continuing operations and the positive effects of the closing of the steel joint venture.

Due to the operational improvements at our continuing operations, the positive contribution of the discontinued operation Steel Europe and positive effects upon closing of the steel joint venture, we expect **tkVA for the Group** to be positive and significantly higher than a year earlier (prior year: €(217) million).

We will take into account the development of our key performance indicators – also keeping in mind economic justifiability – in preparing 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 from strategic realignment

For thyssenkrupp new opportunities open up as a result of the separation of the Group into two independent and much more focused companies resolved on September 30, 2018. The separation combines industrial logic with the requirements of the capital market. We are convinced that our businesses can develop better and concentrate on their strengths in this new setup.

Opportunities through strategic realignment.

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.

Due to close integration of opportunity management with the Strategic Dialogue opportunities are mainly of a strategic nature and are relevant also beyond the forecast period.

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 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.

As a Group we see opportunities particularly in the implementation of the resolved separation of the Group. In addition to reducing complexity the separation will allow the two companies to respond independently, faster and in a more targeted way to their respective customers and markets, and to speak to investors with different interests. thyssenkrupp Industrials, as a pure-play capital goods company with globally positioned businesses, will have attractive growth potential through megatrends such as urbanization, globalization and digitization. thyssenkrupp Materials with its materials businesses will have a leading market position in Europe and be able to utilize consolidation opportunities from a position of strength.

Information on our corporate strategy and the corresponding opportunities is contained in the section “Fundamental information about the Group”.

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 global research and development network and its collaborations with external partners is well positioned here. Detailed information on current initiatives and key development areas is presented in the section “Technology and innovations”.

We also see opportunities in the systematic and focused continuation of the corporate initiatives launched in previous years. We continue to work on maximizing the efficiency of purchasing and harmonizing our business processes. Our corporate program “impact” remains an important foundation of our Strategic Way Forward and can play a major long-term 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.

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.

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. Thanks to its broad product range, which includes standard systems, custom solutions as well as full service and modernization packages, and its local presence with more than 50,000 employees at over 1,000 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 can thus achieve 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 the competitiveness of the business area 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. To deploy our top engineers even more effectively we have created a global engineering network which opens up additional opportunities for us.

In the medium term, opportunities could arise around the targeted market entries in chemical plant construction (for example water electrolysis and methanol). In addition, wider public funding for eco-friendly technologies would benefit us, here primarily in plant construction for the chemical and cement industries.

Further opportunities are arising through the expansion of our high-margin service business. All the initiatives of the business area for more growth and higher efficiency have been brought together in a wide-ranging transformation program, for which we selected and accelerated focus themes in the year under review.

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 materials market characterized by low margins. Opportunities for the business area therefore arise from customer orientation, specific market and sector know-how, a global network, and broad and profound expertise in project management.

The continuous development and implementation of tailored digital solutions offers many opportunities for Materials Services to be an even better and more efficient partner to its customers. One example of this is the "omnichannel architecture": through individual customer portals, interfaces for electronic data interchange, online shops and in the future also external platforms, customers worldwide have 24 / 7 access to the business area's products and services. Materials Services is continuously driving its digital transformation 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 always on customers and their individual needs.

Under its efficiency programs, 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 establishment of a business area-wide project management organization for the structured, sustainable implementation of improvement opportunities.

With the optimization programs for AST now at an advanced stage of implementation, further opportunities are opening up in this business, especially in sales.

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.

Marine Systems – 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 capacity utilization.

Steel Europe (discontinued operation) – 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.

Even in a difficult market environment, Steel Europe is well placed overall 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.

The business area's strategy program "one steel" also provides for the strengthening of Steel Europe's technological capabilities through targeted investment projects. These will enable Steel Europe to optimize its product and customer portfolio in accordance with the requirements of the market. For example a decision was made in the year under review to build a new hot-dip coating line to meet the auto industry's rising demand for high-quality steel. Steel Europe also sees opportunities, albeit more in the medium term, in the area of e-mobility, where high potential exists through wider uses for electrical steel.

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 being leveraged as part of the digitization initiative in the "one steel" strategy program.

Although the foreign trade environment is marked by increased risks, there is the chance that the dislocations caused by US tariff policy following the introduction of 25% import duties on European steel products from June 1, 2018 will be contained more effectively than expected by the European Commission's provisional – and later perhaps permanent – safeguard measures.

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

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: No risks that threaten thyssenkrupp's ability to continue as a going concern

Our transparent and systematic risk management system 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 thyssenkrupp'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 long-term 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 by all employees. Risks threatening the Group's ability to continue as a going concern must be avoided.

Our "Governance, Risk and Compliance (GRC) Policy" defines basic principles for corporate governance and risk management and 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

Corporate risk management continuously enhances thyssenkrupp's risk management system, aligns it with the internationally recognized COSO model and integrates it with our internal control system. In our GRC Policy, our risk management system methodology is embedded in the three lines of defense model and the roles of the individual lines of defense are clearly defined. Details of the model can be found in the corporate governance report. All other binding requirements for the risk management process are defined in the Group policy on risk management.

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 corporate risk management in operational and strategic controlling facilitates holistic risk management integrated with planning and reporting processes. Our main focus in using the risk management instruments is to assess possible 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

	Opportunities and risks		Risks		
	in estimation	**in budget**	**Risk scenarios**	**Risk inventory**	**Provisions for risks**
Goal/content	Identification and assessment of opportunities and risks not included in current estimation	Identification and assessment of opportunities and risks not included in budget	Analysis of concentration risks based on defined common scenarios	Identification, assessment and management of risks in all operating units not included in estimation and budget planning	Analysis of main provisions for risks/measures monitoring
Time horizon	Current fiscal year	Following fiscal year	Scenario-dependent	Planning period	Current fiscal year
Interval	Monthly	Yearly	At least yearly	Twice yearly	Four times yearly

Standard reporting		Risk and Internal Control Committee and Audit Committee
Monthly reporting	Budget reporting	**Interval** Four meetings yearly

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 by highlighting 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 taking into account centrally defined interdependencies and risk premises. These Group-wide 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. The assessment period used for the risk map goes beyond the period covered by the forecast and provides multiple-year transparency into the local risk assessments. The regular reporting and updating of risks at local level also ensures that risk awareness remains high throughout the Group.

Risks already recognized in the form of 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 centrally by the Group and apply to all operating entities. Responsibility for measuring and controlling risks along the value chain lies at local level with the functional managers in the operating entities.

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.

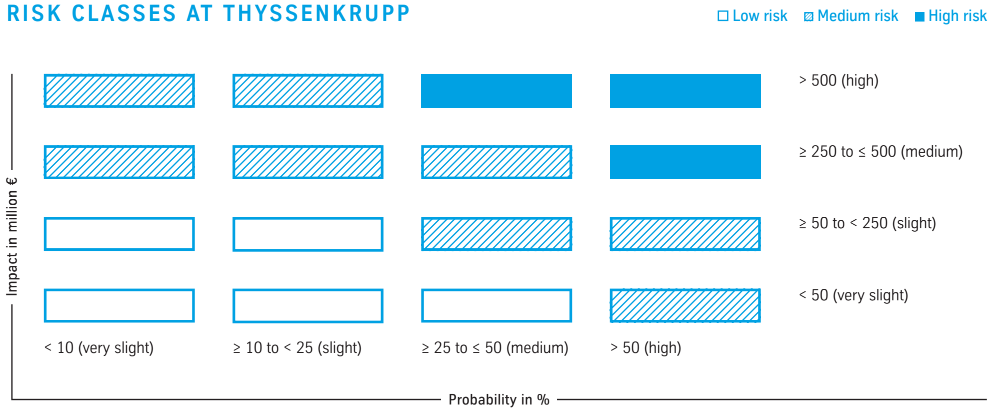
Employees responsible for risk management receive regular training on using the various instruments. We also use our Groupwide web-based IT risk management tool to provide targeted information and training material.

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 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 "adjusted EBIT" and "free cash flow before M&A" 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", "low" or "very low".

RISK CLASSES AT THYSSENKRUPP

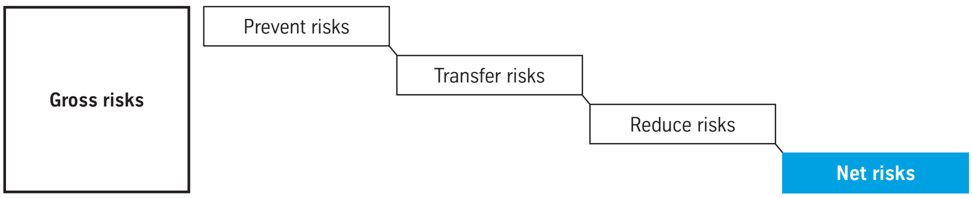


Risk control

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.

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 our 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 requirements the internal control system must meet 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. 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

We have pooled the types of risks relevant to thyssenkrupp in the following categories:

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

We deal in detail with the risk categories and risk types in the following sections.

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 continuing uncertainties regarding the further course of the exit negotiations after the Brexit referendum in 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.

Additional risks arise from a further escalation of the trade conflict between the USA and China, slower growth rates in China, and a prolonged recession in emerging economies, for example caused by further rising interest rates or currency crises as in Turkey. 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.

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

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

Regulatory risks – New laws and other changes in the legal framework at national and international level could entail risks as well as opportunities 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.

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

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, or if demand for products and technologies is absent in the long term. 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 national and international institutions and also cooperate with industry associations at all levels to reduce possible risks. 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 where there is legal uncertainty and which may change over time. 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.

Financial risks

Financial risks are contained 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. This involves optimizing Group financing and limiting the financial risks.

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 the Group companies internally according to requirements.

Market risks – To hedge market risks (currency, interest rate and commodity price risks) we enter into derivative hedging instruments. These mainly include off-exchange traded foreign currency forward contracts, interest rate swaps, interest-rate/foreign currency swaps and commodity forward contracts with banks and commercial partners. To hedge against commodity price risks we also use exchange-traded futures. The use of derivative financial instruments is extensively monitored.

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. They mainly use our central hedging platform 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 task of central interest rate management is to control and optimize the risk of changing interest rates. For this, regular interest rate risk analyses are prepared, the results of which feed into our risk management system.

Taking into account the control measures selected, the financial risks outlined above are assessed as low.

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; in addition 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 and weighing on equity.

Falling interest rates could represent an accounting risk in connection with the valuation of pension obligations.

Further risks exist in connection with the payment of life-long pensions due to the rising life expectancies of beneficiaries and the need to adjust pension amounts on a regular basis. In addition, payments to pension funds could increase substantially in some countries in the future due to stricter statutory requirements, or additional allocations to pension plans could become necessary in individual cases if pension plans are terminated prematurely.

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.

With the exception of the compliance cases below, based on current estimates we classify litigation risks individually and cumulatively as medium. 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. Compliance risks also include possible infringements of the EU General Data Protection Regulation which came into force in 2018. We classify general compliance risks overall as high.

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

The discontinued operation 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 alleged antitrust violations in determining surcharges and premiums for certain steel prices. thyssenkrupp takes this matter very seriously and has pursued its own internal investigation with external support. Due to developments in the investigation process, thyssenkrupp has decided to recognize a provision in its consolidated financial statements. Based on current knowledge we are still unable to rule out substantial adverse effects on the Group's financial position.

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 starting materials. 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.

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.

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 business prospects on individual markets 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 an industrial group with leading engineering expertise, thyssenkrupp operates globally, maintains good, long-term customer relationships, and pursues active strategic market and customer development. Our diversified product and customer structures help ensure that we remain largely independent of regional crises on our sales markets. We therefore classify the sales risks as low.

Product and process quality and meeting the corresponding quality requirements of our customers are a top priority for us. The possibility cannot be excluded that we will not always be able to meet these quality standards. We therefore counter the risks arising from this by setting aside provisions in our financial statements.

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 high. 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.

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.

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

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 internal communication campaigns and ensure that the confidentiality of information is guaranteed through appropriate technical support.

Together with the Group's data protection officer, our experts ensure that personal data are processed in accordance with the rules of the EU General Data Protection Regulation and the new 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 an 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 in part by the increasing trend towards electrification, in particular with regard to components for internal combustion engines, for example camshafts. 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 stable growth in all product segments. However, this is subject to major uncertainty. For example, slowing momentum of the markets in China could jeopardize our business prospects there. The United States is also a key sales market for our products. A weakening of this market would therefore also carry risks. 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. Government trade restrictions such as possible tariffs on automobile exports or auto parts as well as the planned Brexit pose a risk. The new Worldwide Harmonized Light Vehicles Test Procedure for fuel/electricity consumption and emissions also presents a risk of temporary production declines at individual customers.

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 auctioning of contracts. We are countering this price pressure with continuous optimizations and sustainable 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 and the ramp-up of new plants, risks from unplanned earnings impacts cannot be ruled out. Strong growth also carries the risk of organizational weak points, for example inadequately resourced internal control systems. 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.

Further general risks of the business area relate to the effects of changing exchange rates on sales and earnings, both translation and transaction effects, particularly with regard to the US dollar, the Chinese yuan and the Brazilian real.

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.

Accidents cannot be ruled out completely during the installation, maintenance and use of the business area's products. A safety-oriented corporate culture, appropriate employee selection and 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.

Industrial Solutions – Following a recovery in oil, fertilizer and raw material prices, the environment for the markets of Industrial Solutions is generally improved, with the exception of the cement and gas-based fertilizer businesses. This picture is not significantly impaired by the renewed sanctions against Iran.

General economic risks could arise from the escalating international trade conflicts, which could pose a threat to the investment climate. This could also further intensify the push of low-cost Far Eastern competitors onto western markets, which could also put market prices under pressure again and impact our chemical plant and mining businesses in particular.

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 the biggest materials distributor in the western world.

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 the efficiency and profitability of the business area. At the same time we are intensifying our service and digitization activities for materials.

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. Unless the European Union imposes safeguard measures against stainless steel imports from Asia, price-related risks will arise in particular for AST.

Marine Systems – In the marine business, there are risks relating to a number of existing export contracts suffering significant delays; attribution of the causes is disputed due to complex contractual structures with government procurement agencies for military equipment, local shipyards and supplies by the Marine Systems business unit. In addition, political developments in customer countries or surrounding regions could pose the risk of export approvals not being granted.

Steel Europe (discontinued operation) – 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.

Steel Europe counters intense competition on the market for flat steel products with its technological expertise and an even stronger focus on markets and customers, allowing differentiation from the competition. This includes constant optimization of supply chains and 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 steady improvements in product quality and helps secure a competitive market position.

The business area reduces the risks from customer insolvencies through intensive monitoring and appropriate hedging instruments.

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.

The already implemented strategy of hedging transactions counters the current price increase for emissions allowances in the third trading period of the EU emissions trading system (2013 to 2020) and the associated risk of further costs in connection with the need to purchase allowances. However considerable risks could arise from the adopted revision of the emissions trading directive for the fourth trading period (2021 to 2030).

To reduce business interruption risks and improve preventive fire safety, funds are made available for ongoing preventive maintenance and for 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 general planning certainty has been achieved by the continuation of exemptions for producers of in-house electricity in the Renewable Energies Act (EEG 2017), energy-intensive industry still sees itself faced with cost-driving developments 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 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.

Legal information

Corporate governance statement

The corporate governance statement issued in accordance with §§ 289f, 315d HGB is part of the combined management report and is published on the Company's website at www.thyssenkrupp.com.

www.thyssenkrupp.com > Company > Management > Corporate governance > Corporate governance declaration > ezu2017-2018

Compensation report

The compensation report in accordance with §§ 289 a (2), 315 a (2) HGB is part of the combined management report.

Takeover-related disclosures

The following information, valid September 30, 2018, is presented in accordance with §§ 289a (1), 315a (1) HGB. Details under §§ 289a (1), 315a (1) 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 October 2018;

- 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 the end of the authorization period on 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. Such an arrangement also applies in respect of the majority of the committed bilaterally agreed credit facilities in the amount of €1.6 billion.
- The Company has bonds and private placements outstanding in the nominal amount of €4.9 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.
- Compensation arrangements for the event of a takeover bid (change of control clause) have been agreed in the service contracts of all Executive Board members. 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. The compensation arrangements are presented in the compensation report in the section “Commitments in connection with the ending of Executive Board service”.

Consolidated financial statements

thyssenkrupp AG – Consolidated statement of financial position

ASSETS

million €	Note	Sept. 30, 2017	Sept. 30, 2018
Intangible assets	04	4,813	4,393
Property, plant and equipment (inclusive of investment property)	05	7,605	4,791
Investments accounted for using the equity method	06	154	48
Other financial assets	10	43	32
Other non-financial assets	11	207	144
Deferred tax assets	29	1,680	1,116
Total non-current assets		**14,502**	**10,524**
Inventories	08	6,957	5,159
Trade accounts receivable	09	5,734	5,529
Other financial assets	10	420	330
Other non-financial assets	11	1,923	1,838
Current income tax assets		220	249
Cash and cash equivalents		5,292	2,987
Assets held for sale	03	0	7,252
Total current assets		**20,546**	**23,344**
Total assets		**35,048**	**33,868**

EQUITY AND LIABILITIES

million €	Note	Sept. 30, 2017	Sept. 30, 2018
Capital stock		1,594	1,594
Additional paid-in capital		6,664	6,664
Retained earnings		(5,401)	(5,535)
Cumulative other comprehensive income		33	82
[thereof discontinued operations]		[—]	[97]
Equity attributable to thyssenkrupp AG's stockholders		**2,890**	**2,805**
Non-controlling interest		515	469
Total equity	**12**	**3,404**	**3,274**
Accrued pension and similar obligations	14	7,924	4,128
Provisions for other employee benefits	15	354	182
Other provisions	15	645	295
Deferred tax liabilities	29	111	28
Financial debt	16	5,326	5,087
Other financial liabilities		182	157
Other non-financial liabilities		5	4
Total non-current liabilities		**14,546**	**9,882**
Provisions for current employee benefits	15	357	334
Other provisions	15	1,183	1,067
Current income tax liabilities		254	207
Financial debt	16	1,930	147
Trade accounts payable	17	5,729	5,266
Other financial liabilities	18	842	635
Other non-financial liabilities	19	6,802	6,626
Liabilities associated with assets held for sale	03	0	6,430
Total current liabilities		**17,097**	**20,711**
Total liabilities		**31,643**	**30,593**
Total equity and liabilities		**35,048**	**33,868**

See accompanying notes to consolidated financial statements.

thyssenkrupp AG – Consolidated statement of income

million €, earnings per share in €	Note	Year ended Sept. 30, 2017[1]	Year ended Sept. 30, 2018
Net sales	23, 24	33,993	34,777
Cost of sales	04, 05	(28,543)	(29,847)
Gross margin		**5,449**	**4,930**
Research and development cost		(285)	(259)
Selling expenses		(2,326)	(2,218)
General and administrative expenses		(2,321)	(2,077)
Other income	25	246	195
Other expenses	26	(122)	(136)
Other gains/(losses), net	27	42	36
Income/(loss) from operations		**684**	**472**
Income from companies accounted for using the equity method		(16)	(1)
Finance income		768	703
Finance expense		(1,107)	(1,010)
Financial income/(expense), net	28	**(355)**	**(308)**
Income/(loss) from continuing operations before tax		**329**	**163**
Income tax (expense)/income	29	(317)	(362)
Income/(loss) from continuing operations (net of tax)		**12**	**(198)**
Income/(loss) from discontinued operations (net of tax)	03	**(603)**	**258**
Net income/(loss)		**(591)**	**60**
Thereof:			
thyssenkrupp AG's shareholders		**(649)**	**8**
Non-controlling interest		59	51
Net income/(loss)		**(591)**	**60**
Basic and diluted earnings per share based on	30		
Income/(loss) from continuing operations (attributable to thyssenkrupp AG's shareholders)		**(0.07)**	**(0.39)**
Net income/(loss) (attributable to thyssenkrupp AG's shareholders)		**(1.15)**	**0.01**

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, 2017	Year ended Sept. 30, 2018
Net income/(loss)	**(591)**	**60**
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	857	(59)
Tax effect	(237)	5
Other comprehensive income from remeasurements of pensions and similar obligations, net	620	(54)
Share of unrealized gains/(losses) of investments accounted for using the equity-method	6	0
Subtotals of items of other comprehensive income that will not be reclassified to profit or loss in future periods	**627**	**(54)**
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	(253)	(100)
Net realized (gains)/losses	(219)	(2)
Net unrealized (gains)/losses	(472)	(101)
Unrealized gains/(losses) from available-for-sale financial assets		
Change in unrealized gains/(losses), net	2	0
Net realized (gains)/losses	0	0
Tax effect	2	(1)
Net unrealized (gains)/losses	4	(1)
Unrealized gains/(losses) on derivative financial instruments (cash flow hedges)		
Change in unrealized gains/(losses), net	61	172
Net realized (gains)/losses	(35)	2
Tax effect	(10)	(58)
Net unrealized (gains)/losses	15	116
Share of unrealized gains/(losses) of investments accounted for using the equity-method	(8)	0
Subtotals of items of other comprehensive income that will be reclassified to profit or loss in future periods	**(461)**	**14**
Other comprehensive income	**166**	**(40)**
Total comprehensive income	**(425)**	**20**
Thereof:		
thyssenkrupp AG's shareholders	(465)	4
Non-controlling interest	40	16
Total comprehensive income attributable to thyssenkrupp AG's stockholders refers to:		
Continuing operations	139	(350)
Discontinued operations[1]	(604)	354

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

		Equity attributable to thyssenkrupp AG's stockholders									
					Cumulative other comprehensive income						
million €, (except number of shares)	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, 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**
Net income/(loss)				8					8	51	60
Other comprehensive income				(54)	(69)	(1)	119	0	(5)	(35)	(40)
Total comprehensive income				**(45)**	**(69)**	**(1)**	**119**	**0**	**4**	**16**	**20**
Profit attributable to non-controlling interest									0	(38)	(38)
Payment of thyssenkrupp AG dividend				(93)					(93)	0	(93)
Changes of shares of already consolidated companies				5					5	(24)	(19)
Balance as of Sept. 30, 2018	**622,531,741**	**1,594**	**6,664**	**(5,535)**	**(34)**	**8**	**69**	**40**	**2,805**	**469**	**3,274**

See accompanying notes to consolidated financial statements.

thyssenkrupp AG – Consolidated statement of cash flows

million €	Year ended Sept. 30, 2017[1]	Year ended Sept. 30, 2018
Net income/(loss)	**(591)**	**60**
Adjustments to reconcile net income/(loss) to operating cash flows:		
Income/(loss) from discontinued operations (net of tax)	603	(258)
Deferred income taxes, net	75	88
Depreciation, amortization and impairment of non-current assets	688	688
Reversals of impairment losses of non-current assets	(1)	0
Income/(loss) from companies accounted for using the equity method, net of dividends received	16	1
(Gain)/loss on disposal of non-current assets	(44)	(28)
Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes		
– Inventories	(397)	(539)
– Trade accounts receivable	(677)	(557)
– Accrued pension and similar obligations	(44)	(23)
– Other provisions	116	(23)
– Trade accounts payable	692	672
– Other assets/liabilities not related to investing or financing activities	(409)	105
Operating cash flows – continuing operations	**27**	**185**
Operating cash flows – discontinued operations	583	1,000
Operating cash flows – total	**610**	**1,184**
Purchase of investments accounted for using the equity method and non-current financial assets	(4)	(2)
Expenditures for acquisitions of consolidated companies net of cash acquired	4	(8)
Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property	(839)	(801)
Capital expenditures for intangible assets (inclusive of advance payments)	(121)	(124)
Proceeds from disposals of investments accounted for using the equity method and non-current financial assets	5	3
Proceeds from disposals of previously consolidated companies net of cash disposed	1,418	0
Proceeds from disposals of property, plant and equipment and investment property	90	63
Proceeds from disposals of intangible assets	(1)	1
Cash flows from investing activities – continuing operations	**552**	**(869)**
Cash flows from investing activities – discontinued operations	(673)	(430)
Cash flows from investing activities – total	**(121)**	**(1,299)**

million €	Year ended Sept. 30, 2017[1]	Year ended Sept. 30, 2018
Proceeds from issuance of bonds	1,250	0
Repayments of bonds	(1,250)	(1,600)
Proceeds from liabilities to financial institutions	3,470	366
Repayments of liabilities to financial institutions	(3,722)	(551)
Proceeds from/(repayments on) loan notes and other loans	(21)	(75)
Increase/(decrease) in bills of exchange	9	(11)
(Increase)/decrease in current securities	0	1
Payment of thyssenkrupp AG dividend	(85)	(93)
Proceeds from capital increase	1,375	0
Profit attributable to non-controlling interest	(37)	(38)
Expenditures for acquisitions of shares of already consolidated companies	(1)	(2)
Financing of discontinued operations	(162)	568
Other financing activities	33	(66)
Cash flows from financing activities – continuing operations	**858**	**(1,501)**
Cash flows from financing activities – discontinued operations	(74)	(613)
Cash flows from financing activities – total	**784**	**(2,114)**
Net increase/(decrease) in cash and cash equivalents – total	1,273	(2,229)
Effect of exchange rate changes on cash and cash equivalents – total	(86)	(57)
Cash and cash equivalents at beginning of year – total	4,105	5,292
Cash and cash equivalents at end of year – total	**5,292**	**3,006**
[thereof cash and cash equivalents within the discontinued operations]	[63]	[19]
Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows of continuing operations:		
Interest received	60	37
Interest paid	(319)	(232)
Dividends received	34	34
Income taxes paid	(332)	(354)

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, 2018, were authorized for issuance in accordance with a resolution of the Executive Board on November 16, 2018.

Statement of compliance

Applying Art. 315e 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 are only immaterial. 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 (Basis €1)	
	Sept. 30, 2017	Sept. 30, 2018	Year ended Sept. 30, 2017	Year ended Sept. 30, 2018
US Dollar	1.18	1.16	1.10	1.19
Chinese Renminbi Yuan	7.85	7.97	7.52	7.78
Swiss Franc	1.15	1.13	1.09	1.16

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 cost of sales 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
Buildings 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.

As far as the fair value of plan assets related to pensions or similar obligations exceeds the corresponding obligation, the recognition of an asset in respect to such surplus is limited. As far as in connection with plan assets minimum funding requirements related to past service exist, an additional liability may need to be recognized in case the economic benefit of a surplus – already taking into account the contributions to be made in respect of the minimum funding requirements – is limited. The limit is determined by the present value of any future refunds from the plan or reductions in future contributions to the plan asset (asset ceiling).

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.

Other 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, 04 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 2017 / 2018 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 12 "Income Taxes": "Recognition of Deferred Tax Assets for Unrealised Losses", issued in January 2016

- Amendments to an IAS 7 "Statements of Cash Flows": "Disclosure Initivative", issued in January 2016

Issued accounting standards that have not been adopted in fiscal year 2017 / 2018

The following standards, interpretations and amendments of standards and interpretations have been issued by the IASB. Their adoption has not been mandatory for 2017 / 2018 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, 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 retained earnings. The new hedge accounting rules will be applied prospectively.

Regarding the classification of financial assets, 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 will to be recognized at fair value in profit or loss in the future. This will not impact earnings.

Under the new impairment model (expected loss model) expected losses are reported and forward-looking information is used to a greater extent. To implement the new rules on impairment, suitable models were developed in particular to determine the expected loss rates for trade accounts receivable. thyssenkrupp will 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 will likely result in earlier recognition of loss allowances. The transition is expected to result in a €55 million increase in loss allowances, reported in equity under retained earnings in the opening balance sheet as of October 1, 2018; €1 million of this is attributable to the discontinued operations.

All existing designated hedges meet the requirements of IFRS 9 and can be continued. In some cases the hedging of components will be possible in the future. The option of reporting hedge costs in connection with designated hedges initially in other comprehensive income will be used. This will further reduce earnings volatility.

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 adopts IFRS 15 for the 2018 / 2019 fiscal year beginning on October 1, 2018 (IFRS 15 effective date). The full retrospective approach to initial application is 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 at October 1, 2017 in particular contracts that begin and are completed within the same fiscal year or are completed at October 1, 2017 were not restated.

Based on current knowledge, at the start of the comparative period on October 1, 2017 the IFRS 15 transition effects versus the consolidated balance sheet on September 30, 2017 are as follows:

- Equity is overall immaterially lower by €1 million due to the reporting of cumulative adjustment effects (after deferred taxes) in equity as a result of IFRS 15 adoption. The IFRS 15 requirement to capitalize the costs of obtaining a contract when certain conditions are met results in an €11 million increase in non-current non-financial assets. This is offset mainly by decreases due to revenue and income deferrals. These result from the use of certain Incoterms in contracts with customers for the supply of products which under IFRS 15 lead to the recognition of separate performance obligations for the provision of transportation and/or insurance services. Under IFRS 15 the revenue for these services is recognized over time and not, as under IAS 18, at the time of delivery of the corresponding products. In addition, in cases where certain Incoterms are agreed for the supply of products to customers control transfers to the customer under IFRS 15 only when the products concerned are transferred to the customer; earlier revenue recognition at the point in time the significant rewards and risks are transferred to the customer, as previously allowed under IAS 18, is no longer possible under IFRS 15.

- Total assets are overall €638 million higher as a result of IFRS 15 adoption. €601 million of this is due to the recognition, explicitly required under IFRS 15, of due prepayments not yet received in cash from customers in the Elevator Technology and Industrial Solutions business areas. This recognition resulted in a corresponding increase in trade accounts receivable and in contract liabilities required to be presented separately in the statement of financial position under IFRS 15.

- Despite the above-mentioned increases due to the recognition of due customer prepayments, trade accounts receivable overall are €897 million lower. This is due mainly to the reclassification of €1,403 million receivables under construction contracts of the Elevator Technology and Industrial Solutions business areas to the contract assets required to be presented separately under IFRS 15, as well as in the amount of 103 Mio € to the existence of agent activity under IFRS 15 – unlike under IAS 18 – in certain business models in the automotive supply business of the Components Technology business area as a result of the concretized definition of principal and agent in IFRS 15 based on the control concept.

- The application of IFRS 15 results in contract assets in the total amount of €1,367 million, mainly relating to the above-mentioned reclassifications of receivables from construction contracts.

- Current other financial assets are €164 million higher. The increase is mainly due to receivables from customers in connection with the above-mentioned agent activity for certain business models in the automotive supply business.

- Current other provisions are overall €137 million higher, mainly due to the changed presentation of losses from construction contracts under IFRS 15.

- The application of IFRS 15 results in contract liabilities in the total amount of €4,858 million. This is mainly due to reclassifications from current non-financial liabilities, which relate in the amount of €3,356 million to reclassifications of liabilities under construction contracts in the Elevator Technology and Industrial Solutions business areas and in the amount of €991 million to reclassifications of prepayments received. In addition, due prepayments not yet received in cash from customers in the Elevator Technology and Industrial Solutions business areas are recognized here in the amount of €601 million, as explicitly required by IFRS 15. This is partly offset by the previously mentioned changed presentation of losses from construction contracts.

- Current other non-financial liabilities are significantly lower by €4,343 million. This is mainly due to the previously mentioned reclassifications of liabilities under construction contracts and of prepayments received to the contract liabilities to be presented separately under IFRS 15.

Based on current knowledge, the IFRS 15 transition effects with regard to the consolidated statement of income for the comparative fiscal year 2017 / 2018 are as follows:

- Owing to the previously mentioned concretized definition of principal and agent in IFRS 15 based on the control concept, for certain business models in the automotive supply business of the Components Technology business area there is a significant reduction in reported revenue of the continuing operations by €1,210 million due to the extended net presentation of agent revenue. However there is no effect on income due to a corresponding reduction in cost of sales of the continuing operations. The reported percentage sales margin (related to adjusted EBIT of the continuing operations) increases in total by 0.1%-points, with the sales margin (related to adjusted EBIT) of the Components Technology business area being reported 0.5%-points higher.

Adjusted EBIT of the continuing operations at €706 million and net income at €60 million are unchanged overall.

In January 2016 the IASB issued the new standard IFRS 16 “Leases”, which will replace the current lease standard IAS 17 and the associated interpretations. 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 transition the Group has chosen to use the modified retrospective approach. This does not require adjustment of comparative information. The cumulative transition effects at October 1, 2019 will be recognized in retained earnings. Also, on initial application of IFRS 16 it is intended to recognize the rights of use at an amount equal to the lease liability.

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 IFRS 2 "Share-based Payment": "Classification and Measurement of Share-based Payment Transactions", issued in June 2016, initial application in fiscal year 2018 / 2019

- Annual Improvements to IFRSs 2014-2016 Cycle, issued in December 2016, initial application in fiscal year 2017 / 2018 and 2018 / 2019 , respectively

- IFRIC 22: "Foreign Currency Transactions and Advance Consideration", issued in December 2016, initial application in fiscal year 2018 / 2019

- Amendments to IAS 40: "Transfers of Investment Property", issued in December 2016, initial application in fiscal year 2018 / 2019

- IFRIC 23: "Uncertainty over Income Tax Treatments", issued in June 2017, issued in December 2016, initial application in fiscal year 2019 / 2020

- Amendments to IFRS 9 “Financial Instruments”, issued in October 2017, 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
- Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017, not yet endorsed, expected initial application in fiscal year 2019 / 2020
- Amendments to IAS 19: “Plan Amendment, Curtailment or Settlement”, issued in February 2018, not yet endorsed, expected initial application in fiscal year 2019 / 2020
- Amendments to IFRS Framework: “Amendments to References to the Conceptual Framework in IFRS Standards”, issued in March 2018, not yet endorsed, expected initial application in fiscal year 2020 / 2021
- Amendments to IFRS 3: “Definition of a Business (Amendments to IFRS 3)”, issued in October 2018, not yet endorsed, expected initial application to acquisitions that occur on or after January 1, 2020
- Amendments to IAS 1 und IAS 8: “Definition of Material (Amendments to IAS 1 and IAS 8)”, issued in October 2018, not yet endorsed, expected initial application in fiscal year 2020 / 2021

02 Consolidated companies and equity interests

Composition of the scope of consolidation

The changes in the scope of consolidation in fiscal 2016 / 2017 and 2017 / 2018, respectively are presented in the table below:

ACQUISITIONS/DIVESTITURES OF BUSINESSES

Number of consolidated companies	Germany	Abroad	Total
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**
Additions	4	6	10
Disposals	(9)	(13)	(22)
Balance as of Sept. 30, 2018	**103**	**346**	**449**

The additions in 2017 / 2018 mainly result from acquisitions and incorporations, while the disposals result from internal merging of Group entities. To further details see “acquisitions and disposals” in this Note and in Note 03.

6 (prior year: 7) 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 0.02% and their total equity amounts to 0.68% of the Group's respective balances.

The Group has 11 (prior year: 12) associated companies and 12 (prior year: 13) joint ventures that are accounted for using the equity method of accounting. Another 7 (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 0.34% and their total equity to 0.26% 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.**

Structured 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: 3) 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, 2018

After the completion of the analysis of the individual projects the purchase price allocation of the complete acquisition of Atlas Elektronik in April 2017 was finalized in the 2nd quarter ended March 31, 2018. Compared to the preliminary purchase price allocation it resulted in increased other current assets of €4 million and increased other current provisions of €5 million, while deferred tax liabilities decreased by €2 million.

In total, the final purchase price allocation is presented below:

ACQUISITION OF ATLAS ELEKTRONIK GROUP

million €	
Goodwill	93
Other intangible assets	192
Property, plant and equipment	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	47
Other current non-financial assets	37
Current income tax assets	10
Cash and cash equivalents	167
Total assets	**1,017**
Accrued pension and similar obligations	176
Deferred tax liabilities	62
Other non-current financial liabilities	2
Provisions for current employee benefits	1
Other current provisions	104
Current income tax liabilities	9
Trade accounts payable	34
Other current financial liabilities	18
Other current non-financial liabilities	296
Total liabilities	**700**
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

In the year ended September 30, 2018 , the Group acquired only some smaller companies that are, on an individual basis, immaterial. The total of the purchase prices amounted to €29 million and refers to intangible assets in the amount of €27 million and to trade accounts receivable in the amount of €3 million. Furthermore there weren't any disposals in the year ended September 30, 2018 .

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	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.

03 Discontinued operations

Year ended September 30, 2018

In addition at the end of June 2018 thyssenkrupp signed an agreement with Tata Steel to create a new company by combining their European steel activities in a 50 / 50 joint venture. The aim for the new company is to create a European flat steel provider positioned as a quality and technology leader. Annual recurring synergies of €400 to €500 million are expected alongside further synergies in capital expenditure and the optimization of working capital. Closing is subject to merger control clearance.

The transaction meets the criteria of IFRS 5 for reporting a discontinued operation. This comprises the Steel Europe business area, thyssenkrupp MillServices & Systems GmbH from the Materials Services business area, and individual Corporate companies. In accordance with IFRS 5, in the current reporting periods all expense and income of the discontinued steel operations are reported separately in the income statement and all cash flows reported separately in the statement of cash flows; prior-period figures are adjusted accordingly. In the statement of financial position, assets and liabilities attributable to the discontinued steel operations are only reported separately at the current balance sheet date. In connection with the initiated disposal, the assets and liabilities continue to be measured at their carrying amount as this is lower than the fair value less costs to sell. On the classification as a discontinued operation, non-current assets are no longer amortized or depreciated.

The assets and liabilities of the discontinued steel operations are presented in the table below:

DISCONTINUED STEEL OPERATIONS

million €	Sept. 30, 2018
Intangible assets	457
Property, plant and equipment (inclusive of investment property)	3,040
Investments accounted for using the equity method	84
Other financial assets	13
Other non-financial assets	90
Deferred tax assets	136
Inventories	2,250
Trade accounts receivable	832
Other current financial assets	243
Other current non-financial assets	67
Current income tax assets	21
Cash and cash equivalents	19
Assets held for sale	**7,252**
Accrued pension and similar obligations	3,709
Provisions for other employee benefits	163
Other non-current provisions	279
Deferred tax liabilities	31
Non-current financial debt	104
Provisions for current employee benefits	8
Other current provisions	359
Current income tax liabilities	18
Current financial debt	38
Trade accounts payable	1,266
Other current financial liabilities	169
Other current non-financial liabilities	285
Liabilities associated with assets held for sale	**6,430**

The results of the discontinued steel operations are as following:

DISCONTINUED STEEL OPERATIONS

million €	Year ended Sept. 30, 2017	Year ended Sept. 30, 2018
Net sales	7,454	7,968
Other income	58	84
Expenses	(7,075)	(7,547)
Ordinary income/(loss) from discontinued operations (before tax)	**437**	**505**
Income tax (expense)/income	(178)	(247)
Ordinary income/(loss) from discontinued operations (net of tax)	**259**	**258**
Gain/(loss) recognized on disposal of discontinued operations (before tax)	0	0
Income tax (expense)/income	0	0
Gain/(loss) recognized on disposal of discontinued operations (net of tax)	**0**	**0**
Income/(loss) from discontinued operations (net of tax)	**259**	**258**
Thereof:		
thyssenkrupp AG's shareholders	251	254
Non-controlling interest	7	4

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

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, 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**
Currency differences	(2)	4	9	12
Acquisitions/divestitures of businesses	10	0	18	27
Additions	48	68	0	115
Transfers	24	18	(2)	40
Disposals	(35)	(3)	0	(38)
Reclassification due to the presentation as assets held for sale	(180)	(280)	(378)	(838)
Balance as of Sept. 30, 2018	**1,969**	**607**	**4,052**	**6,629**
Accumulated amortization and impairment losses				
Balance as of Oct. 1, 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**
Currency differences	0	4	4	8
Acquisitions/divestitures of businesses	(1)	0	0	(1)
Amortization expense	104	45	0	149
Impairment losses	3	1	0	4
Reversals of impairment losses	0	0	0	0
Transfers	0	0	(4)	(4)
Disposals	(34)	(3)	0	(36)
Reclassification due to the presentation as assets held for sale	(158)	(164)	(58)	(381)
Balance as of Sept. 30, 2018	**1,229**	**436**	**570**	**2,235**
Net amounts				
Balance as of Oct. 1, 2016	**573**	**235**	**3,763**	**4,570**
Balance as of Sept. 30, 2017	**790**	**246**	**3,777**	**4,813**
Balance as of Sept. 30, 2018	**740**	**171**	**3,482**	**4,393**

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).

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 1.0% (prior year: 1.25%) 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 %	Sept. 30, 2017	Sept. 30, 2018
Components Technology	8,5 – 11,7	7,4 – 10,6
Elevator Technology	10,3 – 13,4	10,2 – 13,2
Industrial Solutions	9,1 – 12,9	8,2 – 12,5
Materials Services	6,2 – 10,9	6,3 – 11,4
Corporate	8.3	7.3

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.

20 CGUs were identified in the thyssenkrupp Group for the continuing operations, of which 16 report goodwill. Total goodwill of the continuing operations amounts to €3,482 million as of September 30, 2018. 68% of this goodwill relates to the CGUs 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
Americas (Elevator Technology)	948	27%	10.2%	1.4%	– Procurement prices – Exchange and interest rates	Consideration of economic assumptions set by thyssenkrupp AG and external market studies
Europe / Africa (Elevator Technology)	366	11%	10.8%	1.4%	– Market growth rates – Business cycles	Consideration of economic assumptions set by thyssenkrupp AG and external market studies
Marine Systems (Industrial Solutions)	1,041	30%	8.2%	1.5%	– Market growth rates – Realisation of scheduled measures	Consideration of long-term budget plans of potential customers ans 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.

As in the prior year, as of September 30, 2018 the recoverable amount of each CGU exceeded the carrying amount by more than 10%.

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.

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

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, 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**
Currency differences	(12)	(66)	(10)	0	0	(4)	(92)
Acquisitions/divestitures of businesses	10	(8)	1	0	(5)	(3)	(5)
Additions	79	336	158	2	0	555	1,131
Transfers	98	426	78	(13)	(10)	(557)	22
Disposals	(54)	(120)	(123)	(6)	(11)	(1)	(314)
Reclassification due to the presentation as assets held for sale	(2,491)	(12,084)	(1,016)	(30)	(30)	(170)	(15,821)
Balance as of Sept. 30, 2018	**3,176**	**6,581**	**1,372**	**69**	**38**	**695**	**11,931**
Accumulated depreciation and impairment losses							
Balance as of Oct. 1, 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**
Currency differences	(2)	(43)	(7)	0	0	0	(52)
Acquisitions/divestitures of businesses	4	(10)	0	0	(4)	0	(10)
Depreciation expense	114	578	140	5	0	0	837
Impairment losses	3	6	1	0	0	9	18
Reversals of impairment losses	0	0	0	0	0	0	0
Transfers	10	2	(1)	(8)	(3)	0	0
Disposals	(38)	(116)	(109)	(6)	(7)	0	(277)
Reclassification due to the presentation as assets held for sale	(1,844)	(10,088)	(815)	(20)	(14)	0	(12,781)
Balance as of Sept. 30, 2018	**1,375**	**4,708**	**975**	**47**	**19**	**15**	**7,139**
Net amounts							
Balance as of Oct. 1, 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**
Balance as of Sept. 30, 2018	**1,800**	**1,874**	**397**	**22**	**19**	**680**	**4,791**

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).

Property, plant and equipment include leased land and buildings of €18 million (prior year: €32 million), technical machinery and equipment of €3 million (prior year: €6 million) and other equipment, factory and office equipment of €2 million (prior year: €3 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 €167 million (prior year: €173 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, 2018, the carrying amount of thyssenkrupp's investment property amounts to €30 million (prior year: €58 million). The total fair value of this investment property is €35 million (prior year: €71 million); thereof €20 million (prior year: €24 million) are assigned to level 2 and €15 million (prior year: €47 million) are assigned to level 3 valuations methods of the fair value hierarchy. Of the fair value €10 million (prior year: €14 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, 2018, the carrying amount of associates is €31 million (prior year: €40 million) and of joint ventures is €17 million (prior year: €114 million).

Summarized financial information of the immaterial investments accounted for using the equity method at the respective balance sheet date is presented in the table below. The information given represents the Group's interest. In line with the presentation of the investments accounted for using the equity method on the balance sheet, the financial information stated for 2017 / 2018 relates only to the investments held by the continuing operations:

SUMMARIZED FINANCIAL INFORMATION OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Associates		Joint ventures	
million €	Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Year ended Sept. 30, 2017	Year ended Sept. 30, 2018
Income/(loss) from continuing operations (net of tax)	1	(4)	30	6
Income/(loss) from discontinued operations (net of tax)	0	0	0	0
Other comprehensive income	0	2	(6)	0
Total comprehensive income	**1**	**(3)**	**24**	**6**

In 2017 / 2018, the unrecognized share of losses of associates and joint ventures accounted for using the equity method was €0 million (prior year: €3 million). There were cumulative unrecognized losses of €4 million (prior year: €4 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, 2017	Sept. 30, 2018
Not later than one year	8	9
Between one and five years	15	17
Later than five years	28	38
Total	**51**	**64**

08 Inventories

INVENTORIES

million €	Sept. 30, 2017	Sept. 30, 2018
Raw materials	1,610	1,109
Supplies	438	315
Work in process	1,399	1,252
Finished products, merchandise	3,510	2,484
Total	**6,957**	**5,159**

Inventories of €7 million (prior year: €15 million) have a remaining term of more than one year. Inventories of €29,794 million (prior year: €34,487 million) are recognized as cost of sales during the period. Included in cost of sales are write-downs of inventories of €93 million (prior year: €84 million).

09 Trade accounts receivable

TRADE ACCOUNTS RECEIVABLE

million €	Sept. 30, 2017	Sept. 30, 2018
Trade accounts receivable (excluding construction work)	4,333	3,728
Amounts due from customers for construction work	1,401	1,801
Total	**5,734**	**5,529**

Receivables from the sales of goods and services in the amount of €752 million (prior year: €403 million) have a remaining term of more than one year. As of September 30, 2018 cumulative impairment losses of €330 million (prior year: €358 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, 2017	**5,734**	**4,697**	**372**	**117**	**79**	**89**	**135**	**107**	**138**
Sept. 30, 2018	**5,529**	**4,510**	**370**	**112**	**77**	**124**	**62**	**141**	**133**

Amounts due from customers for construction work are calculated as follows:

RECEIVABLES FOR CONSTRUCTION WORK

million €	Sept. 30, 2017	Sept. 30, 2018
Contract costs incurred and recognized contract profits (less recognized losses)	5,291	6,439
Less advance payments received	(3,890)	(4,637)
Total	**1,401**	**1,801**

Sales from construction contracts of €7,946 million were recognized in the period (prior year: €8,410 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, 2018, was €248 million (prior year: €212 million), resulting in net proceeds in the amount of €248 million (prior year: €211 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.

10 Other financial assets

OTHER FINANCIAL ASSETS

	Sept. 30, 2017		Sept. 30, 2018	
million €	current	non-current	current	non-current
Loans and receivables	296	15	255	11
Available-for-sale financial assets	6	28	6	21
Derivatives not qualifying for hedge accounting	65	—	65	—
Derivatives qualifying for hedge accounting	52	—	4	—
Total	**420**	**43**	**330**	**32**

Other financial assets in the amount of €41 million (prior year: €54 million) have a remaining term of more than one year. As of September 30, 2018 cumulative impairments amount to €0 million (prior year: €9 million) regarding current other financial assets and €37 million (prior year: €37 million) regarding non-current other financial assets.

11 Other non-financial assets

OTHER NON-FINANCIAL ASSETS

	Sept. 30, 2017		Sept. 30, 2018	
million €	current	non-current	current	non-current
Advance payments on intangible assets	—	31	—	9
Advance payments on property, plant and equipment	—	158	—	105
Advance payments to suppliers of inventories and to other current non-financial assets	1,257	—	1,144	—
Prepayments	158	—	178	—
Miscellaneous	508	18	516	31
Total	**1,923**	**207**	**1,838**	**144**

Other non-financial assets in the amount of €587 million (prior year: €606 million) have a remaining term of more than one year. As of September 30, 2018 cumulative impairments amount to €34 million (prior year: €36 million) regarding current other non-financial assets and €8 million (prior year: €5 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: 622,531,741) 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, 2018 and 2017, respectively. 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, 2018 the Group's equity ratio was 9.7% (prior year: 9.7%) and its gearing was 72.2% (prior year: 57.5%). As in the previous year, the gearing agreed upon was met as of September 30, 2018. 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.

Currently the thyssenkrupp Group has the following ratings:

RATING

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

In light of the announcement made in September 2018 regarding the planned separation of the thyssenkrupp Group into two independent companies, all the rating agencies revised their rating outlook at the beginning of October. Moody's downgraded its Ba2 rating outlook from "stable" to "negative", while Fitch downgraded its BB+ rating outlook from "watch positive" to "watch negative". The changes reflect the agencies' expectation that in connection with the separation of the thyssenkrupp Group the current ratings of thyssenkrupp AG will transfer to the future thyssenkrupp Materials. The agencies expect a weaker credit profile and higher cyclicality for this unit. S&P changed its BB rating outlook from "watch positive" to "developing", not specifying the direction of a possible rating change due to uncertainty over the exact form of the planned separation of the Group.

Currently, all ratings are below investment grade. For the financing of the thyssenkrupp Group, an investment grade rating in the "BBB" range leads to an optimum of capital costs. 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 2017 / 2018 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 2016 / 2017 (2015 / 2016: €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, 2018, 2,350,912 stock rights were issued in the 6th installment, 2,214,926 stock rights in the 7th installment and 2,155,796 stock rights in the 8th 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, 2017 and as of September 30, 2018, respectively:

INCENTIVE PLANS – YEAR ENDED SEPT. 30, 2017

	5th installment LTI	6th installment LTI	7th installment LTI
Maturity	12 / 31 / 2017	12 / 31 / 2018	12 / 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 €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**

INCENTIVE PLANS – YEAR ENDED SEPT. 30, 2018

	6th installment LTI	7th installment LTI	8th installment LTI
Maturity	12 / 31 / 2018	12 / 31 / 2019	12 / 31 / 2020
Averaging period	Oct. 1 to Dec. 31, 2018	Oct. 1 to Dec. 31, 2019	Oct. 1 to Dec. 31, 2020
thyssenkrupp stock price as of balance sheet date	€21.74	€21.74	€21.74
Assumed dividend payment(s) per stock until maturity	—	€0.15 on Feb. 4, 2019	€0.15 on Feb. 4, 2019 €0.22 on Feb. 3, 2020
Average dividend yield	—	0.62%	0.81%
Average interest rate (averaging period)	(0.18)%	(0.21)%	(0.08)%
Fair value as of Sept. 30, 2018			
– without caps	**€21.75**	**€21.59**	**€21.36**
– with caps	**€21.75**	**€21.59**	**€21.36**

In the 2nd quarter of 2017 / 2018, the 5th installment of the LTI was settled with a payment of €23.20 per stock right and a payment of €27.2 million in total, respectively. 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. Also in fiscal 2017 / 2018 the 8th installment of the LTI was granted to the Executive Board and additional executive employees. In total in fiscal year 2017 / 2018 the Group recorded an expense of €34 million from the obligations of the incentive plans (prior year: €46 million); thereof €5 million (prior year: €7 million) are presented in income/(loss) from discontinued operations. The liability arising from the LTI amounts to €113 million as of September 30, 2018 (prior year: €106 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 2017 / 2018 the Group recorded an income of €0.2 million (prior year: expenses of €1 million) associated with this compensation component; the resultant obligation as of September 30, 2018 amounts to €3 million (prior year: €8 million). In 2017 / 2018 a payment of €5 million occurred relating to the stock rights granted in 2013 / 2014 (prior year: €5 million).

14 Accrued pension and similar obligations

ACCRUED PENSION AND SIMILAR OBLIGATIONS

million €	Sept. 30, 2017	Sept. 30, 2018
Accrued pension obligations	7,684	7,607
Partial retirement	193	188
Other accrued pension-related obligations	46	43
Reclassification due to the presentation as liabilities associated with assets held for sale	0	(3,709)
Total	**7,924**	**4,128**

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, 2017			Sept. 30, 2018		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Active employees	115,062	27,704	142,766	116,419	28,279	144,698
Terminated employees with vested benefits	22,669	4,746	27,415	23,203	4,279	27,482
Pensioners	115,164	12,333	127,497	101,524	11,973	113,497
Total	**252,895**	**44,783**	**297,678**	**241,146**	**44,531**	**285,677**

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, 2017			Sept. 30, 2018		
million €	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Change in defined benefit obligations (DBO):						
DBO at beginning of fiscal year	7,999	2,879	10,878	7,414	2,505	9,920
Service cost	153	57	210	144	50	194
Interest expense	102	55	157	136	55	191
Remeasurement: Actuarial (gains)/losses from experience adjustments	(35)	32	(3)	(34)	(1)	(35)
Remeasurement: Actuarial (gains)/losses from changes in demographic assumptions	(2)	(48)	(50)	0	(22)	(22)
Remeasurement: Actuarial (gains)/losses from changes in financial assumptions	(569)	(150)	(719)	164	(75)	89
Past service cost (inclusive of curtailments)	0	0	0	0	(2)	(2)
Settlements	0	(21)	(21)	(2)	(2)	(4)
Currency differences	0	(108)	(108)	0	19	19
Participant contributions	1	19	20	0	19	19
Benefit payments	(404)	(128)	(532)	(399)	(134)	(532)
Settlement payments	(1)	(82)	(83)	(36)	(29)	(64)
Acquisitions/divestitures of businesses	169	0	170	2	0	2
Others	0	0	0	0	0	0
DBO at end of fiscal year	**7,414**	**2,505**	**9,920**	**7,389**	**2,384**	**9,773**
Change in plan assets:						
Fair value of plan assets at beginning of fiscal year	185	2,163	2,348	225	2,046	2,271
Interest income	3	43	45	4	46	50
Remeasurement: Actuarial gains/(losses) on plan assets, excluding amounts included in interest income	12	37	49	(2)	(1)	(3)
Currency differences	0	(86)	(86)	0	15	15
Employer contributions	24	82	105	5	62	66
Participant contributions	1	19	20	3	19	22
Benefit payments	0	(121)	(121)	(22)	(126)	(148)
Settlement payments	0	(82)	(82)	0	(29)	(29)
Acquisitions/divestitures of businesses	1	0	1	0	0	0
Administration cost	0	(9)	(9)	0	(7)	(7)
Fair value of plan assets at end of fiscal year	**225**	**2,046**	**2,271**	**214**	**2,025**	**2,238**

As of the balance sheet date, defined benefit obligations of €9,773 million (prior year: €9,920 million) in total related to plans that are wholly unfunded in the amount of €6,482 million (prior year: €6,597 million) and to plans that are wholly or partly funded in the amount of €3,291 million (prior year: €3,323 million).

The settlements and settlement payments in the reporting year result from the settlement of current pensions in Germany and the USA. In the prior year they mainly related 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.

Changes of net defined liability and asset ceiling

The net defined benefit liability changed as follows:

CHANGE IN NET DEFINED BENEFIT LIABILITY

	Sept. 30, 2017			Sept. 30, 2018		
million €	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Net defined benefit liability at beginning of fiscal year	**7,814**	**716**	**8,530**	**7,189**	**460**	**7,649**
Service cost plus net interest income/(expense)	253	69	322	276	59	335
Remeasurements	(618)	(204)	(822)	132	(74)	59
Currency differences	0	(22)	(22)	0	4	4
Past service cost (inclusive of curtailments)	0	0	0	0	(2)	(2)
Settlements	0	(21)	(21)	(2)	(2)	(4)
Employer contributions	(24)	(82)	(105)	(8)	(62)	(69)
Benefit payments	(404)	(7)	(411)	(377)	(7)	(384)
Settlement payments	(1)	0	(1)	(36)	0	(36)
Acquisitions/divestitures of businesses	168	0	168	2	0	2
Administration cost	0	9	9	0	7	7
Net defined benefit liability at end of fiscal year	**7,189**	**460**	**7,649**	**7,176**	**383**	**7,559**
thereof: accrued pension liability	7,189	495	7,684	7,176	431	7,607
thereof: other non-financial assets	0	(36)	(36)	0	(48)	(48)

The amount calculated in accordance with the asset ceiling rules and minimum funding requirements changed as follows:

CHANGE IN ASSET CEILING (INCLUSIVE OF MINIMUM FUNDING)

	Sept. 30, 2017			Sept. 30, 2018		
million €	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Net amount at beginning of fiscal year	**0**	**1**	**1**	**0**	**0**	**0**
Interest expense/(income)	0	0	0	0	0	0
Remeasurement: Limitation of asset ceiling exclusive of amounts included in interest expense/income	0	(1)	(1)	0	24	24
Currency differences	0	0	0	0	0	0
Net amount at end of fiscal year	**0**	**0**	**0**	**0**	**24**	**24**

The asset ceiling mainly refers to plan assets in Great Britain.

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, 2017 Germany	Outside Germany	Total	Year ended Sept. 30, 2018 Germany	Outside Germany	Total
Service cost	153	57	210	144	50	194
Net interest cost	99	12	112	132	9	141
Administration cost	0	9	9	0	7	7
Past service cost (inclusive of curtailments)	0	0	0	0	(2)	(2)
Settlement loss/(gain)	0	(21)	(21)	(2)	(2)	(4)
Net periodic pension cost	**253**	**58**	**311**	**273**	**62**	**336**

The above presented net periodic pension cost for defined benefit plans in the amount of €273 million (prior year: €253 million) in Germany and of €62 million (prior year: €58 million) outside Germany include €121 million (prior year: €111 million) and €2 million (prior year: €2 million), respectively, attributable to discontinued operations. These costs are presented in income/(loss) from discontinued operations in the consolidated statement of income.

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, 2018, the discount rate for pension obligations in Germany was 1.70%, compared with 1.90% in the prior year.

The Group applied the following weighted average assumptions to determine benefit obligation:

WEIGHTED AVERAGE ASSUMPTIONS

in %	Sept. 30, 2017 Germany	Outside Germany	Total	Sept. 30, 2018 Germany	Outside Germany	Total
Discount rate	1.90	2.29	2.00	1.70	2.54	1.91
Rate of compensation increase	2.50	1.37	2.27	2.50	1.37	2.28
Rate of pension progression	1.50	1.51	1.50	1.50	1.59	1.51

Accrued pension obligations in Germany are recognized on the basis of the “2005 G tables” of Prof. Dr. Klaus Heubeck, adapted to Group-specific circumstances. As the use of the Group-specific tables allows more individual estimates, the “2018 G tables” of Heubeck-Richttafeln-GmbH were not used. 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, 2017		Sept. 30, 2018	
		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	(443)	(177)	(443)	(165)
	Decrease by 0.5 percentage points	484	190	483	180
Rate of compensation increase	Increase by 0.5 percentage points	15	15	12	15
	Decrease by 0.5 percentage points	(15)	(15)	(12)	(15)
Rate of pension progression	Increase by 0.25 percentage points	157	26	152	25
	Decrease by 0.25 percentage points	(154)	(25)	(149)	(25)
Mortality probability	Decrease by 10.0 percentage points	260	100	256	92

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, Liechtenstein 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, 2018 (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, 2017				Sept. 30, 2018			
		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	697	676	21	37	678	658	20	36
Bonds	948	945	3	50	936	930	6	50
Derivatives	0	0	0	0	11	11	0	1
Cash and cash equivalents	44	44	0	2	53	53	0	3
Others	217	165	52	11	200	152	49	11
Total	**1,906**	**1,830**	**76**	**100**	**1,878**	**1,803**	**75**	**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 2018 / 2019 is €63 million (prior year: €58 million) related to its plan assets.

Pension benefit payments

In fiscal year 2017 / 2018, pension benefit payments for plans in Germany of €399 million (prior year: €404 million) were mainly from provisions, and pension benefit payments for non-German plans of €134 million (prior year: €128 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)			
2018 / 2019	444	126	570
2019 / 2020	413	123	536
2020 / 2021	412	125	537
2021 / 2022	404	127	531
2022 / 2023	402	127	529
2023 / 2024 – 2027 / 2028	1,901	647	2,548
Total	**3,977**	**1,275**	**5,251**

The duration of defined benefit plans amounts to 13 years for Germany (prior year: 13 years) and to 15 years (prior year: 15 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 €160 million (prior year: €162 million). In addition, contributions paid to public/state pension insurance institutions amounted to €641 million (prior year: €644 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, 2017	**711**	**413**	**101**	**353**	**270**	**691**	**2,539**
Currency differences	(6)	0	(2)	(2)	0	(9)	(19)
Acquisitions/divestitures of businesses	9	(29)	7	1	0	(24)	(36)
Additions	756	293	187	75	6	551	1,868
Accretion	4	0	0	0	(5)	1	0
Amounts utilized	(655)	(117)	(91)	(149)	(8)	(182)	(1,201)
Reversals	(133)	(79)	(98)	(76)	(10)	(66)	(463)
Reclassification due to the presentation as liabilities associated with assets held for sale	(171)	(14)	(34)	(53)	(240)	(297)	(810)
Balance as of Sept. 30, 2018	**515**	**467**	**69**	**148**	**14**	**664**	**1,877**

As of September 30, 2018, €1,400 million (prior year: €1,540 million) of the total of provisions for employee benefits and other provisions are current, while €477 million (prior year: €999 million) are non-current. Provisions of €666 million (prior year: €1,162 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. Restructurings are being carried out in all business areas The additions to restructuring provisions in the fiscal year in the amount of €75 million in total consists of €31 million within the Elevator Technology business area, €18 million within the Materials Services business area, €16 million within the Industrial Solutions business area and €5 million within the Components Technology 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 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.

The discontinued operation 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. Due to developments in the investigation process, thyssenkrupp has decided to recognize a provision in its consolidated financial statements. With reference to IAS 37.92, we are disclosing no further information about this provision.

16 Financial debt

FINANCIAL DEBT

Carrying amounts in million €	Sept. 30, 2017	Sept. 30, 2018
Bonds	4,670	4,678
Loan notes	252	139
Liabilities to financial institutions	154	69
Finance lease liabilities	20	10
Other loans	230	192
Non-current financial debt	**5,326**	**5,087**
Bonds	1,599	0
Loan notes	75	113
Liabilities to financial institutions	231	29
Acceptance payables	11	0
Finance lease liabilities	6	4
Other loans	8	2
Current financial debt	**1,930**	**147**
Financial debt	**7,255**	**5,234**

Current financial debt includes financial debt with a remaining term up to one year, while non-current financial debt has a remaining term of more than one year.

Financial debt in the amount of €167 million (prior year: €173 million) is collateralized by real estate.

As of September 30, 2018, the financial debt reflects a total discount in the amount of €23 million (prior year: €33 million), which is offset by a total premium in the amount of €0 million (prior year: €0 million). Amortization of discounts and premiums of financial debt is included in “financial income/(expense), net”.

In the context of the presentation of the discontinued steel operations financial debt of €142 million were reclassified to the balance sheet line item “liabilities associated with assets held for sale”. As of Sept. 30, 2017 financial debt includes €150 million attributable to the discontinued steel operations.

BONDS AND LOAN NOTES

	Carrying amount in million € as of Sept. 30, 2017	Carrying amount in million € as of Sept. 30, 2018	Notional amount in million € as of Sept. 30, 2018	Interest rate in %	Fair value in million € as of Sept. 30, 2018	Maturity
thyssenkrupp AG bond (€1,600 million) 2013 / 2018	1,599	—	—	—	—	08 / 27 / 2018
thyssenkrupp AG bond (€1,250 million) 2014 / 2019	1,244	1,247	1,250	3.1250	1,280	10 / 25 / 2019
thyssenkrupp AG bond (€750 million) 2015 / 2020	746	747	750	1.7500	769	11 / 25 / 2020
thyssenkrupp AG bond (€600 million) 2015 / 2025	593	594	600	2.5000	632	02 / 25 / 2025
thyssenkrupp AG bond (€850 million) 2016 / 2021	845	847	850	2.7500	890	03 / 08 / 2021
thyssenkrupp AG bond (€1,250 million) 2017 / 2022	1,242	1,243	1,250	1.3750	1,264	03 / 03 / 2022
thyssenkrupp AG loan note (€70 million) 2012 / 2017	70	—	—	—	—	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	145	140	140	1.7500	144	03 / 11 / 2021
Total	**6,596**	**4,930**	**4,952**		**5,092**	

As of September 30, 2018, 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, 2017	Carrying amount in million € as of Sept. 30, 2018	thereof in €	Weighted average interest rate in % as of Sept. 30, 2018	thereof in other currencies	Fair value in million € as of Sept. 30, 2018
Credits at variable interest rates	220	96	87	2.3	9	96
Credits at fixed interest rates	403	195	108	4.9	87	211
Total	**623**	**291**	**195**	**3.7**	**96**	**307**

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 €1.6 billion in total with banking institutions whereby thyssenkrupp AG can borrow in euros, U.S. dollars or in British pounds Sterling. As of September 30, 2018, the credit agreements were not drawn.

In total the Group has available unused, committed credit lines amounting to €3.6 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, 2018, 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
2018 / 2019	147	29
2019 / 2020	1,268	6
2020 / 2021	1,732	6
2021 / 2022	1,352	6
2022 / 2023	8	6
nach 2022 / 2023	727	45
Total	**5,234**	**98**

17 Trade accounts payable

Trade accounts payable in the amount of €256 million (prior year: €399 million) have a remaining term of more than one year.

18 Other financial liabilities

OTHER FINANCIAL LIABILITIES

	Sept. 30, 2017		Sept. 30, 2018	
million €	current	non-current	current	non-current
Financial liabilities measured at amortized cost	751	182	548	157
Derivatives not qualifying for hedge accounting	59	—	67	—
Derivatives qualifying for hedge accounting	33	—	20	—
Total	**842**	**182**	**635**	**157**

Other financial liabilities amounting to €166 million (prior year: €184 million) have a remaining term of more than one year.

19 Other non-financial liabilities

OTHER NON-FINANCIAL LIABILITIES

	Sept. 30, 2017		Sept. 30, 2018	
million €	current	non-current	current	non-current
Amounts due to customers for construction work	3,359	—	3,412	—
Advance payments	991	—	1,087	—
Selling and buying market related liabilities	839	—	691	—
Liabilities due to put options	16	0	18	0
Liabilities to the employees	871	—	731	—
Liabilities for social security	133	—	88	—
Deferred income	45	—	28	—
Tax liabilities (without income taxes)	290	—	265	—
Miscellaneous	258	5	305	4
Total	**6,802**	**5**	**6,626**	**4**

Other non-financial liabilities amounting to €2,441 million (prior year: €2,518 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, 2017	Sept. 30, 2018
Contract costs incurred and recognized contract profits (less recognized losses)	6,326	3,541
Less advance payments received	(9,686)	(6,953)
Total	**(3,359)**	**(3,412)**

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, 2017	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018
Advance payment bonds	33	20	1	1
Performance bonds	2	1	0	0
Residual value guarantees	61	61	15	15
Other guarantees	7	3	0	0
Total	**103**	**85**	**16**	**16**

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 or non-performance with respect to the warranted quality.

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 €2.2 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 only concretized the receivables to a minor extent, 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.

The discontinued operation 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. Based on current knowledge we are still unable to rule out substantial adverse effects on the Group’s financial position.

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 €282 million (prior year: €278 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, 2017[1]	Year ended Sept. 30, 2018
Minimum rental payments	271	277
Contingent rentals	8	6
less income from sublease agreements	(1)	(1)
Total	**278**	**282**

[1] Figures have been adjusted (cf. Note 03).

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, 2017	Sept. 30, 2018
Not later than one year	211	287
Between one and five years	429	471
Later than five years	93	385
Total	**734**	**1,142**

The commitment to enter into investment projects amounts to €601 million (prior year: €396 million) as of September 30, 2018 and relates mainly to property, plant and equipment of the Components Technology business area and of the discontinued steel operations.

Payment commitments and obligations to make further contributions to corporations and cooperative associations exist in the total amount of €0 million (prior year: €11 million). In addition, other financial commitments exist in the amount of €1,538 million (prior year: €1,713 million), primarily from the purchasing commitments resulting from the Group's long term electricity and gas supply contracts. In addition, in the Steel Europe business area (part of the discontinued steel operations) long term iron ore and iron ore pellets supply contracts exist which will result in purchasing commitments over a period of up to two 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 €1,253 million (prior year: €2,136 million).

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, 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

FINANCIAL INSTRUMENTS AS OF SEPT. 30, 2018

million €	Carrying amount on balance sheet as of Sept. 30, 2018	Measurement in accordance with IAS 39			Measurement in accordance with IAS 17	
		(Amortized) cost	Fair value recognized in profit or loss	Fair value recognized in equity	Amortized cost	Fair value as of Sept. 30, 2018
Trade accounts receivable (excluding finance lease)	5,529	5,529				5,529
Loans and receivables		5,529				5,529
Finance lease receivables	0				0	0
Other financial assets	362	274	65	23		362
Loans and receivables		266				266
Available-for-sale financial assets		8		19		27
Derivatives not qualifying for hedge accounting (Financial assets held for trading)			65			65
Derivatives qualifying for hedge accounting			0	4		4
Cash and cash equivalents	2,987	2,987				2,987
Loans and receivables		2,987				2,987
Total of financial assets	**8,878**					
thereof by measurement categories of IAS 39:						
Loans and receivables	8,782	8,782				8,782
Available-for-sale financial assets	27	8		19		27
Derivatives not qualifying for hedge accounting (Financial assets held for trading)	65		65			65
Financial debt (excluding finance lease)	5,221	5,221				5,399
Financial liabilities measured at amortized cost		5,221				5,399
Finance lease liabilities	13				13	13
Trade accounts payable	5,266	5,266				5,266
Financial liabilities measured at amortized cost		5,266				5,266
Other financial liabilities	791	705	67	19		791
Financial liabilities measured at amortized cost		705				705
Derivatives not qualifying for hedge accounting (Financial assets held for trading)			67			67
Derivatives qualifying for hedge accounting			0	19		20
Total of financial liabilities	**11,292**					
thereof by measurement categories of IAS 39:						
Financial liabilities measured at amortized cost	11,193	11,193				11,371
Derivatives not qualifying for hedge accounting (Financial assets held for trading)	67		67			67

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, 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**

FAIR VALUE HIERARCHY AS OF SEPT. 30, 2018

million €	Sept. 30, 2018	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	0	0	0	0
Fair value recognized in equity				
Available-for-sale financial assets	19	16	3	0
Derivatives qualifying for hedge accounting	4	0	4	0
Total	**88**	**16**	**72**	**0**
Financial liabilities at fair value				
Fair value recognized in profit or loss				
Derivatives not qualifying for hedge accounting (Financial liabilities held for trading)	67	0	67	0
Derivatives qualifying for hedge accounting	0	0	0	0
Fair value recognized in equity				
Derivatives qualifying for hedge accounting	19	0	19	0
Total	**86**	**0**	**86**	**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.

Financial liabilities measured at amortized cost with a carrying amount of €11,193 million (prior year: €13,892 million) have a fair value of €11,371 million (prior year: €14,270 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 €47 million (prior year: €46 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 €0 million (prior year: €6 million). Cash collateral exists in the amount of €0 million (prior year: €6 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, 2017[1]	Year ended Sept. 30, 2018
Loans and receivables	79	63
Available-for-sale financial assets	3	3
Derivatives not qualifying for hedge accounting (Financial assets/liabilities held for trading)	(162)	8
Financial liabilities measured at amortized cost	(295)	(297)

[1] Der Ausweis wurde angepasst (vgl. Anhang-Nr. 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 €3 million (prior year: €116 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, 2017	Carrying amount as of Sept. 30, 2017	Notional amount as of Sept. 30, 2018	Carrying amount as of Sept. 30, 2018
Assets				
Foreign currency derivatives that do not qualify for hedge accounting	1,071	33	1,816	26
Foreign currency derivatives qualifying as cash flow hedges	404	19	195	3
Embedded derivatives	89	3	124	2
Interest rate derivatives that do not qualify for hedge accounting	13	0	28	3
Interest rate derivatives qualifying as cash flow hedges[1]	106	4	0	0
Commodity derivatives that do not qualify for hedge accounting	335	28	686	34
Commodity derivatives qualifying as cash flow hedges	62	9	46	1
Commodity derivatives qualifying as fair value hedges	212	20	101	0
Total	**2,292**	**117**	**2,997**	**69**
Equity and liabilities				
Foreign currency derivatives that do not qualify for hedge accounting	1,109	27	1,315	25
Foreign currency derivatives qualifying as cash flow hedges	244	10	538	16
Embedded derivatives	129	7	106	2
Interest rate derivatives that do not qualify for hedge accounting	11	0	0	0
Interest rate derivatives qualifying as cash flow hedges[1]	10	0	0	0
Commodity derivatives that do not qualify for hedge accounting	294	25	771	40
Commodity derivatives qualifying as cash flow hedges	146	12	66	3
Commodity derivatives qualifying as fair value hedges	152	10	25	0
Total	**2,095**	**92**	**2,822**	**86**

[1] Inclusive of cross currency swaps

Derivates that quality 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, 2018, hedging instruments with positive fair value totaled €4 million (prior year: €32 million) and those with negative fair value totaled €19 million (prior year: €22 million). For the 2017 / 2018 fiscal year, €(98) million (prior year: €82 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 69 months.

During the current fiscal year, €(2) million (prior year: €11 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; thereof €4 million (prior year: €8 million) are included in discontinued operations. In addition, €1 million (prior year: €3 million) 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 €0 million; thereof €1 million reduced expenses of the discontinued operations in 2017 / 2018 . Furthermore, €(1) million in 2018 / 2019 and €0 million in the following fiscal years impacted earnings; thereof €2 million in 2018 / 2019 and €0 million in the following fiscal years are included in discontinued operations.

As of September 30, 2018, net income from the ineffective portions of derivatives classified as cash flow hedges totaled €(6) million (prior year: €0 million); thereof €(3) million (prior year: €0 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 income of €7 million. During the 2019 / 2020 fiscal year, earnings are expected to be impacted by income of €47 million, during the 2020 / 2021 fiscal year by income of €24 million and during the following fiscal years by income of €22 million. Thereof in the following fiscal year income of €13 million, in the 2019 / 2020 fiscal year income of €47 million, in the 2020 / 2021 fiscal year income of €24 million and in the following fiscal years income of €22 million relates to the discontinued operations.

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, 2018 hedging instruments with positive fair value totaled €0 million (prior year: €20 million) and with negative fair value totaled €0 million (prior year: €10 million). During the fiscal year, income/(expense), net from the measurement of fair value hedging instruments totaled €(13) million (prior year: €(28) million), while income/(expense), net from the corresponding underlying transactions during the same period amounted to €13 million (prior year: €28 million); all earnings impacts are recognized in discontinued operations.

Derivate 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, 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

FUTURE UNDISCOUNTED CASH OUTFLOWS AS OF SEPT. 30, 2018

million €	Carrying amount Sept. 30, 2018	Cash flows in 2018 / 2019	Cash flows in 2019 / 2020	Cash flows between 2020 / 2021 and 2022 / 2023	Cash flows after 2022 / 2023
Bonds	4,678	108	1,358	2,966	630
Liabilities to financial institutions	98	32	9	27	40
Finance lease liabilities	13	4	2	5	5
Other financial debt	445	127	21	255	101
Trade accounts payable	5,266	5,010	220	29	7
Derivative financial liabilities not qualifying for hedge accounting	67	65	2	0	0
Derivative financial liabilities qualifying for hedge accounting	20	19	0	0	0
Other financial liabilities	705	696	7	1	0

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, 2018 was as follows:

If the euro had been 10% stronger against the US dollar as of September 30, 2018, the hedge reserve in equity and fair value of hedging transactions would have been €9 million (prior year: €8 million) higher and earnings resulting from the measurement as of the balance sheet date €9 million (prior year: €28 million) higher. If the euro had been 10% weaker against the US dollar as of September 30, 2018, 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 €9 million (prior year: €32 million) lower.

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, 2017 and 2018, 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, 2018, 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, 2017 by		Sept. 30, 2018 by	
million €	+ 100 basis points	(20) basis points	+ 100 basis points	(20) basis points
Cash flow risk	51	(10)	30	(6)
Opportunity effects	220	(45)	150	(31)
Interest rate risks resulting from interest rate derivatives affecting balance sheet	(1)	0	0	0
Interest rate risks resulting from interest rate derivatives affecting earnings	0	0	0	0

If, as of September 30, 2018, 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 €0 million (prior year: €1 million) lower and earnings resulting from the measurement as of the balance sheet date €30 million (prior year: €51 million) higher. If, as of September 30, 2018, 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 €6 million (prior year: €10 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, 2018 a +20%/(20)% shift in market prices for non-ferrous metals is assumed. 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 €(26) million (prior year: €(6) million), and on equity €(1) million (prior year: €(1) million). 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 €13 million (prior year: €11 million), and on equity €(4) million (prior year: €12 million).

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 October 2018, the interest in thyssenkrupp AG is 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 2016 / 2017 and 2017 / 2018 , 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, 2017	Year ended Sept. 30, 2018	Year ended Sept. 30, 2017	Year ended Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018
Non-consolidated subsidiaries	0	0	1	1	0	0	0	0
Associates	39	49	4	3	3	3	2	6
Joint ventures	17	28	3	2	3	8	0	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, 2017	Year ended Sept. 30, 2018
Short-term benefits (excluding share-based compensation)	6,594	5,363
Post-employment benefits	1,497	1,210
Termination benefits	0	4,555
Share-based compensation	5,289	4,682
Total	**13,380**	**15,810**

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, 2017 and 2018, 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, 2017	Year ended Sept. 30, 2018
Short-term benefits (inclusive of meeting attendance fees)	1,628	1,675

In addition, members of the Supervisory Board of thyssenkrupp AG received compensation of €61 thousand in fiscal 2017 / 2018 (prior year: €56 thousand) for supervisory board mandates at Group subsidiaries.

As of September 30, 2017 and 2018, 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 €19.0 million (prior year: €14.5 million). Under IFRS an amount of €279.8 million (prior year: €270.1 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. The Steel Europe business area and in addition until the closing of the disposal at the beginning of September 2017, the Steel Americas business area are classified as a discontinued operations.

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 (discontinued operation)

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 and HR, and the Special Units, among other things for the management of the Group's real estate.

Steel Americas (discontinued operation)

This business area mainly consisted of the steel mill in Brazil (CSA). It runs the production, processing and marketing of high-quality steel.

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, 2017

million €	Components Technology	Elevator Technology	Industrial Solutions	Materials Services[2]	Steel Europe[1]	Corporate[2]	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
[2] Includes discontinued steel operations

SEGMENT INFORMATION FOR THE YEAR ENDED SEPT. 30, 2018

million €	Components Technology	Elevator Technology	Industrial Solutions	Materials Services[2]	Steel Europe[1]	Corporate[2]	Steel Americas[1]	Consolidation	Group
For the fiscal year year ended Sept. 30, 2018									
Net sales	7,870	7,551	5,005	14,374	7,896	51	—	0	42,745
Internal sales within the Group	5	3	15	278	1,575	278	—	(2,156)	0
Total sales	7,875	7,554	5,020	14,652	9,470	329	—	(2,156)	42,745
Income from companies accounted for using the equity method	0	2	0	(3)	16	0	—	0	15
Aggregate investment in investees accounted for using the equity method	0	2	6	39	84	0	—	0	132
EBIT	120	775	(243)	270	471	(466)	—	117	1,045
Adjusted EBIT	197	866	(255)	317	687	(377)	—	117	1,551
Average capital employed	3,897	1,143	762	3,623	5,545	831	—	(28)	15,773
Depreciation and amortization expense	332	88	89	107	423	60	—	(112)	985
Impairment losses of intangible assets, property, plant and equipment inclusive of investment property	13	0	5	0	1	4	—	0	23
Reversals of impairment losses of intangible assets, property, plant and equipment inclusive of investment property	0	0	0	0	0	0	—	0	0
Significant non-cash items	(279)	(496)	(163)	(40)	(297)	(131)	—	0	(1,405)
Capital expenditures (intangible assets, property, plant and equipment inclusive of investment property)	523	105	122	113	442	66	—	4	1,375

[1] Discontinued operation
[2] Includes discontinued steel operations

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, 2017	Year ended Sept. 30, 2018
Net sales as presented in segment reporting	**42,971**	**42,745**
– Net sales discontinued operation Steel Americas	(1,525)	—
– Net sales discontinued steel operations	(7,454)	(7,968)
Net sales as presented in the statement of income	**33,993**	**34,777**

RECONCILIATION EBIT TO EBT

million €	Year ended Sept. 30, 2017[1]	Year ended Sept. 30, 2018
Adjusted EBIT as presented in segment reporting	**1,910**	**1,551**
Special items[2]	(1,224)	(507)
EBIT as presented in segment reporting	**687**	**1,045**
+ Finance income	1,019	745
– Finance expense	(1,619)	(1,101)
– Items of finance income assigned to EBIT based on economic classification	(52)	(27)
+ Items of finance expense assigned to EBIT based on economic classification	26	6
EBT-Group	**61**	**668**
– EBT discontinued operation Steel Americas	705	—
– EBT discontinued steel operations	(437)	(505)
EBT from continuing operations as presented in the statement of income	**329**	**163**

[1] Figures have been adjusted (cf. Note 03).
[2] Refer to the explanation of the special items in the "Group review" as part of the „Report on the economic position" of the Combined management report.

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, 2017	Sept. 30, 2018
Total assets	**35,048**	**33,868**
Deferred tax assets	(1,680)	(1,116)
Current income tax assets	(220)	(249)
Cash and cash equivalents	(5,292)	(2,987)
Adjustments due to included assets classified as non-operating items	(198)	(214)
Liability items reducing capital employed:		
Provisions for other non-current employee benefits	(354)	(182)
Other provisions, non-current	(645)	(295)
Other non-financial liabilities, non-current	(5)	(4)
Provisions for current employee benefits	(357)	(334)
Other provisions, current	(1,183)	(1,067)
Trade accounts payable	(5,729)	(5,266)
Other financial liabilities, current	(842)	(635)
Other non-financial liabilities, current	(6,802)	(6,626)
Adjustments due to included liabilities classified as non-operating items	522	392
Adjustments of assets/liabilities due to presentation of discontinued operations	0	(2,664)
Capital employed as of balance sheet date	**12,261**	**12,622**
Impact from adjusting average capital employed to capital employed as of balance sheet date	2,267	982
Average capital employed (5-points-average)	**14,528**	**13,603**
Correction factors with increasing impact on performance requirements for positive value added	2,200	2,170
Average capital employed as presented in segment reporting	**16,728**	**15,773**

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, 2017	**12,006**	**7,755**	**2,891**	**20,319**	**42,971**
Year ended Sept. 30, 2018	**12,648**	**6,693**	**3,051**	**20,352**	**42,745**

[1)] Inclusive of discontinued operations

NON-CURRENT ASSETS BY REGIONS[1)]

million €	Germany	USA	China	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, 2017	**6,963**	**1,355**	**859**	**3,447**	**12,625**
Sept. 30, 2018	**3,857**	**1,371**	**910**	**3,191**	**9,329**

[1)] Inclusive of discontinued operations

Notes to the consolidated statement of income

24 Net sales

Net sales include revenues resulting from the sale of goods of €21,901 million (prior year: €19,962 million), the rendering of services of €4,531 million (prior year: €5,077 million) as well as sales from construction contracts of €7,946 million (prior year: €8,410 million).

25 Other income

OTHER INCOME

million €	Year ended Sept. 30, 2017[1)]	Year ended Sept. 30, 2018
Gains from premiums and from grants	7	14
Insurance compensation	16	8
Miscellaneous	222	173
Total	**246**	**195**

[1)] Figures have been adjusted (cf. Note 03).

In 2016 / 2017 miscellaneous other income contained 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 419 (prior year: 431) consolidated companies of the continuing operations.

26 Other expenses

OTHER EXPENSES

million €	Year ended Sept. 30, 2017[1)]	Year ended Sept. 30, 2018
Additions to/reversals of provisions	(17)	24
Other taxes	20	17
Miscellaneous	119	95
Total	**122**	**136**

[1)] Figures have been adjusted (cf. Note 03).

Miscellaneous other expenses include a multitude of minor single items resulting from the 419 (prior year: 431) consolidated companies of the continuing operations.

27 Other gains/(losses), net

OTHER GAINS/(LOSSES), NET

million €	Year ended Sept. 30, 2017[1]	Year ended Sept. 30, 2018
Gain/(loss) on disposal of intangible assets, net	(1)	(1)
Gain/(loss) on disposal of property, plant and equipment, net	38	26
Gain/(loss) on disposal of investment property, net	1	2
Gain/(loss) on disposal of subsidiaries, net	5	2
Miscellaneous	(1)	8
Total	**42**	**36**

[1] Figures have been adjusted (cf. Note 03).

28 Financial income/(expense), net

FINANCIAL INCOME/(EXPENSE), NET

million €	Year ended Sept. 30, 2017[1]	Year ended Sept. 30, 2018
Income from companies accounted for using the equity method	**(16)**	**(1)**
Interest income from financial receivables	59	38
Income from investments	1	1
Other finance income	708	664
Finance income	**768**	**703**
Interest expense from financial debt	(273)	(209)
Net interest cost of pensions and similar obligations	(62)	(74)
Expense from investments	0	0
Other finance expenses	(772)	(727)
Finance expense	**(1,107)**	**(1,010)**
Total	**(355)**	**(308)**

[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 €8 million (prior year: €8 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 €27 million (prior year: €29 million).

29 Income taxes

Income tax expense/(benefit) consists of the following:

BREAKDOWN OF INCOME TAX EXPENSE/(BENEFIT)

million €	Year ended Sept. 30, 2017[1]	Year ended Sept. 30, 2018
Current income tax expense/(benefit)	242	274
Deferred income tax expense/(benefit)	75	88
Total	**317**	**362**

[1] Figures have been adjusted (cf. Note 03).

Tax expense was allocated to the continuing and discontinued operations depending on its economic nature. Accordingly tax expense was allocated to the companies of the discontinued steel operations based on the earnings achieved by these companies.

The effects of the US tax reform legislation enacted in December 2017 have been taken into account. In particular the valuation of the deferred tax items was adjusted by €114 million.

The components of income taxes recognized in total equity are as follows:

INCOME TAXES RECOGNIZED IN TOTAL EQUITY

million €	Year ended Sept. 30, 2017[1]	Year ended Sept. 30, 2018
Income tax expense/(benefit) as presented on the statement of income	317	362
Income tax expense on discontinued operations	335	247
Income non-effective tax effect on other comprehensive income		
Continuing operations	150	27
Discontinued operations	96	27
Total	**898**	**663**

[1] Figures have been adjusted (cf. Note 03).

As of September 30, 2018, 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 €434 million (prior year: €397 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, 2017	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018
Deferred income taxes on non-current items				
Intangible assets	66	48	546	396
Property, plant and equipment (inclusive of investment property)	108	106	466	179
Financial assets	81	65	18	12
Other assets	576	448	856	677
Accrued pension and similar obligations	1,130	676	6	3
Other provisions	136	56	43	23
Other liabilities	243	260	103	495
Deferred income taxes on current items				
Inventories	395	398	151	57
Other assets	36	81	5	3
Other provisions	154	184	340	272
Other liabilities	899	940	568	437
Valuation allowance – temporary differences	(29)	(15)		
Subtotal	**3,795**	**3,247**	**3,102**	**2,554**
Tax loss carried forward	1,475	1,094	—	—
Interest carried forward	257	223	—	—
Foreign tax credits	69	28	—	—
Valuation allowance – tax loss carried forward etc.	(925)	(950)		
Subtotal	**876**	**395**	**0**	**0**
Gross amount before offsetting	**4,671**	**3,642**	**3,102**	**2,554**
Offsetting	(2,991)	(2,526)	(2,991)	(2,526)
Balance sheet amount	**1,680**	**1,116**	**111**	**28**

As of September 30, 2018, tax losses carried forward for which no deferred tax asset is recognized amount to €3,403 million (prior year: €3,749 million). According to tax legislation as of September 30, 2018, an amount of €3,244 million (prior year: €3,731 million) of these tax losses may be carried forward indefinitely and in unlimited amounts whereas an amount of €159 million (prior year: €18 million) of these tax losses carried forward will expire over the next 20 years if not utilized.

After being partly utilized in 2017 / 2018, the deferred tax assets on tax loss and interest carried forwards were completely impaired in connection with the discontinued steel operations. In total, it resulted in a deferred income tax expense of €247 million. Deferred taxes on balance sheet differences of €565 million were recognized because management expects that in the long run sufficient taxable income will be available.

As of September 30, 2018, 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: Rotek Incorporated €17 million (prior year: €17 million) and thyssenkrupp Steering Changzhou Ltd. (China) €17 million (prior year: €14 million).

The German corporate income tax law applicable for 2017 / 2018 sets a statutory income tax rate of 32.1% (prior year: 32.0%) taking into account the different German municipal tax rates. Due to the discontinued steel operations and thus after some companies leaving the German tax group, the applicable tax rate will decrease to 31.2%. The applicable tax rates for companies outside Germany range from 9.0% to 39.4% (prior rate: 10.0% to 39.0%).

TAX RATE RECONCILIATION

million €	Year ended Sept. 30, 2017[1]	in %	Year ended Sept. 30, 2018	in %
Expected income tax expense/(benefit)	105	32.0	53	32.1
Tax rate differentials to the German combined income tax rate	(10)	(3.0)	(30)	(18.4)
Changes in tax rates or laws	1	0.3	84	51.5
Change in valuation allowance	232	70.5	153	93.9
Permanent items	56	17.2	72	44.2
Tax consequences of disposal of businesses	(2)	(0.7)	(1)	(0.6)
Income/(loss) from companies accounted for using the equity method	5	1.5	1	0.6
Non-creditable withholding taxes	53	16.2	44	27.0
Tax benefit related to prior periods	(125)	(38.1)	(17)	(10.4)
Others	2	0.6	3	1.9
Income tax expense/(benefit) as presented on the statement of income	**317**	**96.4**	**362**	**222.1**

[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, 2017[1]		Year ended Sept. 30, 2018	
	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)	(39)	(0.07)	(245)	(0.39)
Income/(loss) from discontinued operations (net of tax) (attributable to thyssenkrupp AG's shareholders)	(610)	(1.08)	254	0.41
Net income/(loss) (attributable to thyssenkrupp AG's shareholders)	**(649)**	**(1.15)**	**8**	**0.01**
Weighted average shares	566,252,357		622,531,741	

[1] Figures have been adjusted (cf. Note 03).

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, 2017	Year ended Sept. 30, 2018
Wages and salaries	7,305	7,481
Social security taxes	1,284	1,283
Net periodic pension cost – defined benefit [1]	0	0
Net periodic pension costs – defined contribution	162	160
Other expenses for pensions and retirements	537	283
Related fringe benefits	417	402
Total	**9,705**	**9,608**

[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, 2017	Year ended Sept. 30, 2018
Components Technology	31,913	33,804
Elevator Technology	52,281	52,846
Industrial Solutions	20,553	21,647
Materials Services	19,784	20,108
Steel Europe	27,418	27,345
Corporate	3,715	4,016
Steel Americas	3,761	0
Total	**159,424**	**159,766**
Thereof:		
Wage earners	83,718	83,183
Salary earners	72,050	72,706
Trainees	3,657	3,877

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 endedSept. 30, 2017		Year endedSept. 30, 2018	
million €	Total	thereof Germany	Total	thereof Germany
Audit fees	16	8	16	9
Audit-related fees	0	0	2	1
Tax fees	0	0	0	0
Fees for other services	1	0	0	0
Total	**17**	**8**	**18**	**10**

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 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 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 inclusive of cash and cash equivalents attributable to the discontinued operations. As of September 30, 2018 cash and cash equivalents of €8 million (prior year: €52 million) result from the joint operation HKM.

Non-cash investing activities

In fiscal year 2017 / 2018 , the acquisition and first-time consolidation of companies created an increase in non-current assets of €8 million (prior year: €458 million).

Changes of liabilities/assets from financing activities

The following table shows the changes of liabilities/assets from financing activities including the changes of cash flows and non-cash items:

RECONCILIATION IN ACCORDANCE WITH IAS 7

	Sept. 30, 2017	Cash flows from financing activities	Non-cash changes				Sept. 30, 2018
million €			Acquisitions/ divestitures of businesses	Currency differences	Fair value changes	Other changes	
Bonds	6,269	(1,600)	0	0	0	10	4,678
Loan notes / other loans	520	(75)	0	0	0	0	445
Liabilities to financial institutions	290	(185)	(4)	(3)	0	0	98
Other financial liabilities	27	(14)	0	0	0	0	13
Subtotal financial debt	**7,105**	**(1,874)**	**(4)**	**(3)**	**0**	**10**	**5,234**
Assets/liabilities from other financing activities	201	(61)	(23)	0	14	33	163
Total	**7,306**	**(1,935)**	**(27)**	**(3)**	**14**	**42**	**5,397**

Subsequent events

33 Subsequent events

No reportable events occured.

Other information

34 Declarations of conformity with the German Corporate Goverance 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 September 30, 2018.

The declaration of conformity of our exchange-listed subsidiary Eisen- und Hüttenwerke AG was issued on October 1, 2018 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
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
J	
Jacob Bek GmbH	Ulm
K	
KBS Kokereibetriebsgesellschaft Schwelgern GmbH	Duisburg
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 Rothe Erde GmbH	Dortmund
thyssenkrupp Schulte GmbH	Essen
thyssenkrupp Senior Experts GmbH	Essen
thyssenkrupp Stainless GmbH	Essen
thyssenkrupp Steel Europe AG	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 TAUS 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

36 List of the Group's subsidiaries and equity investments

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, 2018 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, 2017 to September 30, 2018 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, including the non-financial statement pursuant to § [Article] 289b Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and § 315b Abs. 1 HGB for the fiscal year from October 1, 2017 to September 30, 2018. We have not audited the content of the statement on corporate governance pursuant to § 289f HGB and § 315d HGB in accordance with the German legal requirements.

,In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § Article 315e Abs.1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at September 30, 2018, and of its financial performance for the fiscal year from October 1, 2017 to September 30, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for Audit Options

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537 / 2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and 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 the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under 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 on 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, 2017 to September 30, 2018. 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; 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 Planned contribution of steel activities into a joint venture with TATA Steel

② Recoverability of goodwill

③ Presentation of deferred tax assets

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 planned contribution of steel activities into a joint venture with TATA Steel

① As part of the strategic development, the thyssenkrupp Group signed an agreement with TATA Steel Limited, Mumbai, India (hereinafter "TATA Steel") on June 30, 2018 concerning the contribution of its European steel activities into the joint venture thyssenkrupp TATA Steel (hereinafter "tk TS"). The European steel activities of the thyssenkrupp Group include in particular the Steel Europe Business Area as well as the majority shareholding in ThyssenKrupp MillServices & Systems GmbH, Duisburg, and individual companies from the Corporate division (hereinafter "European steel activities"). Based on the contractual arrangements, tk TS is managed jointly by the thyssenkrupp Group and TATA Steel and is therefore classified as a joint venture in accordance with IFRS 11. Since the thyssenkrupp Group will lose control over the European steel activities following the planned contribution of these activities into tk TS, the European steel activities have been classified as at June 30, 2018as a disposal group within the thyssenkrupp Group in accordance with IFRS 5 and as a discontinued operation. The impairment test conducted at that time did not indicate any signs of impairment. Since not all necessary approvals for the completion of the agreement have been granted, yet the closing of the transaction is still considered highly probable, the European steel activities are presented and measured as a disposal group and discontinued operation also as at September 30, 2018. In our view, this matter was of particular importance for our audit due to the complexity and the material effects on the Group's assets, liabilities, financial position and financial performance.

② As part of our audit, we first obtained an understanding of the underlying provisions of the sale agreement and assessed the proper accounting treatment of the planned contribution of the European steel activities into a joint venture on the basis, among other things, of the principles of company law. In this context, we also assessed and evaluated whether the requirements for recognition as a disposal group in accordance with IFRS 5 have been met, the resulting effects on the measurement of assets and liabilities and the requirements for classification as a discontinued operation. We were able to satisfy ourselves that the presentation of the European steel activities as a disposal group in accordance with IFRS 5 in connection with the planned contribution of the European steel activities into a joint venture with TATA Steel was sufficiently documented and justified.

③ The Company's disclosures relating to the disposal of the interest in the European steel activities are contained in section 03 of the notes to the consolidated financial statements.

② Recoverability of goodwill

① In the consolidated financial statements of thyssenkrupp AG, goodwill amounting to €3,482 million (106.4% 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 to determine any possible need for write-downs. 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 values in use for the respective group of cash-generating units on the basis of the thyssenkrupp Group's medium-term planning adopted by the executive directors. 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 the executive directors' 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 selected planning assumptions 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 in use 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 selection was based on qualitative criteria and the amount by which the value in use 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.

③ Presentation of deferred tax assets

① After set-offs and impairments, a total of €1,116 million in deferred tax assets (34.1% of Group equity) and €28 million in deferred tax liabilities (0.9% of Group equity) are reported in the consolidated financial statements of thyssenkrupp AG. Deferred tax assets were recognized to the extent that the executive directors consider 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, if insufficient deferred tax liabilities are available, future taxable profits are projected on the basis of the adopted business plan. Deferred taxes are calculated using future tax rates, to the extent they have already been enacted or substantively enacted. Of the €4,607 million in the thyssenkrupp Group's total deferred tax assets before impairments and set-offs, €1,094 million was attributable to loss carryforwards and €223 million was attributable to interest carryforwards. €950 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 addition, due to a change in tax law in the United States of America, the carrying amount of deferred tax assets was adjusted by €114 million. In our view, this matter was of particular importance for our audit given the amounts involved and their dependence on the executive directors' estimates and assumptions.

② As part of our audit, we assessed, 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 in relation to loss carryforwards and temporary differences between the IFRS and tax accounts, on the basis the tax projections for the thyssenkrupp Group prepared by the executive directors, and have evaluated the appropriateness of the underlying budget assumptions. When assessing the changes to tax law in the United States of America, we replicated the underlying measurement. On the basis of our audit procedures, we were able to follow the executive directors' estimates and assumptions relating to the recognition and measurement of deferred taxes and to satisfy ourselves as of the appropriateness of those estimates and assumptions.

③ The Company's disclosures relating to deferred taxes are contained in section 29 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB.

The other information comprises further the remaining parts of the annual report, – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to 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 Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined 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, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able 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 objectives are 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 an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately 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 on 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 and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs 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 the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of 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 of arrangements and measures (systems) 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 these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors’ 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 the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able 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 present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e 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 on 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 the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, 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 the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the 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

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on January 19, 2018. We were engaged by the supervisory board on February 15, 2018. We have been the group auditor of the thyssenkrupp AG, Duisburg and Essen, without interruption since the fiscal year 2012 / 2013 .

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Michael Preiß.

Essen, November 19, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Kayser	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 16, 2018

thyssenkrupp AG
The Executive Board

Kerkhoff

Burkhard　　　　Kaufmann

Additional information

Multi-year overview

THYSSENKRUPP GROUP

		Full Group					2017 / 2018 vs. 2016 / 2017		Continuing operations		2017 / 2018 vs. 2016 / 2017	
		2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017	2017 / 2018	Change	in %	2016 / 2017	2017 / 2018	Change	in %
Results of operations												
Net sales	million €	41,212	42,778	39,263	42,971	42,745	(226)	(1)	33,993	34,777	785	2
Gross profit	million €	6,205	6,874	6,625	6,210	6,698	488	8	5,449	4,930	(519)	(10)
EBIT	million €	1,145	1,050	1,189	687	1,045	358	52	658	464	(194)	(29)
EBT	million €	429	485	652	61	668	607	++	329	163	(165)	(50)
Net income/(loss)	million €	195	268	261	(591)	60	650	++				
Earnings per share (EPS)	€	0.38	0.55	0.52	(1.15)	0.01	1.2	++	(0.07)	(0.39)	(0.3)	--
Gross margin	%	15.1	16.1	16.9	14.5	15.7	1.2	8	16.0	14.2	(1.9)	(12)
EBIT margin	%	2.8	2.5	3.0	1.6	2.4	0.8	53	1.9	1.3	(0.6)	(31)
EBT margin	%	1.0	1.1	1.7	0.1	1.6	1.4	++	1.0	0.5	(0.5)	(51)
Return on equity (before taxes)	%	13.4	14.7	25.0	1.8	20.4	19	++				
Personnel expense per employee	€	53,351	54,436	57,476	60,876	60,140	(736)	(1)				
Sales per employee	€	257,069	272,805	252,356	269,541	267,546	(1,994)	(1)				
Assets/ liabilities situation												
Non-current assets	million €	15,992	16,220	16,604	14,502	14,344	(158)	(1)				
Current assets	million €	20,438	19,474	18,468	20,546	19,524	(1,022)	(5)				
Total assets	million €	36,430	35,694	35,072	35,048	33,868	(1,180)	(3)				
Total equity	million €	3,199	3,307	2,609	3,404	3,274	(130)	(4)				
Liabilities	million €	33,231	32,387	32,463	31,643	30,593	(1,050)	(3)				
Accrued pension and similar obligations	million €	7,122	7,654	8,754	7,924	7,838	(86)	(1)				
Financial debt non-current	million €	6,651	6,385	6,157	5,326	5,191	(135)	(3)				
Financial debt current	million €	1,071	1,570	1,455	1,930	185	(1,744)	(90)				
Financial debt non-current/ current	million €	7,722	7,955	7,611	7,255	5,377	(1,879)	(26)				
Trade accounts payable	million €	4,945	4,985	5,119	5,729	6,476	747	13				
Equity ratio	%	8.8	9.3	7.4	9.7	9.7	0.0	0				
Gearing	%	114.9	103.2	134.2	57.5	72.2	14.7	26				
Inventory turnover	days	65.8	58.4	58.1	58.3	62.4	4.1	7				
Average collection period	days	50.4	42.7	45.9	48.0	53.6	5.5	12				

THYSSENKRUPP GROUP

		Full Group					2017 / 2018 vs. 2016 / 2017		Continuing operations		2017 / 2018 vs. 2016 / 2017	
		2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017	2017 / 2018	Change	in %	2016 / 2017	2017 / 2018	Change	in %
Value management												
Capital employed (average)	million €	15,853	16,106	15,933	16,728	15,773	(955)	(6)				
ROCE	%	7.2	6.5	7.5	4.1	6.6	3	61				
Weighted average cost of capital (WACC)	%	9.0	9.0	8.0	8.0	8.0	0	0				
Cash flow/ financing situation												
Operating cash flows	million €	903	1,300	1,387	610	1,184	575	94	27	185	157	++
Cash flow for investments	million €	(1,260)	(1,235)	(1,387)	(1,666)	(1,386)	280	17	(959)	(935)	24	2
Free cash flow before divestments	million €	(357)	65	—	—	—	—	—	—	—	—	—
Free cash flow before M & A [1]		—	115	198	(798)	(134)	665	83	(763)	(678)	84	11
Cash flow from divestments	million €	1,054	597	191	1,545	87	(1,458)	(94)	1,511	66	(1,445)	(96)
Free cash flow	million €	697	662	191	489	(115)	(603)	--	579	(684)	(1,264)	--
Cash flows from financing activities	million €	(558)	(78)	(658)	784	(2,114)	(2,899)	--	858	(1,501)	(2,360)	--
Cash and cash equivalents	million €	4,045	4,541	4,111	5,298	3,012	(2,286)	(43)				
Net financial debt	million €	3,677	3,414	3,500	1,957	2,364	407	21				
Internal financing capability		4.4	2.0	1.2	5.0	0.9	(4.1)	(82)				
Debt to cash flow ratio		4.1	2.6	2.5	3.2	2.0	(1.2)	(38)				
thyssenkrupp AG												
Net income/(loss)	million €	1,535	(122)	161	59	1,579	1,520	++				
Dividend per share	€	0.11	0.15	0.15	0.15	0.15[1]	—	—				
Dividend payout	million €	62	85	85	93	93[1]	—	—				

[1] Proposal to the Annual General Meeting

Executive Board

Guido Kerkhoff

Chairman (since July 13, 2018)

Appointed until September 2023 // German

Within the Group:

- ■ thyssenkrupp Elevator AG (Chair)
- ■ thyssenkrupp Materials Services GmbH (Chair)
- ■ thyssenkrupp Steel Europe AG (Chair)
- □ thyssenkrupp (China) Ltd./PR China (Chair)

Oliver Burkhard

Appointed until September 2023 // German

- □ **PEAG Holding GmbH (Chair)**

Within the Group:

- ■ thyssenkrupp Elevator AG
- ■ thyssenkrupp Industrial Solutions AG (Chair)
- ■ thyssenkrupp Materials Services GmbH
- ■ thyssenkrupp Steel Europe AG

Dr. Donatus Kaufmann

Appointed until January 2022 // Swiss

Within the Group:

- ■ thyssenkrupp Industrial Solutions AG
- □ thyssenkrupp North America, Inc./USA (Chair)

At the close of July 6, 2018

Dr. Heinrich Hiesinger

German

left the Executive Board. At the time of his departure he held the following directorships:

- ● BMW AG

Within the Group:

- ■ thyssenkrupp Elevator AG (Chair)
- ■ thyssenkrupp Steel Europe AG (Chair)
- □ thyssenkrupp (China) Ltd./PR China (Chair)

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2018)

□ 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, 2018)

● / ○ Company listed on the stock exchange

Supervisory Board

Prof. Dr. Bernhard Pellens, Bochum

Chairman (since September 30, 2018) // Professor of Business Studies and International Accounting, Ruhr University Bochum
Appointed until 2020 // German

- LVM Landwirtschaftlicher Versicherungsverein Münster aG
- LVM Krankenversicherungs-AG

Markus Grolms, Frankfurt/Main

Vice Chairman // Trade union secretary at IG Metall
Appointed until 2019 // German

Prof. Dr. Dr. h.c. Ursula Gather, Dortmund

(since January 19, 2018) // Rector of the Technical University of Dortmund
Appointed until 2023 // German

- ● Munich Re

Achim Hass, Kiel

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

- 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
Appointed until 2020 // Austrian

- 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) // Chairwoman of the Works Council Union Elevator Technology // Vice Chairwoman of the Group Works Council of thyssenkrupp AG
Appointed until 2019 // German

Within the Group:

- thyssenkrupp Elevator AG

Tanja Jacquemin, Frankfurt/Main

Dipl.-Kauffrau // Head of the Union Educational Activities Department at IG Metall
Appointed until 2019 // German

- Vinci Energies Deutschland GmbH

Prof. Dr. Hans-Peter Keitel, Essen

Former Chairman of the Executive Board of Hochtief AG
Appointed until 2020 // German

- National-Bank AG
- ● RWE AG
- Voith GmbH & Co. KGaA (Chair)

Dr. Norbert Kluge, Ratingen

Diplom-Sozialwirt // Director of the Institute for Codetermination and Corporate Governance (I.M.U.) of the Hans Böckler Foundation
Appointed until 2019 // German

Tekin Nasikkol, Ratingen

Bachelor of Arts (Business Administration) // Chairman of the Works Council of thyssenkrupp Steel Europe AG (Duisburg-Hamborn) // Chairman of the General Works Council of thyssenkrupp Steel Europe AG // Chairman of the Works Council Union Steel Europe
Appointed until 2019 // German

- thyssenkrupp Steel Europe AG

Peter Remmler, Wolfsburg

Wholesale and export trader // Vice Chairman of the Works Council of thyssenkrupp Schulte GmbH (Braunschweig) // Chairman of the Works Council Union Materials Services
Appointed until 2019 // German

Within the Group:

- thyssenkrupp Materials Services GmbH

Carola v. Schmettow, Düsseldorf

CEO of HSBC Trinkaus & Burkhardt AG
Appointed until 2020 // German

- □ HSBC France SA Paris

Carsten Spohr, Munich

Chairman of the Executive Board of Deutsche Lufthansa AG
Appointed until 2020 // German

- ■ Lufthansa Technik AG (Chair)
- □ Dr. August Oetker KG (Member of the Advisory Board)
- □ SN Airholding SA/NV, Belgium (Chair)

Dr. Lothar Steinebach, Leverkusen

Former member of the Management Board of Henkel AG & Co. KGaA
Appointed until 2023 // German

- ■ Carl Zeiss AG
- ■ Ralf Schmitz GmbH & Co. KGaA
- □ Diem Client Partner AG/Switzerland (Member of the Management Board)

Jens Tischendorf, Zurich

Partner at Cevian Capital Ltd.
Appointed until 2020 // German

- ● 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 // Vice Chairman of the European Works Council of thyssenkrupp AG // Vice Chairman of the Group Works Council of thyssenkrupp AG
Appointed until 2019 // German

Within the Group:

- ■ thyssenkrupp Bilstein GmbH

Isolde Würz, Mülheim/Ruhr

Attorney // General Counsel and Head of Governance, Corporate Function Legal at thyssenkrupp AG // Chairwoman of the Executives' Committee of thyssenkrupp AG and executive member of the Group Executives' Committee
Appointed until 2019 // German

In the course of the fiscal year 2017 / 2018 the following members left the Supervisory Board. Where they held other directorships at the time of departure these are listed below:

Prof. Dr. Ulrich Lehner, Düsseldorf

(until July 31, 2018)
Chairman // Member of the Shareholders' Committee of Henkel AG & Co. KGaA

- ● Deutsche Telekom AG (Chair)
- ● Porsche Automobil Holding SE
- ○ Henkel AG & Co. KGaA (Member of the Shareholders' Committee)

Dr. Ralf Nentwig, Essen

(until January 19, 2018)
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

(until August 31, 2018)
Partner at Warburg Pincus LLC // Managing Director of Warburg Pincus Deutschland GmbH

- ■ Inexio Beteiligungs GmbH & Co. KGaA (Chair)
- ■ 1&1 Internet SE (Chair)
- ■ Strato AG (Chair)
- ■ Allianz Deutschland AG
- □ Telenor ASA
- ● Airbus SE/Netherlands

Wilhelm Segerath, Duisburg

(until September 30, 2018)
Automotive body maker // Chairman of the Group Works Council of thyssenkrupp AG (until September 18, 2018)

- □ PEAG Holding GmbH (Member of the Advisory Board)

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2018)

□ 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, 2018)

● / ○ Company listed on the stock exchange

Supervisory Board committees

Executive Committee

Prof. Dr. Bernhard Pellens (Chair)
Markus Grolms
Prof. Dr. Hans-Peter Keitel
Wilhelm Segerath

Mediation Committee under § 27 (3) Codetermination Act

Prof. Dr. Bernhard Pellens (Chair)
Markus Grolms
Prof. Dr. Hans-Peter Keitel
Wilhelm Segerath

Personnel Committee

Prof. Dr. Bernhard Pellens (Chair)
Markus Grolms
Prof. Dr. Hans-Peter Keitel
Wilhelm Segerath

Audit Committee

Prof. Dr. Bernhard Pellens (Chair)
Markus Grolms
Tanja Jacquemin
Wilhelm Segerath
Dr. Lothar Steinebach
Jens Tischendorf

Strategy, Finance and Investment Committee

Markus Grolms (Chair)
Prof. Dr. Dr. h. c. Ursula Gather
Susanne Herberger
Prof. Dr. Bernhard Pellens
Peter Remmler
Wilhelm Segerath
Dr. Lothar Steinebach
Jens Tischendorf

Nomination Committee

Prof. Dr. Bernhard Pellens (Chair)
Prof. Dr. Dr. h. c. Ursula Gather
Prof. Dr. Hans-Peter Keitel
Carola v. Schmettow
Jens Tischendorf

(as of September 30, 2018)

Glossary

List of definitions and abbreviations

Beyond Conventions:
An internet platform launched in November 2017 in collaboration with four partner companies on which the companies publish concrete digital challenges from their businesses. Aimed at start-up companies around the world. Any start-up that believes it has a solution is invited to make a pitch. The selected solutions are applied in the business processes of the companies.

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

GCGC
German Corporate Governance Code

EBIT margin
Earning power in the period under review; ratio of EBIT to sales

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

FCF before M & A
Free cash flow before mergers & acquisitions = operating cash flows less cash flow from investing activities excluding cash inflows and outflows from major M & A transactions

Gearing
Ratio of net financial debt to total equity (the lower the ratio, the higher the share of total equity in capital employed)

Gemba Safety Walk
“Gemba” is Japanese and means “the actual place”. In business gemba refers to the place where value is created. Gemba Safety Walks at thyssenkrupp are undertaken by managers e.g. at production facilities or construction sites to raise awareness of health & safety and discuss concrete situations.

Greater China
Mainland China, Hong Kong, Mongolia, Macau and Taiwan

impact
Corporate program to enhance performance and execute the corporate strategy

Internal financing strength
Ratio of operating cash flows to cash flow from investing activities

Weighted average cost of capital (WACC)
Minimum rate of return expected by investors

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.

thyssenkrupp Garage
The thyssenkrupp Garage is an instrument aimed at promoting the start-up culture in the Group and achieving disruptive new solutions quickly. For six months employees can spend half their working time on a start-up project, continuing their normal job part-time. We provide financial and other support for promising ideas and successful ones go on to become prototypes for new technologies.

tkVA
tkVA = EBIT less/plus capital employed

Inventory turnover
Inventories divided by sales, multiplied by 360 (the lower the ratio, the faster the inventory turnover)

Average collection period
Trade accounts receivable divided by sales, multiplied by 360 (the lower the ratio, the faster customers pay)

Contact and 2019 / 2020 financial calendar

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2019 / 2020 financial calendar

February 1, 2019
Annual General Meeting

February 12, 2019
Interim report 1st quarter 2018 / 2019 (October to December)

May 14, 2019
Interim report 1st half 2018 / 2019 (October to March)

August 8, 2019
Interim report 9 months 2018 / 2019 (October to June)

November 21, 2019
Annual report 2018 / 2019 (October to September)

January 31, 2020
Annual General Meeting

This annual report was published on November 21, 2018.

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Rounding differences and rates of change
Percentages and figures in this report may include rounding differences, meaning that the total of the individual figures stated may not always be exactly the same as the total shown or that it may not be possible to calculate the stated percentages from the individual figures shown to which they relate. 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