Annual report 2018 / 2019

thyssenkrupp

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thyssenkrupp at a glance

THYSSENKRUPP IN FIGURES

		2018/2019	Change in %
Order intake	€ million	41,994	1
Sales	€ million	41,996	1
Adjusted EBIT	€ million	802	–44
Net loss	€ million	–260	--
Earnings per share	€	–0.49	--
Free cash flow before M&A	€ million	–1,140	--
Net financial debt	€ million	3,703	57
tkVA	€ million	–1,068	--
Market capitalization	€ million	7,912	–42
Dividend per share [1]	€	– [1]	–

[1] Proposal to the Annual General Meeting.

~ 162,000

Employees work together on forward-looking solutions for our customers.

(as at September 30, 2019)

~ €42 billion

sales generated by thyssenkrupp in fiscal 2018/2019.

6 regional HQs

78 countries

~ 1,800 locations

BUSINESS AREAS

CT Components Technology

ET Elevator Technology

IS Industrial Solutions

MS Marine Systems [1]

MX Materials Services

SE Steel Europe

[1] Since October 1, 2018 managed separately as a business unit.

	Order intake[2] million €	Net sales[2] million €	Adjusted EBIT[1)2)3)] million €
	Year ended Sept. 30, 2019	Year ended Sept. 30, 2019	Year ended Sept. 30, 2019
Components Technology	6,996	6,871	233
Elevator Technology	8,171	7,960	907
Industrial Solutions[3]	3,735	4,002	–170
Marine Systems[3]	2,192	1,800	1
Materials Services	13,868	13,880	107
Steel Europe	8,784	9,065	31
Corporate	198	308	–306
Consolidation	–1,951	–1,889	–1
Group[3]	**41,994**	**41,996**	**802**

[1] See reconciliation in segment reporting (Note 24).
[2] Prior-year figures have been adjusted due to the adoption of IFRS 15.
[3] See preliminary remarks.

Annual report
2018 / 2019

thyssenkrupp

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To our shareholders

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Letter to shareholders

Martina Merz
Chief Executive Officer

Dear Shareholders, Ladies and Gentlemen,

We have reached the end of another extraordinary fiscal year. Just a year ago we were planning to combine our steel business with the European steel operations of Tata Steel in a joint venture in order to jointly address the challenges of the European steel industry and create a stable basis for the long-term competitiveness of the steel business. At the end of the 2017/2018 fiscal year the Executive Board and Supervisory Board also decided to divide thyssenkrupp into two independent companies. As independent entities with separate access to the capital market, the two companies were to become more focused and more efficient.

We had largely completed preparations for the steel joint venture with Tata – and also the separation. On May 10, 2019 we had to call off both. For the Company and its 161,000 employees, many of whom had worked hard towards the steel joint venture and the separation, this came as a big surprise. In this difficult situation the Executive Board reassessed the position and subsequently presented its plans for the realignment of the Company, which were unanimously approved by the Supervisory Board – of which I was then chair.

This new strategy, which we call “newtk”, follows three basic principles: “Performance First”: increasing efficiency is top priority in all our businesses; “Flexible portfolio”: in the future we will measure our success on how well our businesses perform – not on whether we own a majority stake in them. And finally “Efficient organization”: to enable them to operate more successfully on the market, the businesses will be given more entrepreneurial freedom, but also more responsibility. Corporate and administrative structures will be significantly leaner. The plans also include cutting 6,000 jobs.

At Elevator Technology we are working on preparations for a possible IPO, as decided in spring. Our goal is to have Elevator Technology ready for the capital market by the start of 2020. In parallel with this we are examining the offers from financial and strategic investors. We are doing so in a structured process so that at the end we can decide which option is the best for the Company and its stakeholders. Our priority is to strengthen thyssenkrupp’s capital base to make the Company fit for the future.

The realignment of the Group proposed by the Executive Board in May was a decision that gave equal consideration to the interests of employees, customers and shareholders. It is therefore important to me to thank my predecessor Guido Kerkhoff, who reached an agreement with the Supervisory Board to terminate his Executive Board position by mutual consent at the end of the 2018/2019 fiscal year, for his efforts. In a difficult situation Guido Kerkhoff took on responsibility as CEO and did not shy away – that deserves great respect. The strategic realignment he initiated is the right path for thyssenkrupp. That’s why we will be continuing this path.

Shortly before Guido Kerkhoff, Dr. Donatus Kaufmann also agreed with the Supervisory Board to terminate his Executive Board position by mutual consent. Donatus Kaufmann left the Executive Board of thyssenkrupp AG effective September 30, 2019 after five and a half years in charge of Legal and Compliance. My thanks go to him too for his great efforts for thyssenkrupp.

Since October 1, 2019 I have been Chief Executive Officer of thyssenkrupp AG, delegated by the Supervisory Board for a maximum of 12 months. Together with the new Executive Board team, I am here to make thyssenkrupp successful again. Why the change? In view of the tasks and decisions ahead, it was important to the Supervisory Board to press on with the strategic realignment without further delay and to look ahead with a clean slate. For this it is crucial that Executive Board and Supervisory Board work closely together.

The basis for this was created with the election of Prof. Dr.-Ing. Siegfried Russwurm as head of the Supervisory Board and with the new composition of the Executive Board.

Although my move from the Supervisory Board chair to a role with operational responsibility was not planned, from the Supervisory Board's point of view it was necessary. I have accepted the position until a new chief executive officer is found. I take on my new role with pleasure but also with respect. The Group has everything it needs to safeguard its future.

I'm very happy that I can tackle this role together with an experienced Executive Board team. Alongside CHRO Oliver Burkhard, who has been part of the Executive Board of thyssenkrupp AG since April 2013, the other members are Johannes Dietsch and Dr. Klaus Keysberg. Johannes Dietsch was appointed to the Group Executive Board by the Supervisory Board effective February 1, 2019. After more than 35 years with the pharmaceuticals company Bayer, ultimately as member of the board of management from 2014 to 2018, Johannes Dietsch is responsible for the Group's finances. As of the start of the new fiscal year 2019/2020, Dr. Klaus Keysberg was additionally appointed to the Executive Board of thyssenkrupp AG. He has been with the Group since the beginning of 1996. From 2011 he was a member of the Materials Services business area board, from 2019 as its CEO. As a member of the Executive Board of thyssenkrupp AG, he is now responsible for our materials businesses Materials Services and Steel Europe.

Our joint task now is to change thyssenkrupp so that we become structurally better. For this we need above all operational excellence in all our businesses. Only if we clearly improve the performance of the Company will we win back trust.

Ladies and Gentlemen, as a founding member of the German stock index DAX, thyssenkrupp had to exit the leading index after 31 years. We are now listed in the MDAX. We are anything but proud of the performance of our stock in the past fiscal year. We know that we missed our targets. We are operating in much tougher market conditions.

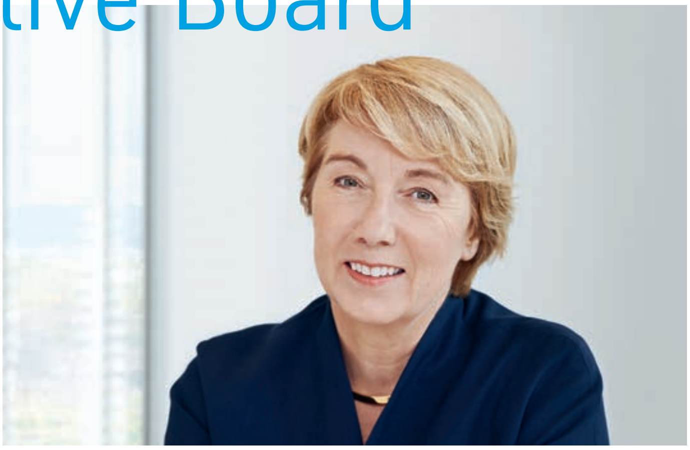
At this point I would like to say a special thank-you to our employees. I know that once again the past fiscal year was no easy year for them. The current fiscal year 2019/2020 is going to be no easier. We're in a process of fundamental change, which will bring with it significant cuts. I am aware that this is leading to uncertainty in the workforce. Despite this our employees give their best every day and are driving the changes with great commitment. This demonstrates how strongly our employees identify with the Company. My Executive Board colleagues and I will also do everything to make thyssenkrupp fit for the future. Respect, honesty and fairness in our dealings with each other will form the foundation of our work. This will serve our customers, you our shareholders, and not least the people who work here.

Yours,

Martina Merz
Chief Executive Officer

Essen, November 2019

Executive Board



Martina Merz
*1963, CEO
since October 1, 2019,
delegated until September 30, 2020

Johannes Dietsch
*1962, CFO
since February 1, 2019,
appointed until January 31, 2022

Left September 30, 2019

Guido Kerkhoff
*1967, CEO

Oliver Burkhard

*1972, CHRO since February 1, 2013
and Labor Director since April 1, 2013,
appointed until September 30, 2023

Dr. Klaus Keysberg

*1964, member of the Executive Board
since October 1, 2019,
appointed until July 31, 2024

Left September 30, 2019

Dr. Donatus Kaufmann

*1962, responsible for Technology,
Innovation Sustainability,
Legal & Compliance

Report by the Supervisory Board

Prof. Dr.-Ing. Siegfried Russwurm
Chairman of the Supervisory Board

Dear Shareholders,

Before I inform you about the work of the Supervisory Board and its committees in fiscal year 2018/2019, allow me to make one or two remarks about the past fiscal year. After Prof. Dr. Ulrich Lehner stood down as Chairman of the Supervisory Board of thyssenkrupp AG effective July 31, 2018, the Vice Chairman of the Supervisory Board Markus Grolms initially took over the Supervisory Board chair. Subsequently Prof. Dr. Bernhard Pellens was elected Supervisory Board Chairman from October 1, 2018 until the Annual General Meeting on February 1, 2019. I would like to express special thanks to Markus Grolms and Prof. Dr. Bernhard Pellens for accepting responsibility for the Company and its stakeholders and chairing the Supervisory Board. Martina Merz then took the chair of the Supervisory Board at the close of the Annual General Meeting. Likewise with effect from February 1, 2019, the Supervisory Board appointed Johannes Dietsch to the Group Executive Board as Chief Financial Officer. Since then the Supervisory Board's work has been greatly influenced by unexpected developments: the planned joint venture of thyssenkrupp Steel Europe and

Tata Steel Europe was not approved by the EU Commission. Against this background and taking into account changes to thyssenkrupp's economic position on the one hand and the global economic outlook on the other, the Supervisory Board in its meeting on May 21, 2019 approved the Executive Board's proposal to cancel the planned separation of thyssenkrupp into two new companies and to develop a plan for the strategic realignment of thyssenkrupp. To strengthen this realignment and accelerate its implementation, the Supervisory Board decided in its meeting on September 27, 2019 to reorganize the Executive Board: effective October 1, 2019, Supervisory Board Chairwoman Martina Merz was delegated from the Supervisory Board to the Executive Board in accordance with § 105 (2) Stock Corporation Act (AktG). Her Supervisory Board role is suspended for the term of this posting. Martina Merz took over as Chief Executive Officer as successor to Guido Kerkhoff. As previously with Dr. Donatus Kaufmann, the Executive Board member responsible for Legal and Compliance, the Supervisory Board agreed with Guido Kerkhoff to terminate his Executive Board position by mutual consent effective September 30, 2019. To meet the challenges ahead in the materials businesses, the Supervisory Board additionally appointed Dr. Klaus Keysberg, previously chairman of the Materials Services business area board, to the Executive Board of thyssenkrupp AG with responsibility for Materials Services and Steel Europe effective October 1, 2019. The three Groupwide "newtk" action areas "Performance first", "Flexible portfolio" and "Efficient organization" are being closely managed by the Executive Board. Regular reports on this are provided and discussed in the meetings of the Supervisory Board and its committees.

Cooperation between Supervisory Board and Executive Board

In fiscal year 2018/2019 the Supervisory Board 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 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 several occasions the Supervisory Board dealt at length with the Company's targets, the risk situation, the liquidity planning and the equity situation. Based on the 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 for discussion. 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 view of the current situation the Supervisory Board and Executive Board significantly intensified their joint work and information sharing, and in bi-weekly meetings of the Executive Committee attended by Executive Board members discussed mainly the framework for the strategic realignment "newtk". Further Supervisory Board members and external advisors also took part in these Executive Committee meetings.

In addition, 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 subsequent 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. This applies also and in particular to Dr. Wolfgang Colberg as senior adviser of CVC Advisers (Deutschland) GmbH. In accordance with his obligations as a member of the Supervisory Board, Dr. Colberg of course also maintains confidentiality vis-à-vis CVC, and CVC has submitted written confirmation that Dr. Colberg is not involved in any discussions or decisions in respect of the thyssenkrupp Group.

Supervisory Board meetings

Eight Supervisory Board meetings were held in the reporting year. The average attendance rate at the meetings of the Supervisory Board and its committees was 97%. No Supervisory Board member attended fewer than half the meetings of the Supervisory Board and the relevant committees. The members of the Executive Board regularly took part in the Supervisory Board meetings; the Supervisory Board also convened without the Executive Board to discuss individual topics and for individual meetings. The position of Supervisory Board Chairman was held by Prof. Dr. Bernhard Pellens until the 2019 Annual General Meeting. Directly after the Annual General Meeting, the Supervisory Board unanimously elected Martina Merz as its chairwoman. By resolution of the Supervisory Board on September 27, 2019 Martina Merz was delegated, subject to § 105 (2) AktG, from the Supervisory Board to the Executive Board of thyssenkrupp AG as Chief Executive Officer effective October 1, 2019 for a maximum period of 12 months. Her Supervisory Board role is suspended during this time. For the term of her posting, the Supervisory Board elected Prof. Dr.-Ing. Siegfried Russwurm as its new chairman.

The range of topics that the Supervisory Board dealt with in fiscal year 2018/2019 included the current business and earnings situation and the parent-company and consolidated financial statements for the year ended September 30, 2018. On the recommendation of the Audit Committee and after discussion with the auditors PricewaterhouseCoopers GmbH Wirtschafts-prüfungsgesellschaft (PwC) the Supervisory Board approved the parent-company and consolidated financial statements for the 2017/2018 fiscal year and thus established the parent-company financial statements. After 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, 2019 and thus established the parent-company financial statements. Further topics discussed by the Supervisory Board included the corporate and investment planning for fiscal year 2018/2019, the preparation of the Annual General Meeting on February 1, 2019, and questions of Executive Board compensation. The draft Executive Board compensation system developed for the originally planned separation is to be adapted to the new organizational structure of “newtk” and presented to the 2021 Annual General Meeting. These discussions also took into account that the Shareholder Rights Directive II (SRD II) and the correspondingly amended German Corporate Governance Code, which will both include new provisions relating to executive board compensation, are still in the legislative process. 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 2018 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 and the planned separation of thyssenkrupp into two new companies played a major role until the Supervisory Board was informed by the Executive Board in its meeting on May 21, 2019 that there was a high probability that the joint venture would not go ahead and that the separation into two new companies could not be recommended. The Supervisory Board then approved the Executive Board's proposal not to pursue the separation further. The Supervisory Board also approved the procedure for the strategic realignment of the Company and the medium-term targets of this realignment as proposed by the Executive Board.

In line with standard practice, in fiscal year 2018/2019 the Supervisory Board, after considering the recommendations and suggestions of the German Corporate Governance Code (GCGC) as amended on February 7, 2017, again 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 7, 2019. In addition, the Executive Board and Supervisory Board report on corporate governance at thyssenkrupp in the corporate governance report and the corporate governance statement.

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 as at September 30, 2019 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 29 times in the past fiscal year. Owing to the current situation and the preparations for the seminal meetings of the Supervisory Board and the preceding Strategy Committee meetings in May 2019, the Executive Committee decided to hold meetings every two weeks. After the planned separation of the company was cancelled, the increased frequency of the Executive Committee meetings was maintained and to discuss specific issues these were attended by further members of the Supervisory Board and external advisers. 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 options for the individual business areas, and close monitoring of the Groupwide projects "Performance first", "Flexible portfolio" and "People-centric & efficient organization" under the strategic realignment "newtk".

The **Personnel Committee** held 22 meetings in the 2018/2019 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 in particular the planning and implementation of the changes to the composition of the Executive Board described above, as well as general Executive Board matters, the planning and implementation of the reorganization of the Executive Board and the associated measures for establishing the performance bonus and additional bonus and the structuring of pensions for the members of the Executive Board. Details of Executive Board compensation are presented in the compensation report.

The **Audit Committee** met six times in the 2018/2019 fiscal year. Alongside Executive Board members, the meetings were also attended by representatives of the auditors PwC, who were elected by the 2019 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 and management board members of the business areas 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 2018/2019 parent-company and consolidated financial statements along with the combined management report including the fully integrated non-financial statement, the proposal for the appropriation of net income, the combined corporate governance statement of the Executive Board and Supervisory Board regarding the statements issued by the Executive Board 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 2018/2019 fiscal year was set.

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. The reporting consequences of the planned – and later cancelled – separation of thyssenkrupp and the Group regulation on determining "Adjusted EBITDA / EBIT / EBT" were also addressed in close detail. 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 2018/2019 fiscal year. Further main topics were the implementation of the General Data Protection Regulation (GDPR) as well as the CSR report, the equity capital and rating situation, the EMIR compliance audit for the 2017/2018 fiscal year in accordance with § 32 WpHG, and the status of the corporate initiatives and performance of the business areas. Against the background of the abandoned joint venture with Tata Steel, the committee discussed the performance of the Steel Europe business area.

The **Strategy, Finance and Investment Committee** held five meetings in the 2018/2019 fiscal year. Until the joint venture and separation were cancelled, discussions focused on preparing decision recommendations for the Supervisory Board as well as addressing in close detail the mid-term targets of the business areas for 2020/2021, focusing on Components Technology and Industrial Solutions. 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 18 meetings in the past fiscal year. Discussions focused in particular on preparing the necessary appointment of successors and – taking into account the recommendations of the German Corporate Governance Code – succession planning for the shareholder side of the 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 February 1, 2019 to audit the financial statements for the 2018/2019 fiscal year, PwC audited the parent-company financial statements for the fiscal year October 1, 2018 to September 30, 2019 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 § 315e HGB, the consolidated financial statements of thyssenkrupp AG for the fiscal year from October 1, 2018 to September 30, 2019, 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 2018/2019 fiscal year were discussed in detail in the meetings of the Audit Committee on November 18, 2019 and the Supervisory Board on November 20, 2019. The auditors reported on the main findings of their audit. They also outlined their findings on the internal control and risk management system in relation to the accounting process as well as the risk early detection system, 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 detailed 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 transfer the unappropriated income of thyssenkrupp AG for fiscal year 2018/2019 in the amount of €196,476,542.20 in full to other retained earnings and not to pay a dividend.

Personnel changes on the Supervisory Board

The following changes took place on the shareholder side: Martina Merz (effective December 5, 2018) and Dr. Wolfgang Colberg (effective December 29, 2018) became members of the Supervisory Board initially by court appointment and subsequently by election at the Annual General Meeting on February 1, 2019. In the directly ensuing Supervisory Board meeting, Ms. Merz was unanimously elected Chairwoman of the Supervisory Board. Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel left the Supervisory Board at the close of January 25, 2019. Prof. Dr.-Ing. Siegfried Russwurm was court-appointed as his successor effective April 24, 2019. Shortly before the end of the fiscal year on September 26, 2019, Carsten Spohr left the Supervisory Board at his own request. To succeed him, Angelika Gifford was court-appointed to the Supervisory Board effective November 12, 2019. Also effective November 12, 2019, Dr. Ingo Luge was court-appointed as member of the Supervisory Board after Ms. Merz was delegated to the Executive Board effective October 1, 2019. Effective October 1, Prof. Dr.-Ing. Siegried Russwurm was elected Supervisory Board Chairman.

On the employee side Tekin Nasikkol stood down at the close of the 2019 Annual General Meeting. He was succeeded by Barbara Kremser-Bruttel directly after this Annual General Meeting. 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, 2019 are shown in the Notes to the Annual Report.

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 2018/2019 fiscal year.

The Supervisory Board

S. Russwurm

Prof. Dr.-Ing. Siegfried Russwurm
Chairman
Essen, November 20, 2019

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 (as amended on February 7, 2017). 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 nondiscrimination, 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 (under “Targets” in the section “Fundamental information about the Group”).

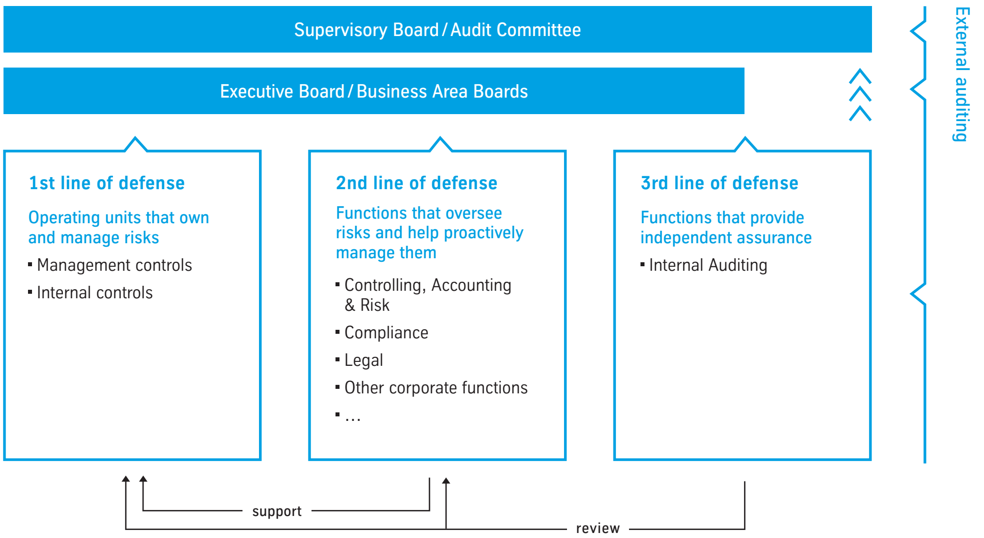
www.thyssenkrupp.com > Company > Sustainability > Sustainability strategy and targets

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 in the operating units 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 of measures to avert risks and exploit opportunities. 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.

Key features of our internal control and risk management system are described in the section "Opportunity and risk report".

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.

compliance

Compliance is a question of mindset.

Up to the end of the 2018/2019 fiscal year the Chief Compliance Officer, who is responsible for the management of the compliance program, reported directly to the Executive Board member with special responsibility for compliance since 2014, Dr. Donatus Kaufmann. As of October 1, 2019 the Chief Human Resources Officer (CHRO) of thyssenkrupp AG is responsible for the compliance function.

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

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.

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, 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 organizational 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 2018/2019 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 is 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.

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

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)**.

Under the German Corporate Governance Code, the Supervisory Board must be composed in such a way that its members have the knowledge, skills, and professional experience needed to perform their tasks properly. The Supervisory Board sets targets for its own composition. The concrete targets are as follows:

- Supervisory Board to have sufficient members with international experience, in particular in the expansion markets and Supervisory Board members as a whole to be familiar with the sectors in which thyssenkrupp operates;

- Consideration of special knowledge and experience in the application of accounting principles and internal control processes, expertise in the areas of accounting and auditing, also consideration of technical expertise, and knowledge of financing strategies and financial instruments;
- Experience in corporate management and the development and formulation of corporate strategies;
- Avoidance of significant and non-temporary conflicts of interest (existing conflicts of interest or conflicts of interest to be expected in the future) and appropriate handling of other conflicts of interest;
- Supervisory Board members to serve no more than a maximum three periods of office, and an age limit of 75 (i.e. Supervisory Board members to stand down from the Supervisory Board at the end of the Annual General Meeting after they reach 75);
- Increase in the proportion of women to at least 30%;
- At least 15 independent Supervisory Board members.

In the assessment of the Supervisory Board the appropriate number of independent members on the shareholder representative side is at least five. The Supervisory Board has defined specific criteria for evaluating independence, in particular those specified in the German Corporate Governance Code. On this basis, in addition to the employee representatives, all members representing shareholders are independent, namely: Dr. Wolfgang Colberg, Prof. Dr. Dr. h.c. Ursula Gather, Dr. Ingrid Hengster, Martina Merz, Prof. Dr. Bernhard Pellens, Prof. Dr.-Ing. Siegfried Russwurm, Carola v. Schmettow, Dr. Lothar Steinebach and Jens Tischendorf, as well as Prof. Dr. Hans-Peter Keitel and Carsten Spohr who have now stood down. As an independent member of the Supervisory Board with expertise in the fields of accounting and auditing in the meaning of § 100 (5) Stock Corporation Act (AktG), Prof. Dr. Bernhard Pellens is Chairman of the Audit Committee.

The competency profile adopted by the Supervisory Board for the board as a whole specifies the areas of competency the Supervisory Board considers important for its work. These are areas such as general management and globalization, management of companies subject to codetermination law, IT and digitization, personnel management and development, and further competencies already included in the targets for the composition of the board.

The election recommendations made to the Annual General Meeting must take into account the Supervisory Board's targets for its own composition while aiming to fulfill the competency profile for the board as a whole. As previously, election recommendations and successor candidates for the Supervisory Board are based on the Supervisory Board's own targets and competency profile. The current composition of the Supervisory Board meets the targets and the competency profile.

The targets and competency profile are also part of the diversity model adopted by the Supervisory Board in November 2017. This model and its implementation status are presented in the corporate governance statement.

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 Annual General Meeting in person or by proxy, for which they can authorize a person of

www.thyssenkrupp.com > Investors > Annual General Meeting

their choice or a Company-nominated proxy acting on their instructions. They can also cast their votes online on the internet or 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).

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

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 February 1, 2019 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) to audit the annual financial statements for fiscal year 2018/2019 and review the interim financial reports for fiscal year 2018/2019 and to review the interim financial reports for fiscal year 2019/2020 drawn up before the 2020 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.

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 23 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. Seven transactions were reported to us in the 2018/2019 fiscal year and these were published and are available for viewing on the Company's website. At September 30, 2019 the total volume of thyssenkrupp AG shares held by Executive Board and Supervisory Board members amounted to less than 1% of the shares issued by the Company.

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 2018/2019 is disclosed individually, also taking into account the recommendations of the German Corporate Governance Code (GCGC) as amended on February 7, 2017.

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 aligns 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 until September 30, 2018)	Pension in the amount of 50% of fixed compensation for fiscal year 2014/2015: – For Guido Kerkhoff until September 30, 2018: vested pension entitlement of €350,000 p.a.
Defined contribution plans (Guido Kerkhoff from October 01, 2018, Oliver Burkhard, Johannes Dietsch, Dr. Donatus Kaufmann)	Provision of annual contributions to build pension entitlement: – For Guido Kerkhoff from October 01, 2018: annual contribution of €350,000; pension benefits under this plan to be paid in the form of a lump sum – For Oliver Burkhard: annual contribution of €280,000; pension benefits to be paid in the form of an annuity, capped at €350,000 p.a. – For Johannes Dietsch and Dr. Donatus Kaufmann: annual contribution of €280,000; 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 Chairman of the Executive Board: €1,250,000 – For the members of the Executive Board: €630,000 – €680,000 Basis for target achievement: – 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 range 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	
Share ownership guidelines	Obligation to purchase within the appointment period thyssenkrupp shares for the amount of one year's fixed compensation (Guido Kerkhoff) or a half year's fixed compensation (Oliver Burkhard, Johannes Dietsch) and to hold the purchased shares until termination of appointment. Minimum annual investment.
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 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.

In connection with the extension of the Executive Board appointment of Guido Kerkhoff as of October 1, 2018, the previous pension commitment was terminated as of September 30, 2018, with the entitlement to an annual pension of €350,000 acquired up to that date remaining in place. As a result, from fiscal year 2018/2019 the entitlement to a company pension for all members of the Executive Board is based on a defined contribution arrangement – with an annual contribution for Guido Kerkhoff of €350,000 and for Oliver Burkhard, Johannes Dietsch and Dr. Donatus Kaufmann of €280,000 each. The pension entitlements acquired by Guido Kerkhoff from October 1, 2018 – like the pension entitlements of Johannes Dietsch and Dr. Donatus Kaufmann – will be paid out in the form of a lump sum. Oliver Burkhard will receive pension benefits in the form of an annuity, with an agreed cap of €350,000 p.a.

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 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.

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 benefits paid in the form of a lump sum 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.

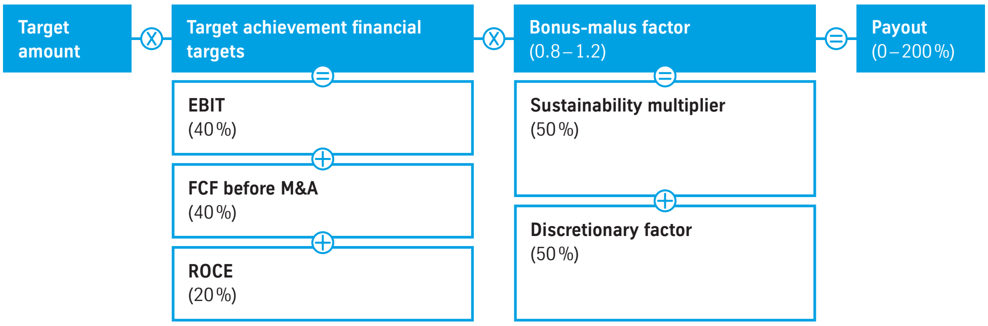
Annual bonus target amounts for fiscal year 2018/2019

Guido Kerkhoff	€1,250,000
Oliver Burkhard	€680,000
Johannes Dietsch[1)]	€453,333
Dr. Donatus Kaufmann	€630,000

[1)] Prorated from February 1, 2019

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 adjust 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 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 resolves challenging target and threshold values; this resolution too is prepared by the Personnel Committee.

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 bring the objectives of management and the direct interests of shareholders into alignment. 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.

LTI initial values for fiscal year 2018/2019

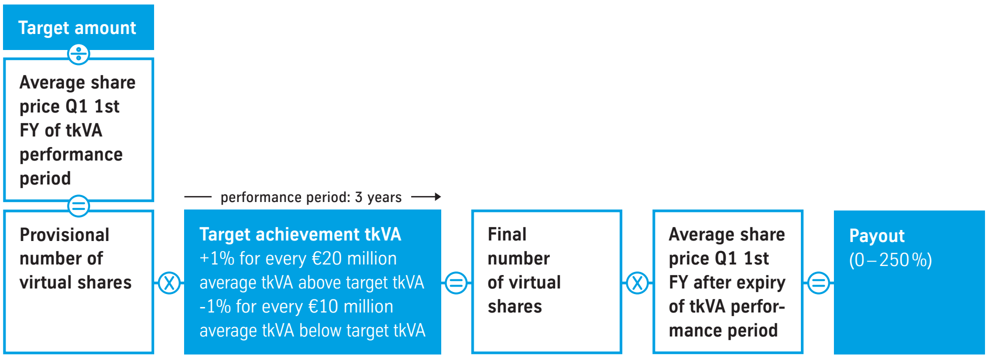
Guido Kerkhoff	€2,000,000
Oliver Burkhard	€1,050,000
Johannes Dietsch[1)]	€700,000
Dr. Donatus Kaufmann	€950,000

[1)] Prorated from February 1, 2019

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.

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 resolves challenging target and threshold values for each new annual installment at the beginning of each fiscal year; this resolution too is prepared by the Personnel Committee. The target value for the LTI installment granted to the Executive Board members in March 2019 relates to the tkVA performance period 2018/2019 through 2020/2021. The Supervisory Board set an average tkVA of zero as the target value, as with the previous installments. 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”.

Share ownership guidelines

With effect from fiscal year 2018/2019, new share ownership guidelines were introduced: all Executive Board members newly appointed or reappointed from October 1, 2018 are required to purchase thyssenkrupp shares for a total of one fixed annual salary (chairman of the Executive Board) or half a fixed annual salary (ordinary Executive Board members) within the appointment period and hold them for the duration of their appointment. A minimum annual investment amount of one third (for three-year appointments) or one fifth (for five-year appointments) of the total investment amount applies until the total investment amount is reached. Existing pre-held shares may be contributed once upon joining the share purchase program. Only the purchase price at the time of acquisition is decisive for the fulfillment of the buy and hold requirement; subsequent changes in the share price do not affect the scope of the buy and hold requirement.

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 2018/2019, 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 2018/2019

Bonus 2018/2019

The weaker-than-expected economic trend had a major impact on thyssenkrupp's key performance indicators. The thresholds set for EBIT, free cash flow before M&A and ROCE for fiscal year 2018/2019 were all not achieved, so the resultant target achievement amounts to 0%. The Executive Board members will therefore not receive a bonus for the past fiscal year.

LTI 2015/2016

The 6th installment of the LTI due in fiscal year 2018/2019 was issued for the fiscal year 2015/2016. The associated payment amount is calculated as follows:

CALCULATION OF THE LTI PAYOUT FOR THE INSTALLMENT 2015/2016[1)]

Performance targets	thyssenkrupp Value Added (tkVA) Performance of thyssenkrupp stock	
tkVA performance period	2015/2016 – 2017/2018	
Relevant stock price	Avg. stock price Q1 FY 2018/2019 vs. avg. stock price Q1 FY 2015/2016	
Link	Multiplicative	
Possible target achievement	0 – 250%	
Provisionally granted number of virtual shares	Initial value: €950,000 Avg. stock price Q1 FY 2015/2016: €18.23	52,112 virtual shares[2)]
Target achievement tkVA	Average tkVA actually achieved is €317.7 million below the target tkVA leading to a reduction in the number of awarded virtual shares by 31.77%	
Finally granted number of virtual shares	(100% – 31.77%) x 52,112 virtual shares = 35,556 virtual shares[2)]	
Payout	35,556 virtual shares Avg. stock price Q1 FY 2018/2019: €17.69	€628,986

[1)] Example of an ordinary Executive Board member with an initial value of €950,000
[2)] Rounded half even

On the basis of achieved tkVA and the stock performance, €628,986 was paid out to each of Oliver Burkhard and Dr. Donatus Kaufmann. Due to his higher initial value in fiscal year 2015/2016 Guido Kerkhoff received a payout of €662,101. Johannes Dietsch was not yet a member of the Executive Board in fiscal year 2015/2016 so there was no payout from the associated LTI installment.

Executive Board benefits granted and allocations

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 2018/2019, 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 2018/2019.

GCGC-TABLE 1: EXECUTIVE BOARD COMPENSATION 2018/2019 (BENEFITS GRANTED)

		Guido Kerkhoff				Oliver Burkhard				Johannes Dietsch				Dr. Donatus Kaufmann			
		Chairman of the Executive board until September 30, 2019				Ordinary member of the executive board since February 1, 2013				Ordinary member of the executive board since February 1, 2019				Ordinary member of the executive board until September 30, 2019			
all figures in €000s		2017/2018 Initial value	2018/2019 Initial value	2018/2019 Minimum	2018/2019 Maximum[1]	2017/2018 Initial value	2018/2019 Initial value	2018/2019 Minimum	2018/2019 Maximum[1]	2017/2018 Initial value	2018/2019 Initial value	2018/2019 Minimum	2018/2019 Maximum[1]	2017/2018 Initial value	2018/2019 Initial value	2018/2019 Minimum	2018/2019 Maximum[1]
Fixed compensation		700	1,340	1,340	1,340	700	700	700	700	—	467	467	467	700	700	700	700
Fringe benefits		44	45	45	45	57	72	72	72	—	14	14	14	57	58	58	58
Total		**744**	**1,385**	**1,385**	**1,385**	**757**	**772**	**772**	**772**	**—**	**481**	**481**	**481**	**757**	**758**	**758**	**758**
One-year variable compensation	Performance bonus (cash)	680	1,250	0	2,500	630	680	0	1,360	—	453	0	907	630	630	0	1,260
Multiple-year variable compensation	9th installment LTI 2018/2019 – 2021/2022	—	1,399	0	5,000	—	734	0	2,625	—	489	0	1,750	—	664	0	2,375
	8th installment LTI 2017/2018 – 2020/2021	1,098	—	—	—	993	—	—	—	—	—	—	—	993	—	—	—
Total		**2,522**	**4,034**	**1,385**	**8,885**	**2,380**	**2,186**	**772**	**4,757**	**—**	**1,423**	**481**	**3,137**	**2,380**	**2,052**	**758**	**4,393**
Service costs in accordance with IFRS[2]		610	353	353	353	924	980	980	980	—	198	198	198	280	278	278	278
Total		**3,132**	**4,387**	**1,738**	**9,238**	**3,304**	**3,166**	**1,752**	**5,737**	**—**	**1,621**	**679**	**3,335**	**2,660**	**2,330**	**1,036**	**4,671**

[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 between the defined benefit plans ended on September 30, 2018 and the defined contribution pension plans granted from October 1, 2018, the service cost in accordance with IFRS shown for Guido Kerkhoff for the prior fiscal year 2017/2018 is prorated in line with the Executive Board work performed in the fiscal year. To take account of the vested contractual pension rights further provisions were recognized for Guido Kerkhoff in the past. Taking these provisions into account and without proration, the service costs in 2017/2018 come to the amounts shown in the table below “Executive Board pension provisions 2018/2019”.

GCGC-TABLE 2: EXECUTIVE BOARD COMPENSATION 2018/2019 (ALLOCATIONS)

		Guido Kerkhoff		Oliver Burkhard		Johannes Dietsch		Dr. Donatus Kaufmann	
		Chairman of the Executive board until September 30, 2019		Ordinary member of the executive board since February 1, 2013		Ordinary member of the executive board since February 1, 2019		Ordinary member of the executive board until September 30, 2019	
all figures in €000s		2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
Fixed compensation		700	1,340	700	700	—	467	700	700
Fringe benefits		44	45	57	72	—	14	57	58
Total		**744**	**1,385**	**757**	**772**	**—**	**481**	**757**	**758**
One-year variable compensation	Performance bonus (cash)	484	0	448	0	—	0	448	0
Multiple-year variable compensation	6th installment LTI 2015/2016 – 2018/2019	—	662	—	629	—	—	—	629
	5th installment LTI 2014/2015 – 2017/2018	690	—	690	—	—	—	690	—
Total		**1,918**	**2,047**	**1,895**	**1,401**	**—**	**481**	**1,895**	**1,387**
Service costs in accordance with IFRS[1]		610	353	924	980	—	198	280	278
Total		**2,528**	**2,400**	**2,819**	**2,381**	**—**	**679**	**2,175**	**1,665**

[1] See footnote 2 to GCGC Table 1.

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 above, 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 2018/2019 IN ACCORDANCE WITH HGB

	Guido Kerkhoff		Oliver Burkhard		Johannes Dietsch		Dr. Donatus Kaufmann	
	Chairman of the Executive board until September 30, 2019		Ordinary member of the executive board since February 1, 2013		Ordinary member of the executive board since February 1, 2019		Ordinary member of the executive board until September 30, 2019	
	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
Executive board compensation in accordance with HGB in €000s	2,326	2,784	2,198	1,506	—	970	2,198	1,422

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 €6.7 million. The corresponding prior-year figure was €10.0 million.

Stock-based Executive Board compensation 2018/2019

In March 2019 the Executive Board members were granted new virtual shares from the 9th installment of the LTI. In total the Executive Board members now possess 527,421 virtual shares granted but not yet payable from the 7th to 9th installments of the LTI.

STOCK-BASED EXECUTIVE BOARD COMPENSATION 2018/2019

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

		Guido Kerkhoff		Oliver Burkhard		Johannes Dietsch		Dr. Donatus Kaufmann	
		Chairman of the Executive board until September 30, 2019		Ordinary member of the executive board since February 1, 2013		Ordinary member of the executive board since February 1, 2019		Ordinary member of the executive board until September 30, 2019	
		2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
Number of stock rights granted	9th installment LTI 2018/2019 – 2021/2022	—	113,058	—	59,356	—	39,570	—	53,703
	8th installment LTI 2017/2018 – 2020/2021	45,259	—	40,948	—	—	—	40,948	—
Cost of stock-based compensation in fiscal year in €000s		748	(1,296)	656	(1,554)	—	335	656	(1,602)

Executive Board pension provisions 2018/2019

The following table gives an overview of the service costs incurred for fiscal year 2018/2019 as well as the amount of pension obligations at September 30, 2019 for the Executive Board members in post in the fiscal year.

EXECUTIVE BOARD PENSION PROVISIONS 2018/2019

		Guido Kerkhoff[1]		Oliver Burkhard		Johannes Dietsch		Dr. Donatus Kaufmann	
		Chairman of the Executive board until September 30, 2019		Ordinary member of the executive board since February 1, 2013		Ordinary member of the executive board since February 1, 2019		Ordinary member of the executive board until September 30, 2019	
all figures in €000s		2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
Figures in accordance with IFRS	Service costs	2	353	924	980	—	198	280	278
	Present value of the obligation	9,762	13,187	7,379	11,746	—	198	1,411	1,790
Figures in accordance with HGB	Service costs	1	313	547	606	—	190	262	266
	Present value of the obligation	6,495	7,863	4,657	6,392	—	190	1,327	1,684

[1] To apply the compensation caps and improve comparability between the defined benefit plans ended on September 30, 2018 and the defined contribution pension plans granted from October 1, 2018, the service cost in accordance with IFRS shown for Guido Kerkhoff for the prior fiscal year 2017/2018 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 in 2017/2018 for Guido Kerkhoff is €610K (IFRS)/ €384K (HGB). The present values of the obligations at September 30, 2018 for Guido Kerkhoff are then €4,681K (IFRS)/ €3,106K (HGB).

Benefits in connection with the ending of Executive Board service

Against the background of the strategic and structural realignment of the thyssenkrupp Group, Dr. Donatus Kaufmann reached an agreement with the Supervisory Board of thyssenkrupp AG on August 7, 2019 to terminate his Executive Board membership by mutual consent effective September 30. Based on his service contract, which was due to run until the end of January 2022, Dr. Donatus Kaufmann received a severance payment of €1,978,433. As provided for in the service contract, the severance payment was based exclusively on his fixed compensation and bonus for two fiscal years. The severance payment is therefore below the cap of two years' total compensation recommended by the GCGC. Dr. Donatus Kaufmann will receive his compensation for fiscal year 2018/2019 (fixed compensation, fringe benefits, bonus and 9th installment LTI) in full. In accordance with the suggestions of the GCGC and the provisions of his service contract, the stock rights (virtual shares) of LTI installments 7 and 8 granted in previous years continue to apply in full and will be settled at the regular end of the plan. The pension contribution for the company pension plan for the calendar year 2019 amounts to once-only €303,333, from 2020 no further contributions will be granted. The entitlement to the acquired pension capital is vested and will continue to bear interest annually at the maximum technical interest rate for life insurance policies in accordance with the regulation on the principles underlying the calculation of the premium reserve (Deckungsrückstellungsverordnung) until claimed. The pension capital is due for payment in January 2023.

On September 27, 2019 the Supervisory Board also reached an agreement with Guido Kerkhoff to terminate his Executive Board position by mutual consent effective September 30. Based on his service contract, which was due to run until the end of September 2023, Guido Kerkhoff received a severance payment of €6,358,050. As provided for in his service contract, a cap of two years' compensation consisting of fixed salary, bonus and LTI 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. In addition, reimbursement of attorneys' fees in the amount of €80,000 and, due to the reciprocal waiver of a contractually agreed three-month expiration period, a lump-sum payment of €500,000 was agreed for the compensation claims attributable to this period. Guido Kerkhoff will receive his compensation for fiscal year 2018/2019 (fixed compensation, fringe benefits, bonus and 9th installment LTI) in full. In accordance with the suggestions of the GCGC and the provisions of his service contract, the stock rights (virtual shares) of LTI installments 7 and 8 granted in previous years continue to apply in full and will be settled at the regular end of the plan. The pension contribution for the company pension plan for the calendar year 2019 amounts to €350,000, from 2020 no further contributions will be granted. The entitlement to the acquired pension capital is vested and will continue to bear interest annually at the maximum technical interest rate for life insurance policies in accordance with the regulation on the principles underlying the calculation of the premium reserve (Deckungsrückstellungsverordnung), though at least at 1% per year, until claimed. The pension capital is due for payment in January 2028. The entitlement to an annual pension of €350,000 acquired up to September 30, 2018 is vested and can be claimed in full and without deductions from December 1, 2027.

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 €15.8 million for fiscal year 2018/2019 (prior year: €19.0 million). For pension obligations benefiting former members of the Executive Board and their surviving dependants, €315.9 million (prior year: €279.8 million) was accrued in the financial statements under IFRS and €237.3 million (prior year: €223.1 million) in the financial statements under German GAAP (HGB).

Compensation terms for Martina Merz and Dr. Klaus Keysberg from fiscal year 2019/2020

In its meeting on September 27, 2019, the Supervisory Board resolved to delegate Martina Merz as deputy to the Executive Board to carry out the role of Executive Board Chairwoman as of October 1 for a maximum term of twelve months. In addition, effective October 1 the Supervisory Board appointed Dr. Klaus Keysberg to the Executive Board of thyssenkrupp AG until July 31, 2024. The following compensation terms were resolved:

- From October 1, 2019 Martina Merz 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. Instead of a company pension, Martina Merz will receive a fixed severance payment of €536,000 for each full calendar year. Due to the assumption at short notice of the position of Executive Board Chairwoman for a maximum of twelve months, a housing and mobility allowance will also be granted. In return, Martina Merz has waived certain other fringe benefits.

- From October 1, 2019 Dr. Klaus Keysberg will receive fixed compensation of €700,000 per year, an annual target bonus of €680,000 and an LTI initial value of €1,050,000 per installment.

- The current system of compensation for the members of the Executive Board of thyssenkrupp AG will apply, with the exception that Martina Merz will not be subject to the share ownership guidelines due to her appointment for a maximum period of twelve months.

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 €1.83 million (prior year: €1.74 million). This includes compensation paid to Supervisory Board members for directorships at Group companies in the amount of €45,515 (prior year: €60,965).

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

SUPERVISORY BOARD COMPENSATION 2018/2019

	Fixed compensation		Compensation for committee work		Meeting fee		Compensation from directorships within the group		Total remuneration	
all figures in €	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
Martina Merz (Chairwoman since February 1, 2019) (Member since December 5, 2018)	—	141,667	—	—[1]	—	36,000	—	—	—	177,667
Prof. Dr. Bernhard Pellens (Chairman until February 1, 2019)	62,500	112,500	49,167	45,208	14,500	40,500	—	—	126,167	198,208
Prof. Dr. Ulrich Lehner (Chairman) (until July 31, 2018)	166,667	—	—[1]	—	15,000	—	—	—	181,667	—
Markus Grolms (Vice Chairman)	150,000	150,000	—[1]	—[1]	17,500	34,000	—	—	167,500	184,000
Dr. Wolfgang Colberg (since December 29, 2018)	—	41,667	—	—	—	8,000	—	—	—	49,667
Prof. Dr. Dr. h. c. Ursula Gather (since January 19, 2018)	37,500	50,000	14,167	25,000	7,000	16,000	—	—	58,667	91,000
Achim Hass	50,000	50,000	—	—	4,500	4,000	21,550	5,400	76,050	59,400
Dr. Ingrid Hengster	50,000	50,000	—	—	5,000	4,000	—	—	55,000	54,000
Susanne Herberger	50,000	50,000	12,500	12,500	7,000	6,500	16,000	16,500	85,500	85,500
Tanja Jacquemin	50,000	50,000	20,000	20,000	6,000	7,000	—	—	76,000	77,000
Prof. Dr. Hans-Peter Keitel (until January 28, 2019)	50,000	16,667	50,000	12,500	16,000	3,500	—	—	116,000	32,667
Dr. Norbert Kluge	50,000	50,000	—	—	5,000	3,500	—	—	55,000	53,500
Barbara Kremser-Bruttel (since February 1, 2019)	—	33,333	—	—	—	3,000	—	—	—	36,333
Tekin Nasikkol (until February 1, 2019)	50,000	20,833	—	—	5,000	1,000	1,315	1,565	56,315	23,398
Dr. Ralf Nentwig (until January 19, 2018)	16,667	—	10,833	—	3,000	—	—	—	30,500	—
René Obermann (until August 31, 2018)	45,833	—	—	—	3,500	—	—	—	49,333	—
Peter Remmler	50,000	50,000	12,500	12,500	7,500	6,500	16,500	16,750	86,500	85,750
Prof. Dr.-Ing. Siegfried Russwurm (since April 24, 2019)	—	25,000	—	6,250	—	4,500	—	—	—	35,750
Carola v. Schmettow	50,000	50,000	6,250	12,500	9,000	12,500	—	—	65,250	75,000
Wilhelm Segerath (until September 30, 2018)	50,000	—	57,500	—	17,500	—	—	—	125,000	—
Dirk Sievers (since October 2, 2018)	—	50,000	—	57,500	—	35,000	—	—	—	142,500
Carsten Spohr (until September 26, 2019)	50,000	50,000	—	—	3,000	3,000	—	—	53,000	53,000
Dr. Lothar Steinebach	50,000	50,000	23,125	28,333	8,000	9,500	—	—	81,125	87,833
Jens Tischendorf	50,000	50,000	16,250	45,000	9,500	19,000	—	—	75,750	114,000
Friedrich Weber	50,000	50,000	—	—	5,000	4,000	5,600	5,300	60,600	59,300
Isolde Würz	50,000	50,000	—	—	5,000	4,000	—	—	55,000	54,000
Total	**1,229,167**	**1,241,667**	**272,292**	**277,292**	**173,500**	**265,000**	**60,965**	**45,515**	**1,735,923**	**1,829,473**

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

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.

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

		2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Capital stock	million €	1,449	1,449	1,593	1,593	1,593
Number of shares (total)	million shares	565.9	565.9	622.5	622.5	622.5
Market capitalization end September	million €	8,873	12,008	15,613	13,534	7,912
Closing price end September	€	15.68	21.22	25.08	21.74	12.71
High	€	26.30	22.27	26.83	26.41	20.90
Low	€	15.25	12.84	19.77	18.86	9.41
Dividend per share	€	0.15	0.15	0.15	0.15	—[1]
Dividend yield	%	1.0	0.7	0.6	0.7	—
Dividend payout	million €	85	85	93	93	—[1]
Earnings per share (EPS)	€	0.55	0.52	(1.15)	(0.10)	(0.49)
Number of shares (outstanding[2])	million shares	565.9	565.9	566.3	622.5	622.5
Trading volume (daily average)	million shares	2.6	2.7	2.6	3.1	5.1

[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)

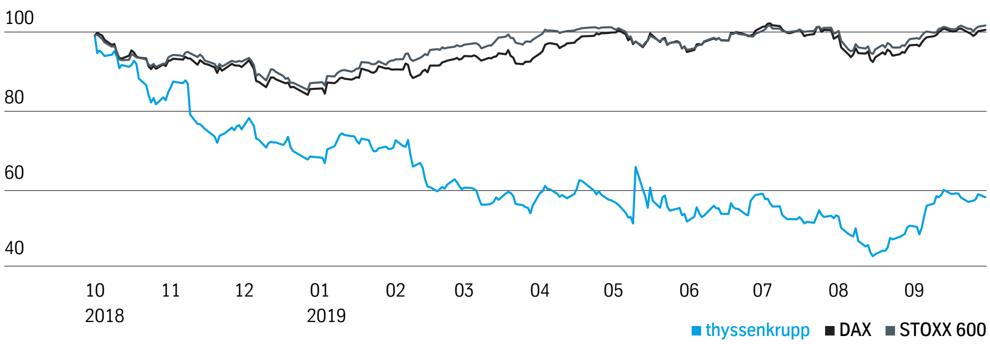
[1] International Stock Identification Number
[2] American Depositary Receipt

In fiscal 2018/2019 thyssenkrupp's stock clearly underperformed the benchmark indices. In particular, the economic slowdown on the markets relevant to thyssenkrupp influenced the stock price. The weak earnings and cash flow performance also had a negative impact. The publication of the new strategy “newtk” in May provided significant positive impetus. Further information can be found in the “Strategy” section. In the period that followed, however, the prevailing macroeconomic concerns and geopolitical risks again shaped the stock’s performance.

On September 4, 2019, Deutsche Börse announced that thyssenkrupp's stock would be included in the calculation of the MDAX index from September 23, 2019 and would no longer be included in the DAX from that date. The main reason for the index change is the decline in market capitalization, which is the decisive criterion alongside trading volume for inclusion in the index.

On October 2, 2018 thyssenkrupp's stock reached its fiscal year high at €20.90. At September 30, 2019 the stock stood at €12.71, down 41.5% from a year earlier; the DAX and STOXX 600 improved by 1.5% and 2.6% respectively in the course of the fiscal year.

PERFORMANCE OF THYSSENKRUPP STOCK RELATIVE TO DAX UND STOXX 600
Indexed, fiscal year 2018 / 2019



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.

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 market indices accounts for around 79% of the capital stock. The share held by the Krupp Foundation is not included in the free float.

thyssenkrupp maintains an intensive dialogue with its shareholders at a large number of events. In the fiscal year under review, we focused even more closely on the increasingly important issues of environmental protection, social responsibility and governance. We have now entered into an ongoing dialogue on governance issues with investors in Frankfurt, London, Paris and financial centers in North America. The Chair of the Supervisory Board was also available for on-site discussions.

Dividend proposal

Taking the earnings and financial situation of the Group into account, the Executive Board and Supervisory Board will propose to the Annual General Meeting on January 31, 2020 to transfer the unappropriated income of thyssenkrupp AG for fiscal year 2018/2019 in the amount of €196,476,542.20 to other retained earnings and not to pay a dividend.

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Combined management report

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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.

In connection with the realignment of the Industrial Solutions business area, the Marine Systems unit was taken out and has been managed as a separate business unit by thyssenkrupp AG since October 1, 2018.

On June 13, 2019 the European Commission formally prohibited the planned steel joint venture with Tata Steel Europe. The planned transaction, encompassing the Steel Europe business area, thyssenkrupp MillServices & Systems GmbH from the Materials Services business area, and individual companies which in 2017/2018 belonged to Corporate, therefore no longer meets the criteria for presentation as a discontinued operation in accordance with IFRS 5 and has had to be reclassified accordingly in the consolidated financial statements for fiscal year 2018/2019. Under IFRS 5, the reporting has to be adjusted in such a way that in the statement of income, all expenses and income of the discontinued steel operations in the current reporting periods of fiscal year 2018/2019 are re-included in income from continuing operations, and analogously in the statement of cash flows, all cash flows of the discontinued steel operations are re-allocated to continuing operations. In each case the prior-period figures must be adjusted accordingly. In the consolidated statement of financial position at September 30, 2019 the assets and liabilities of the discontinued steel operations are no longer reported separately and the comparative period is adjusted accordingly. A further element of the required adjustments is the retrospective recognition of amortization and depreciation not charged due to classification as a discontinued operation, amounting to €107 million in the 4th quarter 2017/2018 and €228 million in the 1st half 2018/2019 (in each case before tax).

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

Fundamental information about the Group

Profile and organizational structure

Value proposition

With our broad technological expertise, we work to develop high-quality products and intelligent industrial processes and services. We combine our engineering craftsmanship with 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 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

In the past fiscal year our business operations were organized in five business areas: Components Technology, Elevator Technology, Industrial Solutions, Materials Services, and Steel Europe. With the European Commission's prohibition of the planned steel joint venture with Tata Steel Europe in June 2019, the Steel Europe business area was included in the reporting again as a "continuing operation". Further details on how this is accounted for in the consolidated financial statements can be found in the section "Preliminary remarks" and in the Notes to the consolidated financial statements.

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Companies in 78 countries are included in the consolidated financial statements.

The business areas are divided into business units and operating units. In connection with the realignment of the Industrial Solutions business area, Marine Systems was taken out and has been managed as a separate business unit since October 1, 2018. In 78 countries, 456 companies and 22 investments accounted for by the equity method are included in the consolidated financial statements.

The Group is led strategically by thyssenkrupp AG. The Executive Board of thyssenkrupp AG sets the strategy for the Group's development.

THYSSENKRUPP GROUP

Corporate headquarters

thyssenkrupp AG

Business areas

Components Technology	Elevator Technology	Industrial Solutions	Marine Systems [3]	Materials Services	Steel Europe
Sales €6.9 billion Adjusted EBIT €233 million	**Sales €8.0 billion Adjusted EBIT €907 million**	**Sales €4.0 billion Adjusted EBIT €(170) million**	**Sales €1.8 billion Adjusted EBIT €1 million**	**Sales €13.9 billion Adjusted EBIT €107 million**	**Sales €9.1 billion Adjusted EBIT €31 million**
▪ Development and production of high-tech components and systems for the auto industry ▪ Manufacture of mechanical components for general engineering and the construction equipment sector [1]	▪ 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 [2]	▪ System supplier for submarines and surface vessels and for maritime electronics and security technology	▪ 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] From October 1, 2019 separated and managed by thyssenkrupp AG
[2] From October 1, 2019 reassigned to Components Technology
[3] Since October 1, 2018 managed separately as a business unit

As part of the strategic realignment resolved in May 2019, the existing corporate and administrative structures are to be significantly streamlined. The aim is to operate in this new structure from the start of 2020. More information is provided in the section “Strategy”. Until then we will continue to operate in a multidimensional organizational structure (matrix structure) made up of operating businesses, corporate functions, regions, and service units. Details can be found in the section “Report on the economic position” under “Corporate at thyssenkrupp AG”.

In connection with the strategic realignment, the Components Technology business area was refocused purely on automotive business effective October 1, 2019 and will be renamed Automotive Technology. The bearings and forged technologies businesses were therefore removed from this area and as of October 1, 2019 are being managed directly by thyssenkrupp AG. In the future the two units will report under the name Industrial Components. A new addition to the business area is System Engineering, which develops among other things production lines for the auto industry and was part of Industrial Solutions up to September 30, 2019. Industrial Solutions is to be renamed Plant Technology; after the removal of System Engineering this will comprise our chemical plant, cement plant and mining equipment businesses. In addition the administrative units of Corporate and the regions will be presented as Corporate Headquarters. The Service Units and Special Units will be shown separately.

More information on the strategic realignment can be found in the section "Strategy".

Strategy

Strategic realignment

Since the resolution was passed in September 2018 to divide the Group into two much more focused and efficient companies, the general parameters have changed significantly. Firstly the steel joint venture with Tata Steel was prohibited by the European Commission, so we now intend to realign the steel business on our own and make it sustainable. Secondly the worse-than-expected operating performance of our businesses, the economic downturn and its impact on the business situation and the capital market environment meant that the separation could not be implemented as planned. For this reason thyssenkrupp reassessed the strategic options in May 2019 and decided on a realignment under "newtk". Based on the three principles "Performance first", "Flexible portfolio" and "Efficient organization", the Group's performance is to be decisively improved. In addition, the conditions are to be put in place to enable the businesses to perform at their best and achieve leading market positions.

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- "Performance first"
  Increasing performance in all our businesses has priority. All our businesses are working on the continued systematic implementation of the performance programs already introduced and where necessary adding further measures. We have identified priority areas for implementation where we see the biggest levers for improving our cash flow. We have also identified businesses which are currently not competitive or where the current market situation calls into question whether they can be positioned competitively within the Group from today's perspective. These are Springs and Stabilizers (chassis components for the auto industry), System Engineering (construction of production lines for the auto industry) and Heavy Plate (steel plate for construction, shipbuilding and pipelines, among others). These three businesses represent four percent of the Group's sales but a substantial share of our negative business cash flow. For these businesses, which are now under review, restructuring plans are currently being developed. If restructuring proves unsuccessful or not possible, other strategic options will be examined. The steel business faces particular challenges. Here the aim is on the one hand to address the structural problems in the European steel industry and on the other to mitigate the effects of the current market dislocations, characterized by weaker customer demand and high and volatile raw material prices. A corresponding future strategy for the business is currently being developed. As part of "Performance first" we will also be focusing more strongly on our performance culture throughout the Group and pressing significantly harder to continuously enhance our competitiveness. This will also involve reviewing our key performance indicators and the logic behind them as well as the associated compensation systems.

- "Flexible portfolio"
  In the future we will measure our success on how well our businesses perform – not on whether we own a majority stake in them. Accordingly we are considering which is the right portfolio strategy for the businesses or individual parts of them. With regard to the automotive components businesses, the key factor will be deciding on a set-up to tackle the big changes in the sector such as e-mobility and autonomous driving. In plant engineering the increasing competitive pressure above all from Asia raises the question of whether the businesses could develop better through partnerships, mergers or other options. In the materials businesses the Group continues to see options for consolidation. Size is strategically relevant here.
  The most important portfolio measure is the partial IPO of Elevator Technology resolved in May. However, in parallel with preparations for the IPO, the Group is also examining the bids received from strategic and financial investors. The intention is to ensure that we make the best decision for thyssenkrupp and its stakeholders going forward. The aim is to significantly strengthen the Group's capital base and increase our financial leeway to tackle the necessary restructurings and make our businesses fit for the future. Preparations for the IPO of the elevator business are proceeding according to plan. The aim is to complete the carve-out by the end of 2019. Depending on the capital market environment, we intend to carry out the IPO in the course of fiscal year 2019/2020.
- "Efficient organization"
  To enable them to operate more successfully on the market, the strategic realignment will give the businesses more entrepreneurial freedom but also more responsibility. The Group's organizational setup will be leaner and more agile, which will also reduce costs. We are currently defining the future organizational and management structures in each of the business segments and at the headquarters. The aim is to start working in the new structure from the beginning of 2020. We plan to further reduce costs at Corporate. Some success with this was already achieved in the reporting year, with Corporate improving altogether by €71 million to €(306) million. We expect further savings from the streamlining of our management structures as well as cost reductions in the individual businesses. More information is provided under "Business area review" in the section "Report on the economic position".

Business opportunities

Business opportunities are arising for thyssenkrupp from global mega trends that require more and better solutions: Demographic change, urbanization, the strong 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”**	through **leading engineering expertise**	in a **“better”** way.
Demography More consumer and capital goods		**Climate change** Reduced CO_2 emissions, renewable energies
Urbanization More infrastructure and buildings		**Finite resources** Efficient resource and energy use, alternative energies
Globalization More resources and energy use		**Regulatory and political** Compliant products and services
Digitization More digital value creation		**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 businesses”

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 strategy process the Group’s Executive Board defines long-term targets, also for the businesses. These form the framework for the short and medium term financial targets and also for the budget and medium term plans which are 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 shows 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 24).

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".

Definition change from 2019/2020

With effect from fiscal year 2019/2020 the definition of FCF before M & A has been changed. This relates to business transactions under IFRS 16. Leases are treated as financed purchases and accordingly recorded directly on the balance sheet.

Targets

Financial targets

In implementing "newtk", we aim to ensure that all our businesses are among the best in their respective sectors in terms of performance and accordingly generate positive earnings and cash flow contributions for thyssenkrupp.

Our goal is for thyssenkrupp to sustainably generate positive free cash flow before M & A and create value.

Against the background of the current uncertain economic environment and the resulting limited visibility, in particular with regard to price and volume effects at our cyclical businesses, as well as the costs of restructurings, the underlying programs for which we are currently developing and the extent of which in individual fiscal years will also depend on the speed at which they can be implemented, we cannot yet reliably determine the values and timing for achieving these goals.

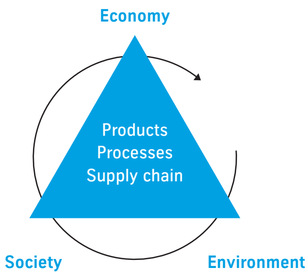
In addition, possible forthcoming portfolio changes under the "flexible portfolio" initiative may also have an impact on the Group's key financial figures.

More information on our key performance indicators can be found in this section under "Management of the Group"; more information on "newtk" can be found in this section under "Strategy"; 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. Strategic sustainability management is coordinated by the corporate function Technology, Innovation & Sustainability. Together with other corporate functions and the business areas it continuously identifies the requirements of our stakeholders and develops 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 corporate functions and business areas, who report regularly on 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 almost all Indirect Financial Targets were achieved or are on track to being met.

OVERVIEW OF INDIRECT FINANCIAL TARGETS

Group overall		Sept. 30, 2018	Sept. 30, 2019	Change	Section
Annual energy efficiency gains of 200 GWh in 2018/2019	GWh	253	325	—	Climate, energy, environment
100% of relevant activities covered by ISO 50001 energy management system by 2019/2020	%	83	100	+ 17% points	Climate, energy, environment
100% of relevant activities covered by ISO 14001 environmental management system by 2019/2020	%	91	94	+ 3% points	Climate, energy, environment
Sustainable adjusted R&D intensity of around 2.5%	%	2.5	2.5	—	Technology and innovation
15% share of women in leadership positions by 2019/2020	%	12	12.6	+ 0.6% points	Employees
2.0 accidents per million hours worked by 2020/2021 and improvement of at least 10% a year	Accidents per million hours worked	3.0	2.6	–13%	Employees
100 supplier sustainability audits each year	#	173	143	–30	Purchasing

A new energy efficiency target has been adopted: in fiscal year 2019/2020 energy efficiency gains of 150 GWh are to be achieved.

In the reporting year thyssenkrupp also set concrete targets for reducing greenhouse gas emissions by 2030. More details can be found in the section “Climate, energy and environment”.

Details on the individual Indirect Financial Targets can be found in the sections of this management report listed in the table.

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Report on the economic position

Macro and sector environment

Expected global economic growth in 2019/2020 much weaker than in previous years

Global economic growth was muted in the first half of 2019. While in the industrialized countries growth slowed over the course of the year, in the emerging markets the economic momentum picked up slightly – albeit from a low level. Industrial sectors in particular are in a downturn, while consumer goods and the services sector are performing more positively – though here too momentum is slowing. There has even been a downward trend in global trade since the start of the year. The simmering trade conflicts and numerous other political uncertainties are having a negative impact, particularly on global investment. In response both the US Federal Reserve and the European Central Bank have resumed monetary easing. After increasing by 3.7% in 2018, global GDP is expected to show far weaker growth of just 2.9% in 2019. For 2020 only a slightly higher rate of growth of 3.0% is forecast. With continuing expansionary monetary policy, the average growth rate in the industrialized countries is expected to be around 1.5% in 2019 and 2020. In the emerging markets economic output should increase by 4.1% in 2019 and 4.3% in 2020.

2.9%

The global economy is expected to grow at a rate of only 2.9% in 2019 and will struggle to pick up in 2020.

The global growth outlook remains marked by major uncertainty. Current risk factors result from geopolitical imponderables: It is uncertain whether the trade conflicts will escalate further and how the numerous global flashpoints (e.g. USA/Iran) will unfold. 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. On top of this in Europe there remains a lack of clarity concerning the timing and modalities of Brexit, which could weigh on investment – above all in Britain itself but also in the other countries of the European Union. There are also risks in the financial area in general, because in recent years debt has mushroomed both in numerous industrialized countries and in many emerging economies. At the same time as a result of expansionary monetary policy the prices for various investment forms such as shares, bonds and real estate have increased in some cases to historic levels.

Economic activity in the euro zone remains subdued, with quarter-on-quarter growth in the first two quarters of 2019 of just 0.4% and 0.2%. The sentiment indicators continue to show a mixed picture. While the economic climate for export-oriented manufacturing firms significantly deteriorated, the more domestic market-oriented service sector and private households continue to profit from a healthy labor market and rising incomes. Overall we anticipate economic growth rates in the euro zone of just 1.1% in 2019 and 1.0% in 2020.

Growth in 2019 impacted by simmering trade conflicts

The German economy is on the brink of recession. After increasing by 0.4% at the start of the year, GDP contracted by 0.1% in the 2nd quarter of 2019. Foreign trade weighed on GDP, with the country's export-oriented industry particularly affected by the trade conflicts, while the domestic market provided positive growth impetus. Weak figures from retailers and manufacturers point to a further GDP contraction in the 3rd quarter. As a result overall economic output is forecast to increase by only 0.5% in 2019. With a slight upturn in the global economy, the positive effect of the number of working days, and a continuing favorable labor market situation, we expect a slightly higher growth rate of 0.8% in 2020.

The US economy is also losing momentum. After strong expansion at the start of the year, quarter-on-quarter GDP growth in the 2nd quarter slowed to 0.5%. The main reason was a decline in both exports and business spending; the consequences of the international trade restrictions could have had a negative impact here. However, consumer and government spending provided positive growth impetus. The latest sentiment indicators point to a further slowdown over the course of the year. Overall the US economy is expected to expand by 2.3% in 2019 and 1.8% in 2020.

Economic momentum in China will continue to weaken in 2019. After 6.6% growth last year, economic growth is expected to slow to 6.2% this year; for 2020 a further decline in the rate of expansion to 5.8% is forecast. Exports are currently particularly weak on account of the trade conflicts, while the services sector is contributing to GDP growth. This situation supports the government's plans to accelerate the structural change towards higher value-added industries and services. To ensure growth does not slow too quickly within this process over the next few years, infrastructure investment is likely to be increased. However, to avoid exacerbating the existing debt problem, the government's scope for additional spending is limited.

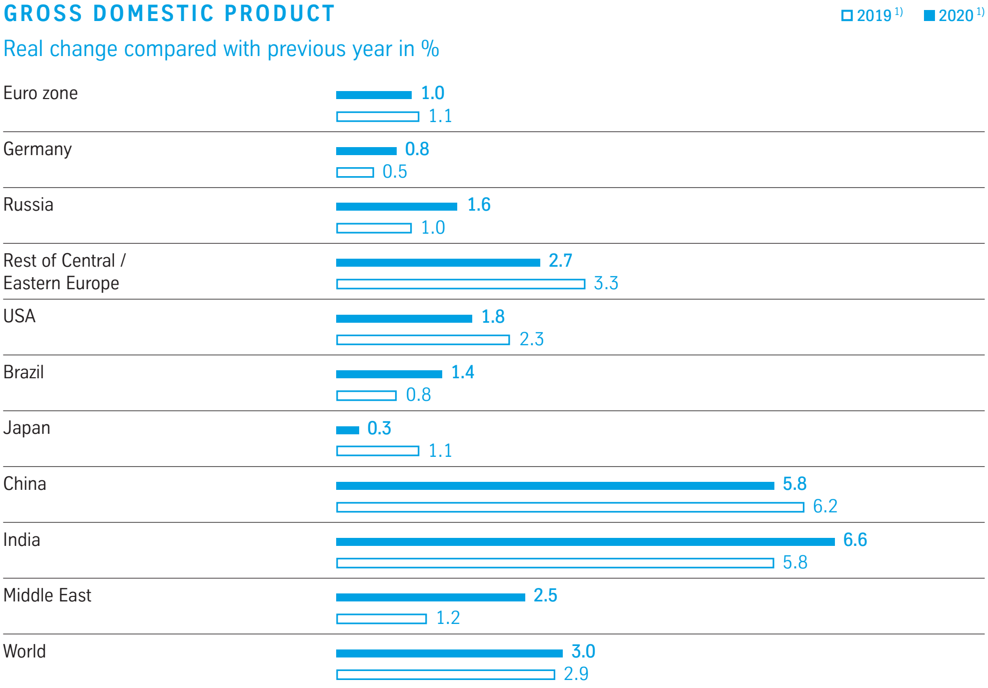
Economic growth in India slowed significantly in the 1st half of 2019. The main reason was the crisis in the shadow banking sector, triggered by the insolvency of a credit company, which led to a drastic fall in lending by shadow banks. Small businesses and private households were particularly affected. Overall Indian GDP growth is expected to slow to 5.8% in 2019, accelerating again to 6.6% in 2020. Impetus for this will come from fiscal policy; the infrastructure program passed at the end of 2017 should also fuel expansion.

While economic growth in Brazil picked up noticeably in the 2nd quarter of 2019, sentiment indicators continue to paint a subdued picture. Structural reforms are progressing only slowly and the conflict over the future of the Amazon rain forest is creating additional uncertainty. We therefore expect economic growth of only 0.8% this year, rising to 1.4% in 2020.

In Russia economic activity declined at the start of the year, a result of the value added tax increase. Although the economy has picked up over the course of the year, there are no signs of sustained strong growth. Alongside the country's structural problems, the production cutbacks recently agreed with OPEC will negatively impact oil revenues. Overall the Russian economy is forecast to expand by only 1.0% this year and 1.6% in 2020.

GROSS DOMESTIC PRODUCT

Real change compared with previous year in %



1) Forecast

Investment restraint weighing on industrial activity

Automotive – Already down year-on-year in 2018, global car and light truck production will be clearly lower again in 2019. A further slight decrease is expected for 2020. Output is forecast to decrease by 5% to 86.6 million units over the full year 2019, and then by 0.6% to 86.1 million units in 2020 (fully assembled vehicles only, not including CKD units).

86.6 million

Global car and light truck production expected to amount to 86.6 million units in 2019.

Most of the global markets are showing a downturn. In particular the world's biggest market, China, was much weaker than the year before from the 2nd half of 2018. With this trend continuing for more than a year, a sharp drop in output by 9% to 24.2 million units is forecast for the full year 2019. For 2020 there are currently signs of a slight recovery by 0.4% to 24.3 million units, though this outlook is highly uncertain.

In Western Europe the introduction of the WLTP cycle in 2018 had a greater than anticipated impact on output, which was down by around 3%. For 2019 further consolidation is expected which will see production fall by almost 6% year-on-year before the situation stabilizes again in 2020. Above all trade conflicts and uncertainties are weighing on production. After plunging 8% in 2018, German auto production is expected to fall sharply again in 2019 to no more than 4.9 million units (down 7% year-on-year). German manufacturers are currently feeling the impact of lower sales in key export markets such as the United Kingdom, USA, Spain and Italy. For 2020 growth is expected to resume at a much lower level.

In North America a 2% year-on-year decline in output is forecast for 2019 and 2020. US production is expected to fall by 1.4% to 10.9 million units in 2019, followed by an almost sideways movement (down 0.2%) in 2020.

After strong 6% growth in output to 4.6 million units in 2018, auto production in India is expected to drop by over 11% in 2019. Rising interest rates and higher cost of ownership are cited as the reason for diminishing demand. For 2020 output is expected to fall by only a moderate 2% to 4 million units.

After bottoming out in 2016, auto production in Brazil bounced back and continued to rise. With domestic demand strong, production growth is currently inhibited by a steep decline in sales in Argentina, one of Brazil's main export markets. Growth of over 3% is forecast for 2019 and 2% for 2020. This would see an increase in output to almost 2.9 million units in 2020.

IMPORTANT SALES MARKETS

	2018	2019[1]	2020[1]
Vehicle production, million cars and light trucks[2]			
World	91.0	86.6	86.1
Western Europe (incl. Germany)	14.3	13.4	13.4
Germany	5.3	4.9	5.1
USA	11.0	10.9	10.8
Mexico	3.9	3.9	3.7
Japan	9.2	9.3	8.9
China	26.6	24.2	24.3
India	4.6	4.1	4.0
Brazil	2.7	2.8	2.9
Machinery production, real, in % versus prior year			
Germany	2.4	(2.4)	(2.0)
USA	7.1	2.0	1.0
Japan	5.4	(3.8)	2.2
China	9.2	6.8	6.7
Construction output, real, in % versus prior year			
Germany	3.1	2.7	1.6
USA	2.9	0.8	2.3
China	4.4	5.4	4.0
India	8.7	6.5	8.2

[1] Forecast (September/October 2019)
[2] Passenger cars and light commercial vehicles up to 6t (completely built up vehicles only; without so-called CKD units)
Sources: IHS Markit, Oxford Economics, national associations, own estimates

Machinery – The growth in production in the global machinery sector will be significantly weaker in 2019 than the year before, due mainly to a loss of momentum on the capital goods markets. In China for example the pace of expansion in 2019 will be down from the year before at around 7%, and will stay at roughly this level in 2020. After a strong prior year, the US machinery sector is expected to report much weaker production growth of just 2% in 2019 due to a slowdown in capital spending. For 2020 we anticipate even lower growth. After solid growth in 2018, European machinery production is expected to contract by 1% this year; in 2020 a recovery is expected with growth of around 1%.

Global machinery production growth will slow significantly in 2019.

In the German machinery sector orders up to August 2019 were down year-on-year by 9% in real terms, with domestic orders and exports equally affected. The slowdown in the sector is also reflected in capacity utilization, which decreased from around 89% in January to almost 87% in July. Production to July 2019 was down 1.4% year-on-year. The downward trend continues; in view of the cyclical and political risks the outlook for business and exports is pessimistic. For this reason the growth forecast for production of the German machinery sector for 2019 was revised downwards again. The weaker global economy, extensive trade restrictions, geopolitical dislocations, and the radical structural change in the auto industry are holding back investment worldwide. Output in Germany is therefore expected to be over 2% down from the prior year this year. A further 2% drop in output is expected for 2020.

Construction – Construction activity in the euro zone is expected to grow by 3.1% in 2019 and 1.8% in 2020. In Germany the construction market is strong in 2019. Above all the upward trend in housing construction is expected to continue unbroken into the future. Conditions here remain very attractive, with households continuing to profit from the favorable income trend of recent years and high employment. Added to this are low mortgage rates as well as further financial incentives in the form of family housing grants. Growth in commercial and public sector construction will be slightly slower than in previous years. Overall construction output in Germany is expected to rise by almost 3% in 2019 and only slow slightly in 2020.

3.1%

Construction activity in the euro zone expected to grow by 3.1% in 2019.

After rising to around 5.5% in 2019, construction growth in China will fall again to 4% in 2020 on account of the government's efforts to cool the overheating property market, particularly in the big cities, and contain rising debt. The US real estate market looks to be losing momentum this year. In the first half of the year, the number of building starts decreased three months in a row. House prices have increased year-on-year by only around 2% (according to S&P Case-Shiller 20-City Composite Home Price Index), after rising by over 6% in the first half of 2018. After growth of around 3% in 2018, US construction activity will grow by only around 1% in 2019. For 2020 growth of over 2% is forecast.

Steel – The international steel industry remains in troubled waters in 2019. The slowdown in global industrial activity, particularly affecting the automotive sector, global trade conflicts, geopolitical tensions and the resultant uncertainties and risks have massively impacted the steel markets. Nevertheless there are signs that global steel demand will increase slightly to almost 1.78 billion tons of finished steel, though this is mainly due to the continued expansion in China. Driven by the construction sector and with the support of state stimulus programs, Chinese steel demand is expected to rise by around 4%. Without China, however, global steel demand overall is muted. Only the emerging economies of Asia and the CIS continue to show noticeable growth in demand for steel. An increase of around 1% is forecast for both North America as a whole and the USA. The

South American market will record a sideways movement overall, with only Brazil achieving slight growth of around 2%. However, in all other regions the steel markets are flat or falling.

In 2019 steel demand in the EU is expected to be over 1% down from the year before not least as a result of the drop in production in the auto industry. In particular continued solid growth in the construction sector will in all probability prevent a major collapse. With its export-focused economy, Germany is particularly affected by the negative trends: industrial production has been in decline since mid-2018 and the steel market is expected to contract by 6% in 2019. Turkey is now in the second year of a serious economic and currency crisis; due to the sharp downturn in construction activity and auto production in the country, steel demand will likely fall further by almost 15% in 2019.

In 2019 steel demand in the EU is expected to be around 1% down from the previous year.

Continuing structural overcapacities worldwide, creating severe dislocations in global steel trade flows, as well as volatile raw materials markets are intensifying the difficult economic conditions and the uncertain geopolitical environment.

In the first half of 2019 the flat carbon steel market in the EU decreased by around 4% year-on-year. According to leading indicators, a recovery is not expected for the rest of the year. This downturn was driven not least by the automotive industry, a major factor affecting flat steel demand, and its suppliers. For the European steel industry the competitive situation remains tight. Imports from third countries, which reached a ten-year high in 2018 and led to a record share of imports of almost 20%, persisted at a high level overall. To protect against diversions of trade flows into the EU as a result of the US tariffs on steel imports, the EU Commission imposed safeguard measures at first provisionally in 2018, then definitively from February 2019. These have so far not had a major limiting effect on overall imports. Imports from Turkey increased significantly for the fourth year in a row; in the 1st half of 2019 Turkey alone accounted for around 25% of flat carbon steel imports into the EU. Cyclically lower demand coupled with oversupply put severe pressure on prices in the European flat steel market. The downward trend on the spot markets which began in the 4th quarter of 2018 continued up to the end of the fiscal year, after which there were no signs of an end to the price slide.

With continued weak economic growth prospects and persistent high risks, global steel demand is expected to rise more slowly in 2020 by around 1% to 2%. Visibility is exceptionally low and the downside risks predominate. The growth of the Chinese steel market will slow considerably; a rise of around 1% is forecast. For the other emerging economies we anticipate a strong recovery in demand, with India and the ASEAN states remaining on a robust growth track. In the industrialized countries, growth in steel demand will be subdued. For the USA growth of less than 1% is forecast. We expect an increase of 1% in the EU and 2% in Germany, which in each case would signify a moderate recovery from a low prior-year basis. 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

With “newtk” thyssenkrupp launches strategic realignment

The announced prohibition of the steel joint venture by the European Commission and changed framework conditions – the economic downturn and its effects on business and our stock performance – caused thyssenkrupp to abandon plans to separate the Group into two independent companies. Instead, the Company reassessed its strategic options and decided on a strategic realignment under “newtk”. More information on our strategic realignment is provided under “Strategy” in the section “Fundamental information about the Group”.

Weaker than expected economic trend impacted adjusted EBIT.

In the reporting year our targets for adjusted EBIT were clearly missed. Earnings were impacted in particular by the weaker than expected economic trend and lower automotive demand, mainly in China. The resultant negative price and volume effects had a considerable impact on the performance of our cyclical auto components and materials businesses. The negative performance of the springs and stabilizers business combined with higher costs for the startup of new customer projects and the remeasurement of the order portfolio also had a negative impact on Components Technology. At the same time, business with industrial components performed in part significantly better than in the prior year so that overall Components Technology increased its contribution to earnings. Despite higher costs owing to higher material prices in the USA, Elevator Technology’s earnings increased. Alongside efficiency programs, this was mainly the result of significant growth in service business in the USA and China. At Industrial Solutions earnings in chemical and cement plant and mining equipment were down from the prior year due to lower margins on projects in billing as well as partial underutilization. However the biggest factor affecting earnings was System Engineering due to the cyclical decline in demand for production systems for the automotive industry and lower margins on projects in billing. Marine Systems stabilized its earnings in particular thanks to the absence of one-time project expenses and higher sales, although lower margins for projects in billing had a negative impact. Business at Materials Services was characterized by falling market prices and very weak demand, especially in the warehousing and direct-to-customer businesses and in the automotive-related service centers in Europe. The positive trend in North America was unable to offset this. At Steel Europe significantly lower shipments coupled with higher costs – particularly significantly increased raw materials costs – led to a sharp drop in earnings. Corporate’s contribution to adjusted EBIT improved significantly, mainly due to the faster than planned implementation of measures to reduce administrative costs at headquarters and in the regional organization.

The Group's net loss was higher year-on-year, mainly reflecting the operating performance described above. In addition, the increase in a provision by more slightly more than €100 million for risks from a cartel case at Steel Europe as well as expenses for necessary restructurings for future improvements had a negative impact. Lower tax expense resulting from the capitalization of deferred taxes and improved interest income were unable to compensate for these developments.

Free cash flow before M & A for the full year was down sharply from the prior year. The significantly higher net working capital requirement in particular of our materials businesses led to clearly negative FCF before M & A after 9 months. Strongly positive FCF before M & A with positive business cash flow contributions from our materials businesses as well as Components Technology and Elevator Technology in the 4th quarter could no longer compensate for this, so that FCF before M & A for the full year was negative.

The Group's net financial debt at €3.7 billion was clearly higher than the prior-year figure (€2.4 billion), mainly reflecting the above-mentioned effects as well as the dividend payment.

The Group's equity at €2.2 billion was down sharply against the prior year (€3.2 billion). The main drivers were the net loss for the reporting year, the losses recognized in other comprehensive income from the remeasurement of pensions and similar obligations due to lower interest, and the dividend payment.

On account of the developments described above, gearing at the balance sheet date was 166.8% (prior year: 73.8%) and thus within the covenant limit. With cash and cash equivalents and undrawn committed credit lines totaling €7.3 billion (September 30, 2019) and a balanced maturity profile, thyssenkrupp remains solidly financed.

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 Group versus the prior year are shown in the following table:

THYSSENKRUPP IN FIGURES

		Group[1) 2)]			
		Year ended Sept. 30, 2018	Year ended Sept. 30, 2019	Change	in %
Order intake	million €	41,486	41,994	507	1
Net sales	million €	41,534	41,996	462	1
EBIT[3)]	million €	937	272	(665)	(71)
EBIT margin	%	2.3	0.6	(1.6)	(71)
Adjusted EBIT[3)]	million €	1,444	802	(642)	(44)
Adjusted EBIT margin	%	3.5	1.9	(1.6)	(45)
Income/(loss) before tax	million €	561	(83)	(644)	--
Net income/(loss) or earnings after tax	million €	(12)	(260)	(248)	--
attributable to thyssenkrupp AG's shareholders	million €	(62)	(304)	(241)	--
Earnings per share (EPS)	€	(0.10)	(0.49)	(0.39)	--
Operating cash flows	million €	1,184	72	(1,113)	(94)
Cash flow for investments	million €	(1,386)	(1,443)	(58)	(4)
Cash flow from divestments	million €	87	108	22	25
Free cash flow[4)]	million €	(115)	(1,263)	(1,149)	--
Free cash flow before M & A[4)]	million €	(134)	(1,140)	(1,007)	--
Net financial debt (Sept. 30)	million €	2,364	3,703	1,339	57
Total equity (Sept. 30)	million €	3,203	2,220	(983)	(31)
Gearing (Sept. 30)	%	73.8	166.8	93.0	126
ROCE	%	6.0	1.6	(4.3)	(73)
thyssenkrupp Value Added	million €	(322)	(1,068)	(746)	--
Dividend per share	€	0.15	—[5)]	—	—
Dividend payout	million €	93	—[5)]	—	—
Employees (Sept. 30)		161,096	162,372	1,276	1

[1)] Prior-year figures have been adjusted due to the adoption of IFRS 15.
[2)] See preliminary remarks.
[3)] See reconciliation in segment reporting (Note 24).
[4)] See reconciliation in the analysis of the statement of cash flows.
[5)] Proposal to the Annual General Meeting.

Forecast-actual comparison

Weaker than expected economic trend severely impacted our key performance indicators.

In a persistently weaker than expected economic environment, the targets set at the start of the reporting year for the key performance indicators adjusted EBIT, free cash flow before M & A, and thyssenkrupp Value Added (tkVA) were clearly missed.

The target for adjusted EBIT which we set at the beginning of the fiscal year was not met. This was mainly due to the persistently weaker than expected economic trend. The resultant negative price and volume effects weighed on the performance in particular of our cyclical auto components and materials businesses. Accordingly, in our interim report on the 1st half we lowered our adjusted EBIT target for the Group. This also reflected the adjustment of the reporting to re-include the Steel Europe business area as a continuing operation, which became necessary after the announced prohibition of the planned steel joint venture by the European Commission. Further information on this is provided in the section “Preliminary remarks”. In addition Elevator Technology’s adjusted EBIT in the 1st half was impacted by higher costs as a result of material and selling cost developments in the USA due to material import tariffs and also in China. Other factors at Industrial Solutions were the continued difficult market environment for cement and the decline in demand for production systems for the auto industry. Meanwhile at Corporate measures to reduce G&A costs at the headquarters and in the regional organization progressed faster than expected.

However, the adjusted EBIT target set in the 1st half-year was not met. In addition to continuing weak economic conditions with no pick-up in demand for cars particularly in China, the sharp rise in raw materials costs and import pressure for steel continued to weigh heavily on volumes and margins especially in our auto components and materials businesses. Accordingly, in the 9-month report we further lowered our forecast for adjusted EBIT and ultimately achieved it with a figure of €802 million.

The targets for adjusted EBIT, FCF before M & A, and tkVA were not met.

The target set at the start of the reporting year for free cash flow before M & A (FCF before M & A), which applied only to the continuing operations, was adjusted in the 1st-half report following the re-inclusion of Steel Europe as a continuing operation. The new target for the Group also reflected the weaker earnings performance in the 1st half-year explained above. The continued weakness of the economy in the 2nd half, the dislocations on the raw materials markets, and the import pressure for steel weighing on volumes, margins and net working capital were taken into account with the revised forecast in the 9-month report. This revised target for FCF before M & A was met.

Owing to the impacts on earnings, tkVA was lower year-on-year and below our original target; we revised our target in the financial statements for the 1st half.

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 2018/2019:

FORECAST AND ACTUAL RESULTS FOR FISCAL YEAR 2018/2019

	Forecast in annual report 2017/2018	Update in interim report 1st half 2018/2019	Update in interim report 9 months 2018/2019	Actual fiscal year 2018/2019
Sales (continuing operations)	**Growth in low single-digit percentage range**			
Sales (Group)		**At prior-year level**		**+1%; on comparable basis: +0%**
Components Technology	Growth in mid single-digit percentage range	Growth in low single-digit percentage range		+4%; on comparable basis: +2%
Elevator Technology	Growth in low single-digit percentage range	Growth in mid single-digit percentage range		+5%; on comparable basis: +4%
Industrial Solutions	Clear recovery in almost double-digit percentage range	Clear recovery		+10%; on comparable basis: +10%
Marine Systems				+30%; on comparable basis: +30%
Materials Services				–6%; on comparable basis: (7)%
Steel Europe				–4%; on comparable basis: (5)%
Adjusted EBIT (continuing operations)	**> €1 billion**			
Adjusted EBIT (Group)		**€1.1 – €1.2 billion**	**Around €0.8 billion**	**Year-on-year decline by €642 million to €802 million**
Components Technology	Clear recovery from increase in sales and clear improvement in margin	Recovery from increase in sales and slight improvement in margin		Improvement by €35 million to €233 million
Elevator Technology	Improvement from increase in sales and margin	Improvement from increase in sales and stable margin		Improvement by €42 million to €907 million with stable margin of 11.4%
Industrial Solutions	Clear improvement with gradual progress during the year towards break-even	Slight improvement with progress in 2nd half	Slightly lower year-on-year	Decline by €43 million to €(170) million
Marine Systems	Clear improvement towards break-even			Improvement by €129 million to €1 million
Materials Services	Slightly lower year-on-year	Clearly lower year-on-year		Decline by €211 million to €107 million
Steel Europe	Positive contribution to adjusted EBIT of the Group	Clearly lower year-on-year		Decline by €655 million to €31 million
Corporate	Almost at prior-year level	At prior-year level	Clear improvement year-on-year	Improvement by €71 million to €(306) million
Income after taxes (continuing operations)	**Clear improvement to a positive figure again**			
Net income (Group)		**Negative**		**Decline by €248 million to €(260) million**
Investments (continuing operations)	**Around €1.0 billion**			
Investments (Group)		**Around €1.5 billion**		**Increase by €58 million to €1,443 million**
FCF before M & A (continuing operations)	**Clear improvement year-on-year but still negative overall**			
FCF before M & A (Group)		**Negative in high 3-digit million € range**	**> €1 billion negative**	**Decline by €1,007 million to €(1,140) million**
tkVA (Group)	**Positive and clearly higher year-on-year**	**Clearly lower year-on-year**		**Decline by €746 million to €(1,068) million**

Group review

Course of business

Order intake and sales with growth, adjusted EBIT down sharply year-on-year

ORDER INTAKE

million €	Year ended Sept. 30, 2018[2]	Year ended Sept. 30, 2019	Change in %	Change on a comparable basis[1] in %
Components Technology	6,595	6,996	6	5
Elevator Technology	7,853	8,171	4	2
Industrial Solutions[3]	4,541	3,735	(18)	(18)
Marine Systems[3]	648	2,192	238	238
Materials Services	14,544	13,868	(5)	(6)
Steel Europe	9,157	8,784	(4)	(4)
Corporate	190	198	4	4
Consolidation	(2,042)	(1,951)	—	—
Group[3]	**41,486**	**41,994**	**1**	**0**

[1] Excluding material currency and portfolio effects.
[2] Prior-year figures have been adjusted due to the adoption of IFRS 15.
[3] See preliminary remarks.

Order intake higher year-on-year

Elevator Technology with new high in order intake.

Order intake in the capital goods businesses significantly exceeded the prior-year figure. The improvement at Components Technology was attributable to growth in the industrial components business. In particular, demand picked up significantly in the wind energy, construction equipment and heavy trucks sectors. At the same time, the weak market environment for car components, especially in China, the world's largest market, but also in Western Europe and the USA, was offset by growth in the steering and camshaft business. In the elevator division, order intake reached a new high, mainly thanks to developments in the Asia-Pacific and Europe regions. At €5.6 billion (excl. service), orders in hand were significantly up from the high prior-year level. At Industrial Solutions, order intake was down from the already low prior-year level due to slow project awards. Demand for cement plants remained at a low level due to the capacities built up in recent years. In the mining business demand decreased slightly despite several orders.

In chemical plant construction, we recorded a positive demand trend; however order intake was down from the high prior-year level, which included a major contract. Among others, fertilizer plants in Egypt and Saudi Arabia contributed to the order intake. This was supported by robust demand for electrolysis plants, equipment and services, especially in Europe and Asia. Order intake at System Engineering declined sharply. This was due to slowing demand momentum for production systems for the automotive industry, mainly as a result of the emerging technology shift towards e-mobility, industry-specific economic risks and uncertainties in connection with Brexit. Marine Systems recorded a significant increase in orders, mainly due to an order for four frigates from North Africa.

The order intake of the materials businesses as a whole was lower than a year earlier. At Materials Services, strong warehouse and service business in North America was unable to offset weaker warehouse and service business in Europe and the weaker global direct-to-customer business. At Steel Europe the higher average selling prices achieved due to the high proportion of long-term deals in the 1st half were unable to compensate for the significant decline in volumes. While order volumes at the beginning of the fiscal year were impacted by significant production restrictions – among other things due to the low Rhine water levels – and the introduction of WLTP, the noticeable drop in demand from the auto industry made itself felt in subsequent quarters. In the 4th quarter, orders from other industrial customers declined noticeably.

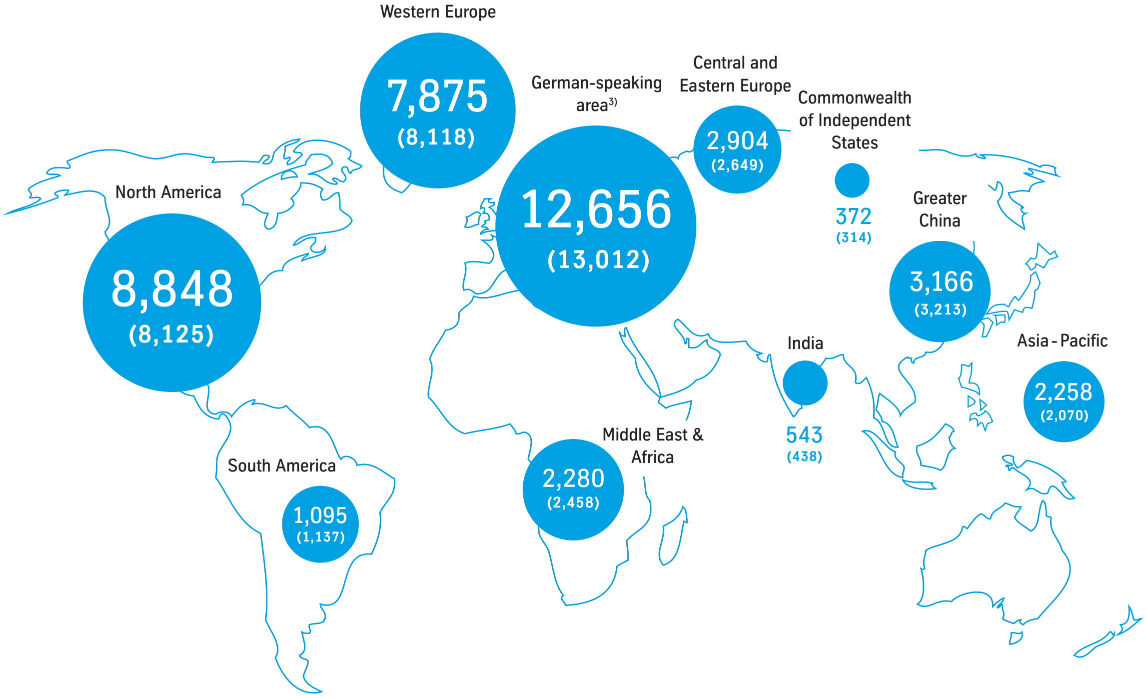
NET SALES

million €	Year ended Sept. 30, 2018[2]	Year ended Sept. 30, 2019	Change in %	Change on a comparable basis[1] in %
Components Technology	6,610	6,871	4	2
Elevator Technology	7,552	7,960	5	4
Industrial Solutions[3]	3,633	4,002	10	10
Marine Systems[3]	1,389	1,800	30	30
Materials Services	14,705	13,880	(6)	(7)
Steel Europe	9,470	9,065	(4)	(5)
Corporate	329	308	(6)	(6)
Consolidation	(2,154)	(1,889)	—	—
Group[3]	**41,534**	**41,996**	**1**	**0**

[1] Excluding material currency and portfolio effects.
[2] Prior-year figures have been adjusted due to the adoption of IFRS 15.
[3] See preliminary remarks.

SALES BY REGION

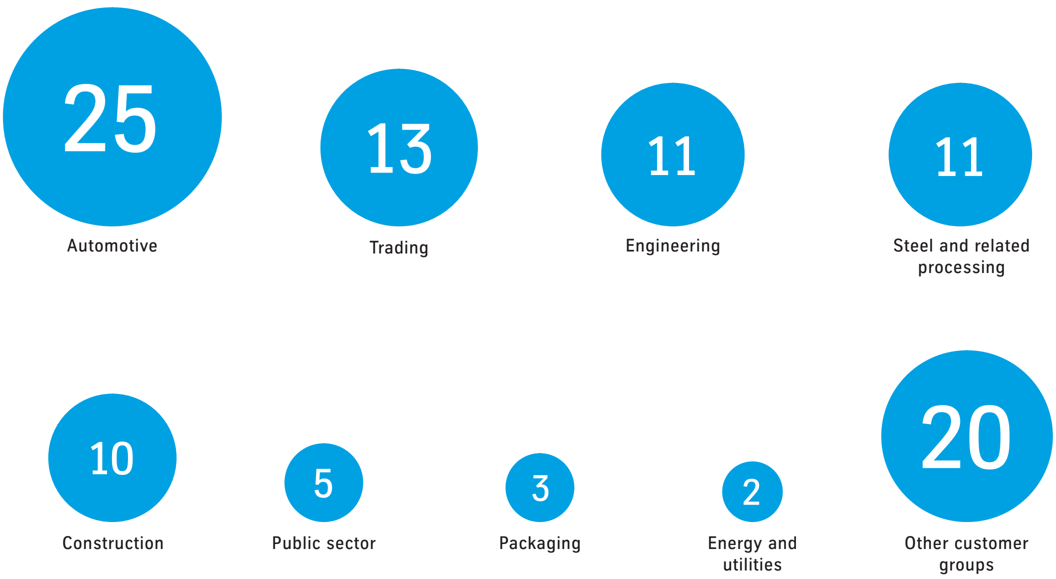
in million € (prior-year figures in brackets[1, 2])



1) Prior-year figures have been adjusted due to the adoption of IFRS 15
2) See preliminary remarks
3) Germany, Austria, Switzerland, Liechtenstein

SALES BY CUSTOMER GROUP 2018/2019

in %



Sales follow order intake

Sales at the capital goods businesses followed order intake. Components Technology benefited from strong growth in industrial components, while deliveries of automotive components increased only slightly. Sales at Elevator Technology were significantly higher than a year earlier, mainly due to the positive performance in the USA. The main reason for the significant increase in sales at Industrial Solutions was higher sales in chemical plant construction from major projects. Sales at Marine Systems were also considerably higher than a year earlier, mainly due to the significant sales increase in the submarine and surface vessel business.

Sales in the Materials Services and Steel Europe businesses were impacted by the weak market environment accompanied by a noticeable decline in volumes. Shipments at Steel Europe were also impacted by cuts due to production adjustments caused by the low Rhine water levels and negative effects of the WLTP issue.

The regional breakdown of sales was largely unchanged. The most important sales market for thyssenkrupp with a slightly lower 30% 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 increased slightly to around 21%, and sales in Western Europe, which decreased slightly to 19%. The share of sales in the greater China region remained unchanged at around 8%.

Accounting for a share of now 25%, the automotive industry remained the most important customer group, with particular significance for our components and steel business. It was followed by trading and the engineering sector. The share of sales accounted for by steel and related processing declined, while the share of sales to the construction industry remained unchanged.

Adjusted EBIT down significantly year-on-year

ADJUSTED EBIT

million €	Year ended Sept. 30, 2018[2]	Year ended Sept. 30, 2019	Change in %
Components Technology	197	233	18
Elevator Technology	865	907	5
Industrial Solutions[1]	(127)	(170)	(34)
Marine Systems[1]	(128)	1	++
Materials Services	317	107	(66)
Steel Europe	687	31	(95)
Corporate	(377)	(306)	19
Consolidation	10	(1)	—
Group[1]	**1,444**	**802**	**(44)**

[1] See preliminary remarks..
[2] Prior-year figures have been adjusted due to the adoption of IFRS 15.

In the year under review, adjusted EBIT fell well short of the prior-year figure. Earnings were impacted in particular by the weaker than expected economic trend and lower demand for automobiles, mainly in China. The resultant negative price and volume effects had a considerable impact on the performance of our cyclical automotive components and materials businesses. Even extensive management initiatives were unable to compensate for this.

In addition to the effects already mentioned, the negative performance of the springs and stabilizers business combined with higher costs for the startup of new customer projects as well as a revaluation of the order portfolio had a negative impact on Components Technology. At the same time, business with industrial components performed in part significantly better than in the prior year. The corresponding margin for Components Technology was higher than the prior year at 3.4%. Elevator Technology's earnings contribution was higher than a year earlier. Positive contributions from the performance program and significant growth in service business in the USA and China more than offset higher costs due to higher material prices in the USA. At 11.4%, the margin was stable, also compared with the competition. Adjusted EBIT at Industrial Solutions declined due to lower margins for projects in billing and partial underutilization. In addition, System Engineering recorded a cyclical decline in demand for production systems for the automotive industry and lower margins on projects in billing. As in the prior year, adjusted EBIT margin was negative at an unacceptable -4.2%. Marine Systems stabilized its earnings to slightly positive, in particular thanks to the absence of one-time project expenses and higher sales, although lower margins for projects in progress had a negative impact. Margin improved significantly to break-even.

Adjusted EBIT of the materials businesses was significantly lower than a year earlier.

In a weak market environment, adjusted EBIT of the materials businesses was significantly lower than a year earlier despite support from cost reduction programs. Business at Materials Services was characterized by falling market prices and very weak demand, especially in the warehousing and direct-to-customer businesses and in the automotive-related service centers in Europe. One exception was business in North America, which performed positively also compared with the prior year. Further positive effects, including from sales of real estate and compensation from Steel Europe for the partial transfer of the direct-to-customer business, were unable to offset this. Margin fell to 0.8%. AST's earnings contribution was significantly lower than a year earlier due to the unfavorable volume and price situation for stainless steel. At Steel Europe, significantly lower shipments and the decline in selling prices, especially in the 2nd half of the year, combined with higher costs, led to a significant decline in earnings and margin. The main cost drivers were significantly higher raw material costs, also due to exchange rate effects. In addition, logistics costs due to the low Rhine water levels, downtime costs increasingly resulting from the weaker market situation and the compensation payment to Materials Services for the partial transfer of the direct-to-customer business had a negative impact.

Costs at Corporate improved significantly to an adjusted EBIT of €(306) million, mainly due to the faster than planned implementation of measures to reduce administrative costs at headquarters and in the regional organization.

Earnings impacted by special items

EBIT was impacted by special items totaling €530 million in the reporting year.

Special items higher than in prior year.

SPECIAL ITEMS

million €	Year ended Sept. 30, 2018	Year ended Sept. 30, 2019	Change
Components Technology	76	128	52
Elevator Technology	90	116	26
Industrial Solutions[1]	(1)	24	25
Marine Systems[1]	(11)	1	12
Materials Services	47	41	(6)
Steel Europe	216	154	(62)
Corporate	89	63	(26)
Consolidation	0	3	3
Group[1]	**507**	**530**	**23**

[1] See preliminary remarks.

At Components Technology there were special items in the reporting period mainly in connection with closure costs and impairment losses. At Elevator Technology, special items resulted from the restructuring and reorganization in Europe and the USA. In addition to an earn-out agreement for a technology acquisition, Industrial Solutions incurred restructuring expenses and impairment losses on operating assets. Offsetting effects resulted from income from the liquidation of an associated company. Marine Systems recorded expenses for restructuring and for the deconsolidation of thyssenkrupp Marine Systems Canada Inc. At Materials Services the special items resulted in particular from the closure of two branches of thyssenkrupp Aerospace Germany to streamline structures. At Steel Europe, further provisions were made for risks from an antitrust case. In addition to special items from the takeover of IT infrastructure from Corporate, there were further costs associated with the carve-out for the originally planned steel joint venture. This was partially offset by income from the reversal of a provision in connection with the purchase of the Schwelgern (Duisburg) coke plant. At Corporate, there were mainly special items for consulting activities in connection with the strategic realignment of the Group. This was partially offset by income from the transfer of IT infrastructure to Steel Europe.

thyssenkrupp Value Added (tkVA) down significantly year-on-year

tkVA remained negative in the reporting year. The decline versus the prior year was mainly the result of weaker EBIT due to a poorer operating performance, mainly in our materials businesses. Elevator Technology again generated the highest tkVA, which was slightly higher than a year earlier. Components Technology's tkVA decreased year-on-year and therefore remained negative: in addition to lower earnings, growth capital expenditure led to an increase in capital employed. Capital employed at Industrial Solutions also increased: with negative operating earnings, tkVA was down from the already negative prior year. Marine Services increased its tkVA year-on-year thanks to a significant improvement in earnings, although the value remained negative. Capital employed increased year-on-year. The tkVA of Materials Services was significantly lower than in the prior year, in particular due to operating performance. At Steel Europe, average capital employed was slightly down year-on-year. The significant deterioration in earnings led to a large decrease in tkVA compared with the prior year. Details on tkVA and its main components are shown in the following table.

THYSSENKRUPP VALUE ADDED (TKVA)

	Year ended Sept. 30, 2018				Year ended Sept. 30, 2019				
	EBIT [1) 2) 3)] (million €)	Capital employed (million €)	WACC (%)	tkVA (million €)	EBIT (million €)	Capital employed (million €)	WACC (%)	tkVA (million €)	Change tkVA (million €)
Group[3)]	**937**	**15,739**	**8.0**	**(322)**	**272**	**16,749**	**8.0**	**(1,068)**	**(746)**
Thereof:									
Components Technology	121	3,893	8.5	(210)	105	4,144	8.5	(247)	(37)
Elevator Technology	775	1,152	7.5	689	791	1,292	7.5	695	6
Industrial Solutions[3)]	(126)	67	8.0	(131)	(194)	101	8.0	(202)	(71)
Marine Systems[3)]	(117)	675	8.0	(171)	0	927	8.0	(74)	97
Materials Services	270	3,621	8.0	(19)	66	3,866	8.0	(244)	(224)
Steel Europe	470	5,544	8.5	(1)	(123)	5,447	8.5	(586)	(585)

1) See reconciliation in segment reporting (Note 24).
2) Prior-year figures have been adjusted due to the adoption of IFRS 15.
3) See preliminary remarks.

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, 2018[1)]	Year ended Sept. 30, 2019	Change in %
Order intake	million €	6,595	6,996	6
Net sales	million €	6,610	6,871	4
EBIT	million €	121	105	(13)
EBIT margin	%	1.8	1.5	—
Adjusted EBIT	million €	197	233	18
Adjusted EBIT margin	%	3.0	3.4	—
Employees (Sept. 30)		34,481	34,964	1

1) Prior-year figures have been adjusted due to the adoption of IFRS 15 (exception: Employees (Sept. 30)).

Global production network progressing

Order intake and sales at Components Technology were higher than a year earlier, although market momentum slowed significantly in the course of the fiscal year, particularly in the automotive industry. The year-on-year increases were mainly due to the industrial components segment, where demand for equipment for wind turbines, construction machinery and heavy commercial vehicles developed positively, mainly in the Class 8 segment (> 15 t) and with regional focuses in the USA and Europe. Towards the end of the fiscal year, however, there were signs of an economic slowdown. In car components, the weak trend in China, the world's largest passenger car market, made itself felt particularly, but demand also declined in Western Europe and the USA. This was offset by growth in the steering and camshaft businesses as a result of the start of production at new plants, so sales in this segment were slightly higher year-on-year. Added to this there were positive exchange rate effects, particularly from the US dollar.

We continued our growth and regionalization strategy in the reporting year. The implementation of our global automotive production network is progressing: production deliveries were started at the new plant for electric steering systems in China and there were new product launches at our sites in Hungary and Mexico. In Romania, too, we began the planned new product launches following the expansion of the production site for damper systems. The construction of the spring and stabilizer plant in Hungary is also well advanced.

Adjusted EBIT higher – restructuring and streamlining of the organization

Adjusted EBIT at Components Technology was significantly up from the prior-year value, which was impacted by quality issues. Business with bearings, crankshafts and construction machinery components was in some cases significantly better than in the prior year. The performance of the springs and stabilizers business combined with higher start-up costs for new customer projects, the revaluation of the order portfolio and a decline in demand for automotive components in China and Western Europe had a negative impact.

Due to the decline in demand, quick cost-cutting measures were implemented; these include the flexibilization of personnel deployment and recruitment as well as savings in material costs. Further cost reductions through structural measures are in preparation.

In connection with our new strategy "newtk", among other things the business area level will be largely dissolved. The businesses under the umbrella of Components Technology will be managed by a lean office in the future. From fiscal year 2019/2020 it will focus on managing the operating and financial performance of the businesses and on evaluating partnerships as part of the flexible portfolio initiative. The unit will also be given a new name – Components Technology will become Automotive Technology and from fiscal 2019/2020 will also include System Engineering. The bearings and forged technologies businesses were removed from the business area as of October 1, 2019 and since then have been managed directly by thyssenkrupp AG. In the future the two units will report under the name Industrial Components.

Elevator Technology

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

ELEVATOR TECHNOLOGY IN FIGURES

		Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019	Change in %
Orders in hand (Sept. 30)	million €	5,068	5,590	10
Order intake	million €	7,853	8,171	4
Net sales	million €	7,552	7,960	5
EBIT	million €	775	791	2
EBIT margin	%	10.3	9.9	—
Adjusted EBIT	million €	865	907	5
Adjusted EBIT margin	%	11.5	11.4	—
Employees (Sept. 30)		53,013	53,081	0

[1] Prior-year figures have been adjusted due to the adoption of IFRS 15 (exception: Employees (Sept. 30)).

Order intake and sales higher year-on-year

Order intake in the business area reached a new high of €8.2 billion in the reporting year. The Asia-Pacific and Europe regions contributed in particular to this: in addition to several major metro projects in China and another in Sydney – the largest order to date in Australia with more than 200 units sold – major projects in Russia and Turkey also had a positive impact on business. In China in particular, the number of newly installed systems and their average sales price were above the prior-year level, but the number of systems sold in Europe also increased significantly. The service business – an important sales driver for the business area – grew mainly in the USA and Asia. As of September 30, 2019, orders in hand amounted to €5.6 billion, up significantly from the prior year.

Sales increased year-on-year by 5%, primarily due to the positive trend in the USA. The USA and China also made significant contributions to sales growth in the service business. Overall, sales of new installations remained at the prior-year level, with US business offsetting a slight decline in Europe and Korea.

Further milestones reached in thyssenkrupp Elevator’s global strategy

In implementing our comprehensive growth strategy, we achieved further milestones in the reporting year.

In April 2019, the foundation stone was laid for the new Innovation and Qualification Center in Atlanta (USA), which will feature a 128 m high test tower. Following the test towers already opened in Rottweil (Baden-Württemberg, Germany) and Zhongshan (China), the Atlanta tower with its 18 shafts will be used to test new concepts and prototypes, including innovations such as the TWIN and MULTI. A new headquarters building consolidating administrative and research activities in the USA is being built right next door. 900 full-time jobs are to be created here by the time of its scheduled completion in 2021.

At the “Digital Kindergarten” in Hamburg in June 2019, an event focusing on digital trends and technologies, Elevator Technology presented its new HoloLinc technology – a concept which allows customers to visualize, experience and try out stairlifts in their own four walls during the planning phase. It will make a major contribution to the faster implementation of an age-appropriate infrastructure in private homes – and thus a higher quality of life for people with limited mobility. With HoloLinc, the average delivery time of the stairlifts, which are usually urgently needed, can be reduced by around 30 days to about 10.

We also achieved important milestones this year with our digital predictive maintenance solution MAX: the concept was launched on the French market in spring; the first maintenance contracts have already been concluded. To date, we have equipped more than 125,000 elevators worldwide with the technology, in Germany, France, Spain, the USA, Brazil and South Korea.

Adjusted EBIT further improved

Adjusted EBIT in the reporting year was significantly higher than in the prior year. Key factors here were the implementation of the performance program, which made positive contributions through performance optimization and restructuring, and the significant growth of the service business in the USA and China. Adjusted EBIT in China, in particular, increased significantly year-on-year, largely offsetting higher material prices in the USA. Adjusted EBIT margin was level with the prior year at 11.4%. EBIT improved to €791 million – an increase of €16 million compared with the prior year.

Industrial Solutions

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

INDUSTRIAL SOLUTIONS IN FIGURES

		Year ended Sept. 30, 2018[1)2)]	Year ended Sept. 30, 2019	Change in %
Orders in hand (Sept. 30)	million €	5,792	5,473	(5)
Order intake	million €	4,541	3,735	(18)
Net sales	million €	3,633	4,002	10
EBIT	million €	(126)	(194)	(54)
EBIT margin	%	(3.5)	(4.9)	—
Adjusted EBIT	million €	(127)	(170)	(34)
Adjusted EBIT margin	%	(3.5)	(4.2)	—
Employees (Sept. 30)		15,717	16,062	2

[1)] Prior-year figures have been adjusted due to the adoption of IFRS 15 (exception: Employees (Sept. 30)).
[2)] See preliminary remarks.

Improved market environment in chemical plant construction – sales up year-on-year

The business area’s order intake in the reporting year was down from the prior year, which benefited from a major order in the chemical plant business. Due to the difficult political and industry-specific conditions, customers were reluctant to place orders for production systems for the automotive sector. In cement plant construction, too, the continued tough market situation had an impact on demand for new plants.

We recorded a generally positive demand trend in the chemical plant business. However, order intake was below the high prior-year level, which included a major order for a chemical complex in Hungary. We won orders for new fertilizer plants in Egypt, Saudi Arabia and Poland among others. Demand for electrolysis plants, equipment and services, especially in Europe and Asia, also had a positive impact on business. In view of continuing population growth, especially in Asia, and growing demand for eco-friendly technologies and services for the operation and digitization of industrial plants, we see clear growth opportunities for chemical plant construction as a whole.

In the mining sector, demand for equipment and components was down slightly from the high prior-year level. Among other things, we supplied storage and handling equipment to Australia and crushing, conveying and handling equipment to Central Asia. We also won various orders for power plants and biomass plants in India. In view of the recent rise in some raw material prices, we expect demand for new plants and equipment to remain stable in the short and medium term. In addition, we are continuously developing our range of services for the mining industry. In May 2019, we celebrated the opening of a new service center in Australia.

In cement plant construction, overall demand remained at a low level. The economic environment was characterized by overcapacities and continued competitive pressure. Nevertheless, we succeeded in winning smaller orders for plant components and services. In the past fiscal year we also pushed ahead with an initiative for the development and targeted marketing of plants and processes for sustainable and environmentally friendly cement production. We are already carrying out first projects in China and Thailand, where we supplied catalysts for reducing emissions, plants for the use of non-fossil fuels and solutions for laboratory automation.

Following high prior-year figures, System Engineering recorded lower order intake in the reporting year: The decline in demand for production systems for the automotive industry was mainly due to the emerging technological shift towards e-mobility, industry-specific economic risks and increasing uncertainties in view of the Brexit negotiations. We won major orders in the areas of body, engine and battery assembly equipment as well as toolmaking, especially from customers in Europe and Asia.

Sales improved significantly. The chemical plant business contributed particularly to this with higher sales, including from major projects in Hungary and Brunei. In the mining business too, sales increased significantly thanks to the strong order intake in the prior year. Sales in the cement plant business were slightly lower year-on-year due to order-related factors, as were sales at System Engineering due to delayed customer orders.

Adjusted EBIT lower year-on-year – restructuring and streamlining of the organization

Adjusted EBIT in the reporting year was down from the prior year and the corresponding margin remained negative at 4.2% as in the prior year. Earnings in the chemical and cement plant segments as well as in the mining business declined year-on-year due to lower margins on projects in billing and partial underutilization. System Engineering recorded a significant drop year-on-year due to delayed customer orders and lower margins on projects in billing.

Extensive structural adjustments are planned as part of thyssenkrupp's strategic realignment and to stabilize performance. The business area level will be significantly streamlined from fiscal year 2019/2020 will focus on managing the operating and financial performance of the businesses and on evaluating partnerships as part of the flexible portfolio initiative. The business unit and regional structure will also change: the Service business unit will be dissolved and services will be reintegrated into the units currently focused on new business. Regional structures will also be further simplified. Details will be worked out in the coming weeks. The unit will also be given a new name – Industrial Solutions will become Plant Technology. As of October 1, 2019, System Engineering was removed from the business area and assigned to Components Technology (in the future Automotive Technology).

Marine Systems

MARINE SYSTEMS IN FIGURES

		Year ended Sept. 30, 2018[1][2]	Year ended Sept. 30, 2019	Change in %
Orders in hand (Sept. 30)	million €	5,493	5,887	7
Order intake	million €	648	2,192	238
Net sales	million €	1,389	1,800	30
EBIT	million €	(117)	0	++
EBIT margin	%	(8.4)	0.0	—
Adjusted EBIT	million €	(128)	1	++
Adjusted EBIT margin	%	(9.2)	0.0	—
Employees (Sept. 30)		5,818	6,013	3

[1] Prior-year figures have been adjusted due to the adoption of IFRS 15 (exception: Employees (Sept. 30)).
[2] See preliminary remarks.

Order intake and sales significantly higher year-on-year

Order intake at Marine Systems in the reporting year was significantly higher than in the prior year. It was boosted in particular by a major order for four frigates from North Africa in the 4th quarter. In addition, the business booked extensions to existing orders in the surface vessel area and various orders in the areas of marine electronics, maintenance and service. Also, Marine Systems together with Embraer Defense & Security and Atech were nominated as preferred bidders for the construction of four new corvettes for the Brazilian Navy, which should have a positive impact on order intake in fiscal 2019/2020.

Sales in the reporting year were at a high level, up significantly from the prior year. The increase was mainly due to the extension of existing orders in the surface vessel and submarine areas. As in the prior year, sales in the areas of marine electronics, maintenance and service were stable.

Adjusted EBIT

Adjusted EBIT in fiscal 2018/2019 was slightly positive and therefore significantly higher than in the prior year. In addition to a significant increase in sales, this reflected the absence of one-time expenses for a naval project in the submarine segment. However, adjusted EBIT continues to be burdened by low margins for projects in billing.

Materials Services

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

MATERIALS SERVICES IN FIGURES

		Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019	Change in %
Order intake	million €	14,544	13,868	(5)
Net sales	million €	14,705	13,880	(6)
EBIT	million €	270	66	(76)
EBIT margin	%	1.8	0.5	—
Adjusted EBIT	million €	317	107	(66)
Adjusted EBIT margin	%	2.2	0.8	—
Employees (Sept. 30)		20,273	20,340	0

[1] Prior-year figures have been adjusted due to the adoption of IFRS 15 (exception: Employees (Sept. 30)).

Order intake and sales lower year-on-year

In a difficult market environment with a noticeable decline in volumes, order intake and sales were clearly negative. This applies to almost all areas of Materials Services, but particularly to the service center business in Europe and the global direct-to-customer business (excluding North America). Sales volumes declined in all regions except North America and in all units, with the direct-to-customer business recording the sharpest decline at 24% alongside the warehousing and service business at 2.7%. In total, we sold 9.8 million tons of materials, which was less than in the prior year. Prices, particularly in the stainless steel and rolled steel segments, remained under pressure throughout the fiscal year, so the average price level was also lower than a year earlier. Volumes and prices at AST were also lower year-on-year, mainly due to continued strong competition from Asian imports.

Next phase of digitization: establishment of new business models

Materials Services understands from its own experience the special challenges faced by customers operating in a globalized and deadline-driven business environment. The company has continuously optimized and digitized its supply chain over the years in order to supply customers reliably at all times. Materials Services is using four software platforms, each of which has already been introduced in selected regions and will be rolled out further step by step: SAP Hybris as e-commerce platform, the AI data analytics platform “Alfred”, SAP S/4 Hana as ERP and the IIoT platform “toii”.

The next building block in digitization is the expansion of the existing business model: a first example of this is thyssenkrupp Materials IoT GmbH (tkMIoT), which was launched in June 2019. It now markets to external customers an Industrial Internet of Things (IIoT) software program originally developed for Materials Services. The spin-off is an example of how Materials Services is driving the systematic expansion of its service portfolio.

Adjusted EBIT down year-on-year

The reporting year was characterized by falling market prices and very weak demand, especially in the warehousing and direct-to-customer business as well as in the automotive-related service centers in Europe. In this negative market environment, we fell well below the high earnings level of the previous year. Margins suffered from declining prices and volumes, particularly in stockholding distribution, after the previous fiscal year had been characterized by strong price increases with correspondingly positive effects. One exception was business in North America, which performed positively, also in comparison with the prior year. We propped up earnings with measures to reduce operating costs and sales of real estate; the partial transfer of the direct-to-customer business to Steel Europe also had a compensating effect. Business at AST was also significantly worse than a year earlier, mainly because of unfavorable volume and price developments for stainless steel, likewise due to continued import pressure and the weak market environment.

Steel Europe

www.thyssenkrupp.com > Company > Corporate structure > Steel

STEEL EUROPE IN FIGURES

		Year ended Sept. 30, 2018[1,2]	Year ended Sept. 30, 2019	Change in %
Order intake	million €	9,157	8,784	(4)
Net sales	million €	9,470	9,065	(4)
EBIT	million €	470	(123)	--
EBIT margin	%	5.0	(1.4)	—
Adjusted EBIT	million €	687	31	(95)
Adjusted EBIT margin	%	7.3	0.3	—
Employees (Sept. 30)		27,764	28,278	2

[1] Prior-year figures have been adjusted due to the adoption of IFRS 15 (exception: Employees (Sept. 30)).
[2] See preliminary remarks.

Negative volume and price effects

Steel Europe's performance was impacted at the beginning of the past fiscal year by special factors – in particular the low Rhine water levels and the new WLTP emissions test for the auto industry, which resulted in temporary production losses in this important customer segment – and in the further course of the year by the weakening economy. Volumes produced and shipped fell well short of the prior-year level. In terms of prices, we were largely able to escape the negative price trends on the spot market in the first half of the fiscal year thanks to a high proportion of long-term deals; from the middle of the fiscal year these then increasingly impacted on our net selling prices. At the same time costs rose significantly, mainly due to the sharp rise in the price of iron ore, which further worsened the earnings situation.

At around €8.8 billion, order intake in value terms was 4% lower than in 2017/2018. Order intake in the first six months of the reporting year was higher than in the prior-year period due to higher average selling prices, but after that the negative market price trend was increasingly reflected in our new contracts. In addition, we also made lower-priced spot deals to safeguard employment. As a result, price pressure increased overall. Over the full year the higher prices were unable to compensate for the decline in volumes. At 9.9 million tons, order volumes for the full reporting period were almost 9% lower than in the prior year. In the 1st quarter in particular, order bookings were down sharply due to substantial production restrictions – among other things because of the low water levels – and as a result of the introduction of the WLTP. The following months saw a noticeable drop in demand from the automotive industry. Order volumes from other industrial customers declined noticeably in the final quarter. The cyclical drop in demand was exacerbated by political and economic uncertainties, which also led to a pronounced reluctance to buy on the part of our customers.

Steel Europe recorded a 4% drop in sales to €9.1 billion. With average net selling prices still above the prior-year level despite a weakening in the course of the fiscal year, the decline was mainly volume-related. At around 10.5 million tons, shipments were 8% lower overall than a year earlier. After the considerable volume losses in the 1st quarter – due to the low water levels and the WLTP – business in the further course of the year was impacted by market-related reductions in shipments. In particular, shipments to the weakening automotive industry and its suppliers decreased significantly, but shipments to other industrial customers also showed declines. They were substantial in the case of heavy plate – due to weak market demand and production disruptions. Sales declined at an above-average rate. By contrast, sales of packaging sheet performed positively: volumes and prices were higher year-on-year, leading to a slight rise in sales. Electrical Steel increased its sales of grain-oriented electrical steel.

Crude steel production including supplies from Hüttenwerke Krupp Mannesmann was around 5% lower than a year earlier at 11.3 million tons. In the 1st quarter the low Rhine water levels had a significant impact on raw material supplies, resulting in adjustments in blast furnace production and loading problems at downstream units. The latter were partially mitigated by bringing forward repair measures; nevertheless the production losses were severe and still noticeable in the following months. In order to compensate for the lack of volumes at steelmaking level and maintain supplies to customers, we purchased slabs on the market. In the further course of the reporting year an increase in disruptions and in particular the market-related cuts in shipments slowed down our production. Finished steel production for customers totaled 10.4 million tons, 8% less than a year earlier.

Significant drop in earnings and margin

Steel Europe reported slightly positive earnings in the reporting year – compared with an adjusted EBIT of €687 million in the prior year. The main reasons for this deterioration were lower volumes and the decline in selling prices over the course of the year combined with higher costs. Some business units, including Heavy Plate, reported a loss. On the cost side, several factors had a negative impact. On the one hand, prices for iron ore rose drastically, compounded on the purchasing side by negative exchange rate effects. On the other hand, the low Rhine water levels increased logistics costs for raw material procurement and led to downtime costs, the latter also resulting from the increasingly weak market situation. These negative earnings effects were only offset to a very small extent by the higher steel prices that we were able to achieve on the market over large parts of the year. Earnings were also impacted by compensation payments to Materials Services for the takeover of part of the direct-to-customer business and personnel provisions following a new collective wage agreement in the 2nd quarter. Earnings were additionally impacted by special items and EBIT margin deteriorated significantly. These were mainly expenses for provisions for risks from an antitrust case. In addition, the acquisition of IT infrastructure from Corporate and carve-out costs in connection with the originally planned joint venture had a negative impact. This was partly offset by income from the reversal of a provision in connection with the purchase of the Schwelgern (Duisburg) coke plant.

Corporate at thyssenkrupp AG

The Group is managed centrally by thyssenkrupp AG. Within thyssenkrupp AG, Corporate is divided into Corporate Headquarters (CorpHQ), Regions, Service Units and Special Units.

thyssenkrupp AG manages the Group centrally.

CorpHQ mainly comprises the corporate functions.

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 amounted to €(306) million in fiscal 2018/2019, an improvement of €71 million on the prior-year figure. The improvement resulted primarily from measures to reduce project costs in administration. This was partly offset by the fact that earnings effects of land and property sales were lower than in the prior year; in addition, there were higher costs at Global Shared Services, primarily due to dissynergies resulting from the change in Group strategy. EBIT came to €(369) million. It included special items totaling €63 million, mainly relating to consulting services as a result of the strategic realignment of the Group.

From fiscal year 2019/2020 the administrative units of Corporate and the regions will be presented as Corporate Headquarters. The Service Units and Special Units will be shown separately.

Results of operations and financial position

Analysis of the statement of income

Net sales in fiscal year 2018/2019 were 1% higher than a year earlier. Above all the components and elevator businesses as well as the plant construction activities contributed to the rise; this was partly offset by declines at the materials businesses. Cost of sales increased at a higher rate than net sales, mainly due to higher personnel and materials expenses. Gross margin decreased to 13.8%.

The decrease in selling expenses was mainly due to reduced sales-related freight and insurance charges and customs duties. The increase in general and administrative expenses mainly reflected higher restructuring expenses. The significant increase in other income was mainly due to higher insurance recoveries. The decrease in other expenses was mainly caused by overall lower expenses for additions to provisions. The improvement in other gains and losses mainly reflected higher gains on the disposal of property, plant and equipment.

The lower income from equity-method investments mainly reflected lower income from an investment in China. The overall slight deterioration in net financial expense was mainly due to reduced interest income from tax refunds and lower income from the disposal of investments; this was partially offset by lower interest expense from financial debt as well as reduced net interest expense for pensions and similar obligations.

The decrease in tax expense mainly reflected the absence of the one-time effects from the US tax reform and the write-down of deferred tax assets on tax loss carryforwards in Germany in the prior year. After taking into account income taxes there was a net loss of €260 million, compared with a loss of €12 million in the prior year. Earnings per share decreased accordingly by €0.39 to a loss of €0.49.

Consolidated statement of income

million €, earnings per share in €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019[2]
Sales	41,534	41,996
Cost of sales	(34,944)	(36,197)
Gross margin	**6,590**	**5,799**
Research and development cost	(348)	(341)
Selling expenses	(2,823)	(2,808)
General and administrative expenses	(2,403)	(2,441)
Other income	236	346
Other expenses	(373)	(333)
Other gains/(losses), net	21	44
Income/(loss) from operations	**901**	**266**
Income from companies accounted for using the equity method	15	9
Finance income	745	697
Finance expense	(1,101)	(1,054)
Financial income/(expense), net	**(340)**	**(348)**
Income/(loss) before tax	**561**	**(83)**
Income tax (expense)/income	(573)	(177)
Net income/(loss)	**(12)**	**(260)**
Thereof:		
thyssenkrupp AG's shareholders	**(62)**	**(304)**
Non-controlling interest	50	44
Net income/(loss)	**(12)**	**(260)**
Basic and diluted earnings per share based on		
Net income/(loss) (attributable to thyssenkrupp AG's shareholders)	**(0.10)**	**(0.49)**

See accompanying notes to consolidated financial statements.
[1] Figures have been adjusted (cf. Note 01 and 03).
[2] Figures have been adjusted (cf. Note 03).

Analysis of the statement of financial position

Total assets increased sharply from September 30, 2018.

In addition to exchange rate effects, the significant increase in non-current assets mainly reflected the rise in property, plant and equipment as a result of investments exceeding depreciation. In addition, there were increases in intangible assets, in particular due to business combinations. The increase in deferred taxes resulted primarily from interest rate changes for pension obligations as well as the internal transfer of a brand use right. The increase was dampened by reductions in deferred tax assets from the use of loss carryforwards particularly in the USA as well as the recognition of tax write-downs on inventory.

Current assets also recorded a significant increase overall. The rise in inventories mainly related to the components businesses and the steel business. The increase in trade accounts receivable was mainly due to the plant construction businesses. The decrease in contract assets was primarily connected with the execution of construction contracts. The increase in other financial assets related in particular to derivative accounting. The decline in other non-financial assets was mainly due to lower advance payments made. The additional significant increase in cash and cash equivalents was mainly due to borrowings; this was partially offset by the high negative free cash flow in the reporting year.

Total equity as of September 30, 2019 decreased significantly year-on-year to €2,220 million. The main reasons were the net loss for the reporting year and the losses recognized in other comprehensive income from the remeasurement of pensions and similar obligations as well as dividend distributions; this was partly offset by gains from foreign currency translation recognized in other comprehensive income. The equity ratio decreased to 6.1%.

The sharp increase in non-current liabilities related firstly to the increase in pensions and similar obligations mainly due to the losses in the reporting year resulting from remeasurement, in particular as a result of lower pension interest rates. Also, there was an overall significant increase in financial debt, primarily due to the placement of bonds in February 2019 and September 2019, while a bond originally due in October 2019 and prematurely repaid in July 2019 was reclassified to current financial debt.

The increase in current liabilities resulted in particular from the increase in current financial liabilities, primarily as a result of utilization of the commercial paper program and the increase in other financial liabilities. The increase in other financial liabilities mainly related to derivative accounting and increased liabilities in connection with the acquisition of property, plant and equipment. The decrease in contract liabilities was mainly due to the further execution of construction contracts.

Consolidated statement of financial position

ASSETS

million €	Sept. 30, 2018[1]	Sept. 30, 2019
Intangible assets	4,844	5,029
Property, plant and equipment (inclusive of investment property)	7,730	8,144
Investments accounted for using the equity method	132	128
Other financial assets	45	39
Other non-financial assets	246	240
Deferred tax assets	1,288	1,733
Total non-current assets	**14,285**	**15,313**
Inventories	7,359	7,781
Trade accounts receivable	5,163	5,488
Contract assets	1,731	1,443
Other financial assets	709	808
Other non-financial assets	1,904	1,642
Current income tax assets	269	293
Cash and cash equivalents	3,006	3,706
Total current assets	**20,141**	**21,162**
Total assets	**34,426**	**36,475**

See accompanying notes to consolidated financial statements.
[1] Figures have been adjusted (see Note 01 and 03).

EQUITY AND LIABILITIES

million €	Sept. 30, 2018[1]	Sept. 30, 2019
Capital stock	1,594	1,594
Additional paid-in capital	6,664	6,664
Retained earnings	(5,606)	(6,859)
Cumulative other comprehensive income	83	352
Equity attributable to thyssenkrupp AG's stockholders	**2,734**	**1,751**
Non-controlling interest	468	469
Total equity	**3,203**	**2,220**
Accrued pension and similar obligations	7,838	8,947
Provisions for other employee benefits	345	307
Other provisions	575	554
Deferred tax liabilities	59	48
Financial debt	5,191	6,529
Other financial liabilities	157	136
Other non-financial liabilities	4	6
Total non-current liabilities	**14,168**	**16,527**
Provisions for current employee benefits	342	357
Other provisions	1,573	1,726
Current income tax liabilities	225	260
Financial debt	185	886
Trade accounts payable	6,533	6,355
Other financial liabilities	784	1,209
Contract liabilities	5,011	4,561
Other non-financial liabilities	2,403	2,373
Total current liabilities	**17,055**	**17,728**
Total liabilities	**31,223**	**34,255**
Total equity and liabilities	**34,426**	**36,475**

See accompanying notes to consolidated financial statements.
[1] Figures have been adjusted (see Note 01 and 03).

Financing

Principles and aims of financial management

Cash inflows from operating activities are main source of liquidity.

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 17.

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

thyssenkrupp remains solidly financed.

Net financial debt is calculated as the difference between cash and cash equivalents shown in the statement of financial position plus current other financial assets available for sale, and noncurrent and current financial debt. The net financial debt of the full Group at September 30, 2019 stood at €3,703 million, €1,339 million higher than the level at September 30, 2018 (€2,364 million). The main reasons for the increase were the negative FCF before M & A and the dividend payment.

At September 30, 2019 the Group's available liquidity came to €7.3 billion, consisting of €3.7 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 originally €1.5 billion which was increased to €3.0 billion. Under the program commercial papers can be issued with a term of up to 364 days depending on investor demand. At September 30, 2019 we had made use of the program in the amount of €0.7 billion.

The available liquidity offers enough scope to cover debt maturities. The gross financial debt repayable in the 2019/2020 fiscal year amounts to €0.9 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, 2019 the applicable gearing limit for thyssenkrupp AG based on these agreements was 200%.

At the balance sheet date the gearing ratio was 166.8% 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 the past fiscal year Moody's and Standard & Poor's downgraded our rating, respectively, to Ba3 with outlook stable and BB- with outlook "developing". While the stable outlook at Moody's indicates no rating change in the short to medium term, the outlook "developing" at Standard & Poor's does not specify the direction of a possible rating change. In addition to operating performance, the successful implementation of thyssenkrupp's strategy will be decisive for the further development of the agencies' ratings

RATING

	Long-term rating	Short-term rating	Outlook
Standard & Poor's	BB-	B	developing
Moody's	Ba3	Not Prime	stable
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

The positive cash inflow from operating activities in the reporting year was well below the prior-year level. This was due in particular to the decline in net income before depreciation, amortization and deferred taxes as well as the significant overall increase in funds tied up in operating assets and liabilities.

Cash flows from investing activities

Investments in the reporting year were up from the prior year, mainly reflecting higher investments at Elevator Technology – due to M & A – and at Steel Europe. The share of the materials businesses in total investments rose slightly year-on-year to 43%. The share of the capital goods businesses in total investments also increased slightly to 56%, while investments at Corporate declined.

INVESTMENTS

million €	Year ended Sept. 30, 2018	Year ended Sept. 30, 2019	Change in %
Components Technology	523	479	(8)
Elevator Technology	113	221	95
Industrial Solutions[1]	63	55	(12)
Marine Systems[1]	59	59	0
Materials Services	113	135	19
Steel Europe	442	482	9
Corporate	66	42	(37)
Consolidation	6	(28)	—
Group[1]	**1,386**	**1,443**	**4**

[1] See preliminary remarks.

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 expansion of damper technology in Romania. The construction of the new plant in 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 modernization, the construction of a new forging line for front axles and the expansion of rotor bearing production in Germany.

Elevator Technology – €221 million was invested in the reporting year, significantly more than in the previous fiscal year. The additional investment was mainly in the USA, where two acquisitions were made to better serve the regional markets in Nebraska, Iowa and Tennessee.

Industrial Solutions – To strengthen our market position and exploit growth opportunities, we made targeted investments in infrastructure and the expansion of our technology portfolio in all units in the reporting year.

Marine Systems – The focus remained on the continuing modernization of the Kiel shipyard, with investments in particular in infrastructure measures and IT.

Materials Services – Investments in the fiscal year were made primarily in modernization and maintenance projects at warehouse and service units as well as at AST. In addition, the digital transformation of the business area was continued along the entire value chain: For example, the use of artificial intelligence is already making processes along the supply chain in several businesses more flexible in order to better take into account specific customer requirements in terms of delivery speed, pricing and material quality. In addition, the introduction of state-of-the-art ERP platforms is shortening order lead times and optimizing warehouse logistics.

Steel Europe – Capital expenditure in the reporting period increased to around €482 million. Construction work began on the new hot-dip coating line at the Dortmund site. FBA 10 is designed to meet the growing demand from carmakers for high-quality hot-dip coated products. Piling work has been completed and foundation construction is well advanced. Commissioning is scheduled for 2021. With the construction of the third fabric filter for sinter production, a major environmental protection project is approaching the home straight. The filter is scheduled to go into operation in spring 2020. The three fabric filters that will then be available will make a major contribution to improving air quality in Duisburg. The Packaging Steel business unit has started construction of a new coating line to continue production of chromium-plated tinplate under improved environmental standards.

Corporate – Investments at Corporate were lower than in the prior year. One current focus of investment is 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 Atlanta for the Elevator Technology business area. Other investments related to IT, in particular the centralized purchase of software licenses and hardware.

Free cash flow

Free cash flow in the reporting year was again negative and deteriorated significantly from the prior year, mainly due to the decrease in cash inflows from operating activities.

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, was significantly lower than in the prior year. This was mainly due to the weaker operating performance as well as higher capital employed in our materials businesses and higher ramp-up costs at Components Technology.

Cash flow from financing activities

Financing activities in the reporting year resulted in a significant cash inflow, in particular due to proceeds from borrowings.

RECONCILIATION TO FREE CASH FLOW BEFORE M & A

million €	Year ended Sept. 30, 2018	Year ended Sept. 30, 2019	Change
Operating cash flows (consolidated statement of cash flows)	1,184	72	(1,113)
Cash flow from investing activities (consolidated statement of cash flows)	(1,299)	(1,335)	(36)
Free cash flow (FCF)[1]	**(115)**	**(1,263)**	**(1,149)**
–/+ Cash inflow/cash outflow resulting from material M & A transactions	(19)	123	142
Free cash flow before M & A (FCF before M & A)[1]	**(134)**	**(1,140)**	**(1,007)**

[1] See preliminary remarks.

CONSOLIDATED STATEMENT OF CASH FLOWS

million €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019[2]
Net income/(loss)	**(12)**	**(260)**
Adjustments to reconcile net income/(loss) to operating cash flows:		
Deferred income taxes, net	282	(110)
Depreciation, amortization and impairment of non-current assets	1,118	1,253
Income/(loss) from companies accounted for using the equity method, net of dividends received	(15)	(9)
(Gain)/loss on disposal of non-current assets	(44)	(48)
Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes		
– Inventories	(419)	(325)
– Trade accounts receivable	(351)	(196)
– Contract assets	(373)	300
– Accrued pension and similar obligations	(150)	(53)
– Other provisions	167	86
– Trade accounts payable	832	(242)
– Contract liabilities	201	(569)
– Other assets/liabilities not related to investing or financing activities	(52)	243
Operating cash flows	**1,184**	**72**
Purchase of investments accounted for using the equity method and non-current financial assets	(2)	(5)
Expenditures for acquisitions of consolidated companies net of cash acquired	(8)	(47)
Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property	(1,235)	(1,175)
Capital expenditures for intangible assets (inclusive of advance payments)	(141)	(216)
Proceeds from disposals of investments accounted for using the equity method and non-current financial assets	28	4
Proceeds from disposals of property, plant and equipment and investment property	58	90
Proceeds from disposals of intangible assets	1	15
Cash flows from investing activities	**(1,299)**	**(1,335)**

CONSOLIDATED STATEMENT OF CASH FLOWS

million €	Year ended Sept. 30, 2018[1)]	Year ended Sept. 30, 2019[2)]
Proceeds from issuance of bonds	0	2,500
Repayments of bonds	(1,600)	(1,250)
Proceeds from liabilities to financial institutions	379	2,539
Repayments of liabilities to financial institutions	(567)	(2,388)
Proceeds from/(repayments on) loan notes and other loans	(81)	678
Increase/(decrease) in bills of exchange	(11)	0
(Increase)/decrease in current securities	1	0
Payment of thyssenkrupp AG dividend	(93)	(93)
Profit attributable to non-controlling interest	(38)	(55)
Expenditures for acquisitions of shares of already consolidated companies	(19)	0
Other financing activities	(84)	(5)
Cash flows from financing activities	**(2,114)**	**1,926**
Net increase/(decrease) in cash and cash equivalents	(2,229)	663
Effect of exchange rate changes on cash and cash equivalents	(57)	36
Cash and cash equivalents at beginning of year	5,292	3,006
Cash and cash equivalents at end of year	**3,006**	**3,706**
Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows:		
Interest received	37	27
Interest paid	(235)	(209)
Dividends received	36	19
Income taxes paid	(365)	(268)

See accompanying notes to consolidated financial statements.
1) Figures have been adjusted (cf. Note 01 and 03).
2) 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 21. 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: €1.8 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 2018/2019

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 2019/2020 with material opportunities and risks

The expected development of thyssenkrupp AG in the 2019/2020 fiscal year will depend 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 subsidiaries. Net income from investments comprises profits and losses transferred from domestic subsidiaries and dividends distributed particularly by foreign subsidiaries. Accordingly, the expectations for the Group's business performance in 2019/2020 should also be reflected in the income of thyssenkrupp AG. Overall we expect a net loss again in 2019/2020, though significantly lower than in fiscal 2018/2019.

Results of operations

thyssenkrupp AG reported a net loss of €1,807 million in the 2018/2019 fiscal year, compared with net income of €1,579 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 (€401 million), income from insurance services (€78 million), and usage fees for Group licenses, software and central IT security services (€79 million).

General administrative expenses decreased by €69 million to €520 million. This was mainly due to lower expenses for consulting among other things for the Group's IT strategy. Personnel expense declined by €12 million to €191 million. Expenses for provisions for stock-based compensation decreased by €13 million.

€69 m

Reduction in general administrative expenses

Other operating income of €1,259 million mainly comprised the permanent transfer of selected rights to use the corporate mark in the amount of €1,080 million to thyssenkrupp Elevator AG. The reversal of provisions resulted in income of €95 million.

Other operating expenses increased by €97 million to €183 million and included in particular an internal waiver of receivables of €109 million. They also included expenses of €14 million for maintenance and other services for non-operating real estate.

Income from investments decreased by €2,843 million to €(2,367) million.

Expenses from loss transfers increased by €2,308 million to €2,967 million. In particular, the loss transfer from thyssenkrupp Technologies Beteiligungen GmbH rose by €1,833 million to €2,464 million. This was due to higher loss absorptions, impairment losses on shares held by thyssenkrupp Technologies Beteiligungen GmbH and losses on the disposal of financial assets. Thyssen Stahl GmbH transferred a loss of €273 million, compared with a profit of €559 million a year earlier. Likewise, thyssenkrupp Materials Services GmbH transferred a profit of €116 million in the prior year and a loss of €183 million in the reporting year.

In addition, a total of €599 million income from investments resulted in particular from dividend payments of thyssenkrupp North America Inc. and thyssenkrupp (China) Ltd.

€599 m

Income from dividend payments

In the course of fiscal 2018/2019 there were impairment charges on financial assets of €82 million relating to the shares in thyssenkrupp Business Services GmbH, €68 million relating to the shares in thyssenkrupp UK Plc., €57 million relating to the shares in thyssenkrupp Regional Investment GmbH, €31 million relating to the shares in thyssenkrupp Singapore Pte. Ltd., and €9 million relating to two further companies.

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 €1,966 million to €28,247 million. At September 30, 2019, the share of fixed assets in total assets was down to 69% from 74% a year earlier.

Fixed assets decreased by €2,667 million to €19,618 million. Shares in affiliated companies increased by €116 million to €19,069 million. The contribution in kind to thyssenkrupp Regional Investment GmbH of the shares held in thyssenkrupp UK Plc. resulted in an addition of €447 million to the carrying amount of the investment in thyssenkrupp Regional Investment GmbH and the derecognition of the carrying amount of the investment in thyssenkrupp UK Plc. (historical cost of €778 million and impairment of €331 million). Shares in thyssenkrupp Steel Europe AG were acquired in the amount of €227 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, 2019 receivables from affiliated companies were €44 million lower at €5,661 million.

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 €27 million in the past fiscal year to €256 million. This was recognized under pension obligations accordingly.

At September 30, 2019 cash in hand and cash at banks was €683 million up from a year earlier at €2,541 million.

Total equity decreased by €1,899 million to €6,778 million at September 30, 2019. This was due to the lower unappropriated income of €196 million compared with the prior year. The equity ratio therefore decreased to 24% (prior year: 29%).

The €7 million reduction in pension provisions was mainly due to payments (€48 million) and the change in the aforementioned internally transferred pension obligations (€27 million). This was partly offset by €53 million additions and €25 million accrued interest. In other provisions, the provision for stock-based compensation decreased by €40 million and the provision for outstanding invoices by €28 million.

Liabilities to affiliated companies were mainly deposits by subsidiaries in the Group's central financial clearing system and loss transfers under profit and loss transfer agreements. Liabilities to affiliated companies were €1,980 million lower year-on-year at €12,860 million. This was mainly due to a reduction in intercompany liabilities by €4,315 million to €9,747 million. Liabilities due to loss transfers under profit and loss transfer agreements increased by €2,307 million. 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 €1,807 million net loss for the year of thyssenkrupp AG, plus the profit carried forward from the prior year. The annual financial statements therefore show unappropriated income of €196 million.

The Executive Board and Supervisory Board propose to the Annual General Meeting that the unappropriated income for the 2018/2019 fiscal year in the amount of €196 million be used as follows: transfer of the amount to other retained earnings.

Statement of financial position of thyssenkrupp AG

ASSETS

million €	Sept. 30, 2018	Sept. 30, 2019
Fixed assets		
Intangible assets	71	61
Property, plant and equipment	312	293
Financial assets	21,902	19,264
	22,285	**19,618**
Operating assets		
Receivables and other assets	6,032	6,047
Cash on hand and cash at banks	1,858	2,541
	7,890	**8,588**
Prepaid expenses and deferred charges	**38**	**41**
Total assets	**30,213**	**28,247**

EQUITY AND LIABILITIES

million €	Sept. 30, 2018	Sept. 30, 2019
Total equity		
Capital stock	1,594	1,594
Additional paid-in capital	2,703	2,703
Other retained earnings	2,283	2,283
Unappropriated income	2,097	196
	8,677	**6,778**
Provisions		
Accrued pension and similar obligations	1,076	1,069
Other provisions	232	136
	1,308	**1,205**
Liabilities		
Bonds	4,700	5,950
Liabilities to financial institutions	252	327
Liabilities to affiliated companies	14,840	12,860
Other liabilities	435	1,126
	20,227	**20,263**
Deferred income	**1**	**1**
Total equity and liabilities	**30,213**	**28,247**

STATEMENT OF INCOME

million €	2017/2018	2018/2019
Net sales	515	581
Cost of sales	(144)	(169)
Gross profit	371	412
General administrative expenses	(589)	(520)
Other operating income	1,830	1,259
Other operating expense	(86)	(183)
Income from investments	476	(2,367)
Net interest	(254)	(166)
Write-downs of financial assets and securities classed as operating assets	(143)	(247)
Income taxes	(26)	5
Earnings after taxes/Net income/loss	**1,579**	**(1,807)**
Profit appropriation		
Net income/loss	1,579	(1,807)
Profit carried forward	1,308	2,004
Transfer to other retained earnings	789	0
Unappropriated income	**2,097**	**196**

Technology and innovations

Innovation strategy

Our research and development efforts are concentrated on the major technological challenges of the future. Key areas are the digital transformation of industry, climate change, the energy transition, and mobility in increasingly densely populated urban areas.

Our global R&D network includes some 4,800 employees at around 90 sites. It is augmented by collaborations with external partners such as universities, research institutes and other industrial enterprises. In the reporting period we registered around 2,500 new patents and utility models. As a result thyssenkrupp's patent portfolio now contains some 22,100 patents and utility models. In the trademark area there were around 220 new filings, including designs, in the reporting year, bringing the overall portfolio to around 9,400 property rights.

Total spending on R&D at the thyssenkrupp Group came to €761 million in the reporting year, a decrease of 3% year-on-year. Adjusted R&D intensity – the ratio of R&D costs to sales excluding trading and distribution – was 2.5%, in line with our target of a sustainable adjusted R&D intensity of around 2.5%.

In the 2018/2019 fiscal year we capitalized development costs of €79 million, compared with €63 million in 2017/2018. The share of capitalized costs in overall R&D costs – the capitalization ratio – rose to 18.8% from 15.3% a year earlier.

RESEARCH AND DEVELOPMENT

million €	Year ended Sept. 30, 2018	Year ended Sept. 30, 2019	Change in %
Research and development costs	348	341	(2)
Amortization of capitalized development costs	37	37	0
Order-related development costs	402	384	(5)
Group[1)]	**787**	**761**	**(3)**

[1)] See preliminary remarks.

Climate protection and energy transition

In line with our climate strategy we pushed ahead with various innovations such as Carbon2Chem and water electrolysis which address emissions of climate-damaging gases. The goal is to reduce thyssenkrupp’s emissions and help our customers achieve the CO_2 neutrality required by the Paris Accord by 2050. This is of particular relevance because sustainable markets in the order of many billions of euros are evolving in this area. For example we produced ammonia from steel mill gases under the Carbon2Chem project. This is the first time worldwide that CO_2 from steel mill gases have been chemically converted into ammonia. Steel mill gases are gases from steel production which in addition to CO_2 also contain nitrogen oxides. Ammonia is one of the basic materials used in the production of artificial fertilizers, with which agricultural land can be farmed more efficiently. Ammonia production is another milestone in the Carbon2Chem project, which is being funded by the German Federal Ministry of Education and Research with around €60 million. In September 2018, thyssenkrupp succeeded for the first time worldwide in producing methanol from steel mill gases. Carbon2Chem is a large-scale project coordinated by thyssenkrupp together with institutes of the Fraunhofer and Max Planck Societies and involving 15 further partners from research and industry. The technology, if implemented on an industrial scale, could make around 20 million tons of the annual CO_2 emissions of the German steel industry economically utilizable. It could also be used in other CO_2-intensive industrial processes, e.g. in the cement industry. Carbon2Chem thus plays a central role in our climate strategy, both in reducing our own process emissions and in reducing CO_2 and other environmentally harmful gases at our customers.

At the same time, we are focusing on a concept for steel that prevents the formation of CO_2 in the production process from the outset. This path will be taken with the help of hydrogen-based technologies. To gather important findings, preparations were made in the reporting year for the injection of hydrogen into blast furnace 9 at the Duisburg-Nord mill. In a test phase limited to four trials, for the first time in the world pulverized coal will be replaced by hydrogen at one of the blast furnace’s tuyeres. Applied to all the blast furnace’s tuyeres, the process has a theoretical CO_2 reduction potential of 20%. The state of North Rhine-Westphalia is funding this pioneering work to the tune of around €1.6 million as part of the state initiative In4Climate.

The new second-generation Oxyfuel process developed under our climate strategy enables the simple capture and utilization of CO_2 through the use of pure oxygen in the manufacturing process of cement plants. The required oxygen can be produced on a sustainable basis through water electrolysis. The hydrogen produced simultaneously during water electrolysis can be used to further process the CO_2 into useful chemicals, e.g. methanol.

Digitization

With digital services for the chemical, fertilizer, mining, cement and steel industries, we offer our customers sector-specific solutions to increase their productivity and equipment availability. Data analytics offers great opportunities, especially for the operation of large-scale plants. For example we are currently developing applications that make it possible to run plants at their optimum operating point at all times. In this way, the costs of consumables and supplies can be significantly reduced and production volumes maximized. With our “digitized expertise” we combine algorithms that make it possible to predict product quality without having to wait for laboratory results. The technology can also be retrofitted in existing plants.

In the materials sector we pressed ahead with the digitization of the supply chain in the reporting year. One particular focus was the introduction of a flexible IT infrastructure to allow smart and agile control of processes along the supply chain: “DESCA” (Digital Extended Supply Chain Accelerator) shortens order lead times and at the same time paves the way for new supply chain services – including for example real-time information on delivery status, which customers can access via an app. At the same time, the system, which is based on SAP HANA, creates the prerequisites for machine learning. For this, DESCA consolidates data from procurement, logistics and sales in a pool, where they are processed by “alfred”: This artificial intelligence system, introduced at the beginning of 2019, processes information in seconds and uses it to develop recommendations for process optimization. With the introduction of AI we are further raising our level of service in the materials sector.

Also new at thyssenkrupp is the App Factory, a team specializing in the development of apps that make processes more efficient and customer-oriented. It combines the know-how on mobile apps previously available in various parts of the Group. Employees can contact the app experts with their needs and ideas. There they are supported in every step through to going live. Current examples of the App Factory’s work are an app that accelerates the spare parts business for tracked vehicles and an app for ordering processed metal products. The apps are available for users in the app stores for IOS and Android devices.

We launched the Smart Steel Pioneers program to further advance the digital transformation in the steel business: It gives employees with new ideas for digital solutions, methods or business models the opportunity to develop their projects in a start-up environment – i.e. without fixed structures or hierarchies. They relocate their workplace for six months to the Betahaus in Berlin, a co-working space especially designed for start-ups. To take part in the program, employees apply to the Digital Acceleration Office, the steering committee for digital topics in the steel business. The Smart Steel Pioneers report to the same office every six weeks and present their results and financial needs for further steps.

oXeanseeker is a new underwater system for sustainable fishing. It can identify the composition of shoals of fish much more accurately than is possible with conventional technologies. This reduces bycatch, i.e. the number of unintentionally caught fish. Under current legislation, bycatch counts towards fishermen's catch quotas, reducing their profits. oXeanseeker is a self-steering mini submarine equipped with sonar, camera and lighting. The fish species making up a shoal are identified by a neural network. After surfacing, oXeanseeker sends the results to the mother ship via WiFi. In addition, the mini submarine is equipped with a GPS (Global Positioning System) receiver. With the help of the oXeanseeker data, fishermen can tell the composition of a shoal and the size of the individual fish before they head for it. oXeanseeker was created in the thyssenkrupp garage. The aim of this in-house innovation format is to make the Group even more agile and innovative by developing radically new product and service ideas to market readiness as quickly as possible. Employees can invest half of their working time in a start-up project for six months, with their normal work continuing on a part-time basis. We also support promising ideas financially.

Sustainable mobility

In the automotive sector, one focus of development work is to integrate chassis components with a higher-level interface to control vehicle dynamics. Software engineers at thyssenkrupp are developing an integrated control module (vehicle motion control) that bundles information from the individual control units (actuators) in the vehicle. It processes steering, braking, shock absorber and drive impulses to create a coordinated driving strategy. Such an interface for controlling vehicle dynamics is indispensable for all stages of autonomous driving. It not only performs essential safety-relevant tasks, but can also be adapted to the individual needs and wishes of the user. This control unit could already be used in today's vehicles and significantly improve the performance of existing assistance systems.

We are also working together with IBM on the future of autonomous driving. thyssenkrupp is contributing its expertise in the field of vehicle dynamics, while IBM is contributing "Watson", a cloud platform that provides various methods of artificial intelligence. In the joint pilot project, data from the vehicle such as speed and acceleration will be sent to Watson and evaluated using AI algorithms. In the long term, for example, this could lead to solutions that can better adapt to the user's personal driving style through machine learning.

Also from thyssenkrupp Garage is carValoo, a new, data-based service that allows comprehensive evaluation of car usage. The new service is aimed at fleet operators such as car sharing providers, car rental companies and leasing companies. Cars with many different drivers often suffer damage that cannot be assigned to a specific user afterwards. carValoo has sensors that record the acceleration and rotational movements of the vehicle in every direction. It sends the data to a cloud platform for evaluation. There, an algorithm trained on the principle of machine learning assesses the information and analyzes driving style and damage situations.

thyssenkrupp Elevator has launched “synergy” and “evolution”, two new product families for low and mid rise buildings, on the European market. They each comprise three models – 100/200/300 – with extensive technical innovations. These include increased efficiency in the use of the shafts and greater overall sustainability.

The synergy 100 and all the “evolution” models meet the highest environmental requirements and have been awarded Energy Label A for low and high traffic volumes (categories 1 and 5). In addition, the environmental product declaration (EPD) for synergy 100 was published in September 2019. Elements such as gearless drive technology, long-life LED lighting and an optional sleep mode for electronic components enable class A energy efficiency.

In Atlanta, construction work has begun on the new Innovation and Qualification Center IQC. The centerpiece of the research unit is a 128-meter tower for elevator testing. It is the highest of its kind in the USA and also holds a leading position internationally. In the tower’s 18 shafts tests will be carried out on new concepts and prototypes. These include TWIN, thyssenkrupp’s unique elevator system with two independently operating cabs in one shaft, and MULTI, the revolutionary ropeless elevator that can also travel horizontally.

Climate, energy and environment

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

www.thyssenkrupp.com > Company > Sustainability > Environment and energy

thyssenkrupp has ambitious targets to reduce greenhouse gas emissions

The Group’s greenhouse gas emissions – scope 1 and 2 emissions as per Greenhouse Gas Protocol – amounted to around 23 million tons in the reporting period.

We have been working for many years to systematically improve energy and climate efficiency in our production and we work with our customers to develop efficient solutions for the reduction of greenhouse gases. The success of our climate efforts is also confirmed externally on a regular basis. In the reporting year thyssenkrupp was placed on CDP’s A list for the third time in a row; that means that CDP considers us a global leader in climate transparency and management.

Named a global leader in climate performance by CDP for the third time in a row.

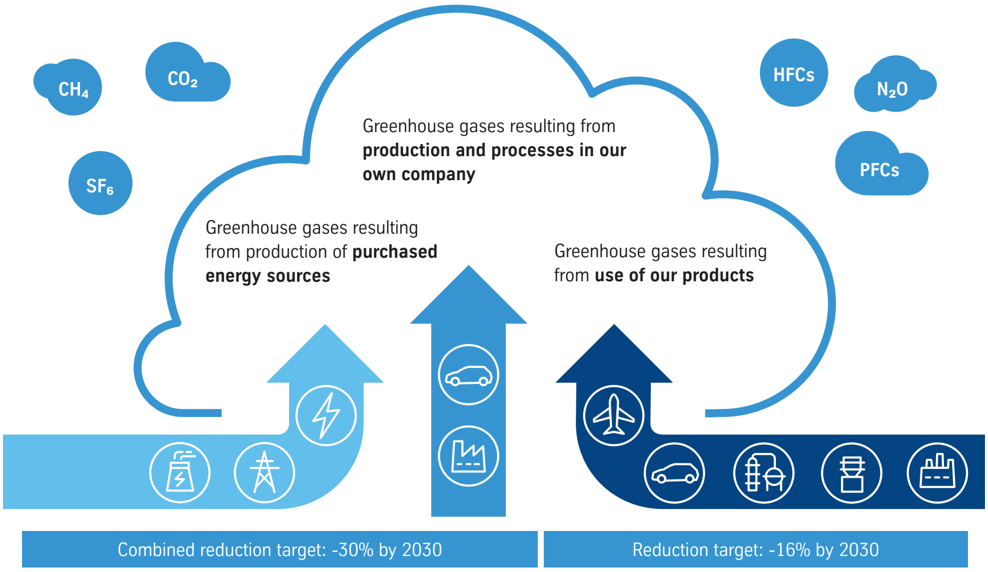
Ambitious climate targets by 2030 in line with Paris Climate Agreement.

In the reporting year we significantly advanced our climate strategy and set ourselves ambitious targets. Our long-term target is to be climate-neutral by 2050. On the path to climate neutrality we have defined concrete milestones: by 2030 we aim to reduce our direct emissions (scope 1) and emissions from the purchase of energy (scope 2) by 30% (base year 2018). Indirect emissions in the value chain, mostly associated with the use of our products, are to be reduced by at least 16%. The Science-Based Target initiative (SBTi) closely examined our targets and officially confirmed that they are in line with the Paris Climate Agreement and with the latest climate science.

Our climate targets will be implemented under our corporate program CAPS (Climate Action Program for Sustainable Solutions): within this program our activities are grouped together in the clusters #IMPLEMENT, #ENABLE and #ENGAGE to create synergies. With regard to the emissions associated with our own production, in addition to improving energy efficiency we are pursuing two main parallel approaches: under the CDA approach (Carbon Direct Avoidance) we aim to replace carbon step by step with hydrogen as a reducing agent in steel production and avoid the production of CO_2; in parallel with this we will pursue a CCU approach (Carbon Capture and Usage) and capture CO_2 and convert it into base chemicals using the Carbon2Chem process developed and tested by our engineers.

To reduce indirect emissions we are also relying on Carbon2Chem for the cement and steel industry; in addition we are focusing on solutions for the use and storage of renewable energies and for sustainable mobility. More information on this is provided in the section “Technology and innovations” and on our website.

THYSSENKRUPP CLIMATE TARGETS UNTIL 2030



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, 2019 more than 60 thyssenkrupp companies were determined as environmentally relevant in line with this Regulation. Of these more than 90% already comply with the required standard. 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

The Group’s energy consumption came to more than 70 terawatt hours (TWh) in the 2018/2019 fiscal year.

Clear increase in energy efficiency through the corporate program GEEP

Energy efficiency has always played an important role at thyssenkrupp. Launched five 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 in the GEEP program of increasing energy efficiency in the Group as a whole by 200 GWh. At 325 GWh we exceeded this goal. Mathematically these efficiency gains enabled us to avoid around 100,000 tons of greenhouse gas emissions. The goal for the current fiscal year 2019/2020 is to achieve efficiency gains of 150 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 of the corresponding Group companies, measuring energy flows and optimizing organizational and technical processes. At September 30, 2019 this applies to over 50 companies in the Group; at the end of the reporting year all relevant companies already comply with the standard. In terms of energy consumption this means that more than 90% of energy management activities at thyssenkrupp are covered by the ISO 50001 standard.

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

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

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.

www.thyssenkrupp.com > Company > Procurement

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 3% to €26 billion. Materials expense as a percentage of sales came to 63% (prior year: 62%). Depending on business model, the percentages of the business areas ranged between 37% (Elevator Technology) and 84% (Materials Services). The following table shows the materials expense of each business area in absolute figures:

63%

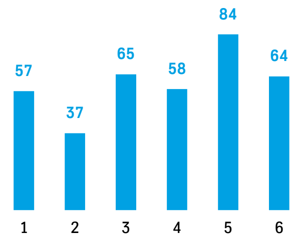
Materials expense as a percentage of sales came to 63%.

MATERIALS EXPENSE

million €	Year ended Sept. 30, 2018[2]	Year ended Sept. 30, 2019	Change in %
Components Technology	3,738	3,938	5
Elevator Technology	2,704	2,908	8
Industrial Solutions[1]	2,358	2,591	10
Marine Systems[1]	702	1,051	50
Materials Services	12,190	11,684	(4)
Steel Europe	5,876	5,818	(1)
Corporate / consolidation	(1,877)	(1,625)	13
Group[1]	**25,690**	**26,365**	**3**

[1] See preliminary remarks.
[2] Prior-year figures have been adjusted due to the adoption of IFRS 15.

Materials Expense of the business areas
as % of sales 2018/2019



1	Components Technology	57%
2	Elevator Technology	37%
3	Industrial Solutions	65%
4	Marine Systems	58%
5	Materials Services	84%
6	Steel Europe	64%

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.

A core element of "synergize+" is strategic cluster management, which consolidates purchasing volumes across businesses, regions and functions. Another key element is "supply market intelligence" – in-depth procurement market analyses for example on suppliers or general product cost structures. Roughly 50% 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 targeted measures to strategically utilize the respective procurement markets.

In order to efficiently support and further develop the Groupwide procurement organization, we are currently pressing ahead with the digitization of purchasing; as part of this, purchasing processes are also being standardized. Step by step we are using our uniform online procurement platform with its five modules (sourcing, contracts, supplier, catalog and exchange) for the entire Group. Digital tools include online tenders, auctions and catalogues, but also such innovative elements as digital signatures (e.signing) for efficient contract signing and digital bots for repetitive input of mass data. The purchasing platform will also be integrated into local ERP systems – this will gradually interlink our strategic and operational purchasing processes. We expect considerable efficiency gains from the roll-out of standardized and digital processes throughout the Group.

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, 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. Each year we carry out sustainability audits at at least 100 suppliers to check they comply with the above principles and consistently meet our requirements; this process is part of our strategic supplier management. We select the suppliers to be audited on the basis of standard Groupwide risk criteria for specific countries and sectors and in close cooperation between the business areas and Corporate. Where necessary, improvement measures are agreed during the audits and then followed up. In this way we support supplier development and reduce our risks and possible negative impacts along the supply chain. More than 140 sustainability audits were carried out in fiscal year 2018/2019. Important themes were working hours, occupational safety and the documentation of business processes.

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

Employees

Employees in figures

On September 30, 2019 thyssenkrupp employed 162,372 people worldwide, 1,276 (+0.8%) more than a year earlier. Components Technology registered an increase of 483 employees (+1.4%), reflecting additional customer projects and the ramp-up of plants above all in Asia, North America and Eastern Europe. The headcount at Elevator Technology remained largely unchanged (+0.1%). Industrial Solutions increased its workforce by 345 (+2.2%), mainly the result of the build-up of resources for major projects in chemical plant engineering, for example in Hungary. New jobs were also created in the growing service segment, particularly in South America. The increase was partly offset by a reduction in employees among other things with the winding down of a major cement plant project in Saudi Arabia. At Materials Services the number of employees was up by 67 (+0.3%). A sharp increase above all in North America due to continued growth in project business for supply chain services and in the aerospace business was offset by various effects: mainly restructurings and reorganizations in Europe as well as recruitment restraint. At Corporate the workforce decreased by 396 (9.8%), mainly in connection with the carve-out of Steel Europe. To prepare the planned joint venture with Tata Steel Europe, employees transferred from various Group companies to the Steel Europe business area. Mainly for this reason and due to the establishment of new companies in the same context, the headcount at Steel Europe was up by 514 (1.9%). Also, under a general company agreement, apprentices were no longer hired under temporary agreements with the temporary employment company PEAG, but employed directly by thyssenkrupp Steel Europe AG. At Marine Systems the number of employees increased by 195 (3.4%) year-on-year. The order backlog remains high and at the same time there is an increased need for personnel to work on the projects.

www.thyssenkrupp.com > Company > Sustainability > Employees

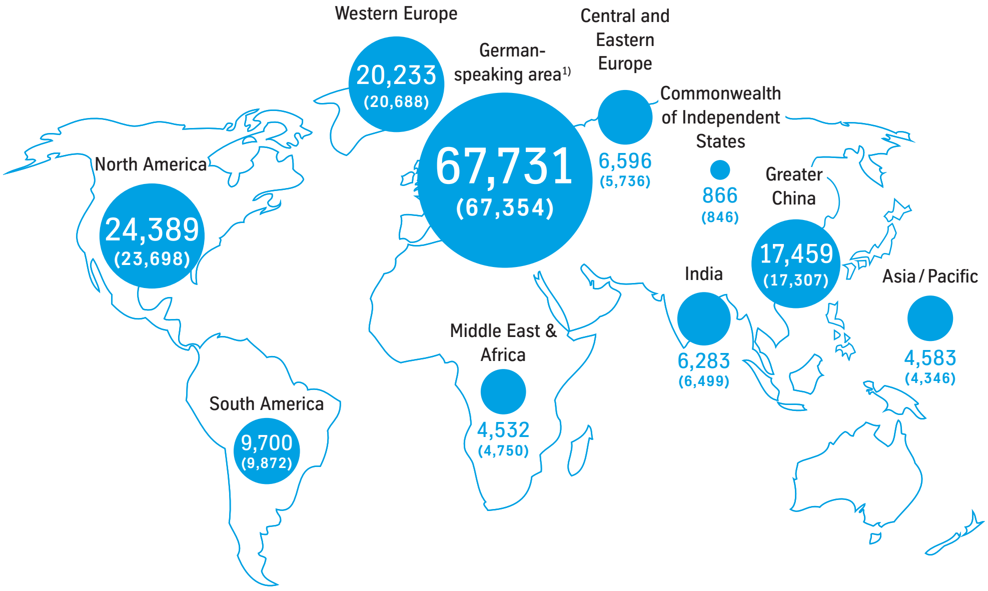
EMPLOYEES

	Sept. 30, 2018	Sept. 30, 2019	Change in %
Components Technology	34,481	34,964	1
Elevator Technology	53,013	53,081	0
Industrial Solutions[1]	15,717	16,062	2
Marine Systems[1]	5,818	6,013	3
Materials Services	20,273	20,340	0
Steel Europe	27,764	28,278	2
Corporate	4,030	3,634	(10)
Group[1]	**161,096**	**162,372**	**1**
Germany	63,271	63,752	1
Other countries	97,825	98,620	1

[1] See preliminary remarks.

EMPLOYEES BY REGIONS

(prior-year figures in brackets)



[1] Germany, Austria, Switzerland, Liechtenstein combined; in Germany 63,752 (63,271)

Safety and health – a question of culture

thyssenkrupp stands for a culture of openness that creates good conditions for occupational safety and health. Key to this are common-sense rules and convincing processes which we all follow – these empower each of us to make the right decisions in our daily work. We take care of our employees and give them all the support they need. “Safety first” is not an empty phrase – we see it as our human responsibility and a non-negotiable core value. We also have an economic rationale, because companies with a living safety and health culture are often more successful in business; for example this culture benefits our employer brand. The specifications are developed by teams of experts including safety engineers, psychologists, medical professionals, lawyers, personnel and health managers. Implementation is the job of the entire organization.

At 2.6, our accident frequency (number of accidents per 1 million hours worked) is currently the lowest we have ever achieved. The number of fatal accidents also decreased slightly, from four in the prior year to three in fiscal 2018/2019.

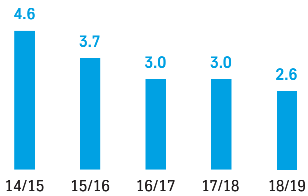
We want to work together to systematically eliminate unsafe conditions and potentially dangerous activities – for this we expect our managers to take particular responsibility. We want to identify safety weaknesses, health hazards and mental workload risks – increasingly also at subcontractors – and discuss how we can make targeted improvements. We implement improvement ideas and monitor their effect. We have completely revised our contractor management process in our current "Occupational Safety and Health Management Manual". It is now more strongly focused on continuous improvement. We have also set out criteria which make it possible to assess the performance of our contractors in terms of occupational safety.

Developed in-house, the "thyssenkrupp life" app aims to simplify safety and health management processes. With the involvement of top executives, we investigate accidents and high-potential incidents (incidents that could lead to fatal accidents or serious injuries); from this we develop tips and advice which are made available on the app. We use the app in internal communications so that everyone can learn from our findings.

Since 2011, Thyssenkrupp Academy's program "Pathways to a new thyssenkrupp Safety Culture" has offered employees across the world support with the use of self-evaluations and incident analyses. Managers, safety professionals and employees work together on improvements, regardless of rank and position. Accidents and unsafe situations are discussed without fear in an open atmosphere, conflicting views and assessments are explicitly allowed. South America is the first region in which we are taking the program a step further, from analysis ("Discovering Pathways") to intervention ("Navigating Pathways"). Teams look for situations or activities they want to make safer. There are no standard Group solutions, instead experts guide the teams to develop made-to-measure local solutions themselves. Even if they do not succeed straight away – the success factors become visible in the process. Overall the stepwise implementation of findings will gradually improve the safety culture at thyssenkrupp.

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. This year we focused on recurring challenges: How do we prevent ourselves and others from falling into typical behavioral traps? How do we manage to resist our initial impulse and *not* take the easy short-cut or break the rules? Are we even aware that we talk down risks or fail to speak up because we're worried about negative consequences, even though we ought to address unsafe conditions? Employees from 44 countries took part in the campaign, submitted personal stories, shared hundreds of photos with personal messages, and reported on how they had discussed behavioral traps in workshops and how they intend to apply their findings in their daily work. In this connection we present an annual "we care" award for outstanding initiatives around the world that inject new impetus into our Company's work and safety culture and help anchor it more firmly in our organization.

Accident rate
Number of occupational accidents resulting in lost time ≥ 1 day per 1 million hours worked



Addressing mental workloads remains a key focus. An initial status check in Germany showed that we are on the way to achieving our targets. Further important health initiatives we are working on include: nutrition, exercise, stress management, addiction prevention, screening programs, and other non-work-related health risks. On average the sites organized personal health promotion activities in 3.2 out of six topic areas, compared with 2.3 in fiscal year 2014/2015 when our first survey was conducted.

In addition, an increasing number of employees have access to professional psychosocial support: in the last survey 71.9% of organizational units stated that they run Employee Assistance Programs (EAP) – compared with 63.5% in fiscal 2014/2015. These programs are particularly well established in North and South America and some locations in Europe.

Our first-aider ratio target of 10% has been exceeded for many years. Currently 21.9% of employees are trained in first aid. We aim to maintain this high level.

HR strategy: organization and leadership moving forward

Our HR strategy is based on our corporate strategy. It reflects the wide-ranging requirements the businesses have to meet to perform at their best. The realignment of the Group in the reporting year placed high demands on the core competencies of our HR work. In particular the HR department is closely involved in the structuring of the organization as a whole, one focus of which is the development of the target HR model and an appropriate HR organization. A suitable leadership and organizational model is essential for the effective implementation of business strategies. In all this it is particularly important to us that management and employee representatives work together as partners to develop sustainable solutions taking in different viewpoints. The aim must always be to protect the interests of both the company and the employees.

€10.1 bn

personnel expenditures
(prior year: €9.6 billion)

We focus at all times on concrete questions of work organization: we want leaders to share responsibility, and employees to take on responsibility. We want to offer our employees excellent training, interesting tasks, and tailored career support. This also includes working-time models to suit the different phases in people's lives.

To us good leadership 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 communicate the company's values.

Attracting the right people quickly and efficiently

thyssenkrupp goes all out to win the best and above all the right people for the company. To improve the speed and efficiency of our recruiting processes in key markets where demand is high, the centrally managed Global Functional Team Sourcing & Recruiting (GFT S & R) has been operating in China, Germany and the USA since 2017. On the basis of globally consistent recruitment processes, qualification standards and KPIs, and using a unified IT system, the team has established and embedded uniform standards in the area of sourcing and recruitment.

In the reporting year we continued the prior year's positive trend with further cost reductions and quality improvements. In the three countries in which GFT S & R actively operates, expenses for headhunters were substantially reduced by a further 42%. In parallel with this, the expansion of our own active sourcing capacities proved beneficial.

Improvements on our already high standards were confirmed by several pleasing achievements. In 2019 we once again rose one place in the independent global ranking "Potentialpark – Online Talent Communication": to number 2 in Germany and number 1 worldwide. This leading position is expected to further strengthen thyssenkrupp's employer brand. Also in the reporting year thyssenkrupp received the prestigious HR Excellence Award in the "Marketing for apprentices" category. Further verification of the consistent satisfaction of our job applicants is our Net Promoter Score (NPS), a metric assessed monthly by the GFT S & R team. Based on a standardized questionnaire, it measures the potential willingness of job applicants to recommend thyssenkrupp to others. For the 2018/2019 fiscal year we achieved an average NPS of 57 in the USA, and 52 in Germany.

Following the success of the GFT S & R in China, Germany and the USA, this principle is to be rolled out to further countries in the coming fiscal year.

Training tomorrow's skilled workers

Training young people is a top priority at thyssenkrupp. In the reporting year we had 3,100 apprentices (prior year: 3,162) in 63 different occupations, mostly in Germany but also many in other European countries. In Germany the apprentice training rate – the ratio of apprenticeship places to the total workforce – was stable at 4.9% (prior year: 5.0%). thyssenkrupp offers apprentices the option of a classic apprenticeship or an integrated degree course. Collective agreements ensure consistent high quality standards for integrated degree courses.

Number of apprentices: **3,100**

Number of apprenticeship occupations: **63**

Talent management, learning & transformation

Offering our employees attractive career prospects and meeting the workforce requirements of the global organization is the core mission of our talent management program. For this we use firmly anchored feedback and development processes for all employees as well as specific talent pools and development programs for various target groups in the company. We systematically identify employees with exceptional skills in the early phases of their career, actively approach them and offer them development opportunities. In this way we empower our best talents to contribute directly to the success of the company and at the same time promote diversity in key positions.

With the "tk Talents" program we are rolling out these processes and structures worldwide. In fiscal 2018/2019 we identified more than 1,700 new talents. 23% of them are women – significantly higher than the share of women in the total workforce. We are therefore optimistic that we will achieve our target for the proportion of women in leadership positions (see below) in the medium term.

With the “Job Swap” program we offer employees the chance to use the advantages of our diverse organization for their personal development. 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 interpersonal understanding and cross-unit collaboration at thyssenkrupp. Employees can search for a job swap partner using a matching platform; feedback apps and other online tools are used to support our modern and efficient talent development.

thyssenkrupp Academy: focus on digitization of businesses

The thyssenkrupp Academy is driving the Group’s transformation with its strategic and cultural learning programs. The aim is to achieve operating excellence and strengthen leadership styles and skills. In the 2018/2019 fiscal year the Academy focused on programs and training to promote our digital transformation. In addition a digital learning library was introduced which is available at low cost to all the Group’s employees worldwide as a more individual and flexible way of learning.

Our “L & T Home Base”, a virtual home for all the Group’s learning and transformation management experts, was steadily expanded to include features such as new learning instruments and digital information events as well as access to a network of internal and external L & T experts.

Flying the flag for inclusiveness and diversity

thyssenkrupp employs around 162,000 people from 149 nations. We foster a culture of equal opportunities, trust and mutual respect. As part of our open and inclusive working environment, we offer different working time models, childcare services (daycare center, parent/child office, famplus), various networks, and promote the company’s open-minded approach. 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:

- Increasing the number of women in leadership positions, helping men as well as women balance family and work commitments – these are key goals of our diversity management. Currently around 15.4% of our employees are women (prior year: 15.3%), and we aim to fill at least 15% of our leadership positions with women by 2020 (at September 30, 2019 the share was 12.6%, up from 12% a year earlier). To this end we focused in the reporting year on level 2 management appointments. Among other things we conducted interviews with women currently in level 2 positions to discover what challenges they face. We systematically document and analyze cases where women are not selected. In this way we aim to prevent potential discrimination.
- We visibly support the LGBTI community. One of the most prominent events for flying the flag for diversity is the annual Christopher Street Day (CSD) parade in Cologne: in 2019 we took part for the third time with our own float – and more than 200 people. In Essen, too, thyssenkrupp had a booth at the CSD event. In May we also organized and held our first “DiverseCity” event in cooperation with the city of Essen, innogy SE and Völklinger Kreis. Under the motto “Diversity in Essen”, this community discussion attracted around 200 participants.

Share of women: **15.4%**

Share of women in leadership positions: **12.6%**

Share of women in talent pools: **23%**

- Now in its second year, thyssenkrupp Senior Experts GmbH is proving a success. Our senior experts are retired experts and executives from the Group who are prepared to work on a project for thyssenkrupp for an agreed period. With decades of experience and knowledge of the specific needs of our businesses, these women and men are employed as representatives, project leaders, advisors and coaches. This allows us to keep expertise in the company and support the success of projects. Senior Experts GmbH acts as employer and takes care of contractual arrangements and pay. As of September 30, 2019 the pool numbered more than 250 former employees (prior year: 130). In the fiscal year more than 120 contracts were signed for assignments in the Group (prior year: 60).

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 2018/2019 fiscal year focused on three main tasks:

- the final implementation of our Compliance 2020 Strategy,
- the continuous implementation of the data protection compliance management system in accordance with the General Data Protection Regulation (GDPR),
- competition-law support for portfolio measures.

Compliance firmly embedded in our corporate structure

www.thyssenkrupp.com > Company > Compliance

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. 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.

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 was and 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. Further Compliance 2020 Strategy measures were implemented in the past fiscal year. Ongoing measures will be integrated into the compliance strategy to be developed for the Group as it changes with the strategic realignment. 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

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

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.

With the EU General Data Protection Regulation (GDPR) having come into force in May 2018, data security was a particular focus of our compliance work in the past fiscal year. We worked intensively on process improvements, fine-tuned our organizational structure, and supported our Group companies throughout Europe with implementation of the requirements. In the business units around 267 functions are now established as data protection officers and data protection coordinators. A new e-learning module provides the relevant target group throughout the organization with all important information on data protection. Altogether 28,000 mandatory participants registered for this training module in the past fiscal 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 planned joint venture with Tata Steel Europe as well as other M & A activities, also in connection with the strategic realignment of the Group.

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 over 4,800 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. With the compliance e-learning program in purchasing and the new data protection e-learning program, a total of more than 133,000 courses, net of disposals, were completed by the end of the fiscal year.

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

- “Report & act”: As well as our regular reports to the Supervisory Board and Audit Committee, our intensive compliance reporting covers all levels of our organizational matrix: Executive Board of thyssenkrupp AG, business area boards, Group company managements, and regional officers and project managers with market responsibility. In the event of proven infringements, our “zero tolerance” policy applies: 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 tasks structurally in line with 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.

Up to the end of the 2018/2019 fiscal year, the Chief Compliance Officer, who is responsible for the compliance program, reported directly to Dr. Donatus Kaufmann, the dedicated Executive Board member responsible for Compliance since 2014. Effective October 1, 2019 the Chief Human Resources Officer (CHRO) of thyssenkrupp AG is now responsible for Compliance.

>75

thyssenkrupp has more than 75 full-time compliance employees.

Selected official investigations

- thyssenkrupp Steel Europe AG and other steel companies are/were the subject of investigations into alleged cartel agreements relating to the product groups heavy plate and flat carbon steel. In the case of flat carbon steel the proceedings have now been dropped. In the last fiscal year thyssenkrupp decided to recognize a provision in the consolidated financial statements. Based on very advanced talks with the Federal Cartel Office, thyssenkrupp still expects to be able to conclude the heavy plate case by mutual agreement in the near future. The associated increase at March 31, 2019 in the provision recognized at the end of the last fiscal year to the amount of the expected fine will impact net income for the year in the amount of slightly over €100 million.

350

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

Overview of non-financial disclosures

The full non-financial disclosures pursuant to §§ 289b ff. and §§ 315b ff. 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 crosscutting 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 Climate, energy and environment 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 employee issues, 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

2019/2020 forecast

In connection with the strategic realignment “newtk”, Components Technology was refocused purely on automotive business effective October 1, 2019 and will be renamed Automotive Technology; a new addition to the business area is System Engineering which develops among other things production lines for the auto industry and was part of Industrial Solutions up to September 30, 2019. The bearings and forged technologies businesses have been removed from Components Technology. In the future the two units will report under the name Industrial Components. Industrial Solutions is to be renamed Plant Technology; this will comprise our chemical plant, cement plant and mining equipment businesses. The administrative units of Corporate and the regions will be presented as Corporate Headquarters. The Service Units and Special Units will be shown separately.

Overall assessment

In fiscal 2019/2020 we will intensify our restructuring and improvement measures in our businesses and at Corporate, which will also be reflected in our financial performance indicators.

Sales and earnings in large parts of our materials and components businesses may be subject to short-term fluctuations, driven in part by raw material prices. For these businesses in particular, the economic conditions are currently very uncertain. Against this background reliable sales and earnings forecasts for a full fiscal year are only possible to a limited extent.

The uncertainties surrounding the economic conditions arise among other things from:

- 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
- the high overall indebtedness in some EU states which could cause significant uncertainty on the financial markets. This could limit the willingness of banks to lend to businesses and private households with negative consequences for investment activity and consumer spending.

- 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 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 structural transformation in the auto industry (changing mobility patterns, different powertrain technologies, digitization) which could be slower than expected if there is a sharper global downturn

Key assumptions

For 2020 we assume slightly weaker growth in the euro zone and slower GDP growth in China, while the momentum in the emerging countries overall is expected to pick up slightly. For the USA we expect lower but still relatively solid growth.

We currently expect a further slight decline in global production of cars and light trucks in 2020, though this is subject to high uncertainties. The Western European and North American markets will likely stabilize at a lower level in 2020. In the world's biggest market China, stabilization at a significantly reduced level is possible. For our businesses we see growth opportunities from the ramp-up of new plants and projects also for increasing deliveries of our electromechanical steering systems. This will be supported by efficiency measures, mainly in the area of steering systems.

In 2020 demand for our slewing bearings from the energy and wind sector is expected to remain high particularly in China and North America, also due to pull-forward effects as incentive mechanisms near an end. However, the industrial markets are experiencing a slowdown, marked above all by political uncertainties. Overall we anticipate a sideways movement in demand for our bearings in 2020. After a peak in 2018, the cyclical downturn in demand for construction machinery components will continue in 2020. The global market for >6t trucks is expected to show a decline overall, reflecting a continuing return to normal from a very high market level in China and a cyclical downturn in Class 8 trucks in NAFTA. In the industrial components area too, continuous measures are being carried out to reduce costs and increase efficiency.

At Elevator Technology the high order backlog for new installations and modernization orders as well as the attractive portfolio of service contracts ensure that planned sales are already 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 will be supported by continued solid construction activity expected in China, the USA and Europe

At Plant Technology we expect an improvement in orders and sales from the focus on smaller and medium-size projects and service business. As part of the realignment of our engineering operations, the businesses are to be given greater decision-making authority in the future with the aim of strengthening operating business. The reintegration of service business into the business units and the significant streamlining of headquarters will simplify organizational structures at Plant Technology to enable faster decisions and reduce costs. The aim is to position ourselves much closer to the market so that we can serve our customers better and faster in the future.

In the surface vessel area at Marine Systems we have been nominated as preferred bidder in a consortium with Embraer for a frigate program in Brazil. We expect to close a contract for this order in the current fiscal year. After introducing a simplified organizational structure, we are working hard on comprehensive performance improvements along the entire value chain and expect positive effects on the quality of earnings for the full project portfolio.

Global steel demand, which is important for our materials businesses, will grow more slowly as overall economic growth prospects remain subdued and risks remain high. Visibility is extremely low and downside risks predominate. The growth of the Chinese steel market will slow significantly, with an increase of around 1% forecast. In the industrialized countries growth in steel demand will at best be muted. For the USA an increase of less than 1% is expected. In the EU and Germany we predict a rise of around 1% and 2%, respectively, which in each case represents a moderate recovery from a low prior-year baseline. Against the background of continued global overcapacities and rising protectionism, import pressure on the European steel market is likely to remain high. We assume the raw materials markets will ease but at the same time competition will remain intense amid continued oversupply on the steel markets.

At Materials Services we will continue to drive the digitization of our business processes and distribution channels in order to increase productivity and efficiency throughout the value chain and systematically pursue our omnichannel approach. This will involve increased use of our AI platform "alfred" to optimize transportation routes and logistics flows, the further rollout of our ultra-modern ERP platform, and the expansion of the e-commerce functionalities of our B2B portal. A further focus will be on the optimization of operating processes and targeted measures to improve quality in the process chain. In addition, structural adjustments to the organization and methodology of work processes at head office will help speed up decision-making processes, reduce complexity, and lower costs.

At Steel Europe we expect to see initial effects from the newly developed strategy and performance program in the current fiscal year.

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

2019/2020 forecast: cautious outlook overall for the fiscal year marked by limited visibility and increased restructuring

Against the background of the economic and geopolitical uncertainties described above, the limited visibility and reduced planning reliability this creates particularly for our more cyclical businesses with materials and car and truck components, we feel it appropriate to offer a cautious outlook overall for the 2019/2020 fiscal year.

In connection with the implementation of “newtk” we will continue and intensify measures to develop and restructure our businesses. The level of restructuring expense in individual fiscal years will depend in part on the speed achievable in the restructuring of the businesses and the Group.

The following forecast is based on the assumption that Elevator Technology is a fully consolidated company.

Due to the reorganization of business units, the prior-year figures for Automotive Technology, Industrial Components, Plant Technology and Corporate have been calculated on a simplified basis, i.e. without reconsolidation.

Subject to the factors described above, **sales** are expected to increase in the low single-digit percentage range (prior year: €42.0 billion); we see growth opportunities in parts of our capital goods businesses.

Subject to the factors described above, we expect **adjusted EBIT** to be level with the prior year (prior year: €802 million), reflecting overall progress in the capital goods businesses and generally weaker earnings in the materials businesses.

- At **Automotive Technology** we expect adjusted EBIT to recover to a positive level (prior year: pro forma €(22) million) based on an increase in sales in the mid-single-digit percentage range (prior year: pro forma €5.4 billion) and a return to a positive margin (prior year: pro forma (0.4)%). This will reflect in particular the further ramp-up of new plants and projects for steering systems and camshaft modules, supported by efficiency and restructuring programs. Earnings will be impacted by the continued negative contribution of Springs and Stabilizers; while System Engineering is aiming for an improvement, earnings will remain negative.
- At **Industrial Components** we anticipate a moderate decline in sales and earnings (prior year, pro forma sales: €2.5 billion, adjusted EBIT: €230 million), with increased sales of bearings and continuous cost and efficiency measures unable to fully offset the cyclical downturn in crankshafts (particularly truck) and construction machinery components mainly in Europe and North America.
- At **Elevator Technology** we expect a currency-adjusted sales increase in the low to mid-single-digit percentage range (prior year: €8.0 billion). Including the additional costs of €20 – 30 million expected to be incurred in the future for the carve-out of Elevator Technology, we forecast adjusted EBIT margin of between 11.0% and 12.0%. On a comparable basis, this corresponds to higher or at least stable adjusted EBIT margin (prior year: 11.4%; taking into account these additional costs expected in the future 11.1%) – supported by restructuring and efficiency measures.

- At **Plant Technology,** depending on order intake, we expect significant sales growth (prior year: pro forma €2.9 billion), with adjusted EBIT clearly improved but still negative, supported by cost measures also in the administrative area, improvements in project execution, and growth in high-margin service business (prior year: pro forma €(145) million).
- At **Marine Systems** we expect sales to remain stable. As a result of cost measures, improvements in project execution, and higher earnings contributions from new projects, we anticipate slightly positive adjusted EBIT (prior year: €1 million).
- At **Materials Services**, with currently limited visibility and ongoing measures to secure earnings, we forecast largely stable adjusted EBIT (prior year: €107 million).
- At **Steel Europe**, with currently limited visibility and despite ongoing measures to secure earnings, we expect negative adjusted EBIT (prior year: €31 million), with earnings impacted by the continuing negative contribution of heavy plate.
- At **Corporate Headquarters**, which comprises the administrative units of Corporate and the regions, costs and adjusted EBIT will be roughly level with the prior year (prior year: pro forma €(252) million).

As part of the implementation of Performance First under "newtk" we will be intensifying our restructuring efforts, and anticipate costs (special items) from this in a mid-3-digit million € amount.

As a result of this and with the absence of positive effects from the prior year, we expect a significantly higher **net loss for the year** (prior year: net loss €260 million).

Capital spending in the current fiscal year is expected to be up from the prior year, among other things due to the adoption of IFRS 16 (prior year: €1,443 million).

As a result of operational improvements, depending on cash inflows from order intake and payment profiles for projects at Plant Technology and Marine Systems, significantly higher expenses for restructuring in the mid-3-digit million € range, and the payment of the anticipated fine in the cartel proceedings at Heavy Plate in the amount of the provisions recognized, we expect **free cash flow before M & A** to be lower year-on-year (prior year: €(1,140) million).

We expect **net financial debt** to increase sharply year-on-year mainly as a result of the cash flow situation and the adoption of IFRS 16 (prior year: €3,703 million). This does not include any proceeds from the Elevator Technology transaction.

As a result of the effects described above, **tkVA for the Group** is expected to be lower year-on-year (prior year: €(1,068) 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 opportunities arise as a result of the strategic realignment of the Group resolved in May 2019. The goal is to significantly improve the Group's performance and create the necessary framework for the businesses to develop optimally and assume leading market positions.

Opportunity management process

In a structured planning process all business areas record opportunities and risks to facilitate assessment of the future earnings and liquidity situation of the individual businesses. In addition to the inclusion of strategic components such as relevant market and technology trends which in some cases remain relevant far beyond the forecast period, management conducts a detailed evaluation and assessment of the opportunities and risks in the budget year. In the subsequent monthly reports the business areas update the opportunities and risks in the current fiscal year to show earnings and liquidity projections in bands. The graphic "Opportunity and risk reporting at thyssenkrupp" in the "Risks" section of this report shows how these elements are integrated into the standard reporting system.

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 are clearly defined and separated. 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

Opportunities will arise for the Group if we can systematically implement our strategic realignment and achieve the desired improvements in the performance of our businesses. To get thyssenkrupp fit for the future we have embarked on a new course with "newtk". In the first phase it is important that we improve our operating performance and create the structural and organizational conditions that will enable us to earn money sustainably. In a second phase we can then develop all our businesses in a way that enables them to achieve leading market positions.

Over the medium to long term we are confident that we are still operating in attractive markets. Our employees are the basis of our success. Our engineering expertise enables us to exploit trends such as digitization, sustainability, urbanization and new mobility. Our strategic realignment gives our businesses greater entrepreneurial freedom, but also greater responsibility. Information on our corporate strategy and the corresponding opportunities is contained in the section "Fundamental information about the Group".

We use our engineering and materials expertise to develop technological and competitive solutions tailored to current and future customer and market requirements. Our technologies, industrial processes, materials and services enable us to achieve this in a wide range of areas, both in developed countries and emerging markets. Our brand and brand promise play a key role in this; the latter is summed up in our slogan “engineering.tomorrow.together.”

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”.

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 businesses

All businesses have business models that give them operational opportunities in their specific markets.

Automotive Technology – A key factor for the future business performance of Automotive Technology is the development of the global economy and personal mobility. Medium-term forecasts indicate growing demand irrespective of current fears of a recession.

This will create growth opportunities worldwide for us as an engineering partner and a component and module supplier to the auto industry. This applies particularly to the 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 powertrain technologies, we offer our customers state-of-the-art solutions and are working to steadily extend our position. 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 self-driving vehicles. We see growth opportunities here across all vehicle classes.

If the relevant markets and sectors (particularly the automotive markets) or our efficiency and 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.

Industrial Components – The bearings business offers positive growth prospects in particular in both the onshore and offshore sectors of the wind energy market. The trend towards larger systems is driving demand for high-performance components, which we serve via our global production network. If additional national incentive programs are launched, they may enable us to exceed the forecast for our key performance indicators. The same applies if other markets for bearings pick up beyond the level assumed in the planning.

In our global forged technologies business it may be possible to exceed forecasts if the cyclical construction machinery and truck markets perform less negatively than forecast in the planning.

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 tap into new market and customer opportunities around the world.

With innovative products and service solutions we strive to meet the highest technological and ecological requirements of our customers. 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 the defined performance measures to deliver continuous improvements in the efficiency and competitiveness of Elevator Technology.

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

Plant Technology – To further strengthen the competitiveness of Plant Technology and exploit growth opportunities on our markets, we continuously standardize and optimize our products and order execution methods. We will continue to cement our position as a leading partner for the engineering, construction and service of industrial plants and systems in the future by further expanding our innovative and eco-friendly technologies.

In the medium term, opportunities could arise in chemical plant engineering in connection with targeted market entries (for example water electrolysis and methanol) and in the short term in major fertilizer projects. Further opportunities may result from the ongoing expansion of our high-margin service business. We are utilizing the increasing demand for solutions for digitization and the operation of industrial plants to develop new areas of business with new service offerings.

All current initiatives to enhance profitability have been brought together in a wide-ranging performance program. The measures in this program include reducing administrative and material costs and improving project execution.

If the relevant markets and sectors, the effects of our performance program, the business spending of our customers or contract execution turn out better than expected, the forecasts for our key performance indicators could be moderately exceeded.

Marine Systems – The national and international markets for our marine business – in particular conventional submarines and frigates/corvettes – currently offer good market perspectives and opportunities to expand our market position. We counter the typical under-/overutilization of capacities for our business model through a shipyard strategy with flexible production infrastructure and through ongoing process efficiency programs.

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. A higher share of services generally offers Materials Services greater profitability in a materials market characterized by low margins. Opportunities for the business area therefore arise from consistent customer focus, specific market and sector know-how, the systematic expansion of materials distribution, for example through greater standardization of processes and systems across national and organizational boundaries, a global network, and broad and profound expertise in project management.

Growing customer requirements in the area of supply chain management in particular offer major opportunities for Materials Services – for example taking over the management of several suppliers to ensure that the right quantities are delivered to the right place at the right time and in the right quality.

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 systematic further development of the omnichannel architecture: through individual customer portals, interfaces for electronic data exchange, online shops and ordering apps, customers worldwide have 24/7 access to the business area's products and services. Materials Services is continuously driving its digital transformation along the entire value chain: Artificial intelligence is being used to make processes along the supply chain more flexible, for example to better meet specific customer requirements with regard to speed of delivery, pricing or material quality. Through the implementation of state-of-the-art ERP platforms, Materials Services is also shortening order lead times, optimizing warehouse logistics and paving the way for new types of supply chain services. Interconnected collaboration and interactive processes are already routine in many areas – from logistics to warehousing, equipment utilization and purchasing to administration. Materials Services is also working on solutions which could result in new business models. One example is the platform for connecting and digitizing machinery developed in-house and marketed externally through a dedicated company.

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.

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

Steel Europe – The Steel Europe business area is focused on the market for premium flat carbon steel, which depends to a large extent on the performance of the European economy.

Following the blocking by the European Commission of the planned joint venture between Steel Europe and Tata, the changed strategic parameters at Steel are now being re-examined and the businesses reviewed and reappraised in an integrated approach as part of the strategic realignment of the Group. This intensive examination is focused on the market strategy, our production concept and the optimization of our organization. We are taking account not only of the increasingly difficult market environment, but also the challenging political and regulatory conditions for the steel business, particularly in Europe. At the end of this reappraisal process we will be in a good position to respond in a more targeted and efficient way to the increased challenges of the market and better exploit our opportunities.

We continue to view consolidation in the steel sector as a necessity and a great opportunity; we are keeping all options open in this respect.

Irrespective of the strategic realignment we are constantly working to strengthen our technological capabilities. For example, the new hot-dip coating line currently being built at the Dortmund site will enable us to meet auto industry 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.

The increasing digitization of the value chain continues to provide opportunities, both through the increasing connectedness of production and through the ability to develop new digital business models. This potential is being leveraged in various projects. We are also making good progress in the harmonization of our IT infrastructure and more efficient and transparent processes will enable us to act more quickly and flexibly on the market. If the short-term performance enhancement measures defined under the future strategic realignment and the steel market environment perform better than expected and in particular import pressure weakens, Steel Europe could moderately 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 must 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. Further 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 responsibilities of the individual lines of defense are clearly defined. Details of the model can be found in the corporate governance report. All other requirements for the risk management process are bindingly 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 we continually develop them as new requirements arise.

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

The organizational anchoring of corporate risk management in 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 Groupwide 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

We have organized risk management at thyssenkrupp as a combined top-down/bottom-up process. Binding process and 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.

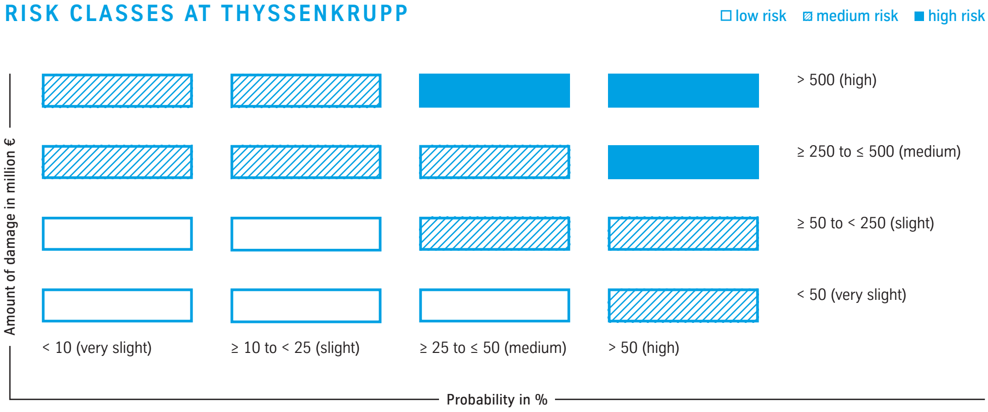
Employees responsible for risk management receive regular training on using the various instruments. We also use our Groupwide web-based IT risk management tool to provide targeted information and training material.

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 grouped in accordance with this system as “high”, “medium”, “low” or “very low”.

RISK CLASSES AT THYSSENKRUPP

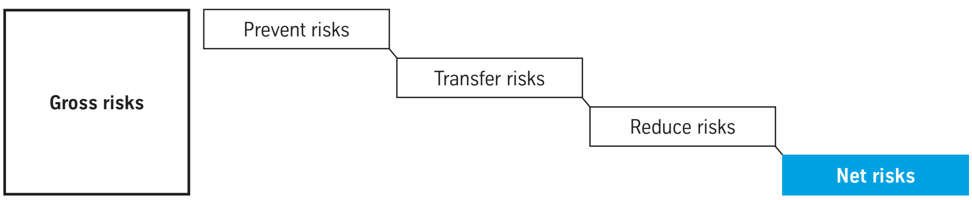


Risk control

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 already realized, effective 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 businesses”.

Risk transfer

The Group’s internal insurance provider manages the transfer of risk.

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 insurer portfolio ensures risks are spread appropriately across the insurance market.

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 reduces process-related risks.

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 managing risks in our business processes successfully.

We are also continuously developing the requirements on the internal control system 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. Internal service providers 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 these categories and provide a risk assessment 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.

The global growth outlook remains marked by major uncertainty. Current risk factors mainly result from geopolitical imponderables: it is unclear whether the trade conflicts will escalate further or how the numerous global flashpoints will unfold. 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.

In Europe, uncertainty over the timing and modalities of "Brexit" could weigh on investment – above all in the UK itself but also in the other countries of the European Union. There are also general financial risks, especially with the mushrooming of debt in numerous industrial and emerging nations in recent years.

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

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. If economic growth is weaker than forecast in the planning as a result of the stated risks, which are in part even higher than in the prior year, or a severe exogenous shock occurs, the individual economic risks for thyssenkrupp would be "high".

We continuously monitor economic development and corresponding country-specific conditions based on wide-ranging early warning indicators. In Groupwide risk scenarios we simulate the impacts of lower growth rates and changed exchange rates on our business models to enable us to take action and minimize risks at an early stage when necessary.

Our current economic assessment is presented in detail in the section “Macro and sector environment”. Further details on specific market risks in our businesses can be found in the section “Operational risks of the businesses”.

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

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

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 in particular for Steel Europe in this connection are described in the section “Operational risks of the businesses”.

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 – To minimize default risks from operating activities and the use of financial instruments, such transactions are only concluded with contractual partners who meet our internal minimum requirements. The credit risk management function defines minimum requirements for the selection of contractual partners. The credit standing information is subject to appropriate, continuous monitoring which permits the credit risk management function to intervene at an early stage to minimize risks. 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. Further details are reported in Note 22.

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 – For the success of our strategic realignment it is important to have an organization in which the businesses can develop optimally. Accordingly, we review what is the right portfolio strategy for our businesses or parts of businesses. In this connection, alongside the planned partial IPO of Elevator Technology, the disposal and acquisition of businesses, partnerships and restructurings within our existing business activities are conceivable, also to a greater extent than in the reporting year. Portfolio measures and restructuring are generally associated with risks; in addition our strategic business units are regularly tested for impairment. The risks identified in this category, which we classify as “high”, 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, which already impacted on the balance sheet in the reporting year. Further decreasing discount rates for pension obligations would result in pension provisions increasing further and weighing even more on equity.

Interest rates continue to fall, representing an accounting risk in connection with the valuation of pension obligations.

Additional 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 violations and corruption, 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 processes 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.

We currently 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 16 and 21.

Compliance risks – We operate a strict compliance program focused on reducing the risks of antitrust violations and corruption 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 violations and corruption.

thyssenkrupp Steel Europe AG, alongside other steel companies, is/was the subject of investigations by the Federal Cartel Office into alleged cartel agreements relating to the product groups heavy plate and flat carbon steel. In the case of flat carbon steel the proceedings have now been dropped. thyssenkrupp already decided to recognize a provision in its consolidated financial statements in the past fiscal year. Based on very advanced talks with the Federal Cartel Office, thyssenkrupp still expects to be able to conclude the heavy plate case by mutual agreement in the near future. The associated increase at March 31, 2019 in the provision recognized at the end of the last fiscal year to the amount of the expected fine will impact net income for the year in the amount of slightly over €100 million.

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 the market situation, procurement prices can vary considerably and impact on our cost structures. Also, suppliers may be lost or transport routes for raw material restricted, which might in turn jeopardize our production and the fulfilment of our 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 specific procurement risks in our businesses can be found in the section “Operational risks of the businesses”.

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 measures 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.

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 dealing with past pollution.

Further details on production risks in our businesses can be found in the section "Operational risks of the businesses".

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. However, the possibility cannot be ruled out that we will not always be able to meet these quality standards. We therefore counter the risks arising from this with extensive measures in connection with production and quality assurance systems and where necessary by setting aside provisions in our financial statements.

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

Order risks – The execution of major contracts involving a high degree of complexity and long project lead times is a core challenge in particular in the plant engineering and marine businesses. Cost overruns and/or delays in individual project phases cannot be ruled out. Individual identified order risks are currently classified collectively as "medium" taking account of risk reduction measures in the reporting year. To minimize these risks we continuously improve our management instruments so that we are aware of the current order status at all times and able to take project-related measures more quickly if required.

For all major orders we check the credit standing of our customers carefully before entering into contracts and 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 as a result of advancing digitization.

The number of attacks 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 expanded 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 – To implement our fundamental strategic realignment successfully, we need dedicated and highly qualified employees and managers in all business units. There is a risk of not being able to find enough key personnel to fill vacancies or losing competent employees in the challenging situation in which the Group currently finds itself. We classify the individual personnel risks overall as “medium”.

thyssenkrupp continues to position 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 businesses

Automotive Technology – From the start of the new 2019/2020 fiscal year, the former Components Technology business area will become a pure-play supplier to the automotive industry. The Bearings and Forged Technologies activities will be reported separately from this date, while the System Engineering business unit will be transferred from Plant Technology. Focusing on the auto sector will make Automotive Technology highly dependent on the performance of the automotive markets around the world. On the basis of current market information, a global recession cannot be excluded here.

Automotive Technology is a global leading player in the powertrain sector among others. This position is jeopardized by the increasing trend towards electrification. For our core markets, following a market decline in fiscal 2018/2019 we expect only reduced growth in all product segments worldwide. This is also subject to major uncertainty. In particular a further slowdown in the 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 further weakening of this market therefore also carries risks. A potential further escalation of the trade conflict between these two countries will increase this uncertainty. To lessen dependency on individual markets Automotive Technology 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 in both the auto components industry and in the automotive system engineering sector. Government trade restrictions such as possible tariffs on automobile exports or auto parts as well as the planned Brexit pose risks. The new Worldwide Harmonized Light Vehicles Test Procedure for fuel/electricity consumption and emissions, which will become stricter in the coming years, also presents a risk of significant temporary production fluctuations at individual customers as a consequence of limited testing capacities.

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.

On the procurement side there are risks that rising raw material prices cannot be passed on in full to customers or only with delays. We counter these risks by framing contracts with customers accordingly. In addition to the price risk there are also increasing risks of disruptions in the supply chain. In particular in the area of procurement in steering system production, supplier insolvencies, poor quality and yield problems may have a significant impact. We counter this risk with systematic supplier management. With regard to ongoing technological innovations and improvements and the ramp-up of numerous new plants, risks from unplanned earnings impacts cannot be ruled out. Newly implemented or modified processes also carry 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. Automotive Technology uses extensive production and quality assurance systems to avoid or limit such risks as far as possible.

The integration of the newly added System Engineering business unit also involves challenges. Like the Springs & Stabilizers business unit, System Engineering has significant operating and structural problems. Here it is important to successfully implement the initiated restructuring measures, irrespective of any further strategic considerations. Corresponding project organizations in the Group and at Automotive Technology are supporting the realization of the measures.

Further general business risks 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, the Swiss franc and the Brazilian real.

Industrial Components – Our bearings business is subject to demand risks in the wind energy sector as a result of dependence on national incentive programs for the expansion of renewable energies. Any disruption of the global investment climate, in particular in the areas of infrastructure and general machinery manufacture, may also jeopardize our current growth targets in these markets. Intense competition and the auctioning of projects may impact prices in the relevant sales markets. We are countering this price pressure with continuous optimizations and efficiency enhancements. To minimize risks we are also investing in extending our technology leadership and optimizing our global production network.

If growth in the cyclical, global construction machinery and truck markets is lower than forecast in the planning, there is a risk that we will not hit our targets in our Forged Technologies units. A moderate risk also exists for the production facility in Nanjing, China if US import tariffs for products from China continue to apply or are even raised further. Further general risks relate to the impact of changing exchange rates on sales and earnings, with regard to both translation and transaction effects, in particular where the US dollar and Brazilian real are involved. Finally, the move towards an energy system dominated by renewables in Germany is creating major challenges for energy-intensive industries and thus for example also our forging facility in Germany.

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 (transaction 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. Elevator Technology is also subject to exchange rate risks from translation effects. These arise in connection with the conversion of local financial statements in countries whose functional currency is not the euro into the reporting currency of the Group.

Accidents cannot be ruled out completely during product installation, maintenance and use. A safety-oriented corporate culture, appropriate employee selection and training programs on safe conduct on job sites (Safety First) minimize the risk of accidents involving our employees. 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.

Plant Technology – Market conditions for chemical plant construction have improved, the market environment for mining products remains good and demand is increasing dynamically in the service sector. However, despite a recent increase in project demand, the market situation in the cement business remains tense.

General economic risks could arise from the escalating international trade conflicts, which could pose a threat to the investment climate. 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 management and the increased use of project management measures. Technological risks are associated in particular with “first of their kind” contracts.

If in addition unexpected delays occur in the implementation of measures from our performance program, these could have negative effects on our key performance indicators.

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.

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 processes and the entire supply chain.

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 digitization activities for materials and services.

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

The production sites of our unit AST are exposed to a risk of business interruptions and production losses. We are countering these risks mainly through preventive maintenance, modernization and investment. If the safeguard measures imposed by the European Union against stainless steel imports from Asia are not effective, price-related risks will arise in particular for AST.

Steel Europe – Our steel business is particularly exposed to the risk of fluctuating demand due to a weakening economy and market distortions/shifts as a result of trade conflicts or protective tariffs. To contain this risk the Steel Europe business area implements customer acquisition measures, ensures appropriate shipments to a range of segments, optimizes costs in all areas 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, enabling the business area to differentiate itself from its competitors. This includes constant optimization of value chains and targeted investment in relevant research and development areas aimed at developing innovative products and customer solutions and bringing them to market quickly. In addition, a quality management system geared to the ever increasing 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. As a result of increasingly frequent extreme weather conditions in the recent past, there is a risk that our starting materials delivered by water will not be available as planned. To avoid any resultant business interruptions, we take a variety of compensation measures where necessary such as moving some goods flows to rail or using additional handling equipment when loading and unloading.

The already implemented strategy of hedging transactions counters the 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), the steel 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. In addition, reliefs aimed at ensuring the international competitiveness of energy-intensive industries are increasingly being restricted, which also jeopardizes planning certainty. 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.

Steel Europe is countering the increasing threat to IT infrastructures presented by internet criminality with risk-reducing organizational, procedural and technical measures to ensure early identification and defense.

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 statement > ezu2018–2019

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, 2019, 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 at September 30, 2019 according to a voluntary notification of October 2019;
- 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 are 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. Most recently the Supervisory Board amended the wording of § 5 following expiry on January 16, 2019 of the authorization to create authorized or conditional capital pursuant to § 5 (5 and 6) of the Articles of Association. The authorization of the Annual General Meeting of January 17, 2014 to issue warrant and convertible bonds and exclude subscription rights also ended on that date.

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 cut-off 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.

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 €6.1 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".

3

Consolidated financial statements

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thyssenkrupp AG – Consolidated statement of financial position

ASSETS

million €	Note	Oct. 1, 2017[1]	Sept. 30, 2018[2]	Sept. 30, 2019
Intangible assets	04	4,813	4,844	5,029
Property, plant and equipment (inclusive of investment property)	05	7,605	7,730	8,144
Investments accounted for using the equity method	06	154	132	128
Other financial assets	11	43	45	39
Other non-financial assets	12	218	246	240
Deferred tax assets	30	1,684	1,288	1,733
Total non-current assets		**14,517**	**14,285**	**15,313**
Inventories	08	6,946	7,359	7,781
Trade accounts receivable	09	4,837	5,163	5,488
Contract assets	10	1,367	1,731	1,443
Other financial assets	11	583	709	808
Other non-financial assets	12	1,923	1,904	1,642
Current income tax assets		220	269	293
Cash and cash equivalents		5,292	3,006	3,706
Total current assets		**21,169**	**20,141**	**21,162**
Total assets		**35,686**	**34,426**	**36,475**

See accompanying notes to consolidated financial statements.
[1] Figures have been adjusted (cf. Note 01).
[2] Figures have been adjusted (cf. Note 01 and 03).

EQUITY AND LIABILITIES

million €	Note	Oct. 1, 2017[1]	Sept. 30, 2018[2]	Sept. 30, 2019
Capital stock		1,594	1,594	1,594
Additional paid-in capital		6,664	6,664	6,664
Retained earnings		(5,402)	(5,606)	(6,859)
Cumulative other comprehensive income		33	83	352
Equity attributable to thyssenkrupp AG's stockholders		**2,889**	**2,734**	**1,751**
Non-controlling interest		515	468	469
Total equity	13	**3,404**	**3,203**	**2,220**
Accrued pension and similar obligations	15	7,924	7,838	8,947
Provisions for other employee benefits	16	354	345	307
Other provisions	16	645	575	554
Deferred tax liabilities	30	113	59	48
Financial debt	17	5,326	5,191	6,529
Other financial liabilities	19	182	157	136
Other non-financial liabilities	20	5	4	6
Total non-current liabilities		**14,549**	**14,168**	**16,527**
Provisions for current employee benefits	16	357	342	357
Other provisions	16	1,320	1,573	1,726
Current income tax liabilities		254	225	260
Financial debt	17	1,930	185	886
Trade accounts payable	18	5,729	6,533	6,355
Other financial liabilities	19	826	784	1,209
Contract liabilities	10	4,866	5,011	4,561
Other non-financial liabilities	20	2,452	2,403	2,373
Total current liabilities		**17,733**	**17,055**	**17,728**
Total liabilities		**32,282**	**31,223**	**34,255**
Total equity and liabilities		**35,686**	**34,426**	**36,475**

See accompanying notes to consolidated financial statements.
[1] Figures have been adjusted (cf. Note 01).
[2] Figures have been adjusted (cf. Note 01 and 03).

thyssenkrupp AG – Consolidated statement of income

million €, earnings per share in €	Note	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019[2]
Sales	24, 25	41,534	41,996
Cost of sales	04, 05	(34,944)	(36,197)
Gross margin		**6,590**	**5,799**
Research and development cost		(348)	(341)
Selling expenses		(2,823)	(2,808)
General and administrative expenses		(2,403)	(2,441)
Other income	26	236	346
Other expenses	27	(373)	(333)
Other gains/(losses), net	28	21	44
Income/(loss) from operations		**901**	**266**
Income from companies accounted for using the equity method		15	9
Finance income		745	697
Finance expense		(1,101)	(1,054)
Financial income/(expense), net	29	**(340)**	**(348)**
Income/(loss) before tax		**561**	**(83)**
Income tax (expense)/income	30	(573)	(177)
Net income/(loss)		**(12)**	**(260)**
Thereof:			
thyssenkrupp AG's shareholders		**(62)**	**(304)**
Non-controlling interest		50	44
Net income/(loss)		**(12)**	**(260)**
Basic and diluted earnings per share based on	31		
Net income/(loss) (attributable to thyssenkrupp AG's shareholders)		**(0.10)**	**(0.49)**

See accompanying notes to consolidated financial statements.
[1] Figures have been adjusted (cf. Note 01 and 03).
[2] Figures have been adjusted (cf. Note 03).

thyssenkrupp AG – Consolidated statement of comprehensive income

million €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019[2]
Net income/(loss)	**(12)**	**(260)**
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	(59)	(1,141)
Tax effect	5	326
Other comprehensive income from remeasurements of pensions and similar obligations, net	(54)	(815)
Share of unrealized gains/(losses) of investments accounted for using the equity-method	0	0
Subtotals of items of other comprehensive income that will not be reclassified to profit or loss in future periods	**(54)**	**(815)**
Items of other comprehensive income that could be reclassified to profit or loss in future periods:		
Foreign currency translation adjustment		
Change in unrealized gains/(losses), net	(100)	236
Net realized (gains)/losses	(2)	1
Net unrealized (gains)/losses	(101)	237
Unrealized gains/(losses) from fair value measurement of debt instruments		
Change in unrealized gains/(losses), net	0	(1)
Net realized (gains)/losses	0	0
Tax effect	(1)	0
Net unrealized (gains)/losses	(1)	(1)
Unrealized gains/(losses) from impairment of financial instruments		
Change in unrealized gains/(losses), net	—	(6)
Net realized (gains)/losses	—	(3)
Tax effect	—	2
Net unrealized (gains)/losses	—	(6)
Unrealized gains/(losses) on cash flow hedges		
Change in unrealized gains/(losses), net	172	1
Net realized (gains)/losses	2	(7)
Tax effect	(58)	5
Net unrealized (gains)/losses	116	(1)
Share of unrealized gains/(losses) of investments accounted for using the equity-method	0	3
Subtotals of items of other comprehensive income that could be reclassified to profit or loss in future periods	**14**	**232**
Other comprehensive income	**(40)**	**(582)**
Total comprehensive income[1]	**(51)**	**(842)**
Thereof:		
thyssenkrupp AG's shareholders	(67)	(898)
Non-controlling interest	15	56

See accompanying notes to consolidated financial statements.
[1] Figures have been adjusted (cf. Note 01 and 03).
[2] Figures have been adjusted (cf. Note 03).

thyssenkrupp AG – Consolidated statement of changes in equity

	Equity attributable to thyssenkrupp AG's stockholders			
million €, (except number of shares)	Number of shares outstanding	Capital stock	Additional paid-in capital	Retained earnings
Balance as of Sept. 30, 2017	**622,531,741**	**1,594**	**6,664**	**(5,401)**
Adjustment due to the retrospective adoption of IFRS 15				(1)
Balance as of Oct. 1, 2017	**622,531,741**	**1,594**	**6,664**	**(5,402)**
Net income/(loss)[1]				(62)
Other comprehensive income				(54)
Total comprehensive income[1]				**(116)**
Profit attributable to non-controlling interest				
Payment of thyssenkrupp AG dividend				(93)
Changes of shares of already consolidated companies				5
Balance as of Sept. 30, 2018[2]	**622,531,741**	**1,594**	**6,664**	**(5,606)**
Adjustment due to the adoption of IFRS 9				(43)
Balance as of Oct. 1, 2018	**622,531,741**	**1,594**	**6,664**	**(5,649)**
Net income/(loss)				(304)
Other comprehensive income				(811)
Total comprehensive income				**(1,114)**
Profit attributable to non-controlling interest				
Payment of thyssenkrupp AG dividend				(93)
Other changes				(2)
Balance as of Sept. 30, 2019	**622,531,741**	**1,594**	**6,664**	**(6,859)**

See accompanying notes to consolidated financial statements.
[1] Figures have been adjusted (cf. Note 01).
[2] Figures have been adjusted (cf. Note 01 and 03).

Equity attributable to thyssenkrupp AG's stockholders								
Cumulative other comprehensive income								
			Cash flow hedges					
Foreign currency translation adjustment	Fair value measurement of debt instruments	Impairment of financial instruments	Designated risk component	Hedging costs	Share of investments accounted for using the equity method	Total	Non-controlling interest	Total equity
34	**8**	**—**	**(50)**	**—**	**41**	**2,890**	**515**	**3,404**
						(1)	0	(1)
34	**8**	**—**	**(50)**	**—**	**41**	**2,889**	**515**	**3,404**
						(62)	50	(12)
(69)	(1)		119		0	(5)	(35)	(40)
(69)	**(1)**	**—**	**119**	**—**	**0**	**(67)**	**15**	**(51)**
						0	(38)	(38)
						(93)	0	(93)
						5	(24)	(19)
(34)	**8**	**—**	**69**	**—**	**40**	**2,734**	**468**	**3,203**
		53				9	(5)	5
(34)	**8**	**53**	**69**	**0**	**40**	**2,744**	**464**	**3,207**
						(304)	44	(260)
222	0	(6)	0	(1)	3	(594)	12	(582)
222	**0**	**(6)**	**0**	**(1)**	**3**	**(898)**	**56**	**(842)**
						0	(55)	(55)
						(93)	0	(93)
						(2)	4	2
187	**7**	**46**	**68**	**(1)**	**43**	**1,751**	**469**	**2,220**

thyssenkrupp AG – Consolidated statement of cash flows

million €	Year ended Sept. 30, 2018[1)]	Year ended Sept. 30, 2019[2)]
Net income/(loss)	**(12)**	**(260)**
Adjustments to reconcile net income/(loss) to operating cash flows:		
Deferred income taxes, net	282	(110)
Depreciation, amortization and impairment of non-current assets	1,118	1,253
Income/(loss) from companies accounted for using the equity method, net of dividends received	(15)	(9)
(Gain)/loss on disposal of non-current assets	(44)	(48)
Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes		
– Inventories	(419)	(325)
– Trade accounts receivable	(351)	(196)
– Contract assets	(373)	300
– Accrued pension and similar obligations	(150)	(53)
– Other provisions	167	86
– Trade accounts payable	832	(242)
– Contract liabilities	201	(569)
– Other assets/liabilities not related to investing or financing activities	(52)	243
Operating cash flows	**1,184**	**72**
Purchase of investments accounted for using the equity method and non-current financial assets	(2)	(5)
Expenditures for acquisitions of consolidated companies net of cash acquired	(8)	(47)
Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property	(1,235)	(1,175)
Capital expenditures for intangible assets (inclusive of advance payments)	(141)	(216)
Proceeds from disposals of investments accounted for using the equity method and non-current financial assets	28	4
Proceeds from disposals of property, plant and equipment and investment property	58	90
Proceeds from disposals of intangible assets	1	15
Cash flows from investing activities	**(1,299)**	**(1,335)**

million €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019[2]
Proceeds from issuance of bonds	0	2,500
Repayments of bonds	(1,600)	(1,250)
Proceeds from liabilities to financial institutions	379	2,539
Repayments of liabilities to financial institutions	(567)	(2,388)
Proceeds from/(repayments on) loan notes and other loans	(81)	678
Increase/(decrease) in bills of exchange	(11)	0
(Increase)/decrease in current securities	1	0
Payment of thyssenkrupp AG dividend	(93)	(93)
Profit attributable to non-controlling interest	(38)	(55)
Expenditures for acquisitions of shares of already consolidated companies	(19)	0
Other financing activities	(84)	(5)
Cash flows from financing activities	**(2,114)**	**1,926**
Net increase/(decrease) in cash and cash equivalents	(2,229)	663
Effect of exchange rate changes on cash and cash equivalents	(57)	36
Cash and cash equivalents at beginning of year	5,292	3,006
Cash and cash equivalents at end of year	**3,006**	**3,706**
Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows:		
Interest received	37	27
Interest paid	(235)	(209)
Dividends received	36	19
Income taxes paid	(365)	(268)

See accompanying notes to consolidated financial statements.
[1] Figures have been adjusted (cf. Note 01 and 03).
[2] 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, 2019, were authorized for issuance in accordance with a resolution of the Executive Board on November 15, 2019.

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 year ended (Basis €1)	
	Sept. 30, 2018	Sept. 30, 2019	Year ended Sept. 30, 2018	Year ended Sept. 30, 2019
US Dollar	1.16	1.09	1.19	1.13
Chinese Renminbi Yuan	7.97	7.78	7.78	7.76
Swiss Franc	1.13	1.08	1.16	1.12
Polish Zloty	4.28	4.38	4.24	4.30

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 of non-financial assets

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

Vorräte werden zu Anschaffungs- bzw. Herstellungskosten oder zum niedrigeren Nettoveräußerungswert bewertet. In der Regel werden Vorräte nach der Durchschnittskostenmethode bewertet. Die Herstellungskosten umfassen neben Material- und Fertigungseinzelkosten auch auf Basis einer üblichen Kapazitätsauslastung zurechenbare Material- und Fertigungsgemeinkosten.

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 and debt instruments. 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.

The classification and measurement of financial assets is based on the financial asset's cash flow characteristics and on thyssenkrupp's business model for managing the financial assets. Different business models may apply for separate portfolios of identical debt instruments, e.g. where factoring programs exist for certain trade accounts receivable.

If a debt instrument is held with the objective of collecting contractual cash flows and if the cash flows are solely payments of principal and interest, the instrument is recognized at amortized cost. At thyssenkrupp this mainly concerns trade accounts receivable, contract assets, and cash and cash equivalents.

If the cash flow conditions are met but the debt instrument is held both to collect contractual cash flows and to sell, the instrument is measured at fair value in equity (with reclassification). At thyssenkrupp this mainly concerns trade accounts receivable which may be sold, and securities.

For equity instruments not held for trading, thyssenkrupp has consistently exercised the option to recognize future changes in fair value in profit or loss. Derivatives that do not qualify for hedge accounting are also recognized at fair value in profit or loss.

Debt instruments, lease receivables, trade accounts receivable and contract assets recognized at amortized cost or at fair value in equity are measured according to the expected loss model. Using forward-looking information, the expected credit loss is generally calculated by multiplying the three parameters carrying value of the financial asset, probability of default, and loss given default. thyssenkrupp applies the simplified impairment model under IFRS 9 and reports lifetime expected losses for all trade accounts receivable and contract assets. For all other financial assets twelve-month expected credit losses are reported. Owing to the short maturities, these generally correspond to lifetime expected losses at thyssenkrupp.

thyssenkrupp has developed two models to determine the expected credit loss, in particular to determine the expected default rates for trade accounts receivable. The expected default rates are determined mainly on the basis of external credit information and ratings for each counterparty. If no rating information is available at counterparty level, an assessment is made based on the average probability of default for each business area plus an appropriate risk premium. For the Elevator business area, which has a different customer structure than the rest of the Group, the probability of default is determined on the basis of historical default rates taking forward-looking information into account. Consideration is also given to the respective business model, customer groups, and economic environment of the region. Default is generally assumed after 360 days.

As before, financial assets are fully or partially impaired on the basis of individual allowances if it is reasonable to assume that they can no longer be fully realized, e.g. because the due date has long passed, or owing to insolvency or similar proceedings.

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.

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 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.

Derivative financial instruments

Derivative financial instruments, mainly foreign currency forward contracts, interest rate swaps and commodity forward contracts, are used generally to reduce the currency, interest rate and commodity price risk. Such derivatives and so-called "embedded derivatives", which are an integral part of certain contracts and must be accounted for separately, are measured initially and subsequently at fair value. If the fair value is positive, they are recognized as financial assets, otherwise as financial liabilities. If they do not qualify for hedge accounting, they are recognized at fair value in profit or loss, and gains or losses due to fluctuations in fair value are recognized immediately in profit or loss.

Hedging relationships are mainly 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. In the case of cash flow hedges, the fluctuations in fair value are divided into an effective and an ineffective portion. The effective portion of fluctuations in fair value is recognized initially directly in equity within cumulative other comprehensive income. thyssenkrupp uses the option of separately reporting hedging costs (forward element and currency basis spread) in connection with designated foreign currency derivatives in other comprehensive income. Reclassification to profit or loss takes place when the hedged item affects profit or loss. The ineffective portion of fluctuations in fair value is recognized directly in profit or loss.

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. In addition to the fluctuations in fair value of the derivative, the offsetting fluctuations in the fair value of the hedged item are also recognized in profit or loss insofar as they relate to the hedged risk.

The presentation of changes in the fair value of derivative financial instruments in the statement of income follows the presentation of the hedged items. For foreign currency or commodity forward contracts used to hedge sales risks, they are presented under net sales. For hedging instruments used to hedge procurement risks, they are presented under cost of sales, and for hedging instruments used to hedge financing risks they are presented under financial income/expense.

More information about financial instruments is provided in Note 22.

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” presents 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 gains and losses on fair value measurement of debt instruments and on derivative financial instruments in cash flow hedging, hedging costs in connection with designated foreign currency derivatives, impairment losses on financial instruments recognized at fair value in equity, as well as the share of the other comprehensive income attributable to 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 14.

Revenue recognition

Revenue from contracts with customers is recognized when the included distinct performance obligations, i.e. the distinct goods or services promised in the contract, are transferred to the customer. Transfer takes place when the customer obtains control of the promised goods or services. This is generally the case when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from the transferred goods or services. Revenue from contracts with customers corresponds to the transaction price. The transaction price includes variable consideration only to the extent it is highly probable that actual occurrence of the variable consideration will not result in a significant revenue reversal. Variable consideration can include for example volume discounts, delay penalties, early completion incentives, or credits in connection with bonus agreements. The transaction price is not adjusted for a financing component, mainly because the period between the transfer of goods and services and the date of payment by the customer is generally less than 12 months.

Where a contract with a customer has multiple distinct performance obligations, the transaction price is allocated to the performance obligations by reference to their relative standalone selling prices. The standalone selling prices are determined on the basis of directly observable market prices or using recognized estimation methods. If distinct performance obligations are satisfied acting as an agent, the revenue recognized is not the gross amount payable by the customer but only the net amount retained as a commission-like fee for the respective performance obligation.

Revenue from the sale of goods and commodities is recognized at the point in time at which control is transferred to the customer. The time of transfer of control is determined partly on the basis of the delivery clauses agreed with the customer. In the case of goods and commodities supplied under consignment arrangements, sales revenue is generally recognized when the corresponding goods are removed from consignment by the customer.

Sales revenue from contracts with customers in the plant construction business is recognized over time by the percentage-of-completion method. The percentage of completion is as a rule determined by the ratio of contract costs incurred up to the reporting date to the total estimated contract costs as of the reporting date. Contract losses are recognized as expense immediately and reported in the statement of financial position under other provisions. The recognition of revenue over time for the performance of services is generally carried out through linear allocation of the transaction price over the service performance period.

Incremental costs of obtaining a contract with a customer are capitalized under non-current non-financial assets only if they relate to contracts with an original expected duration of more than 12 months. They are amortized by the straight-line method over the term of the contract.

If the performance obligations fulfilled for the customer exceed the payments received or due from the customer, contract assets are recognized in the statement of financial position on a net basis insofar as the right to receive payment from the customer is still conditional. Unconditional rights to receive payment are recognized under trade accounts receivable and from this point payment automatically becomes due with the passage of time. If the payments received or due from the customer exceed the performance obligations fulfilled, contract liabilities are recognized in the statement of financial position on a net basis.

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 intended 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.

If the change to a disposal plan means that the criteria for classification as a discontinued operation are no longer met, the corresponding disposal group must be presented as a continuing operation again under IFRS 5. As a result, the consolidated statement of income for the reporting year and also the prior year has to be adjusted so that the expenses and income of the disposal group are re-included in income from continuing operations. Analogously in the consolidated statement of cash flows, the cash inflows and outflows of the disposal group are reclassified to continuing operations for both reporting years. In the statement of financial position, for both reporting years the assets and liabilities of the disposal group are no longer reported separately but re-included in the individual line items. The disposal group that is no longer classified as held for sale is measured at the lower of carrying amount and recoverable amount.

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 judgements

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 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 16.

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 from contracts with customers

Certain Group companies, particularly in the Elevator Technology and Industrial Solutions business areas and in the Marine Systems business unit, report some of their business transactions as construction contracts, in which revenue is recognized over time using the percentage-of-completion method. 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 judgments. The managements of the operating companies continually review all estimates involved in such contraction contracts and adjust them as necessary.

The expected variable consideration amount is estimated at the inception of a contract with a customer. The estimate is made using either the probability-weighted expected value or the most likely amount. The estimation method giving the better forecast for the respective contract is always used. The variable consideration amount estimated at contract inception is reviewed at each reporting date and adjusted as necessary.

In the case of contracts with customers which have multiple distinct performance obligations, the required allocation of the transaction price to the distinct performance obligations is carried out by reference to the relative standalone selling prices. The relative standalone selling prices used generally correspond to directly observable market prices at which the Group company separately sells the performance obligations to other customers. If the standalone selling price is not directly observable, a best estimate of the standalone selling price is made. In these cases an adjusted market assessment approach, an expected cost plus a margin approach, or a residual approach is used.

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 15 for further information).

Legal contingencies

thyssenkrupp companies are parties to litigations related to a number of matters as described in Note 21. 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 2018/2019 thyssenkrupp adopted the following standards, interpretations and amendments to already existing standards that, with the exemption of IFRS 9 and IFRS 15, did not have a material impact on the Group’s consolidated financial statements:

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. thyssenkrupp adopted IFRS 9 in the fiscal year beginning on October 1, 2018. The option to apply the Standard prospectively was used and accordingly no adjusted comparative information was disclosed. Resultant transition effects are reported in retained earnings. The new hedge accounting rules are also applied prospectively.

The transition effects at the date of adoption were recognized directly in equity and the comparative period is presented in accordance with the previous rules of IAS 39 “Financial Instruments: Recognition and Measurement”.

The effects of the transition on assets, liabilities and total equity are presented in the following two tables:

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS 9

Assets € million	Sept. 30, 2018[1]	IFRS 9 adjustment[2]	Oct. 1, 2018
Total non-current assets	**14,285**	**12**	**14,297**
thereof:			
Deferred tax assets	1,288	12	1,300
Total current assets	**20,141**	**12**	**20,153**
thereof:			
Trade accounts receivable	5,163	19	5,182
Contract assets	1,731	(7)	1,724
Total assets	**34,426**	**23**	**34,449**

Equity and liabilities € million	Sept. 30, 2018[1]	IFRS 9 adjustment[2]	Oct. 1, 2018
Total equity	**3,203**	**5**	**3,208**
thereof:			
Retained earnings	(5,606)	(43)	(5,649)
Cumulative other comprehensive income	83	53	136
Non-controlling interest	468	(5)	463
Total liabilities	**31,223**	**18**	**31,241**
thereof:			
Deferred tax liabilities	59	18	77
Total equity and liabilities	**34,426**	**23**	**34,449**

[1] Figures have been adjusted (cf. Note 01 and 03).
[2] Figures have been adjusted (cf. Note 03).

EFFECTS OF ADOPTION OF IFRS 9 ON TOTAL EQUITY[1]

million €	
Effects of IFRS 9 on retained earnings:	
Retained earnings as of Sept. 30, 2018 before adoption of IFRS 9	**(5,606)**
Change in impairment of trade accounts receivable	(44)
Change in impairment of contract assets	(7)
Change in impairment recognized in cumulative other comprehensive income	(7)
Deferred taxes on adoption effects	15
Retained earnings as of Oct. 1, 2018 after adoption of IFRS 9	**(5,649)**
Effects of IFRS 9 on cumulative other comprehensive income:	
Cumulative other comprehensive income as of Sept. 30, 2018 before adoption of IFRS 9	**83**
Reclassification of trade accounts receivable due to change of measurement category	65
Remeasurement of trade accounts receivable due to change of measurement category to “Fair value recognized in equity”	7
Deferred taxes on adoption effects	(19)
Cumulative other comprehensive income as of Oct. 1, 2018 after adoption of IFRS 9	**136**
Effects of IFRS 9 on non-controlling interest	(5)
Effects of adoption of IFRS 9 on total equity[1]	**5**

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

The effects of the changed classification and measurement of financial assets at the adoption date were as follows:

RECONCILIATION OF FINANCIAL ASSETS FROM IAS 39 TO IFRS 9[1]

million €

IAS 39 as of Sept. 30, 2018[1]			Change due to		IFRS 9 as of Oct. 1, 2018	
Classification	Carrying amount Sept. 30, 2018	Measurement category[2]	new classification	use of the new impairment model	Carrying amount Oct. 1, 2018	Measurement category
Trade accounts receivable (excluding finance lease)	5,162				5,182	
Loans and receivables	5,162	Lar	(1,217)	(44)	3,901	Amortized cost
			1,281		1,281	Fair value recognized in equity (with recycling)
Finance lease receivables	1	n/a			1	n/a
Contract assets	1,731	n/a		(7)	1,724	Amortized cost
Other financial assets	754				754	
Loans and receivables	527	Lar		0	527	Amortized cost
Equity instruments (Available-for-sale financial assets)	13	Afs			13	Fair value recognized in profit or loss
Debt instruments (Available-for-sale financial assets)	19	Afs			19	Fair value recognized in equity (with recycling)
Derivatives not qualifying for hedge accounting (Financial assets held for trading)	66	Hft			66	Fair value recognized in profit or loss
Derivatives qualifying for hedge accounting	130	n/a			130	n/a
Cash and cash equivalents	3,006				3,006	Amortized cost
Loans and receivables	3,006	Lar			3,006	Amortized cost
Total of financial assets	**10,653**		**64**	**(51)**	**10,666**	

[1] Figures have been adjusted (cf. Note 01 and 03).
[2] Lar: Loans and receivables, Afs: Available-for-sale financial assets, Hft: Held for trading

The €64 million increase in trade accounts receivable due to the new classification stems from the fact that the removal of the carrying amount from the measurement category “at amortized cost” is presented net of impairment as of September 30, 2018, while the addition in the category “fair value recognized in equity” is presented before impairment in accordance with IFRS 9.

The adoption of IFRS 9 does not impact financial liabilities.

The effects of the adoption of the new impairment model in accordance with IFRS 9 are presented in the following table:

RECONCILIATION OF IMPAIRMENTS FROM IAS 39 TO IFRS 9[1)]

million € Classification according to IAS 39	Impairment as of Sept. 30, 2018 according to IAS 39	Change in impairment due to new classification according to IFRS 9	Change in impairment due to use of the new impairment model	Impairment as of Oct. 1, 2018 according to IFRS 9	Classification according to IFRS 9
Trade accounts receivable					
Loans and receivables	(349)	64	(44)	(329)	Amortized cost
Loans and receivables	0	(64)	(7)	(72)	Fair value recognized in equity (with recycling)
Contract assets n/a	n/a		(7)	(7)	Amortized cost
Other financial assets					
Available-for-sale financial assets	(18)		0	(18)	Fair value recognized in equity (with recycling)
Loans and receivables	(1)		0	(1)	Amortized cost
Total	**(363)**	**0**	**(58)**	**(427)**	

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

The accounting principles previously applied according to IAS 39 are published in the notes to the consolidated financial statements of our annual report 2017/2018.

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. thyssenkrupp 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.

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 as well as of the Marine Systems business unit to the contract assets required to be presented separately under IFRS 15

- 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.

- The application of IFRS 15 results in contract liabilities in the total amount of €4,866 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 as well as in the Marine Systems business unit 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 €4,350 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.

The transition effects versus the consolidated statement of financial position on September 30, 2018 result from the IFRS 15 transition effects described before and adjusted for the effects of business activity in the 2017/2018 fiscal year.

IFRS 15 – CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Oct. 1, 2017			Sept. 30, 2018[1]		
million €	Before IFRS 15 adjustment	IFRS 15 adjustment	After IFRS 15 adjustment	Before IFRS 15 adjustment	IFRS 15 adjustment	After IFRS 15 adjustment
Total non-current assets	**14,502**	**15**	**14,517**	**14,272**	**12**	**14,285**
thereof:						
Other non-financial assets	207	11	218	234	11	246
Total current assets	**20,546**	**623**	**21,169**	**19,524**	**617**	**20,141**
thereof:						
Inventories	6,957	(11)	6,946	7,409	(50)	7,359
Trade accounts receivable	5,734	(897)	4,837	6,361	(1,199)	5,163
Contract assets	0	1,367	1,367	0	1,731	1,731
Other financial assets	420	164	583	573	135	709
Total assets	**35,048**	**638**	**35,686**	**33,796**	**630**	**34,426**
Total equity	**3,404**	**(1)**	**3,404**	**3,203**	**0**	**3,203**
Total non-current liabilities	**14,546**	**3**	**14,549**	**14,168**	**0**	**14,168**
Total current liabilities	**17,097**	**636**	**17,733**	**16,426**	**630**	**17,055**
thereof:						
Other provisions	1,183	137	1,320	1,426	147	1,573
Contract liabilities	0	4,866	4,866	0	5,011	5,011
Other non-financial liabilities	6,802	(4,350)	2,452	6,911	(4,508)	2,403
Total liabilities	**31,643**	**639**	**32,282**	**30,594**	**630**	**31,223**
Total equity and liabilities	**35,048**	**638**	**35,686**	**33,796**	**630**	**34,426**

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

The material 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 by €1,211 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. The reported percentage sales margin (related to adjusted EBIT) 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 at €1,444 million and net loss at €12 million are unchanged overall.

IFRS 15 – CONSOLIDATED STATEMENT OF INCOME

	Year ended Sept. 30, 2018[1]		
million €, earnings per share in €	Before IFRS 15 adjustment	IFRS 15 adjustment	After IFRS 15 adjustment
Sales	42,745	(1,211)	41,534
Cost of sales	(36,154)	1,210	(34,944)
Gross margin	**6,591**	**0**	**6,590**
Income/(loss) from operations	**901**	**0**	**901**
Financial income/(expense), net	**(340)**	**0**	**(340)**
Income/(loss) before tax	**561**	**0**	**561**
Income tax (expense)/income	(573)	0	(573)
Net income/(loss)	**(12)**	**0**	**(12)**
Thereof:			
thyssenkrupp AG's shareholders	**(62)**	**0**	**(62)**
Non-controlling interest	50	0	50
Net income/(loss)	**(12)**	**0**	**(12)**
Basic and diluted earnings per share based on			
Net income/(loss) (attributable to thyssenkrupp AG's shareholders)	**(0.10)**	**0.00**	**(0.10)**

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

The following table shows the IFRS 15 transition effects in the consolidated statement of cash flows:

IFRS 15 – CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended Sept. 30, 2018[1]		
million €	Before IFRS 15 adjustment	IFRS 15 adjustment	After IFRS 15 adjustment
Net income/(loss)	**(12)**	**0**	**(12)**
Adjustments to reconcile net income/(loss) to operating cash flows:			
Deferred income taxes, net	282	0	282
Depreciation, amortization and impairment of non-current assets	1,118	0	1,118
Income/(loss) from companies accounted for using the equity method, net of dividends received	(15)	0	(15)
(Gain)/loss on disposal of non-current assets	(44)	0	(44)
Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes			
– Inventories	(464)	45	(419)
– Trade accounts receivable	(662)	311	(351)
– Contract assets	0	(373)	(373)
– Accrued pension and similar obligations	(150)	0	(150)
– Other provisions	158	10	167
– Trade accounts payable	828	4	832
– Contract liabilities	0	201	201
– Other assets/liabilities not related to investing or financing activities	147	(199)	(52)
Operating cash flows	**1,184**	**0**	**1,184**
Cash flows from investing activities	**(1,299)**	**0**	**(1,299)**
Cash flows from financing activities	**(2,114)**	**0**	**(2,114)**
Net increase/(decrease) in cash and cash equivalents	(2,229)	0	(2,229)
Effect of exchange rate changes on cash and cash equivalents	(57)	0	(57)
Cash and cash equivalents at beginning of year	5,292	0	5,292
Cash and cash equivalents at end of year	**3,006**	**0**	**3,006**

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

Furthermore in fiscal year 2018/2019 thyssenkrupp adopted the following interpretations and amendments to already existing standards that did not have a material impact on the Group's consolidated financial statements:

- Amendments to IFRS 2 "Share-based Payment": "Classification and Measurement of Share-based Payment Transactions", issued in June 2016
- Annual Improvements to IFRSs 2014-2016 Cycle, issued in December 2016
- IFRIC 22: "Foreign Currency Transactions and Advance Consideration", issued in December 2016
- Amendments to IAS 40: "Transfers of Investment Property", issued in December 2016

Issued accounting standards that have not been adopted in fiscal year 2018/2019

Adoption of the new standard IFRS 16 "Leases" issued in January 2016 is mandatory at thyssenkrupp from October 1, 2019. Under the previous lease standard IAS 17 payment obligations for operating leases are only to be disclosed in the Notes. In the future, the rights and obligations resulting from these leases must be recognized on the balance sheet as right-of-use assets and lease liabilities upon transfer of control.

thyssenkrupp will introduce the standard using the modified retrospective approach and apply IFRS 16 to all contracts previously identified as lease contracts under IAS 17 and IFRIC 4. When using the modified retrospective approach, prior-year comparative figures do not need to be restated, so the transition effects at thyssenkrupp will generally be stated as an adjustment to retained earnings at October 1, 2019. In addition thyssenkrupp will recognize the right-of-use assets in the amount of the associated lease liabilities at the date of initial application. As a result the adoption of IFRS 16 at thyssenkrupp will have no effect on total equity at October 1, 2019. thyssenkrupp will make use of the following practical expedients provided by IFRS 16: For short-term leases with a term of less than twelve months (and no option to buy) and for leases of low-value assets, no assets or liabilities will be recognized. This also applies to leases which at the date of initial application have a remaining term of less than one year. thyssenkrupp will not perform impairment testing and will instead assess the leases immediately before October 1, 2019 in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets" to determine whether the leases are onerous contracts.

Based on the contracts concluded at the balance sheet date, the Group expects an increase in non-current assets and financial debt and an associated increase in the balance sheet total of approx. €1 billion. Related to the balance sheet total at September 30, 2019, the adoption of IFRS 16 would result in a reduction of the equity ratio of approx. 0.2 percentage points. Related to the limit for the gearing ratio (net financial debt to equity) in the consolidated financial statements at the balance sheet date (September 30) stipulated in some existing agreements between thyssenkrupp AG and banks, the increase in net financial debt has no impact, because when calculating the gearing ratio net financial debt is adjusted for the effect of IFRS 16.

In the consolidated statement of income, expense from operating leases was previously stated in the respective functional cost types. Future minimum lease payments and the expense from operating leases in fiscal year 2018/2019 are shown in Note 21.

In fiscal year 2019/2020, EBIT is relieved by less than €0.1 billion and net financial income/(expense) is charged correspondingly. This results from eliminated operating lease expenses according to IAS 17 and from the initial recognition of depreciation of right-of-use assets from October 1, 2019 according to IFRS 16.

The changed presentation of expense from operating leases will also result in a shift from cash flows from operating activities to cash flows from financing activities. This is because operating cash flows are no longer impacted by lease payments, only by interest payments whereas repayments are shown in cash flows from financing activities. In fiscal year 2019/2020 this effect will be approx. €0.2 billion.

thyssenkrupp will recognize right-of-use assets under property, plant and equipment and lease liabilities under financial debt on the balance sheet.

In addition to the standard presented above in detail, the IASB has issued further 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

- IFRIC 23: “Uncertainty over Income Tax Treatments”, issued in June 2017, 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, initial application in fiscal year 2019/2020
- Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017, initial application in fiscal year 2019/2020
- Amendments to IAS 19: “Plan Amendment, Curtailment or Settlement”, issued in February 2018, 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 and IAS 8: “Amendments to IAS 1 and IAS 8: Definition of Material”, issued in October 2018, not yet endorsed, expected initial application in fiscal year 2020/2021
- Amendments to IFRS 9, IAS 39 and IFRS 7: “Interest Rate Benchmark Reform”, issued in September 2019, 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 years 2017/2018 und 2018/2019, respectively are presented in the table below:

ACQUISITIONS/DIVESTITURES OF BUSINESSES

Number of consolidated companies	Germany	Abroad	Total
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**
Additions	14	20	34
Disposals	(9)	(18)	(27)
Balance as of Sept. 30, 2019	**108**	**348**	**456**

The additions in 2018/2019 mainly result from acquisitions and incorporations, while the disposals result from internal merging of Group entities. To further details see “acquisitions” in this Note.

3 (prior year: 6) 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 0.21% and their total equity amounts to 0.04% of the Group’s respective balances.

The Group has 11 (prior year: 11) associated companies and 11 (prior year: 12) joint ventures that are accounted for using the equity method of accounting. Another 5 (prior year: 7) 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 1.92% and their total equity to 0.35% 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 3 (prior year: 4) structured entities in the consolidated financial statements. One 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 2 (prior year: 3) non-controlled structured entities. The Group holds a maximum 1% share in these entities. 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 supply contract with a Group company. Potential losses from this contract are already included in the purchasing commitments stated under commitments (cf. Note 21).

Acquisitions

Year ended September 30, 2019

In fiscal year 2018/2019 the Group completed various minor acquisitions which, on an individual basis, were immaterial; therein included is amongst others the acquisition of the business of Nashville Machine Elevator Co. and of the elevator company O'Keefe Elevator Company Inc. Based on the values as of the acquisition date, all acquisitions affected in total the Group's consolidated financial statements as presented below:

ACQUISITIONS

million €	Year ended Sept. 30, 2019
Goodwill	84
Other intangible assets	35
Property, plant and equipment	1
Inventories	1
Trade accounts receivable	8
Total assets	**129**
Deferred tax liabilities	3
Trade accounts payable	2
Other current non-financial liabilities	9
Total liabilities	**15**
Net assets	**115**
Non-controlling interest	0
Purchase prices	**115**
Thereof: paid in cash and cash equivalents	109

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.

03 Reclassification of discontinued operations

At the end of June 2018 thyssenkrupp signed an agreement with Tata Steel to create a new company combining their European steel activities in a 50/50 joint venture. The aim was to create a European flat steel supplier positioned as a quality and technology leader. Closing was subject to merger control clearance. After talks with the Competition Commission on May 10, 2019, thyssenkrupp proceeded from the assumption that the planned joint venture would not go ahead due to the Commission's continuing concerns. On June 13, 2019 the European Commission formally prohibited the planned steel joint venture with Tata Steel Europe.

The planned transaction, encompassing the Steel Europe business area, thyssenkrupp MillServices & Systems GmbH from the Materials Services business area, and individual companies which in 2017/2018 belonged to Corporate, therefore no longer meets the criteria for presentation as a discontinued operation in accordance with IFRS 5 and has had to be reclassified accordingly in the consolidated financial statements for fiscal year 2018/2019. Under IFRS 5, the reporting has to be adjusted in such a way that in the statement of income, all expenses and income of the discontinued steel operations in the current reporting periods of fiscal year 2018/2019 are re-included in income from continuing operations, and analogously in the statement of cash flows, all cash flows of the discontinued steel operations are re-allocated to continuing operations. In each case the prior-period figures must be adjusted accordingly. In the consolidated statement of financial position as of September 30, 2019 the assets and liabilities of the discontinued steel operations are no longer reported separately and the comparative period is adjusted accordingly. A further element of the required adjustments is the retrospective recognition of amortization and depreciation not charged due to classification as a discontinued operation, amounting to €107 million in the 4th quarter 2017/2018 and €228 million in the 1st half 2018/2019 (in each case before tax).

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, 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)
Balance as of Sept. 30, 2018[1]	**2,150**	**887**	**4,430**	**7,466**
Currency differences	32	17	103	152
Acquisitions/divestitures of businesses	36	(2)	81	115
Additions	48	88	0	136
Transfers	14	(1)	0	13
Disposals	(36)	(6)	0	(42)
Balance as of Sept. 30, 2019	**2,244**	**982**	**4,614**	**7,840**
Accumulated amortization and impairment losses				
Balance as of Oct. 1, 2017	**1,315**	**554**	**628**	**2,497**
Currency differences	0	4	4	8
Acquisitions/divestitures of businesses	(1)	0	0	(1)
Amortization expense	106	49	0	155
Impairment losses	3	1	0	4
Reversals of impairment losses	0	0	0	0
Transfers	0	0	(4)	(4)
Disposals	(34)	(3)	0	(36)
Balance as of Sept. 30, 2018[1]	**1,389**	**605**	**628**	**2,622**
Currency differences	23	13	23	59
Acquisitions/divestitures of businesses	0	0	0	0
Amortization expense	111	47	0	158
Impairment losses	4	3	0	7
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
Disposals	(31)	(5)	0	(36)
Balance as of Sept. 30, 2019	**1,496**	**663**	**652**	**2,811**
Net amounts				
Balance as of Oct. 1, 2017	**790**	**246**	**3,777**	**4,813**
Balance as of Sept. 30, 2018[1]	**760**	**282**	**3,801**	**4,844**
Balance as of Sept. 30, 2019	**748**	**319**	**3,962**	**5,029**

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

Impairment of goodwill

Goodwill impairment losses are included in other expenses.

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; this growth rate amounts to 1.35% (prior year: 1.5% as a rule). The weighted average cost of capital discount rate is based on a risk-free interest rate of 0.1% (prior year: 1.0%) and an unchanged market risk premium of 6.75% (prior year: 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, 2018	Sept. 30, 2019
Components Technology	7.4 – 10.6	7.5 – 12.3
Elevator Technology	10.2 – 13.2	8.9 – 12.5
Industrial Solutions	9.7 – 12.5	10.2 – 10.5
Marine Systems	8.2	7.6
Materials Services	6.3 – 11.4	5.7 – 10.5
Steel Europe	8.3	6.9
Corporate	7.3	6.3

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 €3,962 million as of September 30, 2019. 71% of this goodwill relates to the CGUs Steel Europe, Americas, Europe / Africa and Marine Systems, as shown in the following table:

SIGNIFICANT GOODWILL

CGU (Business Area)	Carrying amount of goodwill allocated to CGU in million €	Proportion of total goodwill in %	Pre-tax discount rate in %	Growth rate in %	Description of key assumptions of budgeting	Procedure to determine key assumptions
Steel Europe (Steel Europe)	307	8%	6.9%	1.35%	– Selling prices – Procurement prices – Production and sales volumes – Business cycles	Internal estimates of sales and purchasing departments concerned and consideration of economic assumptions set by thyssenkrupp AG and external market studies
Americas (Elevator Technology)	1,088	27%	8.9%	1.35%	– Market growth rates – Business cycles – Exchange rates	Consideration of economic assumptions set by thyssenkrupp AG and external market studies
Europe / Africa (Elevator Technology)	369	9%	9.5%	1.35%	– Market growth rates – Business cycles	Consideration of economic assumptions set by thyssenkrupp AG and external market studies
Marine Systems	1,041	26%	7.6%	1.35%	– Market growth rates – Realization of scheduled measures – Long-term order portfolio	Consideration of long-term budget plans of potential customers and if appropriate concrete negotiations with customers

For none of the CGUs a goodwill impairment resulted from the annual impairment test because the recoverable amount of all CGUs was higher than the respective carrying amount.

As in the prior year, as of September 30, 2019 the recoverable amount of each CGU exceeded the carrying amount by more than 10%. Possible changes in the key valuation assumptions do not lead to impairment.

Impairment of other intangible assets

Impairment losses of intangible assets other than goodwill are included in cost of sales.

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, 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)
Balance as of Sept. 30, 2018[1]	**5,667**	**18,665**	**2,388**	**99**	**68**	**865**	**27,751**
Currency differences	40	134	20	1	0	15	209
Acquisitions/divestitures of businesses	(2)	(6)	7	0	(10)	(1)	(12)
Additions	99	541	167	23	2	578	1,411
Transfers	144	429	15	1	(1)	(529)	60
Disposals	(65)	(298)	(106)	(29)	(10)	(1)	(510)
Balance as of Sept. 30, 2019	**5,883**	**19,465**	**2,491**	**94**	**49**	**927**	**28,909**
Accumulated depreciation and impairment losses							
Balance as of Oct. 1, 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	123	657	152	5	0	0	937
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)
Balance as of Sept. 30, 2018[1]	**3,229**	**14,874**	**1,802**	**67**	**34**	**15**	**20,021**
Currency differences	18	95	13	1	0	0	127
Acquisitions/divestitures of businesses	0	(8)	6	0	(10)	0	(12)
Depreciation expense	127	686	180	5	0	0	998
Impairment losses	9	50	6	0	0	25	90
Reversals of impairment losses	0	0	0	0	0	0	0
Transfers	6	6	(9)	0	4	(7)	0
Disposals	(39)	(286)	(99)	(27)	(8)	0	(459)
Balance as of Sept. 30, 2019	**3,349**	**15,417**	**1,899**	**46**	**20**	**34**	**20,764**
Net amounts							
Balance as of Oct. 1, 2017	**2,416**	**3,718**	**516**	**41**	**46**	**868**	**7,605**
Balance as of Sept. 30, 2018[1]	**2,438**	**3,791**	**586**	**32**	**34**	**850**	**7,730**
Balance as of Sept. 30, 2019	**2,534**	**4,048**	**592**	**49**	**29**	**893**	**8,144**

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

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 2018/2019 the Components Technology business area recorded impairment losses of €44 million on technical machinery and equipment and €25 million on assets under construction at several sites worldwide of the Springs & Stabilizers unit due to lower expectations for future earnings and the revaluation of the order portfolio. The recoverable amounts relevant for determining the respective impairment loss correspond in each case to the values in use, which were determined applying discount rates (after taxes) of 6.40% to 8.77%.

Property, plant and equipment include leased land and buildings of €28 million (prior year: €24 million), technical machinery and equipment of €9 million (prior year: €5 million) and other equipment, factory and office equipment of €12 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 €146 million (prior year: €167 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, 2019, the carrying amount of thyssenkrupp’s investment property amounts to €40 million (prior year: €45 million). The total fair value of this investment property is €65 million (prior year: €55 million); thereof €20 million (prior year: €24 million) are assigned to level 2 and €45 million (prior year: €31 million) are assigned to level 3 valuations methods of the fair value hierarchy. Of the fair value €14 million (prior year: €10 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, 2019, the carrying amount of associates is €28 million (prior year: €33 million) and of joint ventures is €100 million (prior year: €99 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.

SUMMARIZED FINANCIAL INFORMATION OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Associates		Joint ventures	
million €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019
Income/(loss) from continuing operations (net of tax)	(4)	(11)	23	14
Income/(loss) from discontinued operations (net of tax)	0	0	0	0
Other comprehensive income	2	0	0	2
Total comprehensive income	**(2)**	**(12)**	**23**	**15**

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

In 2018/2019, the unrecognized share of losses of associates and joint ventures accounted for using the equity method was €2 million (prior year: €0 million). There were cumulative unrecognized losses of €5 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, 2018	Sept. 30, 2019
Not later than one year	9	7
Between one and five years	17	18
Later than five years	38	13
Total	**64**	**38**

08 Inventories

INVENTORIES

million €	Sept. 30, 2018[1)]	Sept. 30, 2019
Raw materials	1,716	1,808
Supplies	468	500
Work in process	1,816	2,134
Finished products, merchandise	3,360	3,340
Total	**7,359**	**7,781**

[1)] Figures have been adjusted (cf. Note 01 and 03).

Inventories of €8 million (prior year: €7 million) have a remaining term of more than one year. Inventories of €36,197 million (prior year: €34,944 million) are recognized as cost of sales during the period. Included in cost of sales are write-downs of inventories of €43 million (prior year: €93 million).

09 Trade accounts receivable

Trade accounts receivable in the amount of €74 million (prior year: €17 million) have a remaining term of more than one year. As of September 30, 2019 cumulative impairment losses of €380 million (prior year: €349 million) are recognized for doubtful accounts; for more details refer to the disclosures in Note 22 Financial instruments.

As of September 30, 2018 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, 2018[1)]	5,163	4,023	466	121	79	128	64	142	140

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

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, 2019, was €246 million (prior year: €248 million), resulting in net proceeds in the amount of €246 million (prior year: €248 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 Assets and liabilities from contracts with customers

As of September 30, 2019, the Group's current assets include contract assets in the amount of €1,443 million (prior year: €1,731 million); of these €558 million (prior year: €750 million) have a remaining term of more than one year. In the 2018/2019 fiscal year impairment losses on contract assets were recognized in the amount of €14 million under selling expenses. The decline in contract assets results in particular from the plant engineering businesses and was mainly related to lower contract costs accompanied by an only lower overall reduction in advance payments.

As of September 30, 2019, the Group's current liabilities include contract liabilities in the amount of €4,561 million (prior year: €5,011 million); of these 1,564 million (prior year: €2,688 million) have a remaining term of more than one year. The reduction in contract liabilities mainly relates to the plant engineering businesses resulting in particular from significantly increased contract costs accompanied by an only lower overall increase in advance payments. In the course of the2018/2019 fiscal year, sales in the amount of €2,524 million (prior year 1,962 million) was recognized which was included in the contract liability balance at the beginning of the fiscal year. In the 2018/2019 fiscal year, sales from performance obligations satisfied or partly satisfied in earlier periods amounted to €199 million (prior year 7 million) .

The total transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied as of September 30, 2019, which – making use of the practical expedients under IFRS 15.121a – have an original expected duration of more than 12 months, amounted to €15,240 million (prior year: €17,181 million). The expected recognition of the corresponding sales over time is as follows:

FUTURE SALES FROM CONTRACTS WITH CUSTOMERS

million €	
(for fiscal year)	
2019/2020	4,484
2020/2021 – 2023/2024	9,445
after 2023/2024	1,312
Total	**15,240**

As of September 30, 2019 the Group's non-current non-financial assets include additional costs of obtaining contracts with customers in the amount of €14 million (prior year: €11 million).

11 Other financial assets

OTHER FINANCIAL ASSETS

	Sept. 30, 2018[1)]	
million €	current	non-current
Loans and receivables	507	19
Available-for-sale financial assets	6	26
Derivatives not qualifying for hedge accounting	66	—
Derivatives qualifying for hedge accounting	130	—
Total	**709**	**45**

1) Figures have been adjusted (cf. Note 01 and 03).

OTHER FINANCIAL ASSETS

	Sept. 30, 2019	
million €	current	non-current
Miscellaneous other financial assets	549	13
Equity instruments	0	13
Debt instruments	7	13
Derivatives not qualifying for hedge accounting	126	—
Derivatives qualifying for hedge accounting	126	—
Total	**808**	**39**

Other financial assets in the amount of €49 million (prior year: €54 million) have a remaining term of more than one year. As of September 30, 2019 cumulative impairments amount to €2 million (prior year: €1 million) regarding current other financial assets and €35 million (prior year: €37 million) regarding non-current other financial assets.

12 Other non-financial assets

OTHER NON-FINANCIAL ASSETS

	Sept. 30, 2018[1]		Sept. 30, 2019	
million €	current	non-current	current	non-current
Advance payments on intangible assets	—	9	—	10
Advance payments on property, plant and equipment	—	194	—	189
Advance payments to suppliers of inventories and to other current non-financial assets	1,149	—	788	—
Prepayments	188	—	204	—
Miscellaneous	567	42	650	41
Total	**1,904**	**246**	**1,642**	**240**

[1] Figures have been adjusted (cf. Note 01 and 03).

Other non-financial assets in the amount of €1,317 million (prior year: €688 million) have a remaining term of more than one year. As of September 30, 2019 cumulative impairments amount to €28 million (prior year: €36 million) regarding current other non-financial assets and €8 million (prior year: €8 million) regarding non-current other non-financial assets.

13 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, 2019 and 2018, 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.

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, 2019 the Group's equity ratio was 6.1% (prior year: 9.3%) and its gearing was 166.8% (prior year: 73.8%). As in the previous year, the gearing agreed upon was met as of September 30, 2019. 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	Ba3	Not Prime	stable
Fitch	BB+	B	watch negative

In the past fiscal year Moody's and Standard & Poor's downgraded our rating, respectively, to Ba3 with outlook stable and BB- with outlook "developing". While the stable outlook at Moody's indicates no rating change in the short to medium term, the outlook "developing" at Standard & Poor's does not specify the direction of a possible rating change. In addition to operating performance, the successful implementation of thyssenkrupp's strategy will be decisive for the further development of the agencies' ratings.

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.

Through resolution of the Annual General Meeting of January 17, 2014 the Executive Board was also authorized, with the approval of the Supervisory Board, to create authorized or conditional capital, to issue warrant and convertible bonds and to exclude shareholder subscription rights. All these authorizations expired on January 16, 2019.

Dividend

The Executive Board and Supervisory Board have agreed to propose to the Annual General Meeting to transfer the unappropriated net income of the stand-alone entity thyssenkrupp AG for fiscal year 2018/2019 as determined in conformity with the principles of the German Commercial Code (HGB) to other retained earnings. A dividend of €0.15 was paid for fiscal year 2017/2018 (2016/2017: €0.15).

14 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, 2019, 1,997,127 stock rights were issued in the 7th installment, 1,976,317 stock rights in the 8th installment and 2,731,782 stock rights in the 9th 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, 2018 and as of September 30, 2019, respectively:

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	1.10. – 31.12.2018	1.10. – 31.12.2019	1.10. – 31.12.2020
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 €**

INCENTIVE PLANS – YEAR ENDED SEPT. 30, 2019

	7th installment LTI	8th installment LTI	9th installment LTI
Maturity	12/31/2019	12/31/2020	12/31/2021
Averaging period	1.10. – 31.12.2019	1.10. – 31.12.2020	1.10. – 31.12.2021
thyssenkrupp stock price as of balance sheet date	12.71	12.71	12.71
Assumed dividend payment(s) per stock until maturity	—	—	—
Average dividend yield	—	—	—
Average interest rate (averaging period)	(0.51)%	(0.43)%	(0.46)%
Fair value as of Sept. 30, 2019			
– without caps	**12.71 €**	**12.71 €**	**12.71 €**
– with caps	**12.71 €**	**12.71 €**	**12.71 €**

In the 2nd quarter of 2018/2019, the 6th installment of the LTI was settled with a payment of €17.69 per stock right and a payment of €27.8 million in total, respectively. 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. Also in fiscal 2018/2019 the 9th installment of the LTI was granted to the Executive Board and additional executive employees. In total in fiscal year 2018/2019 the Group recorded an income of €57 million from the incentive plans due to the decline of the stock price and the average tkVA (prior year: expenses of €34 million). The liability arising from the LTI amounts to €28 million as of September 30, 2019 (prior year: €113 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. Due to the termination of this compensation component, income/(loss) of 2018/2019 does not include any impact herefrom (prior year: income of €0.2 million); the resultant obligation as of September 30, 2019 amounts to €0 million (prior year: €3 million). In 2018/2019 a payment of €2 million occurred relating to the stock rights granted in 2014/2015 (prior year: €5 million).

15 Accrued pension and similar obligations

ACCRUED PENSION AND SIMILAR OBLIGATIONS

million €	Sept. 30, 2018[1]	Sept. 30, 2019
Accrued pension obligations	7,607	8,688
Partial retirement	188	209
Other accrued pension-related obligations	43	50
Total	**7,838**	**8,947**

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

Accrued pension liability

The thyssenkrupp Group maintains defined benefit and defined contribution pension plans in numerous countries around the world. These plans are either company-specific or organized as multi-employer plans.

Defined contribution plans are regularly funded through mandatory or voluntary contributions (statutory/contractual) by the employer and/or employee. The contributions are transferred to an entity which is legally separate from the employer. Under this form of plan the employer has no risks beyond the payment of contributions. The contributions are reported under personnel expenses.

Benefits are generally offered on the basis of country-specific regulations (e.g. local laws) or on a voluntary basis. Benefits under these plans are funded either by pension assets held separately from the employer ("plan assets") or through pension provisions, with the amount of the provision stated on the balance sheet reflecting the value of the pension obligations already reduced by the respective plan assets.

The major obligations from defined benefit plans exist in Germany, the USA, Great Britain and Liechtenstein. These countries represent approx. 94% (prior year: 95%) of the Group's pension obligations and 84% (prior year: 84%) of the respective plan assets.

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 per annum is guaranteed by the employer.

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.

In addition to the defined contribution plans, the companies of the elevator business in the USA participate in a union-organized multi-employer plan (National Elevator Industry Pension Plan – NEIPP) for their unionized employees on the basis of a collective agreement. This plan is a defined benefit plan, but is accounted for as a defined contribution plan due to insufficient information about the allocation of assets. The risks from the NEIPP differ from company-specific plans with regard to the jointly managed pension assets which can potentially also be used to cover obligations of other participating employers. When participating plan sponsors stop making ongoing contributions, the remaining plan sponsors collectively make up the unfunded deficit, with withdrawal from the plan regularly requiring the payment of a withdrawal contribution in order to limit the risk for the remaining plan sponsors.

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 of DB plans 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, 2018			Sept. 30, 2019		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Active employees	116,419	28,279	144,698	120,612	29,334	149,946
Terminated employees with vested benefits	23,203	4,279	27,482	23,806	4,199	28,005
Pensioners	101,524	11,973	113,497	97,599	11,656	109,255
Total	**241,146**	**44,531**	**285,677**	**242,017**	**45,189**	**287,206**

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, 2018			Sept. 30, 2019		
million €	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Change in defined benefit obligations (DBO):						
DBO at beginning of fiscal year	7,414	2,505	9,920	7,389	2,384	9,773
Service cost	144	50	194	149	46	195
Interest expense	136	55	191	121	59	180
Remeasurement: Actuarial (gains)/losses from experience adjustments	(34)	(1)	(35)	(5)	(8)	(13)
Remeasurement: Actuarial (gains)/losses from changes in demographic assumptions	0	(22)	(22)	58	(2)	56
Remeasurement: Actuarial (gains)/losses from changes in financial assumptions	164	(75)	89	913	394	1,307
Past service cost (inclusive of curtailments)	0	(2)	(2)	0	8	8
Settlements	(2)	(2)	(4)	0	(1)	(1)
Currency differences	0	19	19	0	86	86
Participant contributions	0	19	19	0	21	21
Benefit payments	(399)	(134)	(532)	(393)	(136)	(529)
Settlement payments	(36)	(29)	(64)	0	0	0
Acquisitions/divestitures of businesses	2	0	2	0	0	0
Others	0	0	0	0	(17)	(17)
DBO at end of fiscal year	**7,389**	**2,384**	**9,773**	**8,232**	**2,836**	**11,067**
Change in plan assets:						
Fair value of plan assets at beginning of fiscal year	225	2,046	2,271	214	2,025	2,238
Interest income	4	46	50	3	51	55
Remeasurement: Actuarial gains/(losses) on plan assets, excluding amounts included in interest income	(2)	(1)	(3)	1	198	199
Currency differences	0	15	15	0	64	64
Employer contributions	5	62	66	7	61	67
Participant contributions	3	19	22	4	21	25
Benefit payments	(22)	(126)	(148)	(48)	(128)	(176)
Settlement payments	0	(29)	(29)	0	0	0
Acquisitions/divestitures of businesses	0	0	0	0	0	0
Administration cost	0	(7)	(7)	0	(8)	(8)
Others	0	0	0	0	(17)	(17)
Fair value of plan assets at end of fiscal year	**214**	**2,025**	**2,238**	**181**	**2,267**	**2,448**

As of the balance sheet date, defined benefit obligations of €11,067 million (prior year: €9,773 million) in total related to plans that are wholly unfunded in the amount of €7,122 million (prior year: €6,482 million) and to plans that are wholly or partly funded in the amount of €3,945 million (prior year: €3,291 million).

The settlements and settlement payments in the prior year result from the settlement of current pensions in Germany and the USA.

Changes of net defined liability and asset ceiling

The net defined benefit liability of DB plans changed as follows:

CHANGE IN NET DEFINED BENEFIT LIABILITY

	Sept. 30, 2018			Sept. 30, 2019		
million €	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Net defined benefit liability at beginning of fiscal year	**7,189**	**460**	**7,649**	**7,176**	**383**	**7,559**
Service cost plus net interest income/(expense)	276	59	335	267	55	322
Remeasurements	132	(74)	59	964	177	1,142
Currency differences	0	4	4	0	22	22
Past service cost (inclusive of curtailments)	0	(2)	(2)	0	8	8
Settlements	(2)	(2)	(4)	0	(1)	(1)
Employer contributions	(5)	(62)	(66)	(7)	(61)	67
Participant contributions	(3)	0	(3)	(4)	0	25
Benefit payments	(377)	(7)	(384)	(345)	(8)	(353)
Settlement payments	(36)	0	(36)	0	0	0
Acquisitions/divestitures of businesses	2	0	2	0	0	0
Administration cost	0	7	7	0	8	8
Net defined benefit liability at end of fiscal year	**7,176**	**383**	**7,559**	**8,050**	**584**	**8,634**
thereof: accrued pension liability	7,176	431	7,607	8,050	638	8,688
thereof: other non-financial assets	0	(48)	(48)	0	(54)	(54)

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, 2018			Sept. 30, 2019		
million €	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Net amount at beginning of fiscal year	**0**	**0**	**0**	**0**	**24**	**24**
Interest expense/(income)	0	0	0	0	1	1
Remeasurement: Limitation of asset ceiling exclusive of amounts included in interest expense/income	0	24	24	0	(9)	(9)
Currency differences	0	0	0	0	0	0
Net amount at end of fiscal year	**0**	**24**	**24**	**0**	**15**	**15**

The asset ceiling as of September 30, 2018 mainly refers to plan assets in Great Britain.

Net periodic pension cost

The net periodic pension cost for DB plans were as follows:

NET PERIODIC PENSION COST

	Year ended Sept. 30, 2018			Year ended Sept. 30, 2019		
million €	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Service cost	144	50	194	149	46	195
Net interest cost	132	9	141	118	9	126
Administration cost	0	7	7	0	8	8
Past service cost (inclusive of curtailments)	0	(2)	(2)	0	8	8
Settlement loss/(gain)	(2)	(2)	(4)	0	(1)	(1)
Net periodic pension cost	**273**	**62**	**336**	**267**	**70**	**337**

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, 2019, the discount rate for pension obligations in Germany was 0.7%, compared with 1.70% in the prior year.

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

WEIGHTED AVERAGE ASSUMPTIONS

	Sept. 30, 2018			Sept. 30, 2019		
in %	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Discount rate	1.70	2.54	1.91	0.70	1.42	0.88
Rate of compensation increase	2.50	1.37	2.28	2.50	1.72	2.37
Rate of pension progression	1.50	1.59	1.51	1.35	1.76	1.40

Accrued pension obligations in Germany are recognized on the basis of the “2018 G tables” of Prof. Dr. Klaus Heubeck, adapted to Group-specific circumstances. In fiscal year 2017/2018 pension obligations in Germany were recognized on the basis of the “2005 G tables” of Prof. Dr. Klaus Heubeck, adapted to Group-specific circumstances. The impact of adoption of the new mortality table is presented in the table “Changes in defined benefit obligations and plan assets” in line “Remeasurement: Actuarial (gains)/losses from changes in demographic assumptions”. 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, 2018		Sept. 30, 2019	
		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)	(165)	(544)	(212)
	Decrease by 0.5 percentage points	483	180	596	231
Rate of compensation increase	Increase by 0.5 percentage points	12	15	14	18
	Decrease by 0.5 percentage points	(12)	(15)	(14)	(18)
Rate of pension progression	Increase by 0.25 percentage points	152	25	174	34
	Decrease by 0.25 percentage points	(149)	(25)	(171)	(34)
Mortality probability	Decrease by 10.0 percentage points	256	92	297	116

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, 2019 (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, 2018				Sept. 30, 2019			
		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	678	658	20	36	689	674	15	33
Bonds	936	930	6	50	1,013	1,009	4	49
Derivatives	11	11	0	1	20	20	0	1
Cash and cash equivalents	53	53	0	3	116	116	0	6
Others	200	152	49	11	219	169	50	11
Total	**1,878**	**1,803**	**75**	**100**	**2,057**	**1,988**	**69**	**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 2019/2020 is €107 million (prior year: €63 million) related to its plan assets.

Pension benefit payments

In fiscal year 2018/2019, pension benefit payments for plans in Germany of €393 million (prior year: €399 million) were mainly from provisions, and pension benefit payments for non-German plans of €136 million (prior year: €134 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)			
2019/2020	435	136	571
2020/2021	419	131	551
2021/2022	405	133	538
2022/2023	405	133	538
2023/2024	391	133	524
2024/2025 – 2028/2029	1,874	678	2,552
Total	**3,929**	**1,344**	**5,273**

The duration of defined benefit plans amounts to 14 years for Germany (prior year: 13 years) and to 16 years (prior year: 15 years) for the other countries.

Defined contributions 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 €173 million (prior year: €160 million). In addition, contributions paid to public/state pension insurance institutions amounted to €649 million (prior year: €641 million).

Multi-employer plans

In addition to the National Elevator Industry Pension Plan (NEIPP), some Group companies in a few other countries also participate in multi-employer plans (e.g. the Netherlands), although the NEIPP is by some distance the biggest plan of this kind.

Unless otherwise indicated, the assessment of risk ("zone status") under Internal Revenue Code Section 432 and the Multi-Employer Pension Reform Act 2014 relates to the reporting dates June 30, 2018 and June 30, 2019, respectively. The NEIPP was not in critical or endangered status on either of these dates. The zone status is based on data provided by the NEIPP and certified by the plan actuary. The NEIPP is currently classified as "green zone" with a funding level of at least 80%. Due to the sufficient level of funding, there has been no need for either a financial improvement plan or a rehabilitation plan in recent years.

thyssenkrupp is one of the four biggest sponsors of the NEIPP, paying more than 5% of total annual contributions to the NEIPP. For 2018/2019 thyssenkrupp paid a contribution to the NEIPP of €87 million (prior year: €79 million). The expected contributions for fiscal year 2019/2020 are €82 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".

16 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	Restructuring	Decommissioning obligations	Others	Total
Balance as of Sept. 30, 2018[1)]	**687**	**403**	**276**	**202**	**254**	**1,013**	**2,834**
Currency differences	9	9	1	1	0	10	30
Acquisitions/divestitures of businesses	7	74	5	1	0	(26)	62
Additions	959	270	601	133	33	443	2,437
Accretion	4	0	0	0	(16)	1	(10)
Amounts utilized	(833)	(167)	(372)	(132)	(5)	(290)	(1,798)
Reversals	(168)	(151)	(163)	(6)	(2)	(121)	(611)
Balance as of Sept. 30, 2019	**664**	**438**	**349**	**200**	**263**	**1,030**	**2,944**

[1)] Figures have been adjusted (cf. Note 01 and 03).

As of September 30, 2019, €2,083 million (prior year: €1,915 million) of the total of provisions for employee benefits and other provisions are current, while €861 million (prior year: €919 million) are non-current. Provisions of €1,099 million (prior year: €1,115 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 €133 million in total consists of €59 million within the Elevator Technology business area, €23 million within the Materials Services business area, €18 million within the Components Technology business area and €12 million within the Industrial Solutions 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.

Other provisions include the provision recognized at the end of the last fiscal year in the context of the investigations by the Federal Cartel Office against thyssenkrupp Steel Europe AG. Based on very advanced talks with the Federal Cartel Office, thyssenkrupp expects to be able to conclude the heavy plate case by mutual agreement in the near future. Associated with this was an increase of the provision of slightly over €100 million as of March 31, 2019.

17 Financial debt

FINANCIAL DEBT

Carrying amounts in million €	Sept. 30, 2018[1]	Sept. 30, 2019
Bonds	4,678	5,922
Loan notes	139	238
Liabilities to financial institutions	134	118
Finance lease liabilities	15	34
Other loans	225	217
Non-current financial debt	**5,191**	**6,529**
Loan notes	113	9
Commercial paper		704
Liabilities to financial institutions	58	155
Finance lease liabilities	6	3
Other loans	8	15
Current financial debt	**185**	**886**
Financial debt	**5,377**	**7,415**

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

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 €146 million (prior year: €167 million) is collateralized by real estate.

As of September 30, 2019, the financial debt reflects a total discount in the amount of €29 million (prior year: €23 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”.

BONDS AND LOAN NOTES

	Carrying amount in million € as of Sept. 30, 2018	Carrying amount in million € as of Sept. 30, 2019	Notional amount in million € as of Sept. 30, 2019	Interest rate in %	Fair value in million € as of Sept. 30, 2019	Maturity
thyssenkrupp AG bond (€1,250 million) 2014/2019	1,247	—	—	3.1250	—	07/25/2019
thyssenkrupp AG bond (€750 million) 2015/2020	747	748	750	1.7500	757	11/25/2020
thyssenkrupp AG bond (€600 million) 2015/2025	594	595	600	2.5000	621	02/25/2025
thyssenkrupp AG bond (€850 million) 2016/2021	847	848	850	2.7500	869	03/08/2021
thyssenkrupp AG bond (€1,250 million) 2017/2022	1,243	1,245	1,250	1.3750	1,245	03/03/2022
thyssenkrupp AG bond (€1,500 million) 2019/2024	—	1,492	1,500	2.8750	1,543	02/22/2024
thyssenkrupp AG bond (€1,000 million) 2019/2023	—	994	1,000	1.8750	998	03/06/2023
thyssenkrupp AG loan note (€8 million) 2014/2019	8	—	—	—	—	06/30/2019
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	—	—	—	—	12/14/2018
thyssenkrupp AG loan note (€150 million) 2016/2021	140	135	135	1.7500	138	03/11/2021
thyssenkrupp AG loan note (€100 million) 2019/2021	—	100	100	1.1500	101	12/14/2021
thyssenkrupp AG loan note (€8 million) 2019/2022	—	8	8	1.5000	8	06/30/2022
Total	**4,930**	**6,169**	**6,197**		**6,284**	

Under its €10 billion debt issuance program, thyssenkrupp AG issued a €1,500 million bond with a term of 5 years and a coupon of 2.875% in February 2019, and a €1,000 million bond with a term of 3.5 years and a coupon of 1.875% in September 2019.

The €1,250 million bond originally due on October 25, 2019 was redeemed early on July 25, 2019. For this thyssenkrupp AG exercised its right to early redemption in accordance with the terms and conditions of issue.

Under a syndicated joint credit multi-currency facility agreement, thyssenkrupp has access to funds of €2.0 billion with variable interest rates. The facility has a term until March 14, 2021.

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 or U.S. dollars.

Taking into account drawings, the Group has unused, committed credit lines totaling €3.6 billion as of September 30, 2019.

Additional financing is also available under the Group's Commercial Paper Program, originally to a maximum of €1.5 billion and increased in the past fiscal year to €3.0 billion. 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, 2019, the program was used in the amount of €0.7 billion.

Maturity of financial debt is as follows:

MATURITY OF FINANCIAL DEBT

million € (for fiscal year)	Total financial debt	Thereof: Liabilities to financial institutions
2019/2020	886	155
2020/2021	1,770	30
2021/2022	1,480	16
2022/2023	1,022	18
2023/2024	1,511	13
nach 2023/2024	746	41
Total	**7,415**	**273**

18 Trade accounts payable

Trade accounts payable in the amount of €307 million (prior year: €256 million) have a remaining term of more than one year.

19 Other financial liabilities

OTHER FINANCIAL LIABILITIES

	Sept. 30, 2018[1]		Sept. 30, 2019	
million €	current	non-current	current	non-current
Financial liabilities measured at amortized cost	698	157	1,007	136
Derivatives not qualifying for hedge accounting	67	—	161	—
Derivatives qualifying for hedge accounting	20	—	40	—
Total	**784**	**157**	**1,209**	**136**

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

Other financial liabilities amounting to €139 million (prior year: €162 million) have a remaining term of more than one year.

20 Other non-financial liabilities

OTHER NON-FINANCIAL LIABILITIES

	Sept. 30, 2018[1]		Sept. 30, 2019	
million €	current	non-current	current	non-current
Selling and buying market related liabilities	691	—	723	—
Liabilities due to put options	18	0	17	0
Liabilities to the employees	940	—	932	—
Liabilities for social security	108	—	86	—
Deferred income	29	—	39	—
Tax liabilities (without income taxes)	300	—	273	—
Miscellaneous	317	4	302	6
Total	**2,403**	**4**	**2,373**	**6**

[1] Figures have been adjusted (cf. Note 01 and 03).

Other non-financial liabilities amounting to €7 million (prior year: €129 million) have a remaining term of more than one year.

21 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, 2018	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019
Advance payment bonds	20	20	1	1
Performance bonds	1	1	0	0
Residual value guarantees	61	0	15	0
Other guarantees	3	1	0	0
Total	**85**	**22**	**16**	**1**

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 investigation of the Federal Cartel Office against thyssenkrupp Steel Europe AG in the case of flat carbon steel has now been dropped.

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 €311 million (prior year: €307 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, 2018[1]	Year ended Sept. 30, 2019
Minimum rental payments	301	306
Contingent rentals	6	6
less income from sublease agreements	(1)	(1)
Total	**307**	**311**

[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, 2018	Sept. 30, 2019
Not later than one year	287	262
Between one and five years	471	596
Later than five years	385	468
Total	**1,142**	**1,326**

The commitment to enter into investment projects amounts to €709 million (prior year: €601 million) as of September 30, 2019 and relates mainly to property, plant and equipment of the Components Technology and Steel Europe business areas.

Other financial commitments exist in the amount of €1,945 million (prior year: €1,538 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 long term iron ore and iron ore pellets supply contracts exist which will result in purchasing commitments over a period of up to three years. Due to the high volatility of iron ore prices, the measurement of the complete purchasing commitments is based on the iron ore price as of the current balance sheet date resulting in purchasing commitments of €1,322 million (prior year: €1,253 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.

22 Financial instruments

The following table shows the carrying amounts, measurement categories under IFRS 9 (prior year IAS 39) and fair values of financial assets and liabilities by classes. Finance lease receivables and liabilities, contract assets and derivatives that qualify for hedge accounting are also included although they are not part of any IFRS 9 (prior year IAS 39) measurement category.

FINANCIAL INSTRUMENTS AS OF SEPT. 30, 2018[1)]

		Measurement according to IAS 39			Measurement in accordance with IAS 17/IFRS 15	
million €	Carrying amount on balance sheet as of Sept. 30, 2018	(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)	5,162	5,162				5,162
Loans and receivables		5,162				5,162
Contract assets	1,731				1,731	1,731
Finance lease receivables	1				1	1
Other financial assets	754	540	66	148		754
Loans and receivables		527				527
Available-for-sale financial assets		13		19		32
Derivatives not qualifying for hedge accounting (Financial assets held for trading)			66			66
Derivatives qualifying for hedge accounting			0	129		130
Cash and cash equivalents	3,006	3,006				3,006
Loans and receivables		3,006				3,006
Total of financial assets	**10,653**					
thereof by measurement categories of IAS 39:						
Loans and receivables	8,695	8,695				8,695
Available-for-sale financial assets	32	13		19		32
Derivatives not qualifying for hedge accounting (Financial assets held for trading)	66		66			66
Financial debt (excluding finance lease)	5,355	5,355				5,543
Financial liabilities measured at amortized cost		5,355				5,543
Finance lease liabilities	21				21	21
Trade accounts payable	6,533	6,533				6,533
Financial liabilities measured at amortized cost		6,533				6,533
Other financial liabilities	941	855	67	20		941
Financial liabilities measured at amortized cost		855				855
Derivatives not qualifying for hedge accounting (Financial assets held for trading)			67			67
Derivatives qualifying for hedge accounting			0	20		20
Total of financial liabilities	**12,851**					
thereof by measurement categories of IAS 39:						
Financial liabilities measured at amortized cost	12,743	12,743				12,930
Derivatives not qualifying for hedge accounting (Financial assets held for trading)	67		67			67

1) Figures have been adjusted (cf. Note 01 and 03).

FINANCIAL INSTRUMENTS AS OF SEPT. 30, 2019

		Measurement category in accordance with IFRS 9			Measurement in accordance with IAS 17/IFRS 15	
million €	Carrying amount on balance sheet as of Sept. 30, 2019	(Amortized) cost	Fair value recognized in profit or loss	Fair value recognized in equity (with recycling)	Amortized cost	Fair value as of Sept. 30, 2019
Trade accounts receivable (excluding finance lease)	5,488	4,301		1,187		5,551
Contract assets	1,443	1,443				1,443
Finance lease receivables	1				1	1
Other financial assets	847	562	13	20		847
Miscellaneous other financial assets		562				
Equity instruments			13			13
Debt instruments				20		20
Derivatives not qualifying for hedge accounting			126			126
Derivatives qualifying for hedge accounting			7	120		126
Cash and cash equivalents	3,706	3,706				3,706
Total of financial assets	**11,485**					
Financial debt (excluding finance lease)	7,378	7,378				7,497
Finance lease liabilities	37				37	37
Trade accounts payable	6,355	6,355				6,355
Other financial liabilities	1,344	1,143	181	20		1,344
Miscellaneous other financial liabilities		1,143				1,143
Derivatives not qualifying for hedge accounting			161			161
Derivatives qualifying for hedge accounting			20	20		40
Total of financial liabilities	**15,115**					

The carrying amounts of trade accounts receivable measured at amortized cost, other current receivables as well as cash and cash equivalents equal their fair values due to the short remaining terms. For trade accounts receivable measured at fair value, the fair value equals the carrying amount less impairment losses recognized in other comprehensive income.

Equity and debt instruments 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, equity and debt instruments are measured by discounting future cash flows based on current market interest rates over the remaining term of the financial instruments.

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, 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 payable and other current liabilities equal their fair values due to the short remaining terms. The fair value of fixed rate non-current financial 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 approximately equal their fair values.

Financial assets and liabilities measured at fair value can be categorized in the following three-level fair value hierarchy:

FAIR VALUE HIERARCHY AS OF SEPT. 30, 2018[1)]

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)	66	0	66	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	129	0	129	0
Total	**214**	**16**	**198**	**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	20	0	20	0
Total	**87**	**0**	**87**	**0**

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

FAIR VALUE HIERARCHY AS OF SEPT. 30, 2019

million €	Sept. 30, 2019	Level 1	Level 2	Level 3
Financial assets at fair value				
Fair value recognized in profit or loss				
Derivatives not qualifying for hedge accounting	126	0	126	0
Derivatives qualifying for hedge accounting	7	0	7	0
Equity instruments	13	9	4	0
Fair value recognized in equity				
Trade accounts receivable	**1,187**			**1,187**
Debt instruments	20	17	3	0
Derivatives qualifying for hedge accounting	120	0	120	0
Total	**1,472**	**26**	**259**	**1,187**
Financial liabilities at fair value				
Fair value recognized in profit or loss				
Derivatives not qualifying for hedge accounting	161	0	161	0
Derivatives qualifying for hedge accounting	20	0	20	0
Fair value recognized in equity				
Derivatives qualifying for hedge accounting	20	0	20	0
Total	**202**	**0**	**202**	**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 fair value measurement is based on unobservable inputs using recognized valuation models.

In the reporting year there were no reclassifications between level 1 and level 2. For the trade accounts receivable classified as level 3, the fair value equals the carrying amount less impairment losses recognized in other comprehensive income.

Financial liabilities measured at amortized cost with a carrying amount of €14,876 million (prior year: €12,743 million) have a fair value of €14,995 million (prior year: €12,930 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 €117 million (prior year: €47 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 to €13 million (prior year: €64 million). Cash collateral exists in the amount of €2 million (prior year: €13 million).

The following tables show net result from financial instruments by measurement categories under IFRS 9 (prior year: net gains and losses under IAS 39):

NET GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS

million €	Year ended Sept. 30, 2018[1]
Loans and receivables	56
Available-for-sale financial assets	28
Derivatives not qualifying for hedge accounting (Financial assets/liabilities held for trading)	1
Financial liabilities measured at amortized cost	(306)

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

NET RESULT FROM FINANCIAL INSTRUMENTS

million €	Year ended Sept. 30, 2019
Financial assets at amortized cost	86
Financial assets / liabilities at fair value recognized in equity (with recycling)	(14)
Financial assets / liabilities at fair value recognized in profit or loss	(36)
Financial liabilities at amortized cost	(303)

Net gains under “Financial assets at amortized cost” mainly comprise interest income on financial receivables, allowances for trade accounts receivable as well as gains and losses on foreign currency receivables.

The category “Financial assets/liabilities at fair value through other comprehensive income (with recycling)” mainly includes impairment losses on trade accounts receivable, gains from the sale of receivables and current income from 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 IFRS 9 are included in the category “Financial assets/liabilities at fair value through profit and loss”. Current income and expenses from equity instruments are also presented in this category.

The category “Financial liabilities at amortized cost” mainly comprises interest expenses on financial liabilities as well as gains and losses on foreign currency liabilities.

Included in net result (prior year: net gains and losses) are exchange differences of €(13) million (prior year: €(6) million).

Impairment of financial assets

For financial assets measured at amortized cost or at fair value recognized in equity as well as finance lease receivables an impairment loss is recognized for expected losses.

The gross carrying amounts and the impairment losses on trade accounts receivable recognized at amortized cost as well as contract assets developed as follows:

IMPAIRMENT OF TRADE ACCOUNTS RECEIVABLE RECOGNIZED AT AMORTIZED COST AS WELL AS CONTRACT ASSETS

million €	Gross carrying amount	Expected credit loss	Individual allowances	Total of impairments	Carrying amount
Balance as of Sept. 30, 2018	**7,242**	**0**	**(349)**	**(349)**	**6,892**
Effects of IFRS 9	(1,218)	(51)	64	13	(1,205)
Balance as of Oct. 1, 2018	**6,023**	**(51)**	**(285)**	**(336)**	**5,688**
Currency differences	141	(2)	(6)	(8)	132
Acquisitions/divestitures of businesses	5	0	(9)	(9)	(3)
Additions		(33)	(65)	(98)	(98)
Amounts utilized		2	56	57	57
Reversals		20	31	51	51
Transfer between impairment stages		9	(8)	1	1
Other changes	(83)	0	0	0	(83)
Balance as of Sept. 30, 2019	**6,086**	**(55)**	**(286)**	**(341)**	**5,744**

The gross carrying amounts and the impairment losses on trade accounts receivable recognized at fair value recognized in equity developed as follows:

IMPAIRMENT OF TRADE ACCOUNTS RECEIVABLE RECOGNIZED AT FAIR VALUE IN EQUITY

million €	Carrying amount	Expected credit loss	Individual allowances	Total of impairments
Balance as of Sept. 30, 2018	**0**	**0**	**0**	**0**
Effects of IFRS 9	1,281	(7)	(65)	(72)
Balance as of Oct. 1, 2018	**1,281**	**(7)**	**(65)**	**(72)**
Currency differences	9	0	0	0
Acquisitions/divestitures of businesses	0	0	0	0
Additions		(3)	(3)	(6)
Amounts utilized		0	6	6
Reversals		6	3	9
Transfer between impairment stages		0	0	0
Other changes	(104)		0	0
Balance as of Sept. 30, 2019	**1,187**	**(4)**	**(59)**	**(63)**

There were no significant changes in impairment losses on other financial assets measured at amortized cost or at fair value through other comprehensive income or on finance lease receivables in the 2018/2019 fiscal year.

thyssenkrupp has developed two models to determine expected credit losses, in particular expected default rates for trade accounts receivable:

In the Group's leading valuation model, the expected default rates are essentially derived from external credit information and ratings for each counterparty, which allows more accurate calculation of the probability of default compared with the formation of rating classes. It involves translating the customer risk numbers assigned by trade credit insurers and the creditworthiness information provided by credit agencies into an individual probability of default per customer using a central allocation system. This individual probability of default per customer is used uniformly in the thyssenkrupp Group. The information is updated on a quarterly basis. If no rating information is available at counterparty level, an assessment is made on the basis of the average probability of default per business area plus an appropriate risk premium.

For the Elevator business area with its different customer structure compared with the rest of the Group, the probability of default is determined on the basis of historical default rates taking into account forward-looking information. Consideration is also given to the respective business model, customer groups, and economic environment of the region. Actual default is generally assumed after 360 days.

The gross carrying amounts, impairment losses and average probabilities of default for each business area are shown below.

IMPAIRMENTS OF TRADE ACCOUNTS RECEIVABLE AND CONTRACT ASSETS BY BUSINESS AREAS

million €	Gross carrying amount	Expected credit loss	Individual allowances	Total of impairments	Average probability of default
Components Technology	1,175	(6)	(25)	(31)	0.53
Elevator Technology	2,071	(31)	(148)	(180)	1.40
Industrial Solutions	1,360	(14)	(49)	(63)	2.62
Marine Systems	1,020	(2)	(12)	(14)	0.77
Materials Services	868	(4)	(102)	(106)	0.90
Steel Europe	773	(2)	(9)	(11)	0.71
Corporate	8	0	0	0	0.79

The maximum credit risk exposure of the financial assets subject to the impairment models corresponds to the gross carrying amounts less the recognized impairment losses. The gross carrying amounts were secured by letters of credit, credit insurances, sureties and guarantees amounting to €1,559 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. In some cases, the derivatives are designated as hedging instruments for hedge accounting purposes.

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, 2018[2]	Carrying amount as of Sept. 30, 2018[2]	Notional amount as of Sept. 30, 2019	Carrying amount as of Sept. 30, 2019
Assets				
Foreign currency derivatives that do not qualify for hedge accounting	1,827	27	1,358	32
Foreign currency derivatives qualifying as cash flow hedges	333	8	250	10
Embedded derivatives	136	2	85	3
Interest rate derivatives that do not qualify for hedge accounting	28	3	8	0
Commodity derivatives that do not qualify for hedge accounting	686	34	1,418	91
Commodity derivatives qualifying as cash flow hedges	146	122	175	109
Commodity derivatives qualifying as fair value hedges	101	0	143	7
Total	**3,259**	**195**	**3,437**	**253**
Equity and liabilities				
Foreign currency derivatives that do not qualify for hedge accounting	1,318	25	1,504	40
Foreign currency derivatives qualifying as cash flow hedges	553	16	282	11
Embedded derivatives	107	2	50	1
Interest rate derivatives that do not qualify for hedge accounting	0	0	14	1
Interest rate derivatives qualifying as cash flow hedges[1]	8	0	5	0
Commodity derivatives that do not qualify for hedge accounting	771	40	1,228	120
Commodity derivatives qualifying as cash flow hedges	66	3	67	9
Commodity derivatives qualifying as fair value hedges	25	0	219	20
Total	**2,848**	**87**	**3,369**	**202**

[1] Inclusive of cross currency swaps
[2] Figures have been adjusted (cf. Note 03).

Derivatives that qualify for hedge accounting

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. The income/expense from these hedges and the hedged underlying transactions are generally shown in the same profit and loss item.

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. In the case of cash flow hedges too, the earnings effect of the hedging instruments is generally also shown in the same profit and loss item as the hedged underlying transaction

The following table shows the carrying amounts of derivatives qualifying for hedge accounting, the designated portion of the hedging instruments and changes in the fair values of hedged items by hedged risk type and type of hedge. Derivative assets and liabilities are part of other financial assets and liabilities.

INFORMATION ON HEDGING INSTRUMENTS IN THE CONTEXT OF CASH FLOW HEDGES AND FAIR VALUE HEDGES

	Carrying amount on balance sheet as of Sept. 30, 2019			
million €	Derivative assets	Derivative liabilities	Designated part of hedging instruments	Fair value change of hedged item
Hedging of foreign currency risk	**10**	**11**	**(5)**	**5**
Foreign currency derivatives qualifying as cash flow hedges	10	11	(5)	5
Hedging of interest risk[1]	**0**	**0**	**(1)**	**1**
Interest rate derivatives qualifying as cash flow hedges[1]	0	0	(1)	1
Interest rate derivatives qualifying as fair value hedges	0	0	0	0
Hedging of commodity risk	**116**	**29**	**56**	**(56)**
Commodity derivatives qualifying as cash flow hedges	109	9	69	(69)
Commodity derivatives qualifying as fair value hedges	7	20	(13)	13

[1] Inclusive of cross currency swaps

Cash flows from future transactions are currently hedged for a maximum of 69 months.

During the current fiscal year, €(3) million (prior year: €(2) million) of cumulative other comprehensive income was reclassified to sales in profit or loss as a result of the underlying transactions being realized during the year. In addition, €10 million (prior year: €1 million) of cumulative other comprehensive income was 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 €11 million. Furthermore, €1 million will impact earnings in 2019/2020.

The following table shows the development of other comprehensive income from cash flow hedges by risk type:

CHANGES IN OTHER COMPREHENSIVE INCOME RESULTING FROM CASH FLOW HEDGES BY TYPE OF RISK

million €	Total	Foreign currency risk	Interest risk[1]	Commodity price risk
Balance as of Oct. 1, 2018	**62**			
Net unrealized (gains)/losses on designated risk component	2	3	0	(1)
Net unrealized (gains)/losses on hedging costs	(1)	(1)	—	—
Net realized (gains)/losses	(7)	(4)	0	(3)
Tax effect	5			
Balance as of Sept. 30, 2019	**60**			

[1] Inclusive of cross currency swaps

As of September 30, 2019, net income from the ineffective portions of derivatives classified as cash flow hedges totaled €0 million (prior year: €(6) million).

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 €96 million. During the 2020/2021 fiscal year, earnings are expected to be impacted by income of €0 million and in the 2021/2022 fiscal year by income of €0 million.

The hedging rates and remaining terms for the major derivatives qualifying for hedge accounting existing at the end of the year are shown in the following table.

HEDGING RATES AND REMAINING TERMS OF DERIVATIVES QUALIFYING FOR HEDGE ACCOUNTING

million €	Remaining term up to 1 year	Remaining term 1 to 2 years	Remaining term above 2 years	Notional amount as of Sept. 30, 2019	Average hedging rate
Hedging of foreign currency risk	**491**	**35**	**6**	**532**	
thereof:					
Foreign currency forward contracts USD	402	34	6	442	USD1.17/€
Foreign currency forward contracts PLN	14	0	0	14	PLN4.33/€
Foreign currency forward contracts AED	6	0	0	6	AED4.32/€
Hedging of commodity price risk	**604**	**0**	**0**	**604**	
thereof:					
CO_2 forward contracts	150	0	0	150	€14.5/ton
Nickel forward contracts	19	0	0	19	€14,778/ton
Tin forward contracts	73	0	0	73	€16,984/ton
Iron ore forward contracts	362	0	0	362	€80/ton

Derivatives that do not qualify for hedge accounting

If a hedging relationship does not meet the requirements for hedge accounting in accordance with the conditions under IAS 39 or hedge accounting is economically not reasonable, the derivative financial instrument is recognized as a derivative that does not qualify for hedge accounting. The resulting impact on profit or loss is shown in the table on net gains and losses from financial instruments by measurement categories. This item also includes embedded derivatives. They exist in the thyssenkrupp Group in the way that regular supply and service transactions with suppliers and customers abroad are not concluded in the functional currency (local currency) of either of the two contracting parties.

Financial risk

As 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 derivative and non-derivative hedging instruments. Within the framework of risk management, financial risks and credit risks must be avoided as far as possible, compensated by a risk portfolio, passed on to third parties or limited (principle of risk aversion). Details are provided in the opportunity and risk report contained in the management report.

Credit risk

Credit risk (default risk) is the risk of thyssenkrupp incurring financial losses due to the non-fulfillment or partial fulfillment of existing debt obligations. Credit risk management is governed by corporate guidelines. Business areas and Group companies are required to implement credit risk management in accordance with these guidelines.

In order to minimize default risks (credit risks) from the use of financial instruments, such transactions are only concluded with counterparties that meet our internal minimum requirements. Credit risk management defines minimum requirements for the selection of counterparties so that financial instruments in the financing area are only concluded with counterparties who have a good credit rating or are members of a deposit protection fund. Creditworthiness is monitored on the basis of assessments by recognized rating agencies and also taking into account short-term early warning indicators. Continuous and standardized monitoring of ratings and early warning indicators enables us to minimize risks at an early stage. Derivative financial instruments are generally entered into on the basis of standard contracts in which it is possible to net open transactions with the respective business partners.

Default risks are generally hedged with suitable instruments. These include in particular private and state credit insurance as well as letters of credit and guarantees from banks, insurance companies and management companies. In the case of long-term contracts, additional security is provided in the form of advance payments received. In order to further minimize default risks from operating activities, the corporate guidelines provide for the assessment of default risk based on the risk profile of the business partner using suitable internal and, where available, external information, such as ratings and credit reports. Credit limits are set for each business partner using this credit rating. The assessment of the risk profile is subject to appropriate, ongoing monitoring, which enables thyssenkrupp to minimize risk at an early stage. Taking into account the individual characteristics of their customer structures and business models, the respective business areas lay down clear process rules for determining which measures are to be taken in the event of deteriorating creditworthiness or payment default in order to mitigate the maximum default risk as far as possible.

Transactions whose value exceeds specified materiality thresholds, especially in the area of major projects, also require prior approval at thyssenkrupp AG level. Among other things, the amount and hedging of default risks is assessed.

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, 2018[1)]

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	192	69	23	70	49
Finance lease liabilities	21	7	6	6	12
Other financial debt	485	137	36	273	105
Trade accounts payable	6,533	6,276	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	855	850	7	1	0

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

FUTURE UNDISCOUNTED CASH OUTFLOWS AS OF SEPT. 30, 2019

million €	Carrying amount Sept. 30, 2019	Cash flows in 2019/2020	Cash flows in 2020/2021	Cash flows between 2021/2022 and 2023/2024	Cash flows after 2023/2024
Bonds	5,922	122	1,731	3,980	615
Liabilities to financial institutions	273	162	32	53	36
Finance lease liabilities	37	5	5	13	28
Other financial debt	1,183	738	150	243	99
Trade accounts payable	6,355	6,048	285	22	0
Derivative financial liabilities not qualifying for hedge accounting	161	159	3	1	0
Derivative financial liabilities qualifying for hedge accounting	40	38	2	1	0
Other financial liabilities	1,143	1,144	4	0	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, 2019 was as follows:

If the euro had been 10% stronger against the US dollar as of September 30, 2019, the hedge reserve in equity and fair value of hedging transactions would have been €6 million lower (prior year: €9 million higher) and earnings resulting from the measurement as of the balance sheet date €80 million (prior year: €9 million) higher. If the euro had been 10% weaker against the US dollar as of September 30, 2019, the hedge reserve in equity and fair value of hedging transactions would have been €8 million higher (prior year: €10 million lower) and earnings resulting from the measurement as of the balance sheet date €98 million (prior year: €9 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, 2018 and 2019, respectively, all interest derivatives are immediately and directly allocated to particular financings as cash flow hedges. As of the current balance sheet date and as of the prior year's balance sheet date almost all interest rate derivatives are accounted for as cash flow hedges.

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, 2019, 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 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, 2018 by		Sept. 30, 2019 by	
million €	+ 100 basis points	(20) basis points	+ 100 basis points	(20) basis points
Cash flow risk	30	(6)	30	(6)
Opportunity effects	150	(31)	209	(43)
Interest rate risks resulting from interest rate derivatives affecting balance sheet	0	0	0	0
Interest rate risks resulting from interest rate derivatives affecting earnings	0	0	0	0

If, as of September 30, 2019, 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 nearly unchanged and earnings resulting from the measurement as of the balance sheet date €30 million (prior year: €30 million) higher. If, as of September 30, 2019, 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 nearly unchanged and earnings resulting from the measurement as of the balance sheet date €6 million (prior year: €6 million) lower.

Procurement risk (commodity price risk) – To minimize risks arising from commodity price volatilities, the Group also uses derivatives, especially for ore, copper, nickel, zinc, aluminium and tin.

To minimize the risk of fluctuating freight prices, the Group uses among other things long-term fixed price contracts.

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, 2019 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 €(65) million (prior year: €(26) million), and on equity €(35) 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 €4 million (prior year: €13 million), and on equity €(3) million (prior year: €(4) million).

23 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 2019, the interest in thyssenkrupp AG is around 21% as of September 30, 2019. 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 2017/2018 und 2018/2019, 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, 2018	Year ended Sept. 30, 2019	Year ended Sept. 30, 2018	Year ended Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019
Non-consolidated subsidiaries	0	0	1	1	0	0	0	0
Associates	49	38	3	3	3	5	6	11
Joint ventures	28	17	2	1	8	9	0	1

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, 2018	Year ended Sept. 30, 2019
Short-term benefits (excluding share-based compensation)	5,363	3,396
Post-employment benefits	1,210	1,809
Termination benefits	4,555	8,916
Share-based compensation	4,682	3,286
Total	**15,810**	**17,407**

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, 2018 and 2019, 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, 2018	Year ended Sept. 30, 2019
Short-term benefits (inclusive of meeting attendance fees)	1,675	1,784

In addition, members of the Supervisory Board of thyssenkrupp AG received compensation of €46 thousand in fiscal year 2018/2019 (prior year: €61 thousand) for supervisory board mandates at Group subsidiaries.

As of September 30, 2018 and 2019, 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 €15.8 million (prior year: €19.0 million). Under IFRS an amount of €315.9 million (prior year: €279.8 million) is accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

24 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. In connection with the realignment of the Industrial Solutions business area, Marine Systems was taken out and managed as a separate business unit as of October 1, 2018. The prior-period figures are adjusted accordingly.

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

Marine Systems

The business unit is active in naval shipbuilding.

Materials Services

The business area is focused on the global distribution of materials and the provision of complex technical services for the production and manufacturing sectors.

Steel Europe

The business brings together the premium flat carbon steel activities, from intelligent materials solutions to finished parts.

Corporate

Corporate comprises the Group's head office including the Regional Headquarters. Corporate also includes the Service Units that mainly perform processes in accounting, IT and HR, and the Special Units, among other things for the management of the Group's real estate.

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, 2018[1)]

million €	Components Technology	Elevator Technology	Industrial Solutions	Marine Systems	Materials Services	Steel Europe	Corporate	Consolidation	Group
For the fiscal year year ended Sept. 30, 2018									
Net sales	6,605	7,549	3,616	1,389	14,427	7,899	51	0	41,534
Internal sales within the Group	5	3	17	0	278	1,570	278	(2,154)	0
Total sales	6,610	7,552	3,633	1,389	14,705	9,470	329	(2,154)	41,534
Income from companies accounted for using the equity method	0	2	0	0	(3)	16	0	0	15
Aggregate investment in investees accounted for using the equity method	0	2	1	5	39	84	0	0	132
EBIT	121	775	(126)	(117)	270	470	(466)	10	937
Adjusted EBIT	197	865	(127)	(128)	317	687	(377)	10	1,444
Average capital employed	3,893	1,152	67	675	3,621	5,544	831	(44)	15,739
Depreciation and amortization expense	332	88	43	46	107	423	60	(5)	1,093
Impairment losses of intangible assets, property, plant and equipment inclusive of investment property	13	0	5	0	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	0
Significant non-cash items	(279)	(494)	1	(127)	(40)	(296)	(131)	0	(1,367)
Capital expenditures (intangible assets, property, plant and equipment inclusive of investment property)	523	105	63	59	113	442	66	4	1,375

1) Figures have been adjusted (cf. Note 01 und 03) and the new Marine Systems business unit.

SEGMENT INFORMATION FOR THE YEAR ENDED SEPT. 30, 2019

million €	Components Technology	Elevator Technology	Industrial Solutions	Marine Systems	Materials Services	Steel Europe	Corporate	Consolidation	Group
For the fiscal year year ended Sept. 30, 2019									
Net sales	6,864	7,959	3,981	1,800	13,607	7,768	19	0	41,996
Internal sales within the Group	7	1	21	1	273	1,297	288	(1,889)	0
Total sales	6,871	7,960	4,002	1,800	13,880	9,065	308	(1,889)	41,996
Income from companies accounted for using the equity method	0	3	0	0	(2)	8	0	0	9
Aggregate investment in investees accounted for using the equity method	0	3	0	4	37	84	0	0	128
EBIT	105	791	(194)	0	66	(123)	(369)	(4)	272
Adjusted EBIT	233	907	(170)	1	107	31	(306)	(1)	802
Average capital employed	4,144	1,292	101	927	3,866	5,447	998	(26)	16,749
Depreciation and amortization expense	360	88	45	52	113	443	59	(4)	1,156
Impairment losses of intangible assets, property, plant and equipment inclusive of investment property	91	1	1	0	1	0	3	0	97
Reversals of impairment losses of intangible assets, property, plant and equipment inclusive of investment property	0	0	0	0	0	0	0	0	0
Significant non-cash items	(144)	(951)	(204)	(71)	(48)	(286)	(112)	0	(1,816)
Capital expenditures (intangible assets, property, plant and equipment inclusive of investment property)	479	173	55	59	135	477	42	(28)	1,391

The reconciliation of the earnings figure EBIT to EBT according to the statement of income is presented below:

RECONCILIATION EBIT TO EBT

million €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019
Adjusted EBIT as presented in segment reporting	**1,444**	**802**
Special items[2]	(507)	(530)
EBIT as presented in segment reporting	**937**	**272**
+ Finance income	745	697
– Finance expense	(1,101)	(1,054)
– Items of finance income assigned to EBIT based on economic classification	(27)	(6)
+ Items of finance expense assigned to EBIT based on economic classification	6	9
EBT (income/(loss) before tax) as presented in the statement of income	**561**	**(83)**

[1] Figures have been adjusted (cf. Note 01 and 03).
[2] Refer to the explanation of the special items in chapter “Report on the economic position”, section “Group review”.

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, 2018[1]	Sept. 30, 2019
Total assets	**34,426**	**36,475**
Deferred tax assets	(1,288)	(1,733)
Current income tax assets	(269)	(293)
Cash and cash equivalents	(3,006)	(3,706)
Adjustments due to included assets classified as non-operating items	(262)	(330)
Liability items reducing capital employed:		
Provisions for other non-current employee benefits	(345)	(307)
Other provisions, non-current	(575)	(554)
Other non-financial liabilities, non-current	(4)	(6)
Provisions for current employee benefits	(342)	(357)
Other provisions, current	(1,573)	(1,726)
Trade accounts payable	(6,533)	(6,355)
Other financial liabilities, current	(784)	(1,209)
Contract liabilities	(5,011)	(4,561)
Other non-financial liabilities, current	(2,403)	(2,373)
Adjustments due to included liabilities classified as non-operating items	472	527
Adjustments of assets/liabilities due to presentation of discontinued operations	0	0
Capital employed as of balance sheet date	**12,503**	**13,493**
Impact from adjusting average capital employed to capital employed as of balance sheet date	1,066	919
Average capital employed (5-points-average)	**13,569**	**14,412**
Correction factors with increasing impact on performance requirements for positive value added	2,170	2,337
Average capital employed as presented in segment reporting	**15,739**	**16,749**

[1] Figures have been adjusted (cf. Note 01 and 03).

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

million €	Germany	USA	China	Outside Germany	Group
External sales (location of customer)					
Year ended Sept. 30, 2018[1]	**12,119**	**6,535**	**3,050**	**19,830**	**41,534**
Year ended Sept. 30, 2019	11,775	7,071	3,035	20,115	**41,996**

[1] Figures have been adjusted (cf. Note 01 and 03).

NON-CURRENT ASSETS BY REGIONS

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, 2018[1]	**7,013**	**1,382**	**910**	**3,515**	**12,820**
Sept. 30, 2019	7,272	1,578	909	3,654	**13,413**

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

Notes to the consolidated statement of income

25 Sales

Sales and sales from contracts with customers are presented below:

SALES

million €	Components Technology	Elevator Technology	Industrial Solutions	Marine Systems	Materials Services	Steel Europe	Corporate	Consolidation	Group
For the fiscal year year ended Sept. 30, 2018[1)]									
Sales from sale of finished products	5,455	196	186	37	3,287	8,744	28	(1,537)	16,396
Sales from sale of merchandise	905	45	39	0	10,654	280	0	(157)	11,765
Sales from rendering of services	194	3,439	443	41	616	161	210	(363)	4,742
Sales from construction contracts	0	3,748	2,910	1,300	0	0	0	(12)	7,946
Other sales from contracts with customers	62	121	64	10	130	291	33	(36)	674
Subtotal sales from contracts with customers	**6,617**	**7,550**	**3,641**	**1,388**	**14,687**	**9,475**	**271**	**(2,105)**	**41,524**
Other sales	(7)	2	(8)	(1)	18	(5)	58	(47)	11
Total	**6,610**	**7,552**	**3,633**	**1,389**	**14,705**	**9,470**	**329**	**(2,154)**	**41,534**
For the fiscal year year ended Sept. 30, 2019									
Sales from sale of finished products	5,743	195	407	41	3,014	8,270	2	(1,257)	16,416
Sales from sale of merchandise	854	114	37	17	10,153	257	0	(168)	11,264
Sales from rendering of services	189	3,625	636	38	689	162	188	(350)	5,177
Sales from construction contracts	0	3,885	2,857	1,682	0	0	0	(24)	8,400
Other sales from contracts with customers	90	140	66	22	120	381	32	(42)	809
Subtotal sales from contracts with customers	**6,876**	**7,959**	**4,003**	**1,800**	**13,976**	**9,070**	**222**	**(1,841)**	**42,065**
Other sales	(5)	1	(2)	1	(96)	(5)	85	(48)	(69)
Total	**6,871**	**7,960**	**4,002**	**1,800**	**13,880**	**9,065**	**308**	**(1,889)**	**41,996**

[1)] Figures have been adjusted (cf. Note 01 and 03).

SALES FROM CONTRACTS WITH CUSTOMERS BY CUSTOMER GROUP

million €	Components Technology	Elevator Technology	Industrial Solutions	Marine Systems	Materials Services	Steel Europe	Corporate	Consolidation	Group
For the fiscal year year ended Sept. 30, 2018[1]									
Automotive	4,879	3	1,014	0	2,499	2,791	14	(342)	10,857
Trading	274	1,813	35	0	2,144	2,119	87	(1,046)	5,427
Engineering	1,222	525	952	571	1,438	383	74	(190)	4,974
Steel and related processing	11	4	51	0	3,122	2,247	50	(494)	4,992
Construction	25	3,486	0	1	777	34	2	(4)	4,321
Public sector	6	278	0	759	167	2	0	0	1,212
Packaging	1	2	0	0	66	1,205	0	(1)	1,273
Energy and utilities	32	30	128	0	394	256	0	0	840
Other customer groups	167	1,409	1,461	58	4,079	437	44	(26)	7,629
Total	**6,617**	**7,550**	**3,641**	**1,388**	**14,687**	**9,475**	**271**	**(2,105)**	**41,524**
For the fiscal year year ended Sept. 30, 2019									
Automotive	5,032	3	1,004	0	2,206	2,658	17	(198)	10,722
Trading	349	1,962	0	17	1,820	1,977	79	(944)	5,261
Engineering	1,313	538	1,322	21	1,330	306	82	(204)	4,708
Steel and related processing	26	4	46	0	2,734	2,087	25	(448)	4,473
Construction	30	3,621	0	0	684	17	0	0	4,352
Public sector	6	242	0	1,724	66	1	0	4	2,042
Packaging	1	2	9	0	102	1,321	0	1	1,437
Energy and utilities	14	39	138	0	194	277	0	0	662
Other customer groups	104	1,548	1,485	38	4,840	426	19	(51)	8,409
Total	**6,876**	**7,959**	**4,003**	**1,800**	**13,976**	**9,070**	**222**	**(1,841)**	**42,065**

[1] Figures have been adjusted (cf. Note 01 and 03).

SALES FROM CONTRACTS WITH CUSTOMERS BY REGION

million €	Components Technology	Elevator Technology	Industrial Solutions	Marine Systems	Materials Services	Steel Europe	Corporate	Consolidation	Group
For the fiscal year year ended Sept. 30, 2018[1]									
German-speaking area[2]	1,949	719	147	811	5,005	5,411	231	(1,265)	13,008
Western Europe	1,006	1,239	393	128	3,776	2,109	7	(541)	8,116
Central and Eastern Europe	254	34	108	0	1,814	552	2	(116)	2,648
Commonwealth of Independent States	27	59	119	0	57	53	0	0	314
North America	1,611	2,637	397	13	2,923	652	26	(136)	8,123
South America	283	395	293	4	66	96	1	(3)	1,137
Asia / Pacific	125	733	330	381	447	58	1	(4)	2,070
Greater China	1,259	1,297	401	0	110	157	0	(12)	3,212
India	56	95	162	36	33	58	1	(2)	438
Middle East & Africa	48	341	1,292	16	456	330	1	(25)	2,458
Total	**6,617**	**7,550**	**3,641**	**1,388**	**14,687**	**9,475**	**271**	**(2,105)**	**41,524**
For the fiscal year year ended Sept. 30, 2019									
German-speaking area	1,874	766	733	516	4,809	4,945	189	(1,154)	12,677
Western Europe	1,068	1,296	300	93	3,541	1,955	7	(371)	7,888
Central and Eastern Europe	322	38	382	2	1,690	604	1	(131)	2,908
Commonwealth of Independent States	32	68	153	1	55	66	0	0	373
North America	1,729	2,951	425	12	3,112	767	22	(156)	8,862
South America	307	420	207	6	44	113	1	0	1,097
Asia / Pacific	120	687	612	388	374	83	1	(3)	2,261
Greater China	1,303	1,341	314	1	77	136	1	0	3,171
India	56	104	248	37	34	65	1	0	544
Middle East & Africa	66	288	629	745	242	337	1	(23)	2,284
Total	**6,876**	**7,959**	**4,003**	**1,800**	**13,976**	**9,070**	**222**	**(1,841)**	**42,065**

[1] Figures have been adjusted (cf. Note 01 and 03).
[2] Germany, Austria, Switzerland, Liechtenstein

26 Other income

OTHER INCOME

million €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019
Gains from premiums and from grants	15	25
Insurance compensation	12	100
Miscellaneous	209	222
Total	**236**	**346**

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

Miscellaneous other income includes a multitude of minor single items resulting from the 456 (prior year: 449) consolidated companies.

27 Other expenses

OTHER EXPENSES

million €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019
Additions to/reversals of provisions	252	134
Other taxes	21	19
Miscellaneous	100	180
Total	**373**	**333**

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

Miscellaneous other expenses include a multitude of minor single items resulting from the 456 (prior year: 449) consolidated companies.

28 Other gains/(losses), net

OTHER GAINS/(LOSSES), NET

million €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019
Gain/(loss) on disposal of intangible assets, net	(1)	5
Gain/(loss) on disposal of property, plant and equipment, net	17	36
Gain/(loss) on disposal of investment property, net	2	5
Gain/(loss) on disposal of subsidiaries, net	2	(1)
Miscellaneous	1	(1)
Total	**21**	**44**

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

29 Financial income/(expense), net

FINANCIAL INCOME/(EXPENSE), NET

million €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019
Income from companies accounted for using the equity method	**15**	**9**
Interest income from financial receivables	38	26
Income from investments	27	6
Other finance income	680	665
Finance income	**745**	**697**
Interest expense from financial debt	(212)	(171)
Net interest cost of pensions and similar obligations	(141)	(127)
Expense from investments	0	0
Other finance expenses	(748)	(755)
Finance expense	**(1,101)**	**(1,054)**
Total	**(340)**	**(348)**

[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 items “interest income from financial receivables” and “other finance income” include interest income from financial assets that are not measured at fair value through profit or loss of €26 million (prior year: €48 million) and the line items “interest expense from financial debt” and “other finance expenses” include interest expense from financial liabilities that are not measured at fair value through profit or loss of €169 million (prior year: €242 million).

30 Income taxes

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

BREAKDOWN OF INCOME TAX EXPENSE/(BENEFIT)

million €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019
Current income tax expense/(benefit)	291	287
Deferred income tax expense/(benefit)	282	(110)
Total	**573**	**177**

[1] Figures have been adjusted (cf. Note 01 and 03).

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

INCOME TAXES RECOGNIZED IN TOTAL EQUITY

million €	Year ended Sept. 30, 2018[1]	Year ended Sept. 30, 2019
Income tax expense/(benefit) as presented on the statement of income	573	177
Income non-effective tax effect on other comprehensive income	53	(333)
Total	**626**	**(156)**

[1] Figures have been adjusted (cf. Note 01 and 03).

As of September 30, 2019, 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 €452 million (prior year: €434 million).

Components of the deferred tax assets and liabilities are as follows:

INVENTORY OF DEFERRED TAX ASSETS AND LIABILITIES

million €	Sept. 30, 2018[1]		Year ended Sept. 30, 2019		Sept. 30, 2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax benefit (+) / expense (-)	Miscellaneous	Deferred tax assets	Deferred tax liabilities
Deferred income taxes on non-current items						
Intangible assets	50	437	347	(14)	376	431
Property, plant and equipment (inclusive of investment property)	106	467	30	(1)	112	445
Financial assets	70	18	(13)	0	62	23
Other assets	1	48	(20)	0	0	68
Accrued pension and similar obligations	1,182	7	(12)	340	1,510	8
Other provisions	100	26	(15)	0	92	31
Other liabilities	271	510	344	0	194	89
Deferred income taxes on current items						
Inventories	438	77	(83)	0	356	78
Other assets	640	1,073	6	2	668	1,092
Other provisions	178	268	(38)	8	206	325
Other liabilities	1,258	522	(319)	13	901	472
Valuation allowance – temporary differences	(4)	—	(9)	(13)	(27)	—
Subtotal	**4,290**	**3,453**	**216**	**335**	**4,450**	**3,062**
Tax loss carried forward	1,136	—	61	16	1,214	—
Interest carried forward	223	—	2	0	225	—
Foreign tax credits	28	—	(3)	2	26	—
Valuation allowance – tax loss carried forward etc.	(995)	—	(167)	(6)	(1,168)	—
Subtotal	**392**	**0**	**(107)**	**11**	**297**	**0**
Gross amount before offsetting	**4,682**	**3,453**	**109**	**346**	**4,747**	**3,062**
Offsetting	(3,394)	(3,394)	—	—	(3,014)	(3,014)
Balance sheet amount	**1,288**	**59**	**—**	**—**	**1,733**	**48**

[1] Figures have been adjusted (cf. Note 01 and 03).

As of September 30, 2019, tax losses carried forward for which no deferred tax asset is recognized amount to €4,160 million (prior year: €3,501 million). According to tax legislation as of September 30, 2019, an amount of €4,027 million (prior year: €3,358 million) of these tax losses may be carried forward indefinitely and in unlimited amounts whereas an amount of €133 million (prior year: €143 million) of these tax losses carried forward will expire over the next 20 years if not utilized.

As of September 30, 2019, 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: Acciai Speciali Terni S.p.A. €79 million (prior year: €98 million).

In Germany, deferred tax assets for deductible temporary differences (especially in connection with pensions and similar obligations) in the amount of €838 million (prior year: €659 million) are recognized because management expects that long-term taxable income will be available. In the estimation of sustainable taxable profits, the uncertainty inherent in predictions about the future was reasonably taken into consideration and assumptions of prior periods have been validated.

The German corporate income tax law applicable for 2018/2019 sets a statutory income tax rate of 32.0% (prior year: 32.1%) taking into account the different German municipal tax rates. The applicable tax rates for companies outside Germany range from 9.0% to 37.5% (prior rate: 9.0% to 39.4%).

TAX RATE RECONCILIATION

million €	Year ended Sept. 30, 2018[1]	in %	Year ended Sept. 30, 2019	in %
Expected income tax expense/(benefit)	180	32.1	(27)	32.0
Tax rate differentials to the German combined income tax rate	(33)	(5.9)	(28)	33.7
Changes in tax rates or laws	98	17.5	7	(8.4)
Change in valuation allowance	162	28.9	109	(131.3)
Permanent items	152	27.1	106	(127.7)
Tax consequences of disposal of businesses	(8)	(1.4)	(1)	1.2
Income/(loss) from companies accounted for using the equity method	(4)	(0.7)	(2)	2.4
Non-creditable withholding taxes	46	8.2	39	(47.0)
Tax expense/(benefit) related to prior periods	(22)	(3.9)	(26)	31.3
Others	3	0.5	1	(1.2)
Income tax expense/(benefit) as presented on the statement of income	**573**	**102.1**	**177**	**(213.3)**

[1] Figures have been adjusted (cf. Note 01 and 03).

31 Earnings per share

Basic earnings per share are calculated as follows:

EARNINGS PER SHARE

	Year ended Sept. 30, 2018[1]		Year ended Sept. 30, 2019	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
Net income/(loss) (attributable to thyssenkrupp AG's shareholders)	**(62)**	**(0.10)**	**(304)**	**(0.49)**
Weighted average shares	622,531,741		622,531,741	

[1] Figures have been adjusted (cf. Note 01 and 03).

There were no dilutive securities in the periods presented.

32 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, 2018	Year ended Sept. 30, 2019
Wages and salaries	7,481	7,766
Social security taxes	1,283	1,330
Net periodic pension cost – defined benefit [1]	195	210
Net periodic pension costs – defined contribution	160	173
Other expenses for pensions and retirements	88	213
Related fringe benefits	402	402
Total	**9,608**	**10,094**

[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, 2018	Year ended Sept. 30, 2019
Components Technology	33,804	34,869
Elevator Technology	52,846	53,082
Industrial Solutions	15,833	15,809
Marine Systems	5,814	5,870
Materials Services	20,108	20,321
Steel Europe	27,345	27,875
Corporate	4,016	3,783
Total	**159,766**	**161,609**
Thereof:		
Wage earners	83,183	84,334
Salary earners	72,706	73,417
Trainees	3,877	3,858

Auditors' fees and services

For the services performed by the Group auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and the companies of the worldwide PricewaterhouseCoopers association the following fees (including expenses) were recognized as expenses:

FEES OF GROUP AUDITOR

	Year ended Sept. 30, 2018		Year ended Sept. 30, 2019	
million €	Total	thereof Germany	Total	thereof Germany
Audit fees	16	9	17	10
Audit-related fees	2	1	1	1
Tax fees	0	0	0	0
Fees for other services	0	0	0	0
Total	**18**	**10**	**18**	**11**

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

33 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. As of September 30, 2019 cash and cash equivalents of €0 million (prior year: €8 million) result from the joint operation HKM.

Changes of liabilities/assets from financing activities

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

RECONCILIATION IN ACCORDANCE WITH IAS 7[1)]

	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	566	(81)	0	0	0	0	485
Liabilities to financial institutions	385	(188)	(3)	0	0	0	192
Other financial liabilities	36	(15)	0	0	0	0	21
Subtotal financial debt	**7,255**	**(1,885)**	**(3)**	**0**	**0**	**10**	**5,377**
Assets/liabilities from other financing activities	258	(78)	(22)	2	11	34	205
Total	**7,514**	**(1,963)**	**(25)**	**2**	**11**	**43**	**5,582**

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

RECONCILIATION IN ACCORDANCE WITH IAS 7

	Sept. 30, 2018	Cash flows from financing activities	Non-cash changes				Sept. 30, 2019
million €			Acquisitions/ divestitures of businesses	Currency differences	Fair value changes	Other changes	
Bonds	4,678	1,250	0	0	0	(6)	5,922
Loan notes / other loans	485	678	(14)	0	0	34	1,183
Liabilities to financial institutions	192	150	14	(50)	0	(33)	273
Other financial liabilities	21	16	0	0	0	0	37
Subtotal financial debt	**5,377**	**2,094**	**0**	**(50)**	**0**	**(5)**	**7,415**
Assets/liabilities from other financing activities	205	(21)	0	35	37	0	256
Total	**5,582**	**2,073**	**0**	**(14)**	**37**	**(5)**	**7,672**

Subsequent events

34 Subsequent events

No reportable events occured.

Other information

35 Declarations of conformity with the German Corporate Governance Code in accordance with Art. 161 of the German Stock Corporation Act (AktG)

The Executive Board and the Supervisory Board of thyssenkrupp AG issued the declaration of conformity in accordance with Art. 161 of the Stock Corporation Act (AktG) and made it publicly available to the shareholders on the company's website on October 1, 2019.

The declaration of conformity of our exchange-listed subsidiary Eisen- und Hüttenwerke AG was issued on November 4, 2019 and is now publicly available to the shareholders on the company's website.

36 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
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 Dritte Beteiligungsgesellschaft mbH	Duisburg
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 Facilities Services GmbH	Essen
thyssenkrupp Fahrtreppen GmbH	Hamburg
thyssenkrupp Federn GmbH	Hagen
thyssenkrupp Federn und Stabilisatoren GmbH	Hagen
thyssenkrupp Fertilizer Technology GmbH	Dortmund

T	
thyssenkrupp Gerlach GmbH	Homburg/Saar
thyssenkrupp GfT Gleistechnik GmbH	Essen
thyssenkrupp Grundbesitz Verwaltungs GmbH	Essen
thyssenkrupp Hohenlimburg GmbH	Hagen
thyssenkrupp Immobilien Verwaltungs GmbH & Co. KG Stahl	Essen
thyssenkrupp Industrial Solutions AG	Essen
thyssenkrupp Industrials Finance Gemany GmbH	Essen
thyssenkrupp Infrastructure GmbH	Essen
thyssenkrupp Intellectual Property GmbH	Essen
thyssenkrupp Management Consulting GmbH	Düsseldorf
thyssenkrupp Marine Systems GmbH	Kiel
thyssenkrupp Materials IoT GmbH	Essen
thyssenkrupp Materials Processing Europe GmbH	Krefeld
thyssenkrupp Materials Services GmbH	Essen
thyssenkrupp Materials Trading 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 Regional Services Germany GmbH	Essen
thyssenkrupp rothe erde Germany GmbH	Dortmund
thyssenkrupp Schulte GmbH	Essen
thyssenkrupp Senior Experts GmbH	Essen
thyssenkrupp smart steel GmbH	Duisburg
thyssenkrupp Stainless GmbH	Essen
thyssenkrupp Steel Business Services GmbH	Duisburg
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 Elevator International Holding B.V.	Roermond
thyssenkrupp Liften B.V.	Krimpen an den Ijssel
thyssenkrupp Nederland Holding B.V.	Roermond
thyssenkrupp Veerhaven B.V.	Rotterdam

37 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, 2019 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from October 1, 2018 to September 30, 2019 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 financial year from October 1, 2018 to September 30, 2019. 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, 2019, and of its financial performance for the financial year from October 1, 2018 to September 30, 2019, 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 the Audit Opinions

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 financial year from October 1, 2018 to September 30, 2019. 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 Recoverability of goodwill

② 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

① In the consolidated financial statements of thyssenkrupp AG, goodwill amounting to €3,962 million (178% 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.

② Presentation of deferred tax assets

① After set-offs and impairments, a total of €1,733 million in deferred tax assets (78% of Group equity) and €48 million in deferred tax liabilities (2% 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 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 €5,942 million in the thyssenkrupp Group's total deferred tax assets before impairments and set-offs, €1,214 million was attributable to loss carryforwards and €225 million was attributable to interest carryforwards. €1,168 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 tax payer of the thyssenkrupp Group. In our view, this matter was of particular importance for our audit given the amounts involved and their dependence on the 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 interest carryforwards, 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. 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 30 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 of 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 February 1, 2019. We were engaged by the supervisory board on February 11, 2019. We have been the group auditor of the thyssenkrupp AG, Duisburg and Essen, without interruption since the financial 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 18, 2019

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 15, 2019

thyssenkrupp AG
The Executive Board

Merz

Burkhard Dietsch Keysberg

4

Additional information

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Multi-year overview

THYSSENKRUPP GROUP

		Group[1) 2)]					2018/2019 vs. 2017/2018	
		2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	Change	in %
Results of operations								
Net sales	million €	42,778	39,263	42,971	41,534	41,996	462	1
Gross profit	million €	6,874	6,625	6,210	6,590	5,799	(791)	(12)
EBIT	million €	1,050	1,189	687	937	272	(665)	(71)
EBT	million €	485	652	61	561	(83)	(644)	--
Net income/(loss)	million €	268	261	(591)	(12)	(260)	(248)	--
Earnings per share (EPS)	€	0.55	0.52	(1.15)	(0.10)	(0.49)	(0.39)	0
Gross margin	%	16.1	16.9	14.5	15.9	13.8	(2.1)	(13)
EBIT margin	%	2.5	3.0	1.6	2.3	0.6	(1.6)	(71)
EBT margin	%	1.1	1.7	0.1	1.4	(0.2)	(1.5)	--
Return on equity (before taxes)	%	14.7	25.0	1.8	17.5	(3.7)	(21.2)	--
Personnel expense per employee	€	54,436	57,476	60,876	60,140	62,459	2,319	4
Sales per employee	€	272,805	252,356	269,541	259,968	259,862	(106)	0
Assets/liabilities situation								
Non-current assets	million €	16,220	16,604	14,502	14,285	15,313	1,028	7
Current assets	million €	19,474	18,468	20,546	20,141	21,162	1,021	5
Total assets	million €	35,694	35,072	35,048	34,426	36,475	2,049	6
Total equity	million €	3,307	2,609	3,404	3,203	2,220	(983)	(31)
Liabilities	million €	32,387	32,463	31,643	31,223	34,255	3,032	10
Accrued pension and similar obligations	million €	7,654	8,754	7,924	7,838	8,947	1,109	14
Financial debt non-current	million €	6,385	6,157	5,326	5,191	6,529	1,338	26
Financial debt current	million €	1,570	1,455	1,930	185	886	701	378
Financial debt non-current/current	million €	7,955	7,611	7,255	5,377	7,415	2,039	38
Trade accounts payable	million €	4,985	5,119	5,729	6,459	6,295	(165)	(3)
Equity ratio	%	9.3	7.4	9.7	9.3	6.1	(3.2)	(35)
Gearing	%	103.2	134.2	57.5	73.8	166.8	93.0	126
Inventory turnover	days	58.4	58.1	58.3	63.8	66.7	2.9	5
Average collection period	days	42.7	45.9	48.0	44.7	47.0	2.3	5

[1)] Prior-year figures have been adjusted due to the adoption of IFRS 15.
[2)] See preliminary remarks.

THYSSENKRUPP GROUP

		Group[1] [2]					2018/2019 vs. 2017/2018	
		2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	Change	in %
Value management								
Capital employed (average)	million €	16,106	15,933	16,728	15,739	16,749	1,010	6
ROCE	%	6.5	7.5	4.1	6.0	1.6	(4.3)	(73)
Weighted average cost of capital (WACC)	%	9.0	8.0	8.0	8.0	8.0	0.0	0
Cash flow/financing situation								
Operating cash flows	million €	1,300	1,387	610	1,184	72	(1,113)	(94)
Cash flow for investments	million €	(1,235)	(1,387)	(1,666)	(1,386)	(1,443)	(58)	(4)
Free cash flow before divestments	million €	65	—	—	—	—	—	—
Free cash flow before M & A[1]		115	198	(798)	(134)	(1,140)	(1,007)	--
Cash flow from divestments	million €	597	191	1,545	87	108	22	25
Free cash flow	million €	662	191	489	(115)	(1,263)	(1,149)	--
Cash flows from financing activities	million €	(78)	(658)	784	(2,114)	1,926	4,041	++
Cash and cash equivalents	million €	4,541	4,111	5,298	3,012	3,712	700	23
Net financial debt	million €	3,414	3,500	1,957	2,364	3,703	1,339	57
Internal financing capability		2.0	1.2	5.0	0.9	0.1	(0.9)	(94)
Debt to cash flow ratio		2.6	2.5	3.2	2.0	51.5	49.5	++
thyssenkrupp AG								
Net income/(loss)	million €	(122)	161	59	1,579	(1,807)	(3,386)	--
Dividend per share	€	0.15	0.15	0.15	0.15	—[3]	—	—
Dividend payout	million €	85	85	93	93	—[3]	—	—

[1] Prior-year figures have been adjusted due to the adoption of IFRS 15.
[2] See preliminary remarks.
[3] Proposal to the Annual General Meeting

Executive Board

(as of September 30, 2019)

Guido Kerkhoff

(until September 30, 2019) // German

Chairman

Within the Group:

- ■ thyssenkrupp Elevator AG (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 Marine Systems GmbH (Chair)
- ■ thyssenkrupp Materials Services GmbH
- ■ thyssenkrupp Steel Europe AG

Johannes Dietsch

(since February 1, 2019)

Appointed until January 2022 // German

- ● Covestro AG
- ■ Covestro Deutschland AG

Dr. Donatus Kaufmann

(until September 30, 2019) // Swiss

Within the Group:

- ■ thyssenkrupp Industrial Solutions AG
- ■ thyssenkrupp Materials Services GmbH (Chair)
- □ thyssenkrupp North America, Inc., USA (Chair)

Martina Merz

(since October 1, 2019) // German

Chairwoman

Further information on Ms. Merz can be found in the list of Supervisory Board members on the following page.

Dr. Klaus Keysberg

(since October 1, 2019)

Appointed until July 2024 // German

- ■ thyssenkrupp Materials Processing Europe GmbH (Chair)
- ■ thyssenkrupp MillServices & Systems GmbH (Chair)
- ■ thyssenkrupp Business Services GmbH (Vice Chair)

In addition Dr. Keysberg held various internal directorships at companies in the Materials Services business area.

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2019)

□ 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, 2019)

● / ○ Company listed on the stock exchange

Supervisory Board

(as of September 30, 2019)

Martina Merz, Stuttgart

(since December 5, 2018)
Chairwoman for the period February 1, 2019 – September 30, 2019 // appointed until 2020
Delegated to the Executive Board pursuant to § 105 (2) AktG for the period October 1, 2019 – September 30, 2020
Independent consultant // German

- ● Deutsche Lufthansa AG
- ○ Imerys SA, France
- ○ SAF-Holland SA, Luxembourg
- ○ Volvo AB, Sweden

Prof. Dr.-Ing. Siegfried Russwurm, Michelau

(since April 24, 2019)
Chairman since October 1, 2019
Consultant
Appointed until 2020 // German

- ■ Dr. Johannes Heidenhain GmbH
- ■ Voith GmbH & Co. KGaA (Chairman of the Shareholders' Committee and Supervisory Board)
- □ BBS Automation GmbH

Markus Grolms, Gelsenkirchen

Vice Chairman // Trade union secretary at IG Metall
Appointed until 2024 // German

Dr. Wolfgang Colberg, Munich

(since December 29, 2018)
Senior Advisor, CVC Advisers (Deutschland) GmbH
Appointed until 2020 // German

- ○ Pernod Ricard SA, France
- □ ChemicalInvest Holding BV, Netherlands (Chairman)
- □ AMSilk GmbH (Chairman of the Advisory Board)
- □ Efficient Energy GmbH (Chairman of the Advisory Board)
- □ Burelle SA, France

Prof. Dr. Dr. h.c. Ursula Gather, Dortmund

Rector of the Technical University of Dortmund
Appointed until 2023 // German

- ● Munich Re AG

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
Appointed until 2024 // German

- ■ Babcock Pensionskasse VvaG

Within the Group:

- ■ thyssenkrupp Marine Systems GmbH

Dr. Ingrid Hengster, Frankfurt/Main

Member of the Executive Board of KfW Bankengruppe
Appointed until 2020 // Austrian

- ■ Deutsche Bahn AG
- ■ KfW Capital GmbH & Co. KG
- □ European Investment Bank (EIB), Luxembourg (Expert on the Board of Directors)

Susanne Herberger, Dresden

Engineer (FH) – information technology // Vice 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 2024 // 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 2024 // German

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 2024 // German

Barbara Kremser-Bruttel, Gelsenkirchen

(since February 1, 2019)
Office clerk // Chairwoman of the Works Council of thyssenkrupp Electrical Steel GmbH
Appointed until 2024 // German

Within the Group:
thyssenkrupp Electrical Steel GmbH

Prof. Dr. Bernhard Pellens, Bochum

Chairman until February 1, 2019 // Professor of Business Studies and International Accounting, Ruhr University Bochum
Appointed until 2020 // German
- ■ LVM Landwirtschaftlicher Versicherungsverein Münster aG
- ■ LVM Krankenversicherungs-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 2024 // 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, France

Dirk Sievers, Bochum

(since October 2, 2019)
Technical Officer // Chairman of the Works Council of thyssenkrupp Steel Europe AG / Electrical Steel (Bochum) // Chairman of the Group Works Council of thyssenkrupp AG
Appointed until 2024 // German
- □ PEAG Holding GmbH

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 2024 // 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 2024 // German

In the course of the fiscal year 2018/2019 the following members left the Supervisory Board. Where they held other directorships at the time of departure these are listed below:

Prof. Dr. Hans-Peter Keitel, Essen

(until January 28, 2019)
Former Chairman of the Executive Board of Hochtief AG
Appointed until 2020 // German
- ● RWE AG
- ■ National-Bank AG
- ■ Voith GmbH & Co. KGaA (Chair)

Tekin Nasikkol, Ratingen

(until February 1, 2019)
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

Carsten Spohr, Munich

(until September 26, 2019)
Chairman of the Executive Board of Deutsche Lufthansa AG
Appointed until 2020 // German
- ■ Lufthansa Technik AG (Chair)

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2019)
□ 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, 2019)
● / ○ Company listed on the stock exchange

Supervisory Board committees

(as of September 30, 2019)

Präsidium

Martina Merz (Chair)
Markus Grolms
Prof. Dr. Bernhard Pellens
Dirk Sievers

Mediation Committee under § 27 (3) Codetermination Act

Martina Merz (Chair)
Markus Grolms
Prof. Dr. Bernhard Pellens
Dirk Sievers

Personnel Committee

Martina Merz (Chair)
Markus Grolms
Prof. Dr. Bernhard Pellens
Dirk Sievers

Audit Committee

Prof. Dr. Bernhard Pellens (Chair)
Markus Grolms
Tanja Jacquemin
Dirk Sievers
Dr. Lothar Steinebach
Jens Tischendorf

Strategy, Finance and Investment Committee

Martina Merz (Chair)
Prof. Dr. Dr. h. c. Ursula Gather
Markus Grolms
Susanne Herberger
Peter Remmler
Prof. Dr.-Ing. Siegfried Russwurm
Dirk Sievers
Jens Tischendorf

Nomination Committee

Martina Merz (Chair)
Prof. Dr. Dr. h. c. Ursula Gather
Prof. Dr. Bernhard Pellens
Carola v. Schmettow
Jens Tischendorf

Glossary

List of definitions and abbreviations

Capital Employed
Interest-bearing invested capital

CKD
"Completely knocked down"
Refers to vehicles that are transported as individual parts or sub-assemblies to the target region in which final assembly takes place

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
Earnings before Interest and Taxes

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 M & A
Free cash flow before mergers and 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)

Greater China
Mainland China, Hong Kong, Mongolia, Macau and Taiwan

Internal financing strength
Ratio of operating cash flows to cash flows 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

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.

ROCE
Return on Capital Employed.
EBIT divided by average capital employed

Science Based Targets initiative (SBTi)
Initiative launched by the World Wide Fund for Nature, the World Resources Institute, the CDP and the United Nations Global Compact which mobilizes companies to set greenhouse gas reduction targets and assesses whether these targets are in line with scientific findings.

Short Term Incentive plan (STI)
One-year variable compensation

synergize+
Program for the Groupwide management of all purchasing activities.

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; the normal job continues part-time. We provide financial and other support for promising ideas and successful ones go on to become prototypes for new technologies.

tkVA
thyssenkrupp Value Added.
tkVA = EBIT less/plus capital employed

Inventory turnover
Inventories divided by sales, multiplied by 360 (the lower the ratio, the faster the inventory turnover)

WLTP
The Worldwide Harmonized Light Vehicles Test Procedure is a new process to measure exhaust emissions

Average collection period
Trade accounts receivable divided by sales, multiplied by 360 (the lower the ratio, the faster customers pay)

Contact and 2020/2021 financial calendar

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2020/2021 financial calendar

January 31, 2020
Annual General Meeting

February 13, 2020
Interim report 1st quarter 2019/2020 (October to December)

May 12, 2020
Interim report 1st half 2019/2020 (October to March)

August 13, 2020
Interim report 9 months 2019/2020 (October to June)

November 19, 2020
Annual report 2019/2020 (October to September)

January 22, 2021
Annual General Meeting

This annual report was published on November 21, 2019.

Summarized management report and consolidated financial statements produced in-house using firesys.

Photo credits: Michael Haegele (Supervisory Board, Executive Board)

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Forward-looking statements
This document contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond thyssenkrupp's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. thyssenkrupp does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of these materials.

Rounding differences and rates of change
Percentages and figures in this report may include rounding differences, 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