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Interim report 1st half 2017/2018

October 1, 2017 - March 31, 2018
thyssenkrupp AG

thyssenkrupp

thyssenkrupp in figures

GROUP

		1st half ended March 31, 2017	1st half ended March 31, 2018	Change	in %	2nd quarter ended March 31, 2017	2nd quarter ended March 31, 2018	Change	in %
Order intake	million €	21,948	20,237	(1,711)	(8)	11,993	10,496	(1,498)	(12)
Order intake without AM[1]	million €	21,244	20,237	(1,007)	(5)	11,643	10,496	(1,147)	(10)
Net sales	million €	21,084	20,565	(519)	(2)	10,998	10,748	(249)	(2)
Net sales without AM[1]	million €	20,335	20,565	230	1	10,617	10,748	131	1
EBIT[2]	million €	(324)	855	1,179	++	(564)	433	998	++
EBIT without AM[1]	million €	501	855	354	71	313	433	120	38
EBIT margin	%	(1.5)	4.2	5.7	—	(5.1)	4.0	9.2	—
EBIT margin without AM[1]	%	2.5	4.2	1.7	—	2.9	4.0	1.1	—
Adjusted EBIT[2]	million €	756	944	188	25	427	500	73	17
Adjusted EBIT without AM[1]	million €	703	944	241	34	412	500	88	21
Adjusted EBIT margin	%	3.6	4.6	1.0	—	3.9	4.7	0.8	—
Adjusted EBIT margin without AM[1]	%	3.5	4.6	1.1	—	3.9	4.7	0.8	—
EBT[2]	million €	(580)	656	1,236	++	(703)	338	1,041	++
EBT without AM[2]	million €	283	656	373	132	208	338	130	62
Net income (loss) or income (loss) net of tax	million €	(855)	344	1,198	++	(870)	253	1,123	++
attributable to thyssenkrupp AG's shareholders	million €	(871)	321	1,192	++	(879)	243	1,123	++
Net income (loss) or income (loss) net of tax without AM[1]	million €	58	344	285	488	64	253	189	295
attributable to thyssenkrupp AG's shareholders without AM	million €	42	321	279	++	55	243	188	343
Earnings per share (EPS)	€	(1.54)	0.52	2.06	++	(1.55)	0.39	1.94	++
Earnings per share (EPS) without AM[1]	€	0.07	0.52	0.44	++	0.10	0.39	0.29	303
Operating cash flows	million €	(1,340)	(857)	482	36	110	419	309	281
Operating cash flows without AM[1]	million €	(1,281)	(857)	423	33	170	419	249	147
Cash flow for investments	million €	(726)	(561)	165	23	(364)	(272)	92	25
Cash flow for investments without AM[1]	million €	(634)	(561)	73	12	(346)	(272)	74	21
Cash flow from divestments	million €	59	44	(15)	(26)	38	13	(25)	(65)
Cash flow from divestments without AM[1]	million €	54	44	(10)	(19)	34	13	(21)	(61)
Free cash flow	million €	(2,007)	(1,375)	632	32	(216)	161	376	++
Free cash flow without AM[3]	million €	(1,861)	(1,375)	486	26	(142)	161	303	++
Free cash flow before M&A	million €	(1,949)	(1,381)	568	29	(212)	168	380	++
Free cash flow before M&A without AM[3]	million €	(1,858)	(1,381)	477	26	(139)	168	306	++
Net financial debt (March 31)	million €	5,760	3,546	(2,213)	(38)	5,760	3,546	(2,213)	(38)
Total equity (March 31)	million €	2,304	3,335	1,031	45	2,304	3,335	1,031	45
Gearing (March 31)	%	250.0	106.4	(143.6)	—	250.0	106.4	(143.6)	—
Employees (March 31)		158,584	159,693	1,109	1	158,584	159,693	1,109	1
Employees (March 31) without AM[1]		154,431	159,693	5,262	3	154,431	159,693	5,262	3

[1] AM means Steel Americas; See Note 02.
[2] See reconciliation in segment reporting (Note 07).
[3] See reconciliation in the analysis of the statement of cash flows.

BUSINESS AREAS

	Order intake million €		Net sales million €		EBIT[2] million €		Adjusted EBIT[2] million €		Employees	
	1st half ended March 31, 2017[1]	1st half ended March 31, 2018	1st half ended March 31, 2017[1]	1st half ended March 31, 2018	1st half ended March 31, 2017[1]	1st half ended March 31, 2018	1st half ended March 31, 2017[1]	1st half ended March 31, 2018	March 31, 2017[1]	March 31, 2018
Components Technology	3,738	3,863	3,678	3,836	124	164	176	170	31,770	33,768
Elevator Technology	4,014	3,833	3,749	3,600	352	388	422	424	52,378	52,779
Industrial Solutions	3,118	1,770	2,761	2,337	33	(34)	64	(11)	19,349	21,736
Materials Services	6,814	7,139	6,681	7,134	131	139	173	151	19,800	20,107
Steel Europe	4,521	4,555	4,279	4,568	116	358	119	358	27,400	27,255
Corporate	93	169	125	171	(243)	(168)	(239)	(156)	3,734	4,048
Consolidation	(1,055)	(1,093)	(938)	(1,081)	(11)	8	(11)	8		
Group	**21,244**	**20,237**	**20,335**	**20,565**	**501**	**855**	**703**	**944**	**154,431**	**159,693**

[1] Continuing operations (Note 02)
[2] See reconciliation in segment reporting (Note 07).

	Order intake million €		Net sales million €		EBIT[2] million €		Adjusted EBIT[2] million €	
	2nd quarter ended March 31, 2017[1]	2nd quarter ended March 31, 2018	2nd quarter ended March 31, 2017[1]	2nd quarter ended March 31, 2018	2nd quarter ended March 31, 2017[1]	2nd quarter ended March 31, 2018	2nd quarter ended March 31, 2017[1]	2nd quarter ended March 31, 2018
Components Technology	1,979	1,942	1,936	1,930	66	89	101	93
Elevator Technology	2,111	1,873	1,868	1,755	168	187	207	204
Industrial Solutions	1,959	924	1,282	1,247	20	(43)	23	(23)
Materials Services	3,683	3,776	3,649	3,904	93	90	121	100
Steel Europe	2,442	2,484	2,371	2,397	91	198	92	198
Corporate	56	78	67	78	(117)	(97)	(123)	(81)
Consolidation	(587)	(583)	(555)	(562)	(8)	9	(8)	9
Group	**11,643**	**10,496**	**10,617**	**10,748**	**313**	**433**	**412**	**500**

[1] Continuing operations (Note 02)
[2] See reconciliation in segment reporting (Note 07).

THYSSENKRUPP STOCK / ADR MASTER DATA AND KEY FIGURES

ISIN			Number of shares (total)	shares	622,531,741
Shares (Frankfurt, Düsseldorf stock exchanges)	DE 000 750 0001		Closing price end March 2018	€	21.19
ADRs (over-the-counter trading)	US88629Q2075		Stock exchange value end March 2018	million €	13,191
Symbols					
Shares	TKA				
ADRs	TKAMY				

Contents

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

Interim management report

Preliminary remarks

Following the disposal of the discontinued operation Steel Americas (AM) at the beginning of September 2017, reporting in the interim management report for the comparative periods 1st half 2016 / 2017 and 2nd quarter 2016 / 2017 relates to the continuing operations (Group without AM) (cf. Note 02).

Report on the economic position

Summary

Further improvements in earnings and cash flow in 1st half

- Order intake and sales: growth in materials businesses; capital goods businesses down year-on-year for exchange rate reasons and following strong prior year (major orders at Industrial Solutions and Elevator Technology)
- Adjusted EBIT up 34 % to €944 million; best 1st half adjusted EBIT since start of Strategic Way Forward:
  - Components Technology: earnings temporarily lower due to adverse currency effects
  - Elevator Technology: profitable growth despite adverse currency effects and higher material costs, in particular in China
  - Industrial Solutions: temporarily still significantly lower year-on-year mainly due to lower sales and before the ramp up of improvements from restructuring in the 2nd half
  - Overall materials businesses continuing to profit from cyclical upswing
  - Corporate with lower costs and reduced expenditure for Group initiatives
- €340 million EBIT effects from “impact” enhance efficiency in 1st half
- Net income in reporting period up significantly: good earnings performance, lower special items, improved net interest
- Free cash flow positive in 2nd quarter and significantly improved year-on-year; as expected negative in 1st half but significantly better than in prior-year period
- Negotiations for planned joint venture in steel business proceeding well:
  - Good progress – expected synergies confirmed
  - Due diligence almost completed – viable solutions for key issues achieved
  - Consultation process with employee representatives at Tata Steel Europe currently underway
  - Board decisions possible within first half of this year – signing planned afterwards
- Full-year forecast for the Group confirmed; adjustment at business area level due to significant effects from continued stable and high price level on materials markets and significant effects from changes in exchange rates

Macro and sector environment

Global economic growth will accelerate slightly in 2018 – but uncertainties increasing recently

- Industrialized countries: sentiment indicators remain relatively high, but economic momentum seems to have peaked; expansionary monetary policy continues to drive growth
- Emerging economies: economic upturn remains intact and on a broad regional basis
- But uncertainties and risks further increased (greater escalation of trade conflicts, geopolitical flashpoints, interest rate turnaround in USA, Brexit negotiations, high volatility in Chinese financial and real estate sectors, currency risks in particular due to appreciation of the euro and volatile material and commodity prices)

GROSS DOMESTIC PRODUCT

Real change compared to previous year in %	2017	2018[1]
Euro zone	2.3	2.3
Germany	2.2	2.3
Russia	1.5	2.0
Rest of Central/Eastern Europe	4.1	3.5
USA	2.3	2.7
Brazil	1.0	2.3
Japan	1.7	1.5
China	6.9	6.6
India	6.5	7.4
Middle East & Africa	3.3	3.5
World	**3.6**	**3.7**

[1] Forecast
Sources: IHS Markit, IMF, consensus forecasts, misc. banks and research institutes, own estimates

Automotive

- Continued slight growth in global sales and production of cars and light trucks in 2018
- Europe: following higher sales in 2017, stable in 2018
- NAFTA: sales in 2017 down from record prior year, further slight decline in 2018
- China: car sales and production up slightly in 2017 with reduced government incentives, moderate growth in 2018
- Heavy trucks: global production output in 2017 positive, buoyed by strong growth in China and incipient recovery in NAFTA; China expected to be weaker in 2018 due to pull-forward effects, positive forecast for other markets, in particular USA Class 8 very positive

Machinery

- Germany: higher growth again in 2018 due to rising capital investment and exports
- USA: production growth to continue in 2018 at slower pace; but capital investment continues to ensure solid improvement
- China: need to modernize economy will keep growth at solid level in 2018

Construction

- Germany: solid growth in 2018 due to housing, commercial and public sector construction; low mortgage rates and public sector investment programs boosting growth
- USA: faster growth in 2018 after weak prior year
- China and India: slowing growth in China in 2018 due to reduced government incentives, appreciable increase in output in India

IMPORTANT SALES MARKETS

	2017	2018[1]
Vehicle production, million cars and light trucks		
World	92.2	93.6
Western Europe (incl. Germany)	14.7	15.0
Germany	5.7	5.7
USA	10.9	11.0
Mexico	3.9	4.1
Japan	9.2	8.8
China	27.7	27.9
India	4.4	4.7
Brazil	2.6	2.9
Machinery production, real, in % versus prior year		
Germany	3.1	3.5
USA	5.9	2.9
Japan	9.1	3.0
China	10.6	5.7
Construction output, real, in % versus prior year		
Germany	3.2	2.6
USA	0.2	2.8
China	4.6	4.2
India	0.9	7.4

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

Steel

- Continued slight growth in global finished steel demand in 2018; stagnation in China, but solid growth in rest of world; higher growth in the emerging economies
- EU carbon flat steel market with slight year-on-year growth in first two months of 2018; third country imports higher again after decline in 2nd half 2017
- Market environment remains challenging structurally and characterized by uncertainty: continuing global overcapacities, increased risks from trade imbalances due to implemented and threatened tariffs on US steel imports, highly volatile raw material prices

Group and business area review

Best 1st half adjusted EBIT since start of Strategic Way Forward; sales stable, order intake below high prior-year level

ORDER INTAKE BY BUSINESS AREA

million €	1st half ended March 31, 2017[1]	1st half ended March 31, 2018	Change in %	Change on a comparable basis[2] in %	2nd quarter ended March 31, 2017[1]	2nd quarter ended March 31, 2018	Change in %	Change on a comparable basis[2] in %
Components Technology	3,738	3,863	3	9	1,979	1,942	(2)	4
Elevator Technology	4,014	3,833	(5)	2	2,111	1,873	(11)	(3)
Industrial Solutions	3,118	1,770	(43)	(46)	1,959	924	(53)	(56)
Materials Services	6,814	7,139	5	7	3,683	3,776	3	6
Steel Europe	4,521	4,555	1	1	2,442	2,484	2	2
Corporate	93	169	81	81	56	78	40	40
Consolidation	(1,055)	(1,093)	—	—	(587)	(583)	—	—
Order intake Group	**21,244**	**20,237**	**(5)**	**(2)**	**11,643**	**10,496**	**(10)**	**(7)**

[1] Continuing operations (Note 02)
[2] Excluding material currency and portfolio effects

Order intake of **capital goods businesses in the 1st half**:

- Slight increase at Components Technology despite adverse currency effects, Elevator Technology down from strong prior-year level but positive on comparable basis
- Industrial Solutions down from strong prior-year level due to slowdown in major project awards

Components Technology

- Car components: growth in 1st half in particular in axle assembly, damper systems and camshaft modules; demand remains robust in China and Western Europe, declining in USA, 2nd quarter slightly lower year-on-year
- Heavy truck components: market improvement in China and USA; Europe stable, growth in Brazil from a low level
- Industrial components: demand remains weaker in wind energy sector, in particular in Brazil and India, rising demand for construction machinery components from low level in generally improved environment

Elevator Technology

- Order intake in 1st half remains high, but lower year-on-year due to adverse currency effects (USD and CNY); on a comparable basis, orders are higher
- Positive operating performance in USA and Canada; new installations business in Europe down slightly year-on-year due to major order in prior-year period; China lower year-on-year due to high price pressure, slight increase in new installations

Industrial Solutions

- Chemical plant engineering with year-on-year increase in 1st half: medium-size refinery contract in Germany and orders for new plants and services, above all in Asia and Europe
- Cement with small and medium-size orders for plants and individual machines in Mexico, West Africa and India, among others
- Mining: orders among other things for coal handling and power plant equipment in India, grinding and crushing equipment in Europe and the USA; investment in new mine openings still subdued
- System Engineering with continuing demand for production systems for the automotive industry, above all in Europe and Asia, overshadowed in part by uncertainties due to shift towards electric vehicles
- Marine Systems: smaller orders in marine electronics, contract extensions, maintenance and service; prior year profited from major submarine order in 2nd quarter

Orders in the **materials businesses** overall higher:

- Steel Europe up slightly year-on-year, with order volumes down slightly (5.5 million tons)
- Materials Services up year-on-year reflecting higher prices and volumes, mainly due to stronger warehousing, service and direct-to-customer business

NET SALES BY BUSINESS AREA

million €	1st half ended March 31, 2017[1]	1st half ended March 31, 2018	Change in %	Change on a comparable basis[2] in %	2nd quarter ended March 31, 2017[1]	2nd quarter ended March 31, 2018	Change in %	Change on a comparable basis[2] in %
Components Technology	3,678	3,836	4	10	1,936	1,930	0	6
Elevator Technology	3,749	3,600	(4)	3	1,868	1,755	(6)	2
Industrial Solutions	2,761	2,337	(15)	(19)	1,282	1,247	(3)	(5)
Materials Services	6,681	7,134	7	10	3,649	3,904	7	10
Steel Europe	4,279	4,568	7	7	2,371	2,397	1	2
Corporate	125	171	37	36	67	78	17	17
Consolidation	(938)	(1,081)	—	—	(555)	(562)	—	—
Total sales Group	**20,335**	**20,565**	**1**	**4**	**10,617**	**10,748**	**1**	**5**

[1] Continuing operations (Note 02)
[2] Excluding material currency and portfolio effects

Sales in the **capital goods businesses**:

- Components Technology higher year-on-year despite adverse currency effects, mainly USD and CNY; Elevator Technology down slightly year-on-year due to currency effects
- Industrial Solutions down mainly due to lower billing progress at Marine Systems; increase expected for the second fiscal half

The **materials businesses** overall increased their sales year-on-year mainly due to higher prices.

Materials Services

- Prices relatively stable in almost all product segments with the exception of stainless steel (highly volatile nickel prices)
- Overall materials volumes higher year-on-year (5.6 million tons shipments)
- Increasing sales in warehousing and service business; clear gains in materials warehousing and distribution in large parts of Europe and North America and in international direct-to-customer business
- Volumes at AST up from prior year

Steel Europe

- Sales increase due to higher average net selling prices while shipments were slightly down (5.6 million tons), volume growth with customers in the automotive industry offset lower shipments of heavy plate due to production-related factors
- Higher market prices across all products and business units

ADJUSTED EBIT BY BUSINESS AREA

million €	1st half ended March 31, 2017[1]	1st half ended March 31, 2018	Change in %	2nd quarter ended March 31, 2017[1]	2nd quarter ended March 31, 2018	Change in %
Components Technology	176	170	(3)	101	93	(8)
Elevator Technology	422	424	0	207	204	(2)
Industrial Solutions	64	(11)	--	23	(23)	--
Materials Services	173	151	(13)	121	100	(17)
Steel Europe	119	358	200	92	198	116
Corporate	(239)	(156)	35	(123)	(81)	34
Consolidation	(11)	8	—	(8)	9	—
Total adjusted EBIT Group[2]	**703**	**944**	**34**	**412**	**500**	**21**

[1] Continuing operations (Note 02)
[2] See reconciliation in segment reporting (Note 07).

In the **capital goods businesses** as a whole, adjusted EBIT was lower year-on-year mainly due to steep decline in earnings at Industrial Solutions.

Components Technology

- Adjusted EBIT in 1st half lower year-on-year with unfavorable currency effects (USD and CNY): lower demand for wind turbine components alongside strong price competition and flatter start-up curve for new plants due to factors on customer side; partly offset by improvements in camshaft modules, damper systems, crankshafts and construction machinery components
- Margin lower year-on-year at 4.4% in 1st half, due partly to mix effects (higher axle module assembly sales); higher quarter-on-quarter at 4.8% in 2nd quarter

Elevator Technology

- Adjusted EBIT in 1st half higher year-on-year despite adverse currency effects (USD and CNY) and higher material costs particularly in China
- Margin at 11.8% 0.5 percentage points higher year-on-year thanks to performance program

Industrial Solutions

- Adjusted EBIT down sharply year-on-year, mainly reflecting lower sales, less favorable sales mix, and partial underutilization; positive effects from restructuring measures expected particularly for second fiscal half

In the **materials businesses** adjusted EBIT was clearly higher year-on-year in a positive market environment, also supported by cost-saving programs.

Materials Services

- Earnings down year-on-year at high level; positive price and volume trend plus performance measures on the one hand, lower effects from weaker price dynamics versus prior year on the other
- AST with higher earnings contribution resulting from cost and efficiency measures

Steel Europe

- Earnings clearly higher year-on-year and quarter-on-quarter due to higher selling prices, also supported by cost and efficiency measures
- Pleasing margin growth: adjusted EBIT margin significantly higher year-on-year

Corporate

- Alongside cost-saving measures, lower project expenditures for IT infrastructure standardization and data and process harmonization
- Positive income effect from real estate sale in 1st quarter

Earnings impacted by special items

SPECIAL ITEMS BY BUSINESS AREA

million €	1st half ended March 31, 2017[1]	1st half ended March 31, 2018	Change	2nd quarter ended March 31, 2017[1]	2nd quarter ended March 31, 2018	Change
Components Technology	52	5	(47)	35	4	(31)
Elevator Technology	71	36	(34)	39	18	(22)
Industrial Solutions	32	22	(9)	3	20	17
Materials Services	41	12	(29)	28	10	(18)
Steel Europe	3	1	(2)	1	0	0
Corporate	4	13	9	(7)	15	22
Consolidation	0	0	—	0	0	—
Special items Group	**203**	**89**	**(113)**	**99**	**67**	**(32)**

[1] Continuing operations (Note 02)

- Main special items in the reporting period:
  - Elevator Technology: restructuring and reorganization in Europe
  - Industrial Solutions: aperiodic special expenses for legacy contract
  - Materials Services: several restructuring measures among other things in materials distribution in Germany
  - Corporate: sale of an investment; expenses from M&A divestment projects

Results of operations and financial position

Analysis of the statement of income

Income from operations

- Slight growth in net sales by 1%; small improvement in gross profit margin to 16.8%
- Decrease in selling expenses mainly due to reduced personnel expenses and lower allowances for trade accounts receivable
- Increase in other income mainly reflecting income from the hedging of operational exchange-rate risks, and electricity price compensation
- Improvement in other gains/losses mainly gains from the disposal of property, plant and equipment

Financial income/expense and income tax

- Improvement in income from investments accounted for using the equity method in particular due to the absence of the losses reported in the prior year from the measurement of the Atlas Elektronik shares using the equity method
- Net reduction in finance income mainly reflecting lower exchange-rate gains in connection with financial transactions, while income from derivatives in connection with financing was higher
- Net reduction in finance expense mainly due to lower exchange-rate losses from finance transactions and lower expenses from derivatives in connection with financing
- Increased tax expense due to higher earnings alongside once-only effects from the US tax reform

Earnings per share

- Net income excluding Steel Americas up by €285 million to €344 million
- Consequently clear €0.44 improvement in earnings per share to €0.52 profit

Analysis of the statement of cash flows

Operating cash flows

- Operating cash flows clearly negative in the reporting period but significantly higher year-on-year and positive in the reporting quarter mainly due to a net increase in operating assets and liabilities
  - high capital employed particularly in the materials businesses
  - payment deferrals and working down of order backlog at Industrial Solutions

Cash flows from investing activities

- Capital spending down from prior year; share of capital goods businesses in total capital spending higher at 58%
- Modernization of IT and harmonization of systems landscape at all business areas and Corporate to enhance efficiency, lower costs, and as a basis for Industry 4.0

INVESTMENTS BY BUSINESS AREA

million €	1st half ended March 31, 2017[1]	1st half ended March 31, 2018	Change in %	2nd quarter ended March 31, 2017[1]	2nd quarter ended March 31, 2018	Change in %
Components Technology	227	241	6	136	113	(17)
Elevator Technology	76	48	(36)	41	26	(37)
Industrial Solutions	32	36	10	15	18	18
Materials Services	43	40	(9)	24	25	3
Steel Europe	240	170	(29)	119	83	(31)
Corporate	25	30	21	19	16	(14)
Consolidation	(12)	(5)	—	(9)	(9)	—
Investments Group	**634**	**561**	**(12)**	**346**	**272**	**(21)**

[1] Continuing operations (Note 02)

Components Technology

- Continuation of growth and regionalization strategy
- Global automotive production network progressing further; for example start of production at new plant for electric steering systems in China, expansion of damper system site in Romania well advanced; new plants for three product groups in Hungary being set up along with a further production plant for springs and stabilizers in China

Elevator Technology

- China: commissioning of 248 m high test tower in Zhongshan in March
- Germany: 246 m high test tower in Rottweil complete; development activities fully up and running

Industrial Solutions

- Cement and Mining: expansion of infrastructure and strengthening of technology portfolio to safeguard market position
- Chemical plant construction: continued investment in expansion of technology portfolio
- System Engineering: continued organic growth through order-related investment in e-mobility
- Marine Systems: further implementation of modernization program at Kiel shipyard (currently mainly IT and infrastructure) as well as technology investment

Materials Services

- Expansion, modernization and maintenance of sites; achievement of further milestones in business area's digital transformation
- Expansion of Dabrowa Gornicza site in Poland by 11,000 m²; now with 90,000 m² one of the biggest and most modern warehouses in Europe to drive growth in eastern European region

Steel Europe

- New ladle furnace at BOF meltshop 2 to produce high-quality grades, in particular high-strength steels for the auto industry; startup planned in current fiscal year
- Construction of new dust collector for sinter belt 4 started in 2nd quarter to further improve air quality

Corporate

- Investments for the Carbon2Chem project (technical center: building and power supply) and the purchase of licenses for the thyssenkrupp Group

The slight increase in proceeds from disposals of non-current financial assets mainly reflects proceeds in the reporting period from the sale of a German investment classed as non-operating.

Cash flows from financing activities

- Decrease in cash flows from financing activities mainly due to net repayments of financial debt in the reporting period following proceeds from borrowings in the prior year

Free cash flow and net financial debt

RECONCILIATION TO FREE CASH FLOW BEFORE M&A

million €	1st half ended March 31, 2017[1]	1st half ended March 31, 2018	Change	2nd quarter ended March 31, 2017[1]	2nd quarter ended March 31, 2018	Change
Operating cash flows (consolidated statement of cash flows)	(1,281)	(857)	423	170	419	249
Cash flows from investing activities (consolidated statement of cash flows)	(580)	(517)	63	(312)	(258)	53
Free cash flow (FCF)	**(1,861)**	**(1,375)**	**486**	**(142)**	**161**	**303**
–/+ Cash inflow/cash outflow resulting from material M&A transactions	3	(7)	(10)	3	7	4
Free cash flow before M&A (FCF before M&A)	**(1,858)**	**(1,381)**	**477**	**(139)**	**168**	**306**

[1] Continuing operations (Note 02)

- FCF before M&A positive mainly due to significantly improved operating cash flows in the 2nd quarter but as expected temporarily negative in the 1st half though improved over prior year
- Increase in net financial debt due to temporarily negative though significantly improved year-on-year FCF before M&A from €1,957 million at September 30, 2017 to €3,546 million at March 31, 2018
- Ratio of net financial debt to equity (gearing) at 106.4% significantly higher than at September 30, 2017 (57.5%)
- Available liquidity of €7.3 billion (€3.7 billion cash and cash equivalents and €3.6 billion undrawn committed credit lines)

Rating

RATING

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

Analysis of the statement of financial position

Non-current assets

- Decrease in non-current assets primarily influenced by decline in deferred tax assets mainly as a result of US tax reform

Current assets

- Decrease in cash and cash equivalents mainly due to negative free cash flow in the reporting period
- Increase in inventories and trade accounts receivable mainly due to significantly higher capital employed in both the materials and capital goods businesses
- Increase in other non-financial assets mainly reflects higher entitlements in connection with non-income taxes

Total equity

- Decline versus September 30, 2017 mainly due to losses recognized in other comprehensive income from the remeasurement of pensions and similar obligations as a result of lower discount rates and from currency translation
- At the same time improvement due to net profit in the reporting period

Non-current liabilities

- Increase in provisions for pensions and similar obligations mainly due to lower discount rates
- Decrease in financial debt mainly reflects reclassification of loan notes due in December 2018 to current financial debt

Current liabilities

- Reduction in provisions for current employee benefits mainly due to utilization
- Decrease in other provisions mainly in connection with restructuring measures and product guarantees
- Reductions in trade accounts payable above all at Industrial Solutions, at the same time increases at the materials businesses
- Increase in financial debt mainly due to higher liabilities to financial institutions as well as previously mentioned reclassification of loan notes from non-current financial debt; at the same time redemption of loan notes

Compliance

Compliance – a question of mindset

- We build on strong values: reliability, honesty, credibility and integrity
- Our values are anchored in the Group Mission Statement, Code of Conduct and Compliance Commitment
- Implementation of EU General Data Protection Regulation: continuous implementation of the regulation's requirements, intensification with a view to entry into force in May 2018
- More information on compliance at thyssenkrupp in the 2016 / 2017 Annual Report

Employees

- 159,693 employees worldwide at March 31, 2018; 954 (+0.6%) more than at September 30, 2017
- Workforce in the business areas: increase at Components Technology mainly in the new plant in Hungary and in the regions Mexico and Brazil; at Materials Services and Elevator Technology mainly in the USA due to stable/positive business performance; at Corporate mainly in Poland to build Global Shared Services activities to support future cost and efficiency gains, and in Germany including insourcing of IT Services as well as at thyssenkrupp Carbon Components
- At the same time decrease in the workforce at Steel Europe and Industrial Solutions by more than 430 employees in total
- Global team "Sourcing & Recruiting" active since fiscal year 2017 / 2018 in focus countries China, USA and Germany; better procedures for candidates and business through uniform processes and IT systems in recruitment as well as active sourcing and employer branding
- New "Collective Agreement on Integrated Degree Programs" in force: uniform quality standards in Germany for remuneration, leave and training costs

Technology and innovation

Innovation projects

- Carbon2Chem – collaborative project to convert steel mill gases into base chemicals: technical center to translate lab research to industrial scale completed on time; water electrolysis unit in operation
- Beyond Conventions – new form of cooperation with external startups; aim: unconventional solutions for forward-looking digital projects from the Group; result: projects in engineering, materials distribution, recruitment
- Magnetic bearings – rotating components supported contactlessly by electromagnets; virtually silent, friction- and wear-free bearing technology for CT scanners, telescopes, radar antennae, satellites, etc.
- omni-fit – materials distribution with the world's biggest virtual warehouse; full digital access to more than 150,000 products and services in 3.5 million m^2 of storage space at 271 locations
- smartform® – material-saving technology for forming high-strength steel grades without critical springback; stable forming of high-strength steel grades into dimensionally accurate parts; new weight-saving opportunities
- More information on technology and innovation at thyssenkrupp in the 2016 / 2017 Annual Report

Forecast, opportunity and risk report

2017 / 2018 forecast

Overall assessment by the Executive Board

- Best 1st half adjusted EBIT since the start of the Strategic Way Forward; sales stable, order intake below high prior-year level
- Further improvements in net income and cash flow; free cash flow in 2nd quarter positive and significantly improved versus prior year; as expected negative in 1st half but significantly better year-on-year
- Recently however significant effects from changes in exchange rates, mainly USD and CNY particularly at our capital goods businesses Components Technology and Elevator Technology
- Also, continued stable and high prices on the commodity and material markets with positive income effects on Steel Europe, negative effects due to higher material costs at Components Technology and Elevator Technology
- Full-year forecast for the Group confirmed; adjustments at business area level reflect in particular the above effects

For key assumptions and expected economic conditions see forecast section and “Macro and sector environment” in the report on the economic position in the 2016 / 2017 Annual Report and this interim management report.

2017 / 2018 expectations

- **Group sales** to increase in low to mid single-digit percentage range (prior year, continuing operations: €41.4 billion)
- **Adjusted EBIT** of the Group expected at €1.8 to 2.0 billion (prior year, continuing operations: €1,722 million), supported by €750 million planned EBIT effects under “impact”
- Capital goods businesses
  - Components Technology: despite negative exchange rate effects and increased material costs increase in sales in mid single-digit percentage range and margin at prior-year level (prior year: 5.0%)
  - Elevator Technology: due to negative effect from exchange rates, sales at prior-year level (prior year: €7,674 million); adjusted EBIT margin at least at prior-year level (prior year: 12.0%) – despite additional significant impact from material cost inflation in particular in China
  - Industrial Solutions: due to slowdown in major project awards in plant technology business, overall reduced order intake expectations with sales at prior-year level; extensive transformation and restructuring measures support significant earnings increase in the course of the 2nd half

- Materials businesses
  - Materials Services: adjusted EBIT down slightly year-on-year (prior year: €312 million)
  - Steel Europe: assuming prices on the materials markets remain stable at a high level throughout the fiscal year adjusted EBIT significantly higher year-on-year (prior year: €547 million)
- **Net income**: with restructuring expenses decreasing, significant improvement year-on-year (prior year net income, continuing operations €271 million)
- **tkVA:** accordingly, also significant improvement (prior year: €(651) million)
- **Capital spending:** expected around €1.5 billion (prior year, continuing operations: €1,535 million)
- **FCF before M&A:** back to positive as a result of further improvement in earnings and expected decline in net working capital, though with continued implementation of restructuring measures (prior year, continuing operations: €(855) million)

Opportunities and risks

Opportunities

- Strong and stable earnings, cash flow and value added through positioning as diversified industrial group and systematic continuation of “impact” measures as well as utilization of advantages in interplay between business areas, regions, corporate functions and service units
- Increasing focus on high-earning capital goods and service businesses
- Announced infrastructure programs and implementation of corporate tax reform in the USA
- Strategic and operational opportunities described in 2016 / 2017 Annual Report continue to apply

Risks

- No risks threatening ability to continue as a going concern; detailed information on risks described in 2016 / 2017 Annual Report continues to apply
- Economic risks from numerous geopolitical flashpoints and increased protectionist tendencies; increasing volatility in external environment, among other things due to Brexit negotiations with the UK; continued uncertainty over global economy and effects on the Group’s business activities
- Trade measures of US administration being continuously monitored
- Risks from attacks on IT infrastructure; countermeasure: further expansion of information security management and security technologies
- Federal Cartel Office investigations: thyssenkrupp Steel Europe AG alongside others is the subject of ongoing investigations into alleged cartel agreements relating to heavy plate and flat carbon steel; thyssenkrupp takes the matter very seriously, immediately launched its own internal investigation; based on the facts currently known significant adverse effects on the Group’s asset, financial and earnings situation cannot be ruled out

Condensed interim financial statements

thyssenkrupp AG – Consolidated statement of financial position

ASSETS

million €	Note	Sept. 30, 2017	March 31, 2018
Intangible assets		4,813	4,762
Property, plant and equipment (inclusive of investment property)		7,605	7,517
Investments accounted for using the equity method		154	163
Other financial assets		43	47
Other non-financial assets		207	236
Deferred tax assets	03	1,680	1,393
Total non-current assets		**14,502**	**14,119**
Inventories		6,957	7,655
Trade accounts receivable		5,734	6,056
Other financial assets		420	537
Other non-financial assets		1,923	2,141
Current income tax assets		220	301
Cash and cash equivalents		5,292	3,657
Total current assets		**20,546**	**20,346**
Total assets		**35,048**	**34,464**

EQUITY AND LIABILITIES

million €	Note	Sept. 30, 2017	March 31, 2018
Capital stock		1,594	1,594
Additional paid-in capital		6,664	6,664
Retained earnings		(5,401)	(5,320)
Cumulative other comprehensive income		33	(88)
Equity attributable to thyssenkrupp AG's stockholders		**2,890**	**2,850**
Non-controlling interest		515	484
Total equity		**3,404**	**3,335**
Accrued pension and similar obligations	04	7,924	8,023
Provisions for other employee benefits		354	318
Other provisions		645	609
Deferred tax liabilities		111	55
Financial debt		5,326	5,180
Other financial liabilities		182	145
Other non-financial liabilities		5	3
Total non-current liabilities		**14,546**	**14,334**
Provisions for current employee benefits		357	270
Other provisions		1,183	1,076
Current income tax liabilities		254	230
Financial debt		1,930	2,028
Trade accounts payable		5,729	5,637
Other financial liabilities		842	785
Other non-financial liabilities		6,802	6,769
Total current liabilities		**17,097**	**16,796**
Total liabilities		**31,643**	**31,130**
Total equity and liabilities		**35,048**	**34,464**

See accompanying notes to consolidated financial statements.

thyssenkrupp AG – Consolidated statement of income

million €, earnings per share in €	Note	1st half ended March 31, 2017	1st half ended March 31, 2018	2nd quarter ended March 31, 2017	2nd quarter ended March 31, 2018
Net sales	07	20,335	20,565	10,617	10,748
Cost of sales		(16,978)	(17,102)	(8,853)	(8,973)
Gross margin		**3,357**	**3,463**	**1,765**	**1,775**
Research and development cost		(177)	(164)	(92)	(86)
Selling expenses		(1,451)	(1,356)	(762)	(690)
General and administrative expenses		(1,219)	(1,211)	(620)	(618)
Other income		90	130	48	59
Other expenses		(75)	(45)	(34)	(16)
Other gains/(losses), net		(3)	12	6	5
Income/(loss) from operations		**523**	**828**	**311**	**430**
Income from companies accounted for using the equity method		(2)	11	8	5
Finance income		499	358	180	186
Finance expense		(737)	(541)	(290)	(283)
Financial income/(expense), net		**(240)**	**(172)**	**(102)**	**(92)**
Income/(loss) from continuing operations before tax		**283**	**656**	**208**	**338**
Income tax (expense)/income		(224)	(313)	(144)	(85)
Income/(loss) from continuing operations (net of tax)		**58**	**344**	**64**	**253**
Income/(loss) from discontinued operations (net of tax)	02	**(913)**	**—**	**(934)**	**—**
Net income		**(855)**	**344**	**(870)**	**253**
Thereof:					
thyssenkrupp AG's shareholders		**(871)**	**321**	**(879)**	**243**
Non-controlling interest		17	23	9	10
Net income		**(855)**	**344**	**(870)**	**253**
Basic and diluted earnings per share based on	08				
Income/(loss) from continuing operations (attributable to thyssenkrupp AG's shareholders)		0.07	0.52	0.10	0.39
Net income (attributable to thyssenkrupp AG's shareholders)		**(1.54)**	**0.52**	**(1.55)**	**0.39**

See accompanying notes to consolidated financial statements.

thyssenkrupp AG – Consolidated statement of comprehensive income

million €	1st half ended March 31, 2017	1st half ended March 31, 2018	2nd quarter ended March 31, 2017	2nd quarter ended March 31, 2018
Net income	**(855)**	**344**	**(870)**	**253**
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	631	(177)	5	3
Tax effect	(179)	28	3	(1)
Other comprehensive income from remeasurements of pensions and similar obligations, net	452	(150)	8	2
Share of unrealized gains/(losses) of investments accounted for using the equity-method	6	0	10	0
Subtotals of items of other comprehensive income that will not be reclassified to profit or loss in future periods	**458**	**(150)**	**18**	**2**
Items of other comprehensive income that will be reclassified to profit or loss in future periods:				
Foreign currency translation adjustment				
Change in unrealized gains/(losses), net	209	(200)	3	(129)
Net realized (gains)/losses	(1)	0	0	0
Net unrealized (gains)/losses	208	(200)	3	(129)
Unrealized gains/(losses) from available-for-sale financial assets				
Change in unrealized gains/(losses), net	2	1	2	(2)
Net realized (gains)/losses	0	0	0	0
Tax effect	0	0	0	0
Net unrealized (gains)/losses	2	1	2	(2)
Unrealized gains/(losses) on derivative financial instruments (cash flow hedges)				
Change in unrealized gains/(losses), net	(40)	107	(8)	73
Net realized (gains)/losses	24	(8)	(24)	(1)
Tax effect	4	(31)	10	(24)
Net unrealized (gains)/losses	(12)	68	(22)	49
Share of unrealized gains/(losses) of investments accounted for using the equity-method	3	0	0	1
Subtotals of items of other comprehensive income that will be reclassified to profit or loss in future periods	**201**	**(131)**	**(17)**	**(81)**
Other comprehensive income	**659**	**(281)**	**1**	**(79)**
Total comprehensive income	**(196)**	**63**	**(869)**	**174**
Thereof:				
thyssenkrupp AG's shareholders	(228)	50	(882)	169
Non-controlling interest	33	13	13	5
Total comprehensive income attributable to thyssenkrupp AG's stockholders refers to:				
Continuing operations	706	50	37	169
Discontinued operations	(934)	—	(918)	—

See accompanying notes to consolidated financial statements.

thyssenkrupp AG – Consolidated statement of changes in equity

	Equity attributable to thyssenkrupp AG's stockholders										
					Cumulative other comprehensive income						
million €, (except number of shares)	Number of shares outstanding	Capital stock	Additional paid-in capital	Retained earnings	Foreign currency translation adjustment	Available-for-sale financial assets	Derivative financial instruments (cash flow hedges)	Share of investments accounted for using the equity method	Total	Non-controlling interest	Total equity
Balance as of Sept. 30, 2016	**565,937,947**	**1,449**	**5,434**	**(5,255)**	**484**	**6**	**(64)**	**48**	**2,102**	**507**	**2,609**
Net income				(871)					(871)	17	(855)
Other comprehensive income				458	193	1	(12)	3	643	16	659
Total comprehensive income				**(413)**	**193**	**1**	**(12)**	**3**	**(228)**	**33**	**(196)**
Profit attributable to non-controlling interest									0	(24)	(24)
Payment of thyssenkrupp AG dividend				(85)					(85)	0	(85)
Balance as of March 31, 2017	**565,937,947**	**1,449**	**5,434**	**(5,754)**	**677**	**7**	**(76)**	**51**	**1,789**	**515**	**2,304**
Balance as of Sept. 30, 2017	**622,531,741**	**1,594**	**6,664**	**(5,401)**	**34**	**8**	**(50)**	**41**	**2,890**	**515**	**3,404**
Net income				321					321	23	344
Other comprehensive income				(150)	(190)	0	69	0	(271)	(10)	(281)
Total comprehensive income				**171**	**(190)**	**0**	**69**	**0**	**50**	**13**	**63**
Profit attributable to non-controlling interest									0	(20)	(20)
Payment of thyssenkrupp AG dividend				(93)					(93)	0	(93)
Changes of shares of already consolidated companies				4					4	(23)	(19)
Balance as of March 31, 2018	**622,531,741**	**1,594**	**6,664**	**(5,320)**	**(156)**	**9**	**19**	**40**	**2,850**	**484**	**3,335**

See accompanying notes to consolidated financial statements.

thyssenkrupp AG – Consolidated statement of cash flows

million €	1st half ended March 31, 2017	1st half ended March 31, 2018	2nd quarter ended March 31, 2017	2nd quarter ended March 31, 2018
Net income	**(855)**	**344**	**(870)**	**253**
Adjustments to reconcile net income to operating cash flows:				
Income/(loss) from discontinued operations (net of tax)	913	—	934	0
Deferred income taxes, net	71	218	38	9
Depreciation, amortization and impairment of non-current assets	534	540	274	274
Income/(loss) from companies accounted for using the equity method, net of dividends received	2	(11)	(8)	(5)
(Gain)/loss on disposal of non-current assets	(3)	(25)	(8)	(5)
Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes				
– Inventories	(953)	(742)	(241)	(133)
– Trade accounts receivable	(562)	(386)	(514)	(430)
– Accrued pension and similar obligations	(118)	(66)	(46)	(54)
– Other provisions	(157)	(237)	(48)	(21)
– Trade accounts payable	369	(63)	626	552
– Other assets/liabilities not related to investing or financing activities	(523)	(429)	34	(22)
Operating cash flows – continuing operations	**(1,281)**	**(857)**	**170**	**419**
Operating cash flows – discontinued operations	(59)	—	(60)	—
Operating cash flows – total	**(1,340)**	**(857)**	**110**	**419**
Purchase of investments accounted for using the equity method and non-current financial assets	(2)	(3)	(1)	(1)
Expenditures for acquisitions of consolidated companies net of cash acquired	(7)	(7)	(5)	(4)
Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property	(549)	(499)	(290)	(236)
Capital expenditures for intangible assets (inclusive of advance payments)	(76)	(52)	(50)	(30)
Proceeds from disposals of investments accounted for using the equity method and non-current financial assets	1	14	0	0
Proceeds from disposals of previously consolidated companies net of cash disposed	6	0	6	0
Proceeds from disposals of property, plant and equipment and investment property	47	29	28	13
Cash flows from investing activities – continuing operations	**(580)**	**(517)**	**(312)**	**(258)**
Cash flows from investing activities – discontinued operations	(87)	—	(14)	—
Cash flows from investing activities – total	**(667)**	**(517)**	**(325)**	**(258)**
Proceeds from issuance of bonds	1,250	0	1,250	0
Repayments of bonds	(1,250)	0	(1,250)	0
Proceeds from liabilities to financial institutions[1]	2,152	225	2,136	168
Repayments of liabilities to financial institutions[1]	(1,994)	(198)	(1,965)	(46)
Proceeds from/(repayments on) loan notes and other loans	995	(83)	621	(8)
Increase/(decrease) in bills of exchange	6	(8)	4	(7)
(Increase)/decrease in current securities	0	1	1	1
Payment of thyssenkrupp AG dividend	(85)	(93)	(85)	(93)
Profit attributable to non-controlling interest	(24)	(20)	(16)	(8)

million €	1st half ended March 31, 2017	1st half ended March 31, 2018	2nd quarter ended March 31, 2017	2nd quarter ended March 31, 2018
Expenditures for acquisitions of shares of already consolidated companies	0	(19)	0	(18)
Financing of discontinued operations	(219)	—	(120)	—
Other financing activities	(152)	(37)	(20)	(14)
Cash flows from financing activities – continuing operations	**680**	**(232)**	**556**	**(26)**
Cash flows from financing activities – discontinued operations	143	—	71	—
Cash flows from financing activities – total	**823**	**(232)**	**627**	**(26)**
Net increase/(decrease) in cash and cash equivalents – total	(1,184)	(1,607)	411	135
Effect of exchange rate changes on cash and cash equivalents – total	43	(28)	7	(20)
Cash and cash equivalents at beginning of year – total	4,105	5,292	2,545	3,542
Cash and cash equivalents at end of year – total	**2,964**	**3,657**	**2,964**	**3,657**
[thereof cash and cash equivalents within the discontinued operations]	[96]	—	[96]	—
Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows of continuing operations:				
Interest received	35	18	17	9
Interest paid	(214)	(146)	(134)	(75)
Dividends received	0	0	0	0
Income taxes paid	(219)	(201)	(92)	(86)

See accompanying notes to consolidated financial statements.
1) Compared to the 1st quarter ended Dec. 31, 2017 proceeds from and repayments of liabilities to financial institutions were reclassified.

thyssenkrupp AG – Selected notes

Corporate information

thyssenkrupp Aktiengesellschaft ("thyssenkrupp AG" or "Company") is a publicly traded corporation domiciled in Duisburg and Essen in Germany. The condensed interim consolidated financial statements of thyssenkrupp AG and its subsidiaries, collectively the "Group", for the period from October 1, 2017 to March 31, 2018, were reviewed and authorized for issue in accordance with a resolution of the Executive Board on May 8, 2018.

Basis of presentation

The accompanying Group's condensed interim consolidated financial statements have been prepared pursuant to section 115 of the German Securities Trading Act (WpHG) and in conformity with IAS 34 "Interim financial reporting". They are in line with the International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) for interim financial information effective within the European Union. Accordingly, these financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

The accounting principles and practices as applied in the condensed interim consolidated financial statements as of March 31, 2018 correspond to those pertaining to the most recent annual consolidated financial statements with the exception of the recently adopted accounting standards. A detailed description of the accounting policies is published in the notes to the consolidated financial statements of our annual report 2016 / 2017.

Recently adopted accounting standards

In fiscal year 2017 / 2018, thyssenkrupp adopted the following amendments to already existing standards that do not have a material impact on the Group's consolidated financial statements:

- Amendments to IAS 12 "Income Taxes": "Recognition of Deferred Tax Assets for Unrealised Losses", issued in January 2016
- Amendments to IAS 7 "Statements of Cash Flows": "Disclosure Initiative", issued in January 2016

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

Regarding the expected impact of the adoption of the standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" in fiscal year 2018 / 2019 as well as of IFRS 16 "Leases" in fiscal year 2019 / 2020, we refer to the statement given in the notes to the consolidated financial statements of the annual report 2016 / 2017 that is still relevant.

01 Acquisitions

In the 1st half ended March 31, 2018, the Group acquired only some smaller companies that are, on an individual basis, immaterial. The total of the purchase prices amounted to €20 million and refers to intangible assets in the amount of €14 million and to inventories in the amount of €3 million.

Furthermore in fiscal year 2016 / 2017 the Group acquired the 49% share of Atlas Elektronik held by Airbus and after closing in April 2017, the Atlas Elektronik group was fully consolidated. After the completion of the analysis of the individual projects the purchase price allocation was finalized in the 2nd quarter ended March 31, 2018. Compared to the preliminary purchase price allocation it resulted in increased other current financial assets of €2 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

02 Discontinued operation

As part of the Strategic Way Forward, thyssenkrupp had reached an agreement with Ternium on the sale of the Brazilian steel mill CSA as essential part of the Steel Americas business area at the end of February 2017. After the approval of the respective competition authorities the sale was closed at the beginning of September 2017 and the business area was deconsolidated. The transaction met the criteria of IFRS 5 for presentation of the Steel Americas business area as a discontinued operation. Consequently in 2016 / 2017 from the beginning of the fiscal year until the disposal of Steel Americas all expense and income was reported separately in the income statement and all cash flows were reported separately in the statement of cash flows.

The results of the Steel Americas business area in the 1st half ended March 31, 2017 and in the 2nd quarter ended March 31, 2017 are presented in the following table:

DISCONTINUED OPERATION STEEL AMERICAS

million €	1st half ended March 31, 2017	2nd quarter ended March 31, 2017
Net sales	749	380
Other income	182	96
Expenses	(1,794)	(1,388)
Ordinary income/(loss) from discontinued operations (before tax)	(863)	(912)
Income tax (expense)/income	(50)	(22)
Ordinary income/(loss) from discontinued operations (net of tax)	**(913)**	**(934)**
Gain/(loss) recognized on disposal of discontinued operations (before tax)	0	0
Income tax (expense)/income	0	0
Gain/(loss) recognized on disposal of discontinued operations (net of tax)	**0**	**0**
Income/(loss) from discontinued operations (net of tax)	**(913)**	**(934)**
Thereof:		
thyssenkrupp AG's shareholders	(913)	(934)
Non-controlling interest	0	0

03 Income taxes

The effects of the US tax reform legislation enacted in December 2017 have been taken into account. In particular the valuation of the deferred tax items was adjusted by €114 million in the 1st quarter ended Dec. 31, 2017.

04 Accrued pension and similar obligations

Based on updated interest rates and fair value of plan assets, an updated valuation of accrued pension obligations was performed as of March 31, 2018.

ACCRUED PENSION AND SIMILAR OBLIGATIONS

million €	Sept. 30, 2017	March 31, 2018
Accrued pension obligations	7,684	7,795
Partial retirement	193	187
Other accrued pension-related obligations	46	41
Total	**7,924**	**8,023**

The Group applied the following weighted average assumptions to determine pension obligations:

WEIGHTED AVERAGE ASSUMPTIONS

	Sept. 30, 2017			March 31, 2018		
in %	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Discount rate for accrued pension obligations	1.90	2.29	2.00	1.70	2.38	1.87

05 Contingencies and commitments

Contingencies

thyssenkrupp AG as well as, in individual cases, its subsidiaries have issued or have had guarantees in favour of business partners or lenders. The following table shows obligations under guarantees where the principal debtor is not a consolidated Group company:

CONTINGENCIES

million €	Maximum potential amount of future payments as of March 31, 2018	Provision as of March 31, 2018
Advance payment bonds	30	1
Performance bonds	2	0
Residual value guarantees	61	15
Other guarantees	3	1
Total	**96**	**17**

The basis for possible payments under the guarantees is always 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 or default under a loan agreement.

All guarantees are issued by or issued by instruction of thyssenkrupp AG or subsidiaries upon request of the principal debtor obligated by the underlying contractual relationship and are subject to recourse provisions in case of default. If such a principal debtor is a company owned fully or partially by a foreign third party, the third party is generally requested to provide additional collateral in a corresponding amount.

thyssenkrupp Steel Europe AG, alongside other steel companies and associations, is the subject of ongoing investigations by the Federal Cartel Office into alleged cartel agreements relating to the product groups heavy plate and flat carbon steel. Based on the facts currently known to us, substantial adverse consequences with regard to the Group's asset, financial and earnings situation cannot be excluded.

Commitments and other contingencies

Due to the high volatility of iron ore prices, in the Steel Europe business area the existing long-term iron ore and iron ore pellets supply contracts are measured for the entire contract period at the iron ore prices applying as of the respective balance sheet date. Compared with September 30, 2017, purchasing commitments decreased by €0.4 billion to €1.7 billion.

There have been no material changes to the other commitments and contingencies since the end of fiscal year 2016 / 2017.

06 Financial instruments

The carrying amounts of trade accounts receivable, other current financial assets as well as cash and cash equivalents equal their fair values. The fair value of loans equals the present value of expected cash flows which are discounted on the basis of interest rates prevailing on the interim balance sheet date.

Available-for-sale financial assets primarily include equity and debt instruments. They are in general measured at fair value, which is based to the extent available on market prices as of the interim balance sheet date. When no quoted market prices in an active market are available and the fair value cannot be reliably measured, equity instruments are measured at cost.

The fair value of foreign currency forward transactions is determined on the basis of the middle spot exchange rate applicable as of the interim balance sheet date, and taking account of forward premiums or discounts arising for the respective remaining contract term compared to the contracted forward exchange rate. Common methods for calculating option prices are used for foreign currency options. The fair value of an option is influenced not only by the remaining term of an option, but also by other factors, such as current amount and volatility of the underlying exchange or base rate.

Interest rate swaps and cross currency swaps are measured at fair value by discounting expected cash flows on the basis of market interest rates applicable for the remaining contract term. In the case of cross currency swaps, the exchange rates for each foreign currency, in which cash flows occur, are also included.

The fair value of commodity futures is based on published price quotations. It is measured as of the interim 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. The fair value of fixed rate liabilities equals the present value of expected cash flows. Discounting is based on interest rates applicable as of the balance sheet date. The carrying amounts of floating rate liabilities equal their fair values.

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

FAIR VALUE HIERARCHY AS OF SEPT. 30, 2017

million €	Sept. 30, 2017	Level 1	Level 2	Level 3
Financial assets at fair value				
Fair value recognized in profit or loss				
Derivatives not qualifying for hedge accounting (Financial assets held for trading)	65	0	65	0
Derivatives qualifying for hedge accounting	20	0	20	0
Fair value recognized in equity				
Available-for-sale financial assets	20	17	2	0
Derivatives qualifying for hedge accounting	32	0	32	0
Total	**137**	**17**	**120**	**0**
Financial liabilities at fair value				
Fair value recognized in profit or loss				
Derivatives not qualifying for hedge accounting (Financial liabilities held for trading)	59	0	59	0
Derivatives qualifying for hedge accounting	10	0	10	0
Fair value recognized in equity				
Derivatives qualifying for hedge accounting	22	0	22	0
Total	**92**	**0**	**92**	**0**

FAIR VALUE HIERARCHY AS OF MARCH 31, 2018

million €	March 31, 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)	51	0	51	0
Derivatives qualifying for hedge accounting	0	0	0	0
Fair value recognized in equity				
Available-for-sale financial assets	19	17	3	0
Derivatives qualifying for hedge accounting	78	0	78	0
Total	**148**	**17**	**131**	**0**
Financial liabilities at fair value				
Fair value recognized in profit or loss				
Derivatives not qualifying for hedge accounting (Financial liabilities held for trading)	36	0	36	0
Derivatives qualifying for hedge accounting	0	0	0	0
Fair value recognized in equity				
Derivatives qualifying for hedge accounting	7	0	7	0
Total	**43**	**0**	**43**	**0**

The fair value hierarchy reflects the significance of the inputs used to determine fair values. Financial instruments with fair value measurement based on quoted prices in active markets are disclosed in Level 1. In Level 2 determination of fair values is based on observable inputs, e.g. foreign exchange rates. Level 3 comprises financial instruments for which the fair value measurement is based on unobservable inputs.

07 Segment reporting

Segment information for the 1st half ended March 31, 2017 and 2018, respectively and for the 2nd quarter ended March 31, 2017 and 2018, respectively is as follows:

SEGMENT INFORMATION

million €	Components Technology	Elevator Technology	Industrial Solutions	Materials Services	Steel Europe	Corporate	Steel Americas[1]	Consolidation	Group
1st half ended March 31, 2017									
Net sales	3,677	3,749	2,749	6,542	3,580	38	749	0	21,084
Internal sales within the Group	1	0	11	139	699	87	168	(1,106)	0
Total sales	3,678	3,749	2,761	6,681	4,279	125	917	(1,106)	21,084
EBIT	124	352	33	131	116	(243)	(826)	(11)	(324)
Adjusted EBIT	176	422	64	173	119	(239)	51	(11)	756
1st half ended March 31, 2018									
Net sales	3,833	3,597	2,326	7,001	3,770	39	—	0	20,565
Internal sales within the Group	3	3	12	134	798	131	—	(1,081)	0
Total sales	3,836	3,600	2,337	7,134	4,568	171	—	(1,081)	20,565
EBIT	164	388	(34)	139	358	(168)	—	8	855
Adjusted EBIT	170	424	(11)	151	358	(156)	—	8	944
2nd quarter ended March 31, 2017									
Net sales	1,933	1,867	1,273	3,572	1,973	1	380	0	10,998
Internal sales within the Group	3	1	9	77	398	66	90	(645)	0
Total sales	1,936	1,868	1,282	3,649	2,371	67	470	(645)	10,998
EBIT	66	168	20	93	91	(117)	(878)	(8)	(564)
Adjusted EBIT	101	207	23	121	92	(123)	14	(8)	427
2nd quarter ended March 31, 2018									
Net sales	1,929	1,752	1,235	3,833	1,988	11	—	0	10,748
Internal sales within the Group	1	2	12	70	410	68	—	(562)	0
Total sales	1,930	1,755	1,247	3,904	2,397	78	—	(562)	10,748
EBIT	89	187	(43)	90	198	(97)	—	9	433
Adjusted EBIT	93	204	(23)	100	198	(81)	—	9	500

[1] Discontinued operation

In the Industrial Solutions business area average capital employed increased from €430 million as of September 30, 2017 to €648 million as of March 31, 2018.

The reconciliations of net sales and of the earnings figure EBIT to EBT according to the statement of income are presented below:

RECONCILIATION NET SALES

million €	1st half ended March 31, 2017	1st half ended March 31, 2018	2nd quarter ended March 31, 2017	2nd quarter ended March 31, 2018
Net sales as presented in segment reporting	**21,084**	**20,565**	**10,998**	**10,748**
– Net sales Steel Americas	(749)	—	(380)	—
Net sales as presented in the statement of income	**20,335**	**20,565**	**10,617**	**10,748**

RECONCILIATION EBIT TO EBT

million €	1st half ended March 31, 2017	1st half ended March 31, 2018	2nd quarter ended March 31, 2017	2nd quarter ended March 31, 2018
Adjusted EBIT as presented in segment reporting	**756**	**944**	**427**	**500**
Special items	(1,080)	(89)	(991)	(67)
EBIT as presented in segment reporting	**(324)**	**855**	**(564)**	**433**
+ Finance income	622	358	238	186
– Finance expense	(858)	(541)	(358)	(283)
– Items of finance income assigned to EBIT based on economic classification	(39)	(13)	(26)	0
+ Items of finance expense assigned to EBIT based on economic classification	20	(3)	7	2
EBT-Group	**(580)**	**656**	**(703)**	**338**
– EBT Steel Americas	863	—	912	—
EBT from continuing operations as presented in the statement of income	**283**	**656**	**208**	**338**

08 Earnings per share

Basic earnings per share are calculated as follows:

EARNINGS PER SHARE

	1st half ended March 31, 2017		1st half ended March 31, 2018		2nd quarter ended March 31, 2017		2nd quarter ended March 31, 2018	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
Income/(loss) from continuing operations (net of tax) (attributable to thyssenkrupp AG's shareholders)	42	0.07	321	0.52	55	0.10	243	0.39
Income/(loss) from discontinued operations (net of tax) (attributable to thyssenkrupp AG's shareholders)	(913)	(1.61)	—	—	(934)	(1.65)	—	—
Net income (attributable to thyssenkrupp AG's shareholders)	**(871)**	**(1.54)**	**321**	**0.52**	**(879)**	**(1.55)**	**243**	**0.39**
Weighted average shares	565,937,947		622,531,741		565,937,947		622,531,741	

The weighted average number of shares increased as a result of the capital increase carried out at the end of September 2017.

There were no dilutive securities in the periods presented.

09 Additional information to the consolidated statements to cash flows

The liquid funds considered in the consolidated statement of cash flows correspond to the "Cash and cash equivalents" line item in the consolidated statement of financial position inclusive of cash and cash equivalents attributable to the discontinued operation. As of March 31, 2018 cash and cash equivalents of €23 million (prior year: €0 million) result from the joint operation HKM.

Essen, May 8, 2018

thyssenkrupp AG
The Executive Board

Hiesinger

Burkhard Kaufmann Kerkhoff

Review report

To thyssenkrupp AG, Duisburg and Essen

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and selected explanatory notes – and the interim group management report of thyssenkrupp AG, Duisburg and Essen, for the period from October 1, 2017, to March 31, 2018, which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz" German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additional observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Essen, May 14, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Michael Preiß
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the Group interim 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 in the remaining months of the year.

Essen, May 8, 2018

thyssenkrupp AG
The Executive Board

Hiesinger

Burkhard Kaufmann Kerkhoff

Additional information

Contact and 2018 / 2019 financial calendar

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2018 / 2019 financial calendar

August 9, 2018
Interim report 9 months 2017 / 2018 (October to June)
Conference call with analysts and investors

November 21, 2018
2017 / 2018 Annual Report (October to September)
Annual Press Conference
Analysts’ and investors’ conference

February 1, 2019
Annual General Meeting

February 12, 2019
Interim report 1st quarter 2018 / 2019 (October to December)
Conference call with analysts and investors

May 14, 2019
Interim report 1st half 2018 / 2019 (October to March)
Conference call with analysts and investors

This interim report was published on May 15, 2018.
Produced in-house using firesys.

We thank our employees for being part of our campaign.
Employee on cover: Denetria Turner

Forward-looking statements
This document contains forward-looking statements that reflect management’s current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond thyssenkrupp’s ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. thyssenkrupp does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of these materials.

Rounding differences and rates of change
Percentages and figures in this report may include rounding differences. The signs used to indicate rates of change are based on economic aspects: Improvements are indicated by a plus (+) sign, deteriorations are shown in brackets ( ). Very high positive and negative rates of change (≥500 % or ≤(100)%) are indicated by ++ and – respectively.

Variances for technical reasons
Due to statutory disclosure requirements the Company must submit this financial 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 financial 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.