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Financial statements of thyssenkrupp AG
2016/2017



thyssenkrupp

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The annual financial statements of thyssenkrupp AG were prepared according to the accounting regulations for large incorporated enterprises with the legal form of a stock corporation (Aktiengesellschaft) under German commercial law. The management report on thyssenkrupp AG is combined with the management report on the Group and published as a combined management report in the Annual Report of thyssenkrupp AG.

German and English versions of the annual financial statements of thyssenkrupp AG 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.

Statement of financial position

ASSETS

million €	Note	Sept. 30, 2016	Sept. 30, 2017
Fixed assets			
Intangible assets	01	54	73
Property, plant and equipment	01	341	328
Financial assets	02	25,203	27,307
		25,598	27,708
Operating assets			
Receivables and other assets	03	9,375	5,773
Cash on hand and cash at banks		2,345	3,844
		11,720	9,617
Prepaid expenses and deferred charges	04	46	45
Total assets		37,364	37,370

EQUITY AND LIABILITIES

million €	Note	Sept. 30, 2016	Sept. 30, 2017
Total equity	05		
Capital stock		1,449	1,594
Additional paid-in capital		1,473	2,703
Other retained earnings		1,494	1,494
Unappropriated income		1,427	1,401
		5,843	7,192
Provisions	06		
Accrued pension and similar obligations		1,107	1,093
Other provisions		240	193
		1,347	1,286
Liabilities	07		
Bonds		6,300	6,300
Liabilities to financial institutes		375	347
Liabilities to affiliated companies		23,019	21,780
Other liabilities		477	462
		30,171	28,889
Deferred income	08	3	3
Total equity and liabilities		37,364	37,370

Statement of income

million €	Note	Year ended Sept. 30, 2016	Year ended Sept. 30, 2017
Net sales	12	0	441
Cost of sales	13	0	(133)
Gross profit		0	308
General administrative expenses	14	(667)	(644)
Other operating income	15	490	155
Other operating expense	16	(120)	(459)
Income from investments	17	855	973
Net interest	18	(349)	(235)
Write-downs of financial assets and securities classed as operating assets	19	(41)	(51)
Income taxes	20	(7)	12
Earnings after taxes / Net income		161	59
Profit carried forward		1,266	1,342
Unappropriated income		1,427	1,401

Notes

General

thyssenkrupp AG is the corporate headquarters responsible for the strategic management of the thyssenkrupp Group. This includes above all defining corporate strategy, allocating resources, as well as executive and financial management. Operating business is the responsibility of the Group companies. The management function of thyssenkrupp AG involves the allocation of Group companies to business areas within the Group as well as the establishment, acquisition and disposal of other companies, groups of companies and investments in other companies.

thyssenkrupp AG, with registered office in Duisburg and Essen, is entered in the commercial register of Duisburg local court under HRB 9092 and in the commercial register of Essen local court under HRB 15364.

As a utility provider thyssenkrupp AG is subject to the requirements of the German Energy Industry Act (EnWG) as amended in 2017. thyssenkrupp AG is a vertically integrated utility in the meaning of § 3 no. 38 EnWG and is therefore required to unbundle its accounting in accordance with § 6b (3) EnWG.

The management report on thyssenkrupp AG is combined with the management report on the thyssenkrupp Group in accordance with § 315 (3) HGB in conjunction with § 298 (3) HGB.

The financial statements and combined management report for fiscal year 2016 / 2017 together with the auditors' report are published in the electronic Federal Gazette "Bundesanzeiger". They will be accessible at www.thyssenkrupp.com (Investor Relations/Reporting & publications). They can also be ordered from thyssenkrupp AG, ThyssenKrupp Allee 1, 45143 Essen, Germany.

To improve the clarity of presentation, items are combined in the statements of financial position and income. They are shown separately in the Notes.

Accounting and valuation principles under commercial law

The financial statements are drawn up in accordance with the rules of the German Commercial Code (Handelsgesetzbuch, HGB) and Stock Corporation Act (Aktiengesetz, AktG).

As the German Accounting Directive Implementation Act (BilRUG) was applied for the first time in the financial statements of thyssenkrupp AG for the year ended September 30, 2017, the structure of the statement of income for the prior year was also adjusted in accordance with the new regulations.

Intangible assets purchased from third parties are capitalized at purchase cost and amortized on a straight-line basis over their expected useful life, applying prorated amounts in the year of addition. Impairment is charged where necessary if the carrying value of individual intangible assets exceeds their fair value. Internally generated intangible assets are not recognized.

Property, plant and equipment are stated at purchase cost. Interest on borrowings is not capitalized. Depreciation is charged over the useful life of the asset. Impairment is charged where necessary if the carrying value of individual items of property, plant and equipment exceeds their fair value.

Depreciation is based mainly on the following useful lives: Buildings 20 – 33 years, land improvements 5 – 20 years, other equipment 3 v 25 years and factory and office equipment 3 – 10 years.

Depreciation of movable assets is charged by the straight-line method. In the year of addition depreciation is charged pro rata temporis. Items with a purchase cost up to and including €150 are recognized as an expense in the year of addition. Additions within a fiscal year of assets with a purchase cost of more than €150 but no more than €1,000 are pooled. The pool is written down by one fifth in the year of addition and each of the following four fiscal years.

Shares in affiliated companies and investments are generally recognized at purchase cost. Fair values are stated if impairments exist which are expected to be of lasting duration. If the reasons for the impairment cease to exist in subsequent fiscal years, the carrying amount is increased appropriately up to a maximum of the original purchase cost.

Securities classed as financial assets (pension fund) are stated at purchase cost or, in cases where a long-term decrease in value is likely, at the lower fair value.

Non-interest-bearing or low-interest-bearing loans are discounted to present value; the other loans are stated at face value.

Receivables and miscellaneous assets are stated at face value. Identifiable risks from receivables and miscellaneous assets are recognized through appropriate allowances; general allowances are made for general risks of default at their lower fair value. Non-interest-bearing or low-interest-bearing receivables with a maturity of more than one year are discounted to present value.

Cash and cash equivalents are recognized at face value at the reporting date.

Capital stock is recognized at face value.

Accrued pensions and similar obligations are recognized according to the projected unit credit method, based on the “2005 G tables” of Prof. Dr. Klaus Heubeck adjusted in line with the specific conditions prevailing in the Group and taking into account an average salary increase rate of 2.5% and a pension increase of 1.5%. An exception applies for pension obligations based on securities-linked pension funds. In this case the fund assets are measured at present value in accordance with § 253 (1) sentence 3 HGB.

For the 2016 / 2017 fiscal year pension obligations are discounted in accordance with § 253 (2) HGB at the published average market interest rate over the past ten years based on an assumed residual term of 15 years, using an interest rate of 3.77% (prior year 4.08%). For discounting at the average market interest rate over the past seven years based on an assumed residual term of 15 years, a forecast interest rate of 2.92% is used (prior year 3.37%). The difference between pension provisions at September 30, 2017 based on the average market interest rate over the past 10 years and the average market interest rate over the past seven years is €81 million and is not available for distribution.

Provisions for pensions and similar obligations are discounted at the published average market interest rate over the past seven years. The interest rate announced by Deutsche Bank on September 30, 2017 for seven years is 2.91%.

Other provisions take account of all recognizable risks and uncertain obligations. They are recognized at the settlement amounts needed to cover future payment commitments, based on a reasonable commercial assessment. Future price and cost increases are taken into account insofar as sufficient objective evidence is available to support their occurrence. Provisions with a residual term of more than one year are discounted at the average market interest rate for the previous seven fiscal years according to their residual term. For non-current personnel provisions, such as those for long-service rewards, an interest rate of 2.92% (prior year 3.37%) applies based on an assumed residual term of 15 years. Current personnel provisions, such as for commitments under partial retirement agreements, are discounted at an interest rate of 1.54% (prior year 1.96%) according to their term.

Liabilities are stated at settlement value.

Contingent liabilities are recognized in accordance with the liability existing at the reporting date. Contingencies under Group and bank warranty declarations are generally recognized according to the outstanding liability under the individual agreements. In the case of Group warranty declarations, the principal debt amount is also taken into account where appropriate.

Deferred taxes are recognized for differences between the HGB and taxable values of assets and liabilities that will result in future tax expenses or benefits, and for loss and interest carry-forwards expected to be utilized in the next five years. Deferred taxes are calculated on the basis of the combined income tax rate of the thyssenkrupp AG tax group of currently 31.956%. Deferred tax assets and liabilities are netted. Net deferred tax assets are not recognized.

Derivative financial instruments are generally used to hedge exposure to foreign currency exchange rate, interest rate and commodity price risks arising from operating, investing, and financing activities. Where the conditions under commercial law are met, assets, liabilities, pending transactions or highly probable forecast transactions (hedged items) are grouped together with these derivative financial instruments (hedging instruments) in micro and/or portfolio hedges to offset opposing changes in value or cash flows deriving from the occurrence of comparable risks. Where hedging relationships do not meet the conditions for hedge accounting, they are accounted for according to generally accepted accounting principles.

For the portion of a hedge that is effective, mutually offsetting changes in the value of the hedged item and the value of the hedging instrument are not reported where the net hedge presentation method is applied, or, if the gross presentation method is used, mutually offsetting changes in the value of the hedged item and the value of the hedging instrument are recognized in the statement of income. The effectiveness of the hedge is tested on the basis of the Dollar Offset Method (portfolio hedges) or the Critical Terms Match Method (micro hedges). For the portion of a hedge that is ineffective, net losses are recognized immediately in the statement of income; net gains are not recognized. Both methods are used at thyssenkrupp AG.

The accounting and valuation methods for foreign currency receivables and payables hedged using financial instruments are presented in section 11 Derivative financial instruments.

Currency translation

Foreign currency transactions are generally translated at the spot rate applying on the booking date. Foreign currency accounts receivable and payable with a remaining term of more than one year are translated at the lower of the historical or spot exchange rate on the reporting date. Foreign currency accounts receivable and payable with a remaining term of one year or less are translated at the spot exchange rate on the closing date.

Notes to the statement of financial position

01 Intangible assets and property, plant and equipment

Movements in intangible assets and property, plant and equipment are presented in the fixed assets schedule (Note 02).

Additions relate mainly to intangible assets, which increased by €35 million in particular due to the central procurement of SAP licenses. Amortization of €16 million relates mainly to software licenses.

02 Financial assets

Movements in financial assets are presented in the fixed assets schedule below:

MOVEMENTS IN FIXED ASSETS

million €	Purchase or manufacturing cost				Depreciation/amortization/impairment					Net values		
	Oct. 01, 2016	Transfers	Additions	Disposals	Accumulated	Write-ups	Increases	Decreases	Accumulated	Oct. 01, 2016	Sept. 30, 2017	
					Oct. 01, 2016	Year ended Sept. 30, 2017	Year ended Sept. 30, 2017	Year ended Sept. 30, 2017	Sept. 30, 2017			
					Sept. 30, 2017							
Intangible assets												
Trademarks and similar rights	171	22	34	0	227	139	0	16	0	155	32	72
Advance payments and assets under construction	22	(22)	1	0	1	0	0	0	0	0	22	1
	193	0	35	0	228	139	0	16	0	155	54	73
Property, plant and equipment												
Land, leasehold rights and buildings, including buildings on third-party land	432	1	1	21	413	118	0	13	13	118	314	295
Other equipment, factory and office equipment	63	0	4	0	67	40	0	10	0	50	23	17
Advance payments and assets under construction	4	(1)	13	0	16	0	0	0	0	0	4	16
	499	0	18	21	496	158	0	23	13	168	341	328
Financial assets												
Shares in affiliated companies	22,703	0	2,218	8	24,913	593	78	51	3	563	22,110	24,350
Loans to affiliated companies	2,926	0	201	364	2,763	0	0	0	0	0	2,926	2,763
Investments	2	0	0	0	2	0	0	0	0	0	2	2
Securities classed as financial assets (pension fund)	154	0	25	0	179	0	0	0	0	0	154	179
Other loans	11	0	3	1	13	0	0	0	0	0	11	13
	25,796	0	2,447	373	27,870	593	78	51	3	563	25,203	27,307
Total	26,488	0	2,500	394	28,594	890	78	90	16	886	25,598	27,708

The list of shareholdings presented in accordance with § 285 no. 11 HGB is published in the Federal Gazette (Bundesanzeiger) and additionally on the Company's website (www.thyssenkrupp.com (Investors/Reporting and Publications)).

Shares in affiliated companies

Additions to shares in affiliated companies of €2,218 million and disposals of €8 million were recognized in the reporting year. Additions result mainly from capital increases at thyssenkrupp Nederland Holding B.V. in the amount of €2,195 million. The disposals relate mainly to the mergers of Krupp Industrietechnik Gesellschaft mit beschränkter Haftung (€3 million) and thyssenkrupp Presta Esslingen GmbH (€3 million) and the merger of thyssenkrupp Grundbesitz-Vermietungs GmbH & Co. KG (€2 million). A €51 million write-down was made on the shares of thyssenkrupp Italia S.r.l. In addition the shares in thyssenkrupp Regional Services Germany GmbH were fully written up (€78 million).

Loans to affiliated companies

In the past fiscal year, thyssenkrupp AG's net loans decreased by €163 million to €2,763 million. This was mainly due to repayment of the €194 million loans to thyssenkrupp Finance USA, Inc.

Investments

There were no major changes in investments at thyssenkrupp AG in the 2016 / 2017 fiscal year.

Securities classed as financial assets (pension funds)

The special funds consisting of securities classed as assets serve the external (prorated) full funding and (additional) bankruptcy protection of pension credits.

These special funds were set up under the Group's own Contractual Trust Agreement (CTA) and are held fully separately from one another by the thyssenkrupp Pension-Trust e.V. (trustee). Benefits under the former pension plans are funded through a separate trust arrangement, with the trust assets chiefly securing the parts of the pension obligations that exceed the protection limits of the mutual pension guarantee association (Pensionssicherungsverein a.G. (PSV). At September 30, 2017 the historical cost of the securities in this special fund was €179 million.

Furthermore, a trust agreement exists between thyssenkrupp AG (trustor) and thyssenkrupp Sicherungsverein für Arbeitnehmer-Wertguthaben e.V. (trustee). The object of this agreement is the – legally required – bankruptcy protection of benefits in the meaning of § 8 a Partial Retirement Act (AltersteilzeitG) and in the event of bankruptcy settling the beneficiaries' claims for payment of the due partial retirement benefits against the trustor or one of its subsidiaries in the meaning of § 18 Stock Corporation Act (AktG).

To protect partial retirement benefits against insolvency thyssenkrupp Sicherungsverein für Arbeitnehmer-Wertguthaben e.V. holds a bank guarantee (value at September 30, 2017: around €81 million) which is regularly adjusted to cover the current partial retirement benefits to be protected.

03 Receivables and other assets

million €	Sept. 30, 2016	with more than one year remaining to maturity	Sept. 30, 2017	with more than one year remaining to maturity
Receivables from affiliated companies	8,968	0	5,416	59

Receivables from affiliated companies relate to current receivables under the Group's central financial clearing scheme from cash pool agreements and profit-and-loss transfer agreements. The €3,552 million decrease (thereof €2,774 million thyssenkrupp Companhia Siderúrgica do Atlantico Ltda.) is mainly due to lower intercompany receivables from affiliated companies.

million €	Sept. 30, 2016	with more than one year remaining to maturity	Sept. 30, 2017	with more than one year remaining to maturity
Other assets	407	346	357	315

thyssenkrupp AG recognized pension obligations transferred to third parties internally (without transfer of liability) under accrued pension and similar obligations (Note 06), and recognized the indemnification right created by transfer of responsibility for meeting the obligations as miscellaneous assets in the amount of €315 million (prior year €346 million).

04 Prepaid expenses and deferred charges

Prepaid expenses and deferred charges mainly include future maintenance expenses for licenses, accrued rent and discounts.

05 Equity

Capital stock

On September 25, 2017 the Executive Board of thyssenkrupp AG, with the approval of the Executive Committee of the Supervisory Board and in accordance with the authorization under § 5 (5) of the Articles of Association, resolved and successfully completed an increase in the Company's capital stock by 10% by issuing 56,593,794 new no par bearer shares, excluding subscription rights, in an accelerated bookbuilding process. The issue price was €24.30 per share. The capital increase entered into effect on September 26, 2017. As a result of this capital increase the Company's equity increased by the amount of the gross proceeds of €1,375,229,194.20.

The capital stock of thyssenkrupp AG is now €1,593,681,256.96 is divided into 622,531,741 no-par shares with a mathematical share of the capital stock of €2.56. Additional paid-in capital changed by €1,230,349,081.56 due to a paid-in surplus through the capital increase.

Authorized capital

In accordance with § 5 (5) of the Articles of Association, the Executive Board is authorized, with the Supervisory Board's approval, to increase the capital stock of thyssenkrupp AG on one or more occasions on or before January 16, 2019 by up to €225,119,887.36 by issuing up to 87,937,456 new no-par bearer shares in exchange for cash and/or contributions in kind (authorized capital).

Shareholders' subscription rights apply. With the approval of the Supervisory Board, the Executive Board is authorized to exclude shareholder subscription rights in certain cases (to round off fractional amounts; to issue new shares up to a maximum of 10% of the capital stock through a capital increase if the issue price is not significantly lower than the stock market price at the time the final issue price is determined; for capital increases in exchange for contributions in kind; when exercising option or conversion rights or after fulfillment of conversion obligations to the extent that the owners of these rights or obligations would be entitled to subscription rights to new shares). Under this authorization the total shares issued with subscription rights excluded for capital increases in exchange for cash and/or contributions in kind may not exceed 20% of the capital stock either at the time the authorization becomes effective or at the time it is exercised. Counted towards this limit are treasury shares sold with subscription rights excluded and shares issued to service bonds on the basis of the authorization of the Annual General Meeting of January 17, 2014 with shareholder rights excluded (see section Authorization to issue bonds / Creation of conditional capital).

Additional paid-in capital

million €	Sept. 30, 2016	Sept. 30, 2017
Oct. 01	1,473	1,473
Paid-in from capital increase	0	1,230
Sept. 30	1,473	2,703

At September 30, 2017 the additional paid-in capital is €2,703 million.

Other retained earnings

At September 30, 2017 other retained earnings are unchanged at €1,494 million.

Unappropriated income

million €	Year ended Sept. 30, 2017
Unappropriated income Oct. 01, 2016	1,427
Dividend payout	(85)
Profit carried forward	1,342
Net income 2016/2017	59
Profit carried forward	1,342
Unappropriated income Sept. 30, 2017	1,401

The Annual General Meeting of thyssenkrupp AG on January 27, 2017 resolved to use the €1,427 million unappropriated income for the 2015 / 16 fiscal year to distribute a dividend of €85 million and to carry forward the remaining unappropriated income of €1,342 million.

At September 30, 2017 unappropriated income of €1,401 million is reported.

Further disclosures on equity

Authorization to issue bonds / Creation of conditional capital

By resolution of the Annual General Meeting on January 17, 2014, the Executive Board was authorized, subject to the approval of the Supervisory Board, to issue once or several times on or before January 16, 2019 bearer or registered warrant and/or convertible bonds (together "bonds") in the total par value of up to €2 billion with or without limited terms and to grant to or impose on the holders or creditors of convertible bonds conversion rights or obligations for no-par bearer shares of the Company with a total share of the Company's capital stock of up to €250 million in accordance with the conditions of these bonds. For the granting of no-par bearer shares upon exercise of conversion or option rights (or upon fulfilment of corresponding conversion obligations) or upon exercise of an option of the Company to grant no-par shares of the Company in whole or in part instead of payment of the cash amount due, in accordance with § 5 (6) of the Articles of Association the capital stock is conditionally increased by up to €250 million by issue of up to 97,656,250 new no-par bearer shares (conditional capital). The Executive Board is authorized, subject to Supervisory Board approval, to determine the further details of the issuing of the bonds and the carrying out of the conditional capital increase. No use has yet been made of the authorization to issue bonds.

Acquisition and use of treasury stock

By resolution of the Annual General Meeting on 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 company was also authorized to repurchase treasury shares using equity derivatives. 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 cancellation 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.

Information on shareholdings

The Alfried Krupp von Bohlen und Halbach Foundation, Essen, voluntarily informed us that it did not participate in the capital increase on September 25, 2017. It therefore continued to hold a total of 130,313,600 no-par value shares of thyssenkrupp AG at the balance sheet date; this is equivalent to around 21% of the voting rights.

With regard to other shareholdings in thyssenkrupp AG we had information on shares in the voting rights of 3% or more based on the following announcements pursuant to § 21 (1) Securities Trading Act (WpHG):

Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, announced in March 2014 that on February 27, 2014 its share in the voting rights exceeded the 15% threshold and on that date stood at 15.08% (85,321,744 voting rights). All these voting rights are attributable directly to Cevian Capital II GP Limited in accordance with § 22 (1) sentence 1 WpHG. Cevian Capital II GP Limited was attributed voting rights held by its controlled company Cevian Capital II Master Fund LP, whose share in the voting rights of thyssenkrupp AG at this date was 12.23%. Cevian Capital II Master Fund LP, Camana Bay, Grand Cayman, Cayman Islands, announced on January 24, 2014 that its share in the voting rights exceeded the 10% threshold and on that date stood at 10.06% (56,927,356 voting rights).

BlackRock, Inc., Wilmington, USA, announced that on April 26, 2016 its share in the voting rights was 3.69%. 3.06% of these voting rights (the equivalent of 17,327,382 voting rights) were attributable to BlackRock, Inc. in accordance with § 22 WpHG. 0.62% of these voting rights (3,531,067 voting rights) were attributable to Black Rock, Inc. as instruments in the meaning of § 25 (1) 1 no. 1 WpHG (securities). 0.0002% of these voting rights (1,333 voting rights) were attributable to Black Rock, Inc. as instruments in the meaning of § 25 (1) no. 2 WpHG (contracts for difference).

BlackRock, Inc., Wilmington, USA, announced that on April 27, 2016 its share in the voting rights was 3.68%. 3.11% of these voting rights (17,574,205 voting rights) were attributable to BlackRock, Inc. in accordance with § 22 WpHG. 0.57% of these voting rights (3,252,436 voting rights) were attributable to Black Rock, Inc. as instruments in the meaning of § 25 (1) no. 1 WpHG (securities). 0.001% of these voting rights (4,036 voting rights) were attributable to Black Rock, Inc. as instruments in the meaning of § 25 (1) no. 2 WpHG (contracts for difference).

06 Provisions

million €	Sept. 30, 2016	Sept. 30, 2017
Accrued pension and similar obligations	1,107	1,093
Other provisions	240	193
(thereof for taxes)	34	13
(thereof miscellaneous provisions)	206	180

In the past fiscal year €41 million (prior year €21 million) was allocated to provisions for pensions. Accrued pension and similar obligations include pension obligations in the amount of €1,090 million (prior year €1,103 million) and partial retirement obligations in the amount of €3 million (prior year €3 million).

thyssenkrupp AG bears an additional liability from the transfer of businesses and internal transfer of pension obligations. In fiscal year 2016 / 2017 an indemnification right was credited directly to miscellaneous assets and a corresponding obligation charged directly to pension obligations in the amount of €315 million (prior year €346 million) (Note 03).

The new securities-linked pension plan for professionals and executives (“flexplan”) introduced as of January 1, 2017, is funded externally through a contractual trust agreement entered into in 2017. At September 30, 2017 the cost of the securities contained in this special fund and attributable to thyssenkrupp AG was around €0.3 million.

Tax provisions exist mainly for sales taxes and income taxes, with provisions for sales taxes down by €20 million. Due to a slight surplus, income taxes are posted under assets this year.

Miscellaneous provisions cover all identifiable risks. They mainly include future obligations in the personnel sector and outstanding invoices. Year-on-year the provision for share-based compensation and the provision for outstanding invoices each decreased by €9 million.

07 Liabilities

million €	Sept. 30, 2016			Sept. 30, 2017		
	within 1 year	more than 1 up to 5 years	more than 5 years	within 1 year	more than 1 up to 5 years	more than 5 years
Bonds	1,250	4,450	600	1,600	4,100	600
Liabilities to financial institutes	48	327		95	252	
Payments received on account of orders	7			1		
Trade accounts payable	84	1		87	11	
Liabilities to affiliated companies	22,953	66		21,770	10	
Liabilities to companies in which investments are held	0					
Miscellaneous liabilities	197		188	180	100	83
(amount thereof for loans)			188		100	83
(amount thereof for taxes)	18			25		
(amount thereof for social security)	0			0		

In March 2017 thyssenkrupp AG issued a bond with a volume of €1,250 million under the €10 billion debt issuance program with a maturity of five years and a coupon of 1.375% p.a.

Liabilities to financial institutions include both fixed-interest and variable-interest loans with interest rates of up to 3.55% p. a.

Liabilities to affiliated companies mainly concern deposits in the Group's financial clearing scheme in the amount of €21,494 million and income transfers from subsidiaries.

Miscellaneous liabilities include accrued interest liabilities of €102 million. In addition, this item includes bonds with a par value of €183 million.

08 Deferred income

Deferred income includes paid-in-surplus as well as advance payments on swaps for the next accounting period. Deferred income is released in installments over the term of the underlying contracts.

09 Contingencies

thyssenkrupp AG has issued guarantees or had guarantees issued in favor of customers or lenders in the amount of €7,199 million (prior year €8,782 million), of which for affiliated companies €7,108 million (prior year €8,033 million). Depending on the type of guarantee, the terms vary between 3 months and 10 years (e.g. for rent and lease guarantees). 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, 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 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 an external third party, such third party is generally requested to provide additional collateral in a corresponding amount.

To our knowledge the underlying obligations can be fulfilled in all cases; claims are not expected.

10 Other financial obligations and other risks

The main financial obligations relate to energy supply contracts, the Group's IT strategy and in particular the outsourcing of the infrastructure, as well as obligations from rental and lease agreements.

Obligations are due in the coming fiscal years as follows:

million €	
2017/2018	348
2018/2019	128
2019/2020	101

These include obligations to affiliated companies of around €58 million.

Legal disputes

Claims for damages have been filed both in and out of court against thyssenkrupp AG and companies of the thyssenkrupp Group by potential injured parties in connection with the elevator cartel. A part of the claims has not yet been quantified. The court proceedings are pending in Germany, Belgium, Austria and the Netherlands and are at various stages; in part, proceedings have already been ended by settlement, withdrawal or dismissal. For the part of the claims thyssenkrupp assesses will probably result in cash outflows, thyssenkrupp – which bears the joint and several liability with the other participants in the cartel – has recognized provisions in a mid two-digit million amount.

In addition, the Company is involved in various legal, arbitration and out-of-court disputes. Predicting the progress and results of lawsuits involves considerable difficulties and uncertainties. This means that lawsuits not disclosed separately could also individually or together with other legal disputes have a negative and also potentially major future impact on the Group's net assets, financial position, results of operations and liquidity. However, at present the Company does not expect pending lawsuits not explained separately in this section to have a major negative impact on net assets, financial position, results of operations and liquidity.

11 Derivative financial instruments

million €	Nominal value Sept. 30, 2016	Fair value	Nominal value Sept. 30, 2017	Fair value
Foreign currency forward contracts	1,851	(8)	473	(5)
Interest/currency swaps	885	(22)	23	0
Commodity forward transactions	10	0	1	0
Total	2,746	(30)	497	(5)

With its global business activities, thyssenkrupp AG is exposed in particular to risks from exchange rate and interest rate fluctuations and commodity prices. To contain these risks, among other things derivative financial instruments are used at thyssenkrupp AG. The use of these instruments is only permissible in connection with hedged items and is subject to policies applicable throughout the Group, compliance with which is continuously monitored.

Derivative financial instruments and the corresponding hedged items may be regarded as hedges if a clear hedging relationship is demonstrated. thyssenkrupp AG only uses derivative financial instruments where they are in a clear hedging relationship with a corresponding hedged item. Hedging relationships are recognized according to both the gross hedge presentation method (foreign currency forward transactions) and the net hedge presentation method. To test the effectiveness of hedge relationships the Critical Terms Match Method (micro hedges) and the Dollar Offset Method (portfolio hedges) are used. Any hedge ineffectiveness is accounted for in accordance with generally accepted accounting and valuation methods.

To hedge against foreign currency risks thyssenkrupp AG uses foreign currency derivatives as well as interest-rate/foreign currency swaps. Foreign currency derivatives are mainly used to hedge receivables and liabilities in connection with Group financing. At the reporting date receivables of €419 million and liabilities of €54 million were hedged. All foreign currency derivatives with a remaining term to maturity of no more than 19 months are designated as micro hedges and portfolio hedges. Interest-rate/foreign currency swaps are used to hedge against foreign currency risks from specific Group-internal loans of thyssenkrupp AG with a total volume of €23 million. Interest rate/foreign currency swaps with a remaining term to maturity of no more than 64 months, each with terms matching that of the corresponding hedged item, are almost without exception designated as portfolio hedges. At the reporting date no provisions for hedge ineffectiveness had to be recognized in connection with these transactions.

Commodity forward contracts are used to hedge variable price components in energy procurement contracts. Commodity derivatives together with their corresponding transactions are designated as hedges. All commodity derivatives with a remaining term to maturity of up to 3 months, each matching the term of the hedged item, are designated as micro hedges. They are offset by value changes in the hedged items in the same amount. Since these were accounted for according to the net hedge presentation method, they were not recognized. The effectiveness of hedging relationships is tested prospectively and retrospectively by verifying that critical terms of hedged items and hedging instruments match (Critical Terms Match Method).

At the reporting date the volume of hedged risks amounted to €6 million, i.e. provisions for onerous contracts were avoided in this amount.

By the end of the terms of maturity, which are between one and 64 months, it is expected that the value and payment flow changes from the hedging transactions will be balanced out in full.

The fair values recognized for derivative financial instruments are calculated according to standard valuation methods taking into account the market data available at the reporting date. For this the following principles are applied:

The fair value of foreign currency forward transactions is determined on the basis of the middle spot exchange rate applicable as of the balance sheet date, and taking account of forward premiums or discounts arising for the respective remaining contract term compared to the contracted forward exchange rate.

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, and the exchange rates for each foreign currency in which cash flows occur are also included.

The fair value of commodity derivatives is based on officially quoted prices and external valuations by our financial partners at the financial-statement date. It represents the estimated amounts that the company would expect to receive or pay to terminate the agreements as of the reporting date.

Notes to the statement of income

12 Net sales

As the German Accounting Directive Implementation Act (BilRUG) was applied for the first time to the financial statements for the year ended September 30, 2017, certain items previously reported under other operating income are now included in net sales in accordance with § 277 (1) HGB.

This is mainly income from amounts charged on in accordance with the corporate design, company naming and trademark policy for the corporate mark (€299 million) and usage fees for Group licenses (€51 million) which were reported under other operating income in the prior year. Also included in net sales is income from insurance services in the amount of €68 million.

Since no net sales were reported in the prior year, the figure is not comparable. Analogously applying the reworded § 277 (1) HGB, net sales for the prior year would have come to €369 million altogether.

13 Cost of sales

The cost of sales of €133 million is directly related to the income reported under net sales.

The prior-year amount is not comparable due to the first-time application of the Accounting Directive Implementation Act (BilRUG). In the prior year the corresponding expenses were included in general administrative expenses.

In the statement of income structured according to § 275 (3), thyssenkrupp AG's total materials expense is reported under cost of sales. Expenses for purchased services amount to €1 million (prior year €0 million) and are directly related to the income from usage fees for Group licenses reported under net sales.

14 General administrative expenses

million €	Year ended Sept. 30, 2016	Year ended Sept. 30, 2017
Salaries	175	156
Statutory social contributions	11	12
Expense for pensions	21	42
Total personnel expense	207	210
Depreciation/amortization	35	31
Other administrative costs	425	404
(thereof business consulting expenses)	72	73
(thereof expense for services)	198	189
(thereof data processing services)	103	105
(thereof maintenance expense)	20	3
Total	667	644

thyssenkrupp AG's total personnel expense is reported under the general administrative expenses item in accordance with § 275 (3) HGB. The expense for pensions reflects the service cost of the pension provision allocation; interest on the pension provision allocation is reported under net interest.

Personnel expense contains salaries, severance payment expenses, leave and special bonuses as well as the change in accrued personnel obligations and the social plan provision. Statutory social contributions contain in particular the employer share of pension, unemployment, nursing care and health insurance contributions. Expense for pensions includes the contributions to the pension guarantee association (Pensions-Sicherungs-Verein).

Payroll expense was €19 million lower. This was partly offset by expense for retirement benefits. This is mainly due to a higher year-on-year allocation to pension provisions of €41 million (prior year €21 million).

Due to the first-time application of BilRUG, parts of the general administrative expenses in the past fiscal year were included for the first time in cost of sales. This had a significant impact on maintenance expense, where expenses of €18 million were reclassified.

The data processing services of €105 million include expenses for the Group's IT strategy, in particular the outsourcing of infrastructure.

At the reporting date the number of employees stood at 1,029, including 14 trainees, 13 apprentices and 30 interns/student workers. The average number of employees at thyssenkrupp AG in the fiscal year was 978 (prior year 922).

15 Other operating income

Other operating income in the amount of €155 million (prior year €490 million) includes income from the €78 million write-up of the shares in thyssenkrupp Regional Services Germany GmbH. Also included are proceeds from the sale of non-operating real estate in the amount of €22 million. Other operating income of €4 million (prior year €1 million) was due to currency translation effects.

The decrease in other operating income mainly reflects the fact that in the prior year income from amounts charged on in accordance with the corporate design, company naming and trademark policy for the corporate mark, as well as usage fees for Group licenses and other intra-Group service charges were included in other operating income. These are now posted under net sales.

In the past fiscal year, other operating income for other accounting periods amounted to around €11 million (prior year €24 million). As in the prior year this was due among other things to the reversal of provisions.

16 Other operating expense

Other operating expense came to €459 million and includes €301 million differences from currency translation in connection with the sale of thyssenkrupp Companhia Siderúrgica do Atlantico Ltda. In accordance with our hedging strategy at Group level this transaction is offset by corresponding transactions at other Group companies and does not impact earnings.

Internal waivers of receivables related to thyssenkrupp Presta Aktiengesellschaft (€52 million), thyssenkrupp Italia S.r.l. (€16 million), thyssenkrupp Industrial Solutions Oil & Gas Ltd. (€7 million) and Berco (UK) Ltd. (€4 million). For non-operating real estate, expenses for maintenance and other services amounted to €24 million.

This item also contains allocations to provisions in the amount of €8 million, fees for the issue of new shares, expense from foreign currency forward contracts, and other taxes such as wage taxes, property taxes and sales tax.

Foreign currency forward contracts resulted in other operating expense of €17 million (prior year €14 million). Non-period other operating expense amounted to €9 million.

17 Income from investments

million €	Year ended Sept. 30, 2016	Year ended Sept. 30, 2017
Income from profit-and-loss transfer agreements	694	184
Expense from profit-and-loss transfer agreements	(84)	(116)
Income from investee companies	245	906
(amount thereof from affiliated companies)	245	906
Total	855	973

Income from profit-and-loss transfer agreements was €510 million lower at €184 million. This mainly reflected income from thyssenkrupp Technologies Beteiligungen GmbH, which was down by €220 million to €20 million, and Thyssen Stahl GmbH, which transferred a profit of €152 million, €171 million lower than the year before. Expense from loss transfers increased by €32 million to €116 million. thyssenkrupp Materials Services GmbH, which returned a profit of €60 million in the prior year, reports a loss of €88 million for the past fiscal year.

Income from investee companies mainly included dividend payments collected from thyssenkrupp North America, Inc. (€699 million) and thyssenkrupp (China) Ltd. (€206 million).

18 Net interest

million €	Year ended Sept. 30, 2016	Year ended Sept. 30, 2017
Income from loans classified as financial assets	41	41
(amount thereof from affiliated companies)	41	41
Other interest and similar income	278	248
(amount thereof from affiliated companies)	235	199
Interest and similar costs	(668)	(523)
(amount thereof to affiliated companies)	(353)	(228)
Total	(349)	(235)

Net interest comprises interest expense and income from both the central intra-Group financial clearing system and external financing. Added to this is an interest component due to the addition of accrued interest on pension obligations and other provisions with a remaining term of more than one year of €30 million (prior year €22 million).

19 Write-downs of financial assets and securities classed as operating assets

In the current fiscal year there were impairment losses on the shares in thyssenkrupp Italia S.r.l. of €51 million due to expected permanent impairment.

20 Income taxes

Taxes on income relate to income for prior years and taxes in the reporting period. Under a recognition option for an excess of deferred tax assets over deferred tax liabilities, deferred taxes are not included in tax expense.

21 Auditors' fees

A breakdown of the total fee charged by the financial-statement auditors for the 2016 / 2017 fiscal year into audit fees, audit-related fees, tax fees and fees for other services is provided in the corresponding disclosure in the Notes to the consolidated financial statements of thyssenkrupp AG. For thyssenkrupp AG and the companies it controls, other audit-related services were performed mainly for audits of the internal control system including audits of ongoing projects in connection with the introduction of IT systems, and other audit-related services. In addition tax services were performed comprising the preparation of tax returns, tax due diligence services, and tax advice in connection with projects and internal reorganization. Other services mainly include project-related advisory services.

22 Supervisory Board and Executive Board compensation

Total compensation paid to active members of the Executive Board for their work in the reporting year amounted to around €12 million (prior year: €11 million). Alongside fixed salaries, fringe benefits and performance bonuses, this also includes the LTI as a stock-based, long-term, performance-related component. Stock rights were issued in the past fiscal year for the LTI with a fair value of around €5 million at grant date. The individual variable compensation was determined taking into account the requirement for appropriateness.

Total compensation to former members of the Executive Board of thyssenkrupp AG and its predecessor companies and their surviving dependants amounts to €13 million (prior year €16 million).

Pension obligations to former members of the Executive Board and their survivors are recognized in the amount of €208 million (prior year €207 million).

For the 2016 / 2017 fiscal year, compensation to the members of the Supervisory Board on the basis of the consolidated financial statements still to be adopted including attendance fees amounts to around €2 million (prior year €2 million).

More information on Executive Board and Supervisory Board compensation is provided in the compensation report as part of the combined management report on the thyssenkrupp Group and thyssenkrupp AG.

Information on the members of the Supervisory Board and Executive Board in accordance with § 285 no. 10 HGB is provided below under Other directorships held by Executive Board members and Other directorships held by Supervisory Board members.

23 Declaration of conformity according to the German Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code required under § 161 (1) Stock Corporation Act (AktG) was issued in the reporting year by the Executive Board and Supervisory Board and was made permanently accessible to shareholders on the Company's website at <https://www.thyssenkrupp.com/de/unternehmen/management/corporate-governance/entsprechenserklaerung.html> on October 1, 2017.

24 Proposed profit appropriation

The legal basis for distribution of a dividend is the unappropriated income of thyssenkrupp AG calculated in accordance with commercial law accounting principles.

The financial statements of thyssenkrupp AG for the 2016 / 2017 fiscal year show unappropriated income of €1,401,196,644.43.

The Executive Board and Supervisory Board propose to the Annual General Meeting to use the unappropriated income from fiscal 2016 / 2017 as follows:

Payment of a dividend of €0.15 per eligible share	€93,379,761.15
Amount to be carried forward	€1,307,816,883.28

Independent Auditors' report

To thyssenkrupp AG, Duisburg and Essen

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of thyssenkrupp AG, Duisburg and Essen, which comprise the balance sheet as at 30 September 2017 and the income statement for the financial year from 1 October 2016 to 30 September 2017 and the notes to the financial statements, including the accounting and measurement methods presented therein. In addition, we have audited the management report of thyssenkrupp AG, which is combined with the Group's management report, for the financial year from 1 October 2016 to 30 September 2017. The Corporate Governance Statement pursuant to § (Article) 289a HGB ("Handelsgesetzbuch": German Commercial Code) and § 315 Abs. (paragraph) 5 HGB has not been audited by us with regard to content according to the German legal requirements.

In our opinion, based on the findings of our audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company in accordance with German principles of proper accounting as at 30 September 2017 as well as the results of operations for the financial year from 1 October 2016 to 30 September 2017 and
- the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with the German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the Corporate Governance Statement mentioned above.

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit has not led to any reservations with respect to the propriety of the annual financial statements and the management report.

Basis for Audit Opinions

We conducted our audit of the annual financial statements and the management report in accordance with § 317 HGB and the EU Audit Regulation (No 537/2014) under consideration of the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with provisions under EU law as well as German commercial law and professional requirements, and we have fulfilled our other German ethical

responsibilities in accordance with these requirements. Furthermore, we declare in accordance with Article 10 (2) f) of the EU Audit Regulation that we have not provided any prohibited non-audit services referred to in Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 October 2016 to 30 September 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

- ① Impairment of investments in affiliated companies

Our presentation of this key audit matter has been structured as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matter:

① Impairment of investments in affiliated companies

- ① In the annual financial statements of thyssenkrupp AG dated 30 September 2017 shares in affiliated companies amounting to EUR 24,350 billion (62.5% of total assets) are recognized under the "Financial assets" balance sheet item. Each year, thyssenkrupp AG tests the carrying amounts of its equity investments for impairment as of the balance sheet date. In general, for the purpose of determining fair value, the discounted cash flow method is used to ascertain a total enterprise value, which is adjusted for the net financial position so that equity can be calculated for the purposes of comparing that against the carrying amount of the respective long-term equity investment. The calculation is based on the budget projections prepared by management and the projected cash flows are discounted using the weighted average cost of capital. The result of these measurements depends to a large extent on the management's estimates of future cash flows, the discount rate applied and the growth rate. Therefore the measurements are subject to material uncertainty. Based on the Company's valuations and other documentation, there was in the financial year 2016/2017 a need for one instance to recognize an impairment loss and for one instance a value increase. Against this background and due to its significance for thyssenkrupp AG's financial position and financial performance, this matter was of particular importance during our audit.
- ② As part of our audit, we evaluated among other things the method used for performing impairment tests and assessed the calculation of the weighted average cost of capital. In addition, we assessed the appropriateness of the future cash flows used in the measurement, specifically by

reconciling this information to the medium-term planning and by comparing it with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the enterprise value 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 equity investments. The equity investments examined were selected on the basis of qualitative criteria and the amount by which the respective calculated enterprise value exceeded the carrying amount of the respective long-term equity investment. 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. In our view, the measurement inputs and underlying measurement assumptions used by management were properly derived for conducting impairment tests.

- ③ The Company's disclosures on financial assets and impairment of financial assets are contained in the sections "General" and "Financial assets" of the notes to the financial statements.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of the annual financial statements which comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. Furthermore, management is responsible for such internal control as management determines in accordance with German principles of proper accounting is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. In addition management is responsible to disclose, as applicable, matters related to going concern. Furthermore management is responsible for using the going concern basis of accounting unless this conflicts with actual or legal circumstances.

Moreover, management is also responsible for the preparation of the management report, which as a whole provides a suitable view of the Company's position and is consistent in all material respects with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as management determines are necessary to enable the preparation of a management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the management report.

Auditors' Responsibilities for the Audit of the Annual Financial Statements and the Management Report

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides a suitable view of the Company's position as well as, in all material respects, is consistent with the annual financial statements as well as the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation under consideration of the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual financial statements and this management report.

Throughout the audit we exercise professional judgment and maintain professional skepticism. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and the 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 annual financial statements and the policies and procedures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of those systems of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements and the management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Company in accordance with German principles of proper accounting.
- Evaluate whether the management report is consistent with the annual financial statements, its compliance with the German legal requirements and the view it provides of the Company's position.
- Perform audit procedures on the prospective information presented by management in the management report. Based on sufficient and appropriate audit evidence, we hereby, in particular, evaluate the material assumptions used by management as a basis for the prospective information and the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events deviate significantly from the prospective information.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual 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

Report on the Unbundling of Accounting according to § 6b EnWG

We have audited the accounting of thyssenkrupp AG, Duisburg and Essen, regarding the observance of obligations for the accounting according to § 6b Abs. 3 EnWG ("Energiewirtschaftsgesetz": German Energy Industry Act), which require separate bookkeeping for the activities stated in § 6b Abs. 3 EnWG.

The audit of the observance of obligations for the accounting according to § 6b Abs. 3 EnWG, which require separate bookkeeping for the activities stated in § 6b Abs. 3 EnWG has not led to any reservations.

Management of thyssenkrupp AG is responsible for the observance of obligations for the accounting according to § 6b Abs. 3 EnWG as well as for such policies and procedures as management determines are necessary for the observance of these obligations.

We conducted our audit in accordance with German generally accepted standards for the audit of energy supply companies promulgated by the Institute der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the observance of obligations according to § 6b Abs. 3 EnWG to obtain reasonable assurance about whether the amounts stated and the classification of accounts according to § 6b Abs. 3 EnWG are appropriate and comprehensible and whether the principle of consistency has been observed.

Other Disclosures pursuant to Article 10 of the EU Audit Regulation

We were appointed as auditor by the Annual General Meeting on 27 January 2017. We were engaged by the Supervisory Board on 16 March 2017. We have acted uninterruptedly as the auditor of thyssenkrupp AG, Duisburg and Essen, since financial year 2012/2013.

We confirm that the audit opinions contained in this auditor's report are consistent with the additional report to the audit committee referred to in Article 11 of the EU Audit Regulation (German Longform Report).

Responsible auditor

The auditor responsible for the audit is Michael Preiß.

Essen, 20 November 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Norbert Winkeljohann
Wirtschaftsprüfer
(German Public Auditor)

Michael Preiß
Wirtschaftsprüfer
(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company, and the combined management report includes a fair review of the development and performance of the business and the position of the Company and the thyssenkrupp Group, together with a description of the principal opportunities and risks associated with the expected development of the Company and the thyssenkrupp Group.

Essen, November 14, 2017
thyssenkrupp AG

The Executive Board

Hiesinger

Burkhard

Kaufmann

Kerkhoff

Other directorships held by Executive Board members

Dr. Heinrich Hiesinger

Chairman

- BMW AG

Within the Group:

- thyssenkrupp Elevator AG (Chair)
- thyssenkrupp Steel Europe AG (Chair)
- thyssenkrupp (China) Ltd./VR China (Chairman)

Oliver Burkhard

- PEAG Holding GmbH (Chair)

Within the Group:

- thyssenkrupp Elevator AG
- thyssenkrupp Industrial Solutions AG
- thyssenkrupp Materials Services GmbH
- thyssenkrupp Steel Europe AG

Dr. Donatus Kaufmann

Within the Group:

- thyssenkrupp Industrial Solutions AG
- thyssenkrupp North America, Inc./USA (Chairman)

Guido Kerkhoff

Within the Group:

- thyssenkrupp Elevator AG
- thyssenkrupp Industrial Solutions AG (Chair)
- thyssenkrupp Materials Services GmbH (Chair)

■ Membership of supervisory boards within the meaning of § 125 German Stock Corporation Act (AktG) (as of September 30, 2017)

□ Membership of comparable German and non-German control bodies of business enterprises within the meaning of § 125 AktG (as of September 30, 2017)

Other directorships held by Supervisory Board members

Prof. Dr. Ulrich Lehner, Düsseldorf

Chairman // Member of the Stockholder Committee of Henkel AG & Co. KGaA

- Deutsche Telekom AG (Chair)
- E.ON SE
- Porsche Automobil Holding SE
- Henkel AG & Co. KGaA (Member of the Stockholder Committee)

Markus Grolms, Frankfurt/Main

Vice Chairman // IG Metall trade union secretary

Achim Hass, Kiel

(since February 7, 2017)

Power electronics technician // Chairman of the Works Council of thyssenkrupp Marine Systems GmbH (Kiel) // Chairman of the General Works Council of thyssenkrupp Marine Systems GmbH // Vice Chairman of the Works Council Union Industrial Solutions

- Babcock Pensionskasse VVaG

Within the Group:

- thyssenkrupp Industrial Solutions AG
- thyssenkrupp Marine Systems GmbH

Dr. Ingrid Hengster, Frankfurt/Main

Member of the Executive Board of KfW Bankengruppe

- Deutsche Bahn AG
- European Investment Bank (EIB), Luxembourg (Expert on the Board of Directors)

Susanne Herberger, Dresden

Engineer (FH) – information technology // Chairwoman of the Works Council of thyssenkrupp Aufzüge GmbH (Dresden) // Chairman of the Works Council Union Elevator Technology // Vice Chairwoman of the Group Works Council of thyssenkrupp AG

Within the Group:

- thyssenkrupp Elevator AG

Tanja Jacquemin, Frankfurt/Main

Dipl.-Kauffrau // Head of the Company Policy and Codetermination Department at IG Metall

- Porsche Holding Stuttgart GmbH
- Porsche AG
- Vinci Energies Deutschland GmbH

Prof. Dr. Hans-Peter Keitel, Essen

Former Chairman of the Executive Board of Hochtief AG

- Airbus Defence and Space GmbH
- National-Bank AG
- RWE AG
- Voith GmbH & Co. KGaA (Chair)
- Airbus SE/Netherlands

Dr. Norbert Kluge, Ratingen

Diplom-Sozialwirt // Head of Codetermination Support Department at the Hans Böckler Foundation

Tekin Nasikkol, Ratingen

Bachelor of Arts (Business Administration) // Vice Chairman of the Works Council of thyssenkrupp Steel Europe AG (Duisburg-Hamborn) // Vice Chairman of the General Works Council of thyssenkrupp Steel Europe AG // Vice Chairman of the Group Works Council of thyssenkrupp AG

Dr. Ralf Nentwig, Essen

Member of the Executive Committee of the Alfred Krupp von Bohlen und Halbach Foundation

- Margarethe Krupp-Stiftung für Wohnungsfürsorge (Vice Chairman of the Supervisory Board)

René Obermann, Berlin

Partner der Warburg Pincus LLC

- CompuGroup Medical SE
- Inexio Beteiligungs GmbH & Co. KGaA (VChair)
- 1&1 Internet SE (Chair)
- Strato AG (Chair)
- Allianz Deutschland AG

Prof. Dr. Bernhard Pellens, Bochum

Professor of Business Studies and International Accounting,
Ruhr University Bochum

- LVM Versicherung aG

Peter Remmler, Wolfsburg

Wholesale and export trader // Chairman of the Works Council of
thyssenkrupp Schulte GmbH (Braunschweig) // Chairman of the Works
Council Union Materials Services

Within the Group:

- thyssenkrupp Materials Services GmbH

Carola Gräfin v. Schmettow, Düsseldorf

CEO of HSBC Trinkaus & Burkhardt AG

- BVV Versicherungsverein des Bankgewerbes a.G.
- HSBC France S.A. Paris

Wilhelm Segerath, Duisburg

Automotive body maker // Chairman of the Group Works Council of
thyssenkrupp AG

- PEAG Holding GmbH (Member of the Advisory Board)

Carsten Spohr, Munich

Chairman of the Executive Board of Deutsche Lufthansa AG

- Lufthansa Technik AG (Chair)
- Dr. August Oetker KG (Member of the Advisory Board)

Dr. Lothar Steinebach, Leverkusen

Former member of the Management Board of Henkel AG & Co. KGaA

- Altana AG
- Carl Zeiss AG
- Ralf Schmitz GmbH & Co. KGaA
- Diem Client Partner AG/Switzerland (Member of the
Management Board)

Jens Tischendorf, Zurich

Partner and Director of Cevian Capital AG

- Bilfinger S.E.

Friedrich Weber, Schöndorf

Machine setter // Chairman of the General Works Council of
thyssenkrupp Bilstein GmbH // Chairman of the Works Council Union
Components Technology

Within the Group:

- thyssenkrupp Bilstein GmbH

Isolde Würz, Mülheim/Ruhr

Attorney // General Counsel and Head of Governance, Corporate
Function Legal at thyssenkrupp AG

In the course of the fiscal year 2016 / 2017 Ernst-August Kiel left
the Supervisory Board at the close of January 31, 2017. Where
he held other directorships at the time of departure these are
listed below:

Ernst-August Kiel, Blumenthal

(until January 31, 2017)

Fitter // Chairman of the Works Council of thyssenkrupp Marine
Systems GmbH (Kiel) // Chairman of the General Works Council of
thyssenkrupp Marine Systems GmbH // Chairman of the Works Council
Union Industrial Solutions

Within the Group:

- thyssenkrupp Industrial Solutions AG

- Membership of other supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2017)
- Membership of comparable German and non-German control bodies of business enterprises within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2017)

