

engineering. tomorrow. together.

Annual Report 2015/2016



thyssenkrupp

thyssenkrupp at a glance

THYSSENKRUPP IN FIGURES

		2015/2016	Change in %
Order intake	€ million	37,424	(9)
Sales	€ million	39,263	(8)
Adjusted EBIT	€ million	1,469	(12)
Net income	€ million	261	(2)
Earnings per share	€	0.52	(5)
Free cash flow before M&A	€ million	198	72
Net financial debt	€ million	3,500	3
tkVA	€ million	(85)	79
Market capitalization	€ million	12,008	35
Dividend per share	€	0.15	–

ENGINEERING EXPERTISE FOR OVER

200

 years

~ €39 billion

sales generated by thyssenkrupp
in fiscal 2015/2016



6 regional HQs
78 countries
~2,000 locations



156,487

employees work every day to ensure thyssenkrupp
can implement unique projects.
(as at September 30, 2016)

BUSINESS AREAS

Components
Technology

Elevator
Technology

Industrial
Solutions

Materials
Services

Steel
Europe

Steel
Americas

thyssenkrupp's power lies in its unique technological versatility. We develop technologies and solutions for current and future market and customer needs. One promise always lies at the heart of our work: we advance our customers with excellent engineering know-how. Knowledge is our most important raw material. We share and add to our skills and competencies. This makes thyssenkrupp more innovative and effective. We excel at uniting, sharing and growing our skills and experience with the interests of our customers.

engineering. tomorrow. together.



1 billion

people take elevators
every single day

Going up? In New York alone, office workers together spend a total of 16.6 years waiting for elevators each year. Not only is all that standing around annoying, it is also a waste of time that could be spent living and working. In collaboration with Microsoft, thyssenkrupp is pushing forward the digitization of elevator service. With these steps toward modernization, we are making the trip to the top floor safer, more reliable, and faster – and giving New Yorkers around eight years of their lives back.

Sascha Frömming, thyssenkrupp Elevator AG, on collaborating with Microsoft, redefining service, and his aim to equip around 180,000 elevators around the world with MAX in 2017 →

“AFTER THE TWIN ELEVATOR AND ROPE-FREE MULTI TECHNOLOGY, MAX IS THE SECOND CORNERSTONE OF OUR STRATEGY.”



SASCHA FRÖMMING
thyssenkrupp Elevator

MR. FRÖMMING, WOULD YOU SAY THYSSENKRUPP IS REVOLUTIONIZING SERVICE IN THE ELEVATOR INDUSTRY?

Definitely! We already set the bar very high over the last 12 months with MAX – our predictive maintenance solution for elevators – and this year we were once again able to bring out another innovative product for our service range in collaboration with Microsoft. The interplay between MAX and HoloLens in particular is unique in this combination, and is why thyssenkrupp is revolutionizing an entire sector.

HOW WILL HOLOLENS CHANGE THE WORK DONE BY OUR 24,000 SERVICE TECHNICIANS AROUND THE WORLD?

HoloLens will mean that thyssenkrupp service technicians can visualize the specific parameters for an elevator before any action is taken. It provides on-site, around-the-clock access to all of the elevator's technical information, plus expert support via image transfer – all of which also comes with the advantage that you keep both hands free at all times. Initial trials have shown that the support provided by HoloLens makes it possible to complete the work much faster.

16.6 years

– how long New York office workers spend
waiting for elevators in total each year.

DOES THAT MEAN THAT WE ARE COMPLETELY REDEFINING AND IMPROVING OUR CUSTOMER RELATIONSHIPS?

That is exactly what we are trying to do. Our goal is to increase efficiency, increase the availability of our elevators, and optimize our service so that the elevators' technology is always working at its optimum best. This is the only way that we can ensure the safest and most convenient advancement for our customers.

WHAT KIND OF INTERPLAY COULD THERE BE BETWEEN OUR CLOUD-SUPPORTED MAINTENANCE SYSTEM MAX AND HOLOLENS?

To give you one example, our service technicians will have a complete overview of the elevator in question at all times. This means that they will know what was serviced in the past, which upgrades were carried out, and where perhaps there will be potential for optimization in the future. All of this information will be presented in a visually appealing way, with all technical details for the respective type of elevator.

BY THE END OF 2017, 180,000 ELEVATORS WILL NEED TO BE NETWORKED. HOW WILL WE ACHIEVE THIS?

This is an ambitious objective that we ourselves set, but we are well on our way to achieving it. MAX was launched as the industry's first-ever predictive maintenance solution at the end of 2015, with thousands of systems installed in the pilot countries (USA, Germany, and Spain) since then. Successful completion of this stage in the pilot countries by the end of 2017 will then allow us to conduct further roll-outs in other countries.

WHAT MAKES WORKING IN A TEAM WITH MICROSOFT SO SPECIAL?

It is the fantastic collaboration that we have with Microsoft and its experienced software experts that has enabled us to integrate HoloLens into our service processes. We also managed to adapt HoloLens apps to our specific requirements with this team arrangement.



▶ How is HoloLens used by thyssenkrupp service technicians?

urban-hub.com > ideas >
[virtual-elevator-maintenance-service](#)

“Mixed Reality”: HoloLens by Microsoft supports our service technicians both before and during maintenance

01

A new kind of control technology is enabling thyssenkrupp to set new driving experience and dynamics benchmarks with its electric power steering systems (EPS).

02

“Steer-by-wire,” which avoids the need for any mechanical connection between the steering wheel and the wheels, is a steering system designed with the future in mind. thyssenkrupp has submitted several patents for it.

A New and Safe Kind of Mobility



04

We are developing a retractable steering column that gives the driver more space in autonomous mode for future generations of cars and their advanced driver assistance systems.

03

By using components made from carbon-fiber-reinforced plastic, thyssenkrupp can achieve a weight reduction of up to 60 percent in steering column components and up to 25 percent in complete steering columns.

With electric power steering, thyssenkrupp is not only defining mobility in its current form, but also accelerating its development.

thyssenkrupp is one of the world's leading manufacturers of steering systems. One chapter of this success story is set in Liechtenstein, while another takes place in Hungary. In the former, Kristof Polmans and his team form a think tank of innovative engineers and mechatronics engineers, while in the latter, more than 600 employees program the future of thyssenkrupp at our software development center close to Budapest. Working with colleagues across four continents, they produce (among other things) electric power steering systems consisting of more than 400 individual parts and around 300,000 lines of software code – and as such have just as much code as a space shuttle!

Kristof Polmans, thyssenkrupp head of Innovation and Technology for steering systems, is not only helping to develop the future world of the automobile, but also working on the complex reality posed by the present day – a reality that is dominated by safety, efficiency, environmental protection, and driving experience. “Electric power steering systems,” says Polmans, “tick all of these boxes very effectively. They consume far less energy than conventional hydraulic solutions, for example, allowing up to half a liter of gas to be saved on every 100 kilometers traveled.”

Polmans' few words are enough to build a picture of a development that began around two decades ago, namely a change in technology that repositioned thyssenkrupp as a producer of steering components for hi-tech system suppliers on the market, having been known for cold forging until the 1980s. This transformation from mechanics to mechatronics began with the production of steering columns in the 1990s, and was followed by the company's first series of electrical steering systems in 2010. An electric motor supports the steering movement in these systems. The focus initially was on models in which the electric motor and control unit are positioned horizontally on the steering gear (rack EPS). Another version was then developed for smaller automobiles, in which the electric motor is installed on the upper steering column (column EPS). We are now producing all major electric power steering systems. “thyssenkrupp has not only introduced electric power steering for new vehicle classes,” says Polmans, “but also made optimal use of the different waves of technology in different versions and designs. We invested in and implemented effective development work that impresses our customers because we considered safety,

dynamics, and driving experience aspects from the very start of the process. It's also why we are now among the 'Top 5' globally.”

Electric power steering systems have clear advantages. First, they reduce fuel consumption because the electric motor only switches on if the driver actually needs steering support. Second, thyssenkrupp engineers have also managed to improve driving dynamics and experience considerably through a new combination of hardware and software. Most notably, however, EPS systems have made it possible to develop driver assistance systems such as parking and lane change assistants, which in turn have increased driving safety. “With the traditional hydraulic steering systems from the past, this whole range of assistance systems would not have been conceivable,” Polmans informs us, summing up the situation. Driver safety will, however, also have a major bearing on the topic of autonomous driving in the future. “With our precise technical know-how and our software expertise, we have already achieved such a high level of sophistication with our systems that our customers already consider us one of their key partners in this future matter.”

Listening to Kristof Polmans, you get the impression that the coming years are set to revolutionize our idea of mobility and technological innovations. “We are about to experience a paradigm shift,” the engineer says. “The function of the automobile is set to undergo radical change. The exciting task that we have as a team is to figure out how thyssenkrupp, as a steering expert and system provider, gets involved in this development.” Polmans is referring to steer-by-wire systems, which use redun-

dancies to ensure operation is as error-free and safe as with airplanes. He is also talking about single-wheel steering and wheels that can be rotated 90 degrees to ensure better navigation of urban areas in the future, about retractable steering columns in semiautonomous vehicles, which provide the driver with

a space for their laptop and coffee, and about the integration of chassis and powertrain systems that will make it possible to completely rethink the main functions of the automobile. Kristof Polmans himself is optimistic about what comes after tomorrow. “We will define this development – after all, thyssenkrupp is most certainly in a different league to a few years ago!”

“THE FUNCTIONALITY OF THE CAR IS SET TO CHANGE COMPLETELY.”

Kristof Polmans, head of Innovation and Technology for steering systems

► What sort of work is thyssenkrupp doing with “steer-by-wire” steering?

[engineered.thyssenkrupp.com > a-driverless-future](http://engineered.thyssenkrupp.com/a-driverless-future)

Attention to Detail on a Grand Scale

thyssenkrupp's groundbreaking industrial components have set new records.



1. Wind power plants

A logistical masterstroke and a contribution to climate protection: we have developed 150 gondola bearings and 450 blade bearings for Gemini, one of the largest offshore wind farms in the world. Each one of these is a precision product adapted to conditions on the high seas and customized for the extremely large-scale facilities.



2. Cruise ships

The Quantum of the Seas measures around 348 meters from bow to stern. The jewel in the crown on this cruise ship is "North Star," its seven-metric-ton capsule providing views of the surroundings, which gives passengers the chance to float more than 90 meters above the sea. It is one of our slewing bearings that gives the capsule the stability it needs.



3. Tunnel construction

Switzerland's new Gotthard Base Tunnel was officially opened in summer 2016. Our 23-metric-ton slewing bearings, measuring five meters in diameter, were used to keep the cutter heads stable on the tunnel boring machines and as such played their part in creating the longest train tunnel in the world.



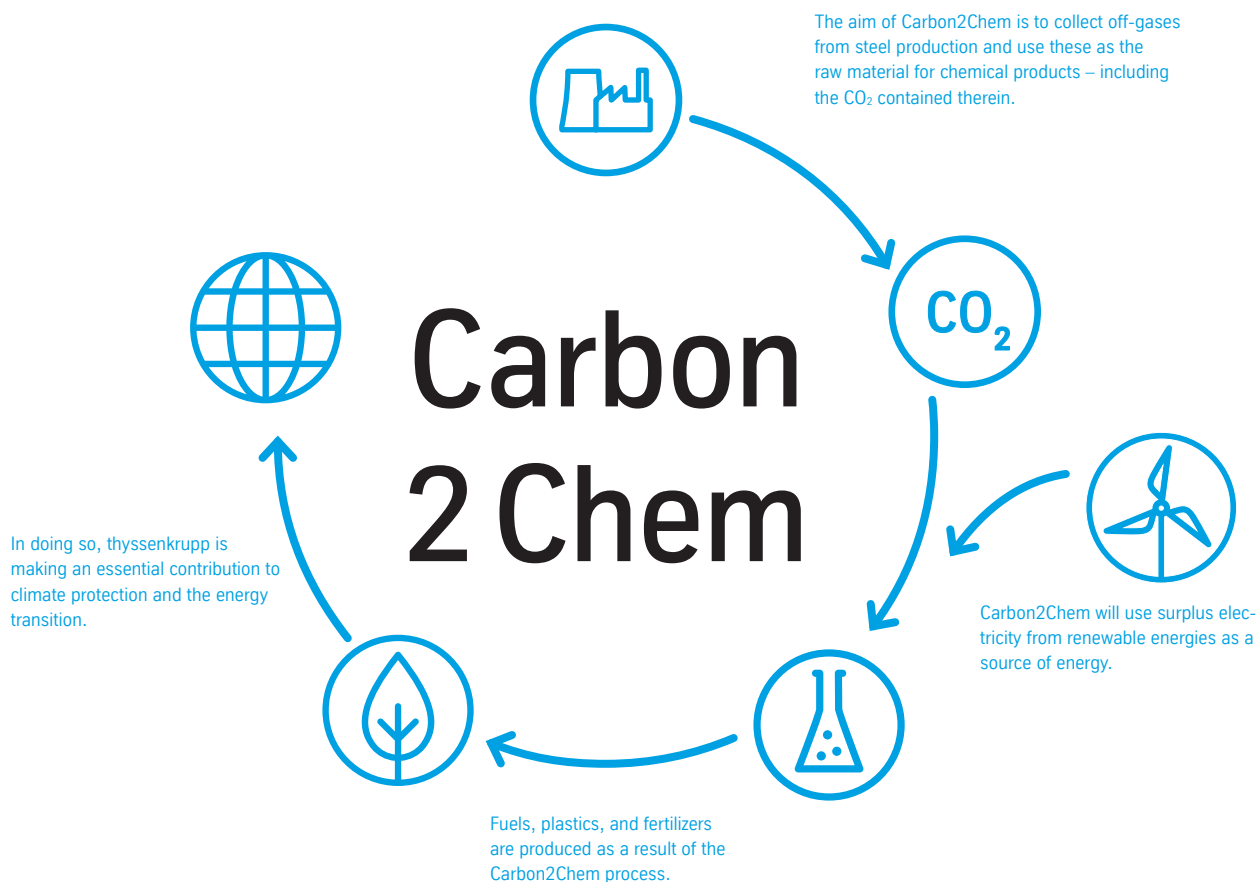
4. Construction machines

One in five chain-drive civilian vehicles worldwide is fitted with thyssenkrupp components. We also produce special designs, including engine components and slewing bearings for turntables on construction machinery.



5. Oil-drilling vessels

As heavy as a blue whale: we built the largest segmented roller bearings in the world, measuring 18 meters in diameter and weighing 190 metric tons. These steel rings can keep two oil-drilling vessels stable in the water, even when the sea is rough, and prevent the pipelines from twisting.



The idea behind Carbon2Chem in a nutshell is to synchronize industries so that the intelligent connection of steel production, the manufacture of chemical raw materials, and the storage of volatile renewable energies significantly reduce CO₂ emissions from steelworks as of 2030. This visionary climate protection and energy transition project was initiated by thyssenkrupp and is breaking new ground: “In the future, breakthrough innovations will only be possible at points where different industries meet,” says Dr. Wiebke Lüke. “This is where Carbon2Chem can help.” Lüke is a project manager at thyssenkrupp. Considering the partnership with 17 different universities, research institutions, and businesses, involving more than 250 people, this project poses a real challenge.

“Taking this cross-industry approach not only enables us to reduce CO₂ emissions during steel production and qualify new raw materials for the chemical industry, but also allows us to achieve an economic optimum that industries would not be able to reach individually,” says Dr. Ralph Kleinschmidt, project coordinator at thyssenkrupp Industrial Solutions. He believes that Carbon2Chem could give thyssenkrupp an edge in the long term. “There are between 50 and 70 steelmaking locations worldwide to which Carbon2Chem could be applied, but it would

also be suitable for cement plants and power plants. In other words, it gives us the option to open up new markets and create value-added chains.” The potential for success is high since the underlying chemical processes and the required technologies are largely known already. The collaborative project has received more than 60 million euros of funding from the German Federal Ministry of Education and Research.

But it is still very early days for the project. Kleinschmidt is currently coordinating the planning and construction of the “technical center” at the thyssenkrupp Steel Europe premises in Duisburg, Germany. This center will have the task of conducting simulation-based testing for the network and investigating individual plant sections. Wiebke Lüke is also working on the construction and subsequent implementation of the solutions under real smelting gas conditions. Her favorite aspect of the project? “Orchestrating our partners’ different motivations so that we reach our collective goal: cost-effective CO₂ reduction.”

► What concrete climate protection activities is thyssenkrupp undertaking?

thyssenkrupp.com > company > innovation > technologies-for-the-energy-transition

The Networkers

thyssenkrupp's networks bring together expertise in an optimal fashion, ensuring we are able to implement projects such as the largest job in the "cement world" currently taking place in the deserts of Saudi Arabia. Five colleagues tell us about their teamwork.

► How is Industrial Solutions networked worldwide?
thyssenkrupp-industrial-solutions.com

"Lots of sweat but no tears" is a good way of describing the work done by Dr. Markus Sauer and his colleague Marcus Fritz. The two project managers are used to working in temperatures of 50 degrees Celsius at this point, having swapped their German offices for the heat of Saudi Arabia on multiple occasions over the past year. Their project was set up to build a new plant around 80 kilometers from Riyadh, the Saudi capital. Sauer and Fritz have presented their client, the Yamama Cement Company, with concepts and technical solutions and have since been accompanying their team through the first phase of this mammoth project that will see a completely new factory plus infrastructure built, involving machinery with a shipping weight of more than 68,000 metric tons, more than 280,000 m³ of cement and in excess of 26,000 metric tons of steel. Communication among themselves, but also with their network of Arabian, Asian, and European colleagues has been "as constant and intensive as you would expect given the scale," Dr. Sauer says. Marcus Fritz, meanwhile, adds that the most rewarding aspect for him has been the intercultural experience – the level of trust and respect across the entire team being "simply remarkable."

Marcus Fritz, commercial project manager, Germany



Dr. Markus Sauer, technical project manager, Germany



Teams don't get much more international than Thomas Dreiling's. His team has a mixture of Asian, Arabian, European, and American roots. He himself is responsible for closely coordinating thyssenkrupp's Saudi Arabian subsidiaries, the project team, and the site management team of the future Yamama plant. "We have a multicultural setup so that we can attend to the needs of the different nationalities among our clientele," says Dreiling. "We're well connected, too, and work closely with our head offices in Germany, while at the same time also enlisting the help of expediting teams in Saudi Arabia and China to guarantee quality and meet deadlines." What can you do to break down cultural and national borders and bring everyone together? "Be open to discussing topics, and focus on the client in doing so." This is the only way you will find solutions fast and give customer requirements the kind of "high-quality" consideration they need.

Thomas Dreiling, CEO of thyssenkrupp Industrial Solutions Saudi Arabia



Mukul Khare, head of the Engineering Center, Pune, India

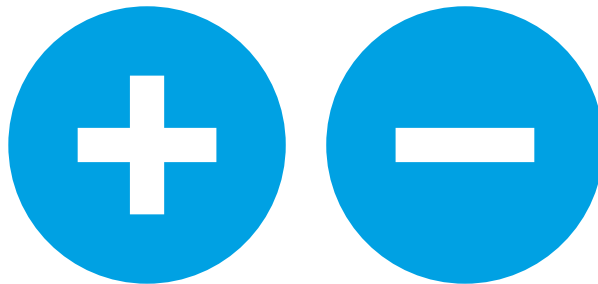
If anyone knows every last detail of the cement plant currently being constructed, that person is Mukul Khare. Using a 3-D software environment at the Engineering Center in Pune, he and his team are planning the project, the construction of 90 conveyor belts, and drafting building plans for pipelines and shafts. Khare is part of the global thyssenkrupp network for plant construction. By mid-2017, he and his colleagues will have invested around 90,000 man-hours in Yamama – a real balancing act in terms of resources and time management: "For a project of this scale, it is critical for a certain amount of preliminary work to have been carried out even before the contract comes into effect, and luckily we managed to do so." This meant the team was able to shorten the implementation time and lower costs. Effective communication with the teams in Vietnam and Beckum is key to the project's success for Khare; they utilize all the information channels available to them at their sites and in doing so keep each other up to date on the progress of their work every day.



Dennis Wolters, financial controller, Vietnam

Without Dennis Wolters and his colleagues in Hanoi, part of the new cement plant in Yamama would even have had to manage without a roof, on account of the large amount of complex roof constructions that Industrial Solutions Vietnam supplies for warehouse buildings and blending beds in Saudi Arabia. It has not always been easy to find good suppliers locally who are able to participate in multinational projects of this scale, according to Wolters. "Suppliers also need to be able to meet deadline and quality requirements. That said, we now have a network of partners in place that can offer competitive prices." His staying power has definitely paid off – a feat he is proud of. "It is fantastic that we can go down this route with our Vietnamese partners, because they are highly motivated and see the challenge as an opportunity for growth. Working in a team with them has enabled us to stand our ground against fierce competition from China."

Energy for the Day after Tomorrow



Key technologies of the future are dependent on the battery industry, the only issue being that Germany still needs a factory to produce the battery cells. thyssenkrupp is giving its backing to the construction of one such plant. In this article, Ingo Steinkrüger, CEO thyssenkrupp System Engineering, tells us about the potential waiting to be tapped on this market, and the forces driving innovation.

Germany needs a battery cell factory. Industrial production of battery cells is “an important part of preserving Germany’s systems expertise and securing the country’s position as an industrial location in the future,” according to the German National Platform for Electric Mobility set up by the German government. Battery systems today account for around one-third of an electric car’s added value, with the battery cells alone accounting for between 60 and 80 percent of this. As such, the market potential for this key technology is just as large.

Furthermore, the battery industry will also supply essential products for other key technologies of the future. The success of the energy revolution is very much reliant on us being able to save electricity. Asian cell manufacturers have already realized this and are expanding their production capacities worldwide. If Germany wishes to live up to its reputation as a driving force behind innovation and win the head-to-head race for the best technical solutions, it needs to be competitive in cell production.

The expertise is already available. thyssenkrupp System Engineering is already producing and supplying systems for the pro-

duction of cells and batteries worldwide, including to Asia. Among other things, we cover the assembly of large-format lithium-ion cells, the assembly of battery packs and testing in our product range. We have around 350 employees planning and constructing cell and battery assembly plants at our center of excellence in Hohenstein-Ernstthal, Saxony, Germany. Their task is to optimize added value and cost-effectiveness while maintaining a high level of safety and quality. The engineers in our development departments are constantly improving the plants using the new knowledge they acquire. Know-how from the automotive sector also stands us in good stead here. As system partners, we are able to successfully combine tried-and-tested processes from the automotive sector with external expert knowledge from the battery and cell industry and, via our center of excellence and our research and development work, keep building on this expertise.

We sell and produce this know-how, in the form of plants, research, and development worldwide, in order to get as close as possible to our customers and play an active role in shaping technical progress.

**INNOVATION AND THE VERY
CORE OF GERMAN INDUSTRY
DEPEND ON CELLS BEING PRO-
DUCED FOR BATTERIES.**

Contents

I.01 Magazine

- I.02 MAX elevator service
- I.06 A new and safe kind of mobility
- I.08 Attention to detail on a grand scale
- I.09 Carbon2Chem
- I.10 The networkers
- I.12 Energy for the day after tomorrow

01

02 To our shareholders

- 03 Letter to shareholders
- 07 Executive Board
- 08 Supervisory Board
- 10 Report by the Supervisory Board
- 17 Corporate governance
- 30 thyssenkrupp stock

02

32 Combined management report

- 33 Preliminary remarks
- 33 Fundamental information about the Group
- 41 Report on the economic position
- 79 Annual financial statements of thyssenkrupp AG
- 83 Technology and innovations
- 87 Environment, climate and energy
- 88 Purchasing
- 90 Employees
- 94 Compliance
- 97 Subsequent events
- 98 Forecast, opportunity and risk report
- 123 Legal information

03

133 Consolidated financial statements

- 134 Consolidated statement of financial position
- 136 Consolidated statement of income
- 137 Consolidated statement of comprehensive income
- 138 Consolidated statement of changes in equity
- 139 Consolidated statement of cash flows
- 140 Notes to the consolidated financial statements

- 230 Independent Auditors' Report
- 232 Responsibility Statement

04

233 Additional information

- 234 Multi-year overview
- 236 Other directorships held by Executive Board members
- 237 Other directorships held by Supervisory Board members
- 239 Glossary
- 241 Contact and 2017 / 2018 financial calendar

Our fiscal year begins on October 01 and ends on September 30 of the following year.

01

To our shareholders

03	Letter to shareholders
07	Executive Board
08	Supervisory Board
10	Report by the Supervisory Board
17	Corporate governance
30	thyssenkrupp stock

Letter to shareholders



Dr. Heinrich Hiesinger, CEO, talks with employees at the Elevator Technology development center in Gijón/Spain

*Dear Shareholders,
Ladies and Gentlemen,*

The past fiscal year 2015/2016 was not an easy one for thyssenkrupp. High import and price pressure had a major impact on our materials businesses, particularly in the first half of the year. That was also why we had to revise our full-year forecast after six months. The recovery on the materials markets, especially in Europe, came later than originally expected and from a lower price level. The effects of this overshadowed the progress achieved by our capital goods businesses.

But the situation on the materials markets in the past fiscal year also shows that we must continue with thyssenkrupp's transformation into a strong industrial group. Our aim is to increase our share of capital goods and service businesses and achieve profitable growth. That will enable us to generate strong and stable earnings, value added and cash flow for you as owners.

Despite the difficult conditions, we achieved progress in important areas of our Strategic Way Forward in the 2015/2016 fiscal year. Although we failed to meet our original earnings target, in the course of the fiscal year we improved from quarter to quarter, and results in the 4th quarter were higher than a year earlier. With adjusted EBIT of €1.47 billion we achieved our revised forecast. Our efficiency program “impact” was once again very successful, with EBIT effects of almost €1 billion clearly exceeding our target. And we once again generated net income of €261 million. Thanks to a Groupwide team effort we again managed to achieve positive cash flow – despite the weak market environment and customers’ reluctance to award major projects in the chemical plant engineering and naval shipbuilding sectors.

Overall, thyssenkrupp’s performance and risk profile improved further in many areas in the past fiscal year. Components Technology reported higher adjusted EBIT and margins and acquired major orders for new technologies. Elevator Technology achieved further growth and earnings improvements and reached important strategic milestones. Industrial Solutions felt the effects of the difficult market environment for raw materials in its order intake and therefore prepared an extensive transformation program to increase efficiency and strengthen customer focus. Due to the longer cycles involved in project business it will be some time before these measures take full effect. In the short term we are therefore concentrating on stabilizing order intake and cash flows at Industrial Solutions. In the long term we continue to see attractive growth opportunities.

Materials Services introduced numerous measures for the digital transformation and made important progress in the implementation of its business plan for the stainless steel producer AST in Italy. Steel Europe initiated a program to secure its long-term competitiveness and aligned its management structures more strongly to customers and markets. Steel Americas managed to increase output and shipments, strengthen its market position, further significantly reduce losses and generate positive cash flow. Moreover we received the operating license from the Brazilian authorities. By acquiring the minority shares in CSA held by Vale, we significantly reduced complexity and risks and gave ourselves greater room to maneuver for the further development of CSA.

As you can see, despite the difficult conditions we further improved the stability of thyssenkrupp in the past fiscal year, with net income and free cash flow matching or slightly exceeding the prior-year levels. The Executive Board and Supervisory Board will therefore once again propose the payment of a dividend of €0.15 per share to the Annual General Meeting. This cannot be a satisfactory dividend level over the medium term for you as shareholders or for us. However, we believe it is a balanced and appropriate proposal. It takes into account the exceptionally weak materials environment in the 1st half, our significant performance improvement in the 2nd half, the prospect of a significant earnings improvement in the fiscal year now under way, and our balance sheet needs.

We are convinced that we are on the right track. Our minimum long-term target of at least €2 billion adjusted EBIT and clearly positive free cash flow remains unchanged. Our forecast adjusted EBIT of around €1.7 billion in the current fiscal year will move us significantly closer to this goal.

There are two main reasons for our confidence:

First: We are not relying on a recovery of prices and markets. Instead we are improving the things we can influence ourselves in all areas. Each business area has clear targets based on sector benchmarks. All our units are working systematically on numerous measures to improve their performance. Industrial Solutions and Steel Europe have also initiated extensive change programs.

The second reason for my confidence is our innovation projects. We are now reaping the benefits of our consistent investment in research and development – even in periods of crisis – and continuous year-on-year increases in innovation spending over the last five years. Since the 2011/2012 fiscal year we have invested more than €3.5 billion in research. Take our automotive components business, for example: As a leading supplier of steering systems we have initiated a fundamental change in technology – from purely mechanical to electric power-assisted steering. This technology is already a prerequisite for driver assist systems and in the future will play an important role in autonomous driving. After years of intensive development work we are now building factories around the world for volume production of these systems. For the coming years we have already booked orders for this technology worth more than €7 billion.

Innovations are the key to our company's future. So as a strong industrial group we have the clear goal to systematically utilize the opportunities offered by digitization. We are investing massively in our IT infrastructure and harmonizing and automating our business processes. In many areas, from steelmaking and automotive component production to elevator technology and plant engineering, we are already translating “big data” and the “internet of things” into business models – not just in pilot projects, but also in day-to-day industrial applications.

Central to all our work at thyssenkrupp is our brand promise: We advance our customers. We do this by understanding the current and future needs of our customers and offering solutions based on our engineering expertise. One good example is MAX, our innovation for predictive elevator maintenance. MAX is a “big data” application that significantly reduces elevator down times. For this we have combined our capabilities with those of a strong partner, in this case Microsoft, in keeping with our new slogan “engineering.tomorrow.together.”. The magazine section at the beginning of this Annual Report explains exactly how MAX works.

For us, “engineering. tomorrow. together.” also means working on sustainable solutions. Here are a few examples:

thyssenkrupp is making an important contribution to reducing greenhouse gas emissions. The Group has now been ranked as a world leader in climate protection by the non-profit organization CDP (formerly Carbon Disclosure Project). CDP has placed thyssenkrupp on its global “Climate A List”, which includes fewer than 200 companies worldwide. And for the fifth time in a row since 2012 the Group is also rated as one of the best companies in the region Germany, Austria and Switzerland.

CDP’s ranking recognizes thyssenkrupp’s consistently high level of transparency with regard to climate protection as well as the Group’s climate protection performance. One medium-term target is to improve energy efficiency by around 3.5 terawatt hours by 2020. That is equivalent to the output of more than three large commercial offshore wind farms and emissions reductions of around 1.3 million tons.

Another example is Carbon2Chem. The aim of this joint project, in which thyssenkrupp is collaborating with further partners, is to convert process gases from steel production into base materials for the chemical industry. We have started on the construction of a technical center, where the processes will be tested on an industrial scale. If the project is a success, CO₂ emissions from steel production will be reduced significantly, and steelmaking will be placed on a new sustainable footing.

thyssenkrupp held up well in a difficult fiscal year. The situation on the materials markets overshadowed much of our progress; but it also validates our strategy. With renewed net income and positive free cash flow your company has clearly gained in stability and competitiveness. For the 2016/2017 fiscal year we are cautiously optimistic of achieving further performance improvements. We will continue to work together and put all our efforts into achieving this goal.

Thank you for your trust and your support.

Yours,



Dr. Heinrich Hiesinger
Chief Executive Officer

Essen, November 2016

Executive Board



Clockwise from top right:

Dr. Heinrich Hiesinger

*1960 | Chairman |
Appointed until September 2020

Dr. Donatus Kaufmann

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

Oliver Burkhard

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

Guido Kerkhoff

*1967 | Responsible for Finance |
Appointed until March 2021

▶ Résumés of the Executive Board members can be found under
[thyssenkrupp.com > Company > Management > Executive Board](https://www.thyssenkrupp.com/Company/Management/ExecutiveBoard)

Supervisory Board

Members of the Supervisory Board

Prof. Dr. Ulrich Lehner, Düsseldorf

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

Dr. Sabine Maaßen, Dinslaken

(until March 15, 2016)

Vice Chairwoman // Legal Counsel, IG Metall

Martin Dreher, Heilbronn

(until May 31, 2016)

Retail clerk // Chairman of the Works Council of thyssenkrupp System Engineering GmbH (Heilbronn) // Chairman of the Works Council Union thyssenkrupp Industrial Solutions

Markus Grolms, Frankfurt/Main

Vice Chairman (since April 8, 2016) // IG Metall trade union secretary

Dr. Ingrid Hengster, Frankfurt/Main

Member of the Executive Board of KfW Bankengruppe

Susanne Herberger, Dresden

Engineer (FH) – information technology // Vice Chairwoman of the Group Works Council // Chairwoman of the Works Council Union thyssenkrupp Elevator Technology

Tanja Jacquemin, Frankfurt/Main

(since March 30, 2016)

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

Prof. Dr. Hans-Peter Keitel, Essen

Vice President of the Federation of German Industries (Bundesverband der Deutschen Industrie e.V.)

Ernst-August Kiel, Blumenthal

Fitter // Chairman of the General Works Council of thyssenkrupp Marine Systems // Chairman of the Works Council Union thyssenkrupp Industrial Solutions

Dr. Norbert Kluge, Ratingen

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

Tekin Nasikkol, Ratingen

(since June 1, 2016)

Business Administration (Bachelor of Arts) // Vice Chairman of the Works Council of thyssenkrupp Steel Europe AG

Dr. Ralf Nentwig, Essen

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

René Obermann, Berlin

Partner at Warburg Pincus LLC

Prof. Dr. Bernhard Pellens, Bochum

Professor of Business Studies and International Accounting, Ruhr University Bochum

Peter Remmler, Wolfsburg

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

Carola Gräfin v. Schmettow, Düsseldorf

Chairwoman of the Management Board of HSBC Trinkaus & Burkhardt AG

Wilhelm Segerath, Duisburg

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

Carsten Spohr, Munich

Chairman of the Executive Board of Deutsche Lufthansa AG

Dr. Lothar Steinebach, Leverkusen

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

Jens Tischendorf, Zurich

Partner and Director of Cevian Capital AG

Fritz Weber, Schöndorf

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

Isolde Würz, Mülheim/Ruhr

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

Personnel Committee

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

Audit Committee

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

Supervisory Board Committees

Executive Committee

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

Mediation Committee under § 27 (3) Codetermination Act

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

Strategy, Finance and Investment Committee

Dr. Lothar Steinebach (Chair)
Markus Grolms
Susanne Herberger
Prof. Dr. Hans-Peter Keitel
Prof. Dr. Ulrich Lehner
Peter Remmler
Wilhelm Segerath
Jens Tischendorf

Nomination Committee

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

Report by the Supervisory Board



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

Dear Shareholders,

In the following I would like to inform you about the work of the Supervisory Board in the 2015 / 2016 fiscal year:

Cooperation between Supervisory Board and Executive Board

In fiscal year 2015/2016 the Supervisory Board again regularly advised the Executive Board on the management of the Company and continuously supervised its conduct of business. We satisfied ourselves that the Executive Board's work complied with all legal and regulatory requirements at all times. The Executive Board fulfilled its duty to inform and furnished us with regular written and verbal reports containing up-to-date and comprehensive information on all issues of relevance to the Company and the Group relating to strategy, planning, business performance, the risk situation and compliance. This also included information on variances between actual performance and previously reported targets as well as on budget variances (follow-up reporting). In the committees and in full Supervisory Board meetings, the members of the Supervisory Board always had ample opportunity to critically examine the reports and

resolution proposals submitted by the Executive Board and contribute suggestions. In particular, we discussed intensively and examined the plausibility of all transactions of importance to the Company on the basis of written and verbal reports by the Executive Board. On numerous occasions the Supervisory Board dealt at length with the risk situation of the Company, the liquidity planning and the equity situation. Thanks to an analysis of the value potential of the Group's businesses and the opportunities and risks of strategic steps, critical operating issues were presented to the Supervisory Board in a clear and differentiated way. Where required by law, the Articles of Association or the rules of procedure for the Executive Board, the Supervisory Board provided its approval of individual business transactions.

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

Before the Supervisory Board meetings the shareholder and the employee representatives each held separate meetings to discuss the agenda items. There were no indications of conflicts of interest of Executive Board and Supervisory Board members, which must be disclosed to the Supervisory Board immediately and reported to the Annual General Meeting.

Supervisory Board meetings

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

In its first meeting in the reporting year on November 18, 2015 the Supervisory Board dealt firstly with the business and earnings situation in fiscal year 2014/2015. A further item on the agenda focused on the parent-company and consolidated financial statements for the year ended September 30, 2015. On the recommendation of the Audit Committee and after discussion with the auditors PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), the Supervisory Board approved the consolidated and parent-company financial statements for the 2014/2015 fiscal year. Further, the corporate and investment planning for the 2015/2016 fiscal year was adopted. We also discussed and adopted the agenda for the Annual General Meeting on January 29, 2016 and addressed Executive Board matters. Finally we discussed the results of the Supervisory Board efficiency review, and in particular what measures could further improve the efficiency of Supervisory Board work. Alongside visits to the Group's production sites to gain a direct on-site impression of production conditions and the work of the management as part of the learning program for the Supervisory Board, measures included improved electronic access to meeting documents, and the performance of the efficiency review in electronic form. These measures were subsequently implemented.

97%

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

On January 28, 2016, the day before the Annual General Meeting, the Supervisory Board members convened for a meeting in which the Executive Board first reported on the situation of the Group. Other topics were the next day's Annual General Meeting and questions relating to Executive Board compensation. In addition the Head of Corporate Function Technology, Innovation & Sustainability, Dr. Reinhold Achatz, gave a detailed report on the activities and strategy of his Corporate Function, including indirect financial targets, which was subsequently discussed by the full Supervisory Board.

In the meeting on May 19, 2016 the Supervisory Board first discussed the Group's business situation and Strategic Way Forward on the basis of a comprehensive report by the Executive Board. A further main topic at this meeting were the activities and strategy of the Corporate Function Human Resources Strategy including the personnel development programs and the Corporate Function People Development & Executives Management, which we discussed on the basis of a detailed report by the heads of these functions, Peter Dollhausen and Dr. Detlef Hunsdiek. Under transactions requiring approval we dealt in particular with the sale of non-operating real estate. Other topics were the 2015 EMIR compliance audit pursuant to § 20 WpHG, the implementation of the governance@thyssenkrupp project in the Group, and Executive Board matters.

In the Supervisory Board meeting on September 7, 2016 the Group's operating situation and Strategic Way Forward with particular reference to the business areas were again a focus of discussion. As in previous years, current developments in corporate governance were again a topic in this year's September meeting. After reviewing observance of the recommendations and suggestions of the Corporate Governance Code we resolved to submit an unqualified declaration of conformity. In addition we adapted the rules of procedure for the Executive Board, the Supervisory Board, the Audit Committee, the Strategy, Finance and Investment Committee, the Executive Committee, and the Personnel Committee, and adopted new rules of procedure for the Nomination Committee and the Mediation Committee. We also reviewed the set concrete targets for the composition of the Supervisory Board and the implementation thereof and adjusted the targets. As part of Supervisory Board training, Dr. Donatus Kaufmann gave a presentation on "Current legal developments on the work of the supervisory board" and Prof. Dr. Bernhard Pellens on the subject "New transparency and accounting regulations – consequences for supervisory board work" which were subsequently discussed.

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

Report on the work of the committees

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

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

The **Personnel Committee** held five meetings in the 2015/2016 fiscal year to prepare the personnel decisions of the Supervisory Board. Where required, resolutions were passed or recommendations for resolutions were made to the Supervisory Board. The meetings addressed general Executive Board matters as well as discussions on the reappointment of Dr. Donatus Kaufmann as Executive Board member for Legal & Compliance and – in fulfilment of our duty of care – succession planning. In addition, proposals for establishing the performance bonus and additional bonus and the structuring of pensions for the members of the Executive Board were dealt with. Details of Executive Board compensation are presented in the compensation report.

The **Audit Committee** met five times in the 2015/2016 fiscal year. Alongside Executive Board members, the meetings were also attended by representatives of the auditors PwC, who were elected by the 2016 Annual General Meeting and subsequently appointed by the Audit Committee. The auditors declared to the Audit Committee that no circumstances exist that could lead to the assumption of prejudice on their part. The Audit Committee obtained the required auditors' statement of independence, reviewed their qualification, concluded the fee agreement, and selected the focus theme for the audit for the 2015/2016 fiscal year. In addition, a Groupwide survey of auditing quality was initiated; the results of this as well as the additional services provided by PwC alongside the audit of the financial statements were discussed in the Audit Committee. The Chairman of the Audit Committee was also in regular contact with the auditors between meetings. Heads of corporate functions were also available to provide reports and take questions in committee meetings on individual agenda items.

In the reporting year the committee's work focused on examining the 2015 / 2016 parent-company and consolidated financial statements along with the combined management report, the proposal for the appropriation of net income and the auditors' reports, and preparing the Supervisory Board resolution on these items. In addition, the interim financial reports (half-year and quarterly reports) were also discussed in detail and adopted, taking into account the auditors' review report. The Audit Committee further monitored the accounting process and discussed the effectiveness of the internal control system, the risk management system and the internal auditing system. It also dealt with the main legal disputes and compliance in the Group. In addition in the presence of the head of Group internal auditing the committee discussed the internal audit results, the audit processes and the audit planning of the Group internal auditing team for the 2016 / 2017 fiscal year. Further main topics were the equity capital and rating situation, particularly in view of the interest rate situation, the revision of the earnings forecast in the course of the year, the contract management project, the 2015 EMIR compliance audit in accordance with § 20 WpHG, and the status of the tax inspection. Regular reports were provided on the status of the corporate initiatives daproh, daproh HR/HRT, uniTe, and GSS.

In an additional meeting in September 2016 the committee members dealt in detail with current legal and accounting developments, the management of product risks, the systems and methodology of the corporate initiatives "impact" and "synergize+", and a progress report on the implementation of the new revenue recognition standard IFRS 15. In addition, PwC reported in detail on the new rules for audit reports and on procedures and quality management in connection with the audit of the financial statements. The amendment of the audit policy was also discussed and the catalogue of non-audit services by the financial statement auditor subject to approval was established together with the budget for the performance of non-audit services for the 2016 / 2017 fiscal year.

The **Strategy, Finance and Investment Committee** held five meetings in the 2015 / 2016 fiscal year. Discussions focused on the strategic development of thyssenkrupp's business model. The committee also discussed in detail the reports presented previously to the Supervisory Board on the business activities and strategy of the individual business areas and corporate functions. Further, the Group's corporate and investment planning for the reporting year was discussed, taking into account the Group's current rating and financial situation, and corresponding Supervisory Board resolutions were prepared.

Strategic development of thyssenkrupp's business model was the central topic.

The members of the **Nomination Committee** convened for one meeting in the past fiscal year. A focus of the discussions was succession planning for the Supervisory Board taking into account the recommendations of the German Corporate Governance Code and the Supervisory Board's targets for its own composition.

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

Corporate governance and declaration of conformity

Taking into account the version of the Code of May 5, 2015 which remained unchanged in 2016, the Executive Board and Supervisory Board issued a declaration of conformity which has been permanently available on the Company's website since October 1, 2016. In addition the Executive Board – also on behalf of the Supervisory Board – reports on corporate governance at thyssenkrupp in the corporate governance report and the corporate governance declaration.

Audit of the parent-company and consolidated financial statements

Elected by the Annual General Meeting on January 29, 2016 to audit the financial statements for the 2015/2016 fiscal year, PwC audited the parent-company financial statements for the fiscal year October 1, 2015 to September 30, 2016 prepared by the Executive Board in accordance with HGB (German GAAP) rules, and the management report on thyssenkrupp AG, which is combined with the management report on the Group. The auditors issued an unqualified audit opinion. In accordance with § 315a HGB, the consolidated financial statements of thyssenkrupp AG for the fiscal year from October 1, 2015 to September 30, 2016, and the management report on the Group, which is combined with the management report on the Company, were prepared on the basis of International Financial Reporting Standards (IFRS) as applicable in the European Union. The consolidated financial statements and the combined management report were also given an unqualified audit opinion by PwC. The auditors also confirmed that the Executive Board has installed an appropriate reporting and monitoring system which is suitable in its design and handling to identify at an early stage developments which could place the continued existence of the Company at risk.

By resolution of the Audit Committee of February 11, 2016, the Supervisory Board tasked the financial statement auditors for the reporting year with the following focus theme: Analysis of project management at thyssenkrupp Marine Systems.

The financial-statement documents and audit reports for the 2015/2016 fiscal year were discussed in detail in the meetings of the Audit Committee on November 21, 2016 and the Supervisory Board on November 23, 2016. The auditors reported on the main findings of their audit. They also outlined their findings on the internal control and risk management systems in relation to the accounting process and were available to answer questions and provide additional information. The Chairman of the Audit Committee reported in depth at the full Supervisory Board meeting on the Audit Committee's examination of the parent-company and consolidated financial statements. Following examination and discussion of the parent-company financial statements, the consolidated financial statements, and the combined management report by the Supervisory Board no objections were raised. In line with the recommendation by the Audit Committee, the Supervisory Board then approved the result of the audit by the financial statement auditors. Following completion of our examination we came to the conclusion that no objections were to be raised and we established the financial statements of thyssenkrupp AG and approved the consolidated financial statements. Following our own examination and taking the earnings and financial situation into account, the Supervisory Board concurred with the Executive Board's proposal for the appropriation of net income. Together with the Executive Board, we propose to the Annual General Meeting that a dividend of €0.15 per share be paid for the 2015/2016 fiscal year.

Personnel changes on the Supervisory Board and Executive Board

There were two changes on the Supervisory Board of thyssenkrupp AG, both on the employee representatives' side. Firstly Dr. Sabine Maaßen stepped down from the Supervisory Board of thyssenkrupp AG at March 15, 2016. By court appointment effective March 30, 2016, Tanja Jacquemin was appointed to the Supervisory Board. After Dr. Sabine Maaßen's departure, Markus Grolms was elected as the new Vice Chairman of the Supervisory Board as of April 8, 2016. At the close of May 31, 2016 Martin Dreher also left the Supervisory Board. Effective June 1, 2016 Tekin Nasikkol became a new member of the Supervisory Board by court appointment. The Supervisory Board members thanked Dr. Sabine Maaßen and Martin Dreher for their good work over many years.

In the past fiscal year the Supervisory Board resolved the reappointment of an Executive Board member for five further years: In the meeting on May 19, 2016 the appointment of Dr. Donatus Kaufmann as Executive Board member of thyssenkrupp AG was renewed until January 31, 2022.

The Supervisory Board thanks the Executive Board members, all employees of the Group worldwide and the employee representatives of all Group companies for their efforts and achievements in the 2015 / 2016 fiscal year.

The Supervisory Board



Prof. Dr. Ulrich Lehner
Chairman

Essen, November 23, 2016

Corporate governance

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

Corporate governance overview

Further development of corporate governance in the Group

thyssenkrupp is continuing to develop its understanding of good and responsible corporate governance. Under the project governance@thyssenkrupp the corporate governance structures throughout the Group are being harmonized and optimized beyond the established understanding of corporate governance defined in the German Corporate Governance Code. The focus is on strengthening the transparency and reliability of our binding internal regulations and supporting managers in the use of internal corporate governance instruments.

Implementation of the German Corporate Governance Code

In the reporting year the Executive Board and Supervisory Board of thyssenkrupp AG again dealt intensively with the requirements of the German Corporate Governance Code. In accordance with § 161 (1) Stock Corporation Act (AktG), the Executive Board and Supervisory Board issued a joint declaration of conformity in the reporting year, which was published on October 1, 2016. It is available on the Company's website at www.thyssenkrupp.com > **Company** > **Management** > **Corporate Governance**.

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

In this reporting year thyssenkrupp AG continues to comply with all recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the Federal Gazette, and will continue to comply with these recommendations in the future.

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

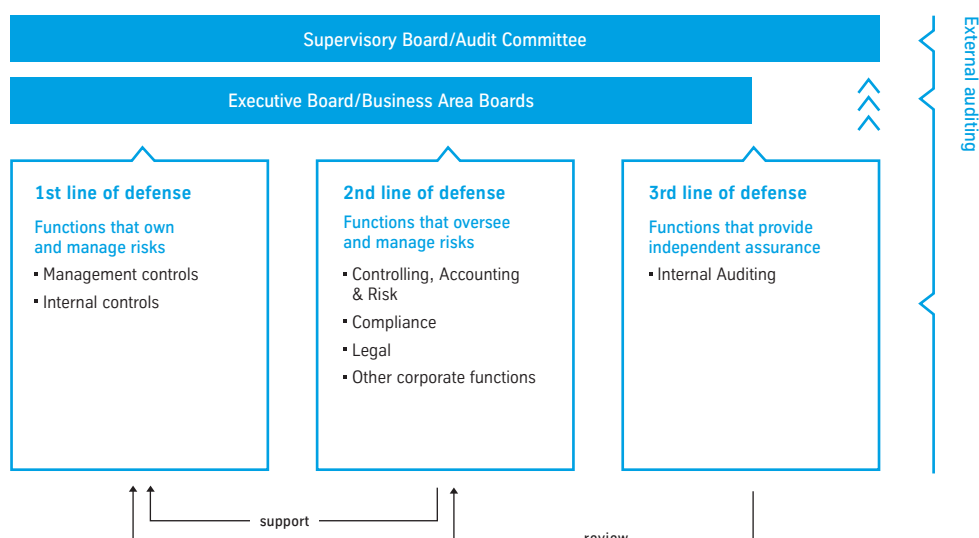
Our listed subsidiary Eisen- und Hüttenwerke AG also complies with the Code, taking into account the particularities of its membership of the Group. Individual deviations are presented and explained in the company's declaration of conformity of October 1, 2016.

Three lines of defense model as framework for Groupwide risk management

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

Risk management in line with international standards

THREE LINES OF DEFENSE MODEL



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

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

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

The three lines of defense model is subject to external supervision by the financial statement auditors who take into account the results of the reviews performed by Internal Auditing in their assessment.

Risk management and internal control system

Corporate governance at thyssenkrupp involves dealing responsibly with risks. The continuous and systematic management of business opportunities and risks is fundamental to professional governance. It helps ensure that risks are identified, evaluated and managed at an early stage. The Executive Board reports regularly to the Supervisory Board and Audit Committee about the status of the main risks in the Group and progress with the widening of the internal control system. The Audit Committee deals regularly with monitoring the effectiveness of the accounting process and the internal control, risk management and internal auditing system, as well as monitoring the independence of the financial statement auditors. thyssenkrupp continuously enhances the individual systems and adapts them to changing conditions. Key features of our control and risk management system are described in the opportunity and risk report.

Compliance

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

For thyssenkrupp compliance is a must. That is what it says in our mission statement, and something we take seriously according to our maxim "Compliance is a question of mindset".

The Executive Board of thyssenkrupp AG has unequivocally expressed its rejection of antitrust violations and corruption in the thyssenkrupp Compliance Commitment. thyssenkrupp has made a clear commitment to compliance with laws and binding internal regulations: Any violations, in particular antitrust or corruption violations, will be met with zero tolerance.

The importance attached to compliance at thyssenkrupp is underlined by the fact that an Executive Board member was appointed especially for the corporate functions Legal & Compliance. In this capacity he reports regularly to the Supervisory Board and Audit Committee. The Chief Compliance Officer is responsible for the management of the compliance program and reports directly to the Executive Board member for Legal & Compliance. The heads of the compliance departments of Corporate and the business areas report directly to the Chief Compliance Officer.

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



Compliance is a question of mindset.

Supervisory Board targets for its own composition

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

In their meetings on September 7, 2016, the Executive Committee and Supervisory Board resolved that the targets for the composition of the Supervisory Board, last updated in September 2015, should be amended in line with new statutory requirements concerning specialist knowledge on the Supervisory Board. The following concrete targets were adopted:

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

The Supervisory Board's knowledge of sectors was adopted as a further explicit target.

Avoiding conflicts of interest

In the reporting year there were no consulting or other service agreements between Supervisory Board members and the Company. Conflicts of interest of Executive Board or Supervisory Board members, which must be disclosed immediately to the Supervisory Board, did not occur.

Details of the other directorships held by Executive Board and Supervisory Board members on statutory supervisory boards or comparable German and non-German control bodies of business enterprises are provided in the sections of the same name under "Additional information". Details of related party transactions are given in Note 23 to the consolidated financial statements.

Directors' dealings

Members of the Executive Board and Supervisory Board and persons close to them are required to disclose the purchase and sale of thyssenkrupp AG shares and debt certificates or related financial instruments whenever the value of the transactions amounts to €5,000 or more within a calendar year. No transactions were reported to us in the 2015 / 2016 fiscal year.

At September 30, 2016 the total volume of thyssenkrupp AG shares held by all Executive Board and Supervisory Board members amounted to less than 1% of the shares issued by the Company.

Shareholders and Annual General Meeting

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

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

Transparency through high-quality information

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

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

Deductible in D&O insurance

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

Accounting and financial statement auditing

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

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

In accordance with the statutory provisions the auditor is elected each year by the Annual General Meeting for a period of one year. At the proposal of the Supervisory Board, the Annual General Meeting on January 29, 2016 elected PwC to audit the annual financial statements and review the interim financial reports for fiscal year 2015/2016. PwC has been auditing the parent-company financial statements and consolidated financial statements of thyssenkrupp AG since fiscal 2012/2013. PwC was engaged in 2012 following an external bidding process. The signatory auditors for the parent-company and consolidated financial statements of thyssenkrupp AG are Prof. Dr. Norbert Winkeljohann (since fiscal year 2012/2013) and Michael Preiß (since the reporting year). The statutory provisions and rotation requirements under §§ 319 and 319a HGB are fulfilled.

Compensation report

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

Performance-based compensation system for the Executive Board

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

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

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

All Executive Board member contracts provide for a severance payment in the event of early termination without cause. The severance payment is limited to a maximum of two years' compensation including fringe benefits (severance payment cap) and compensates no more than the remaining term of the employment agreement. Promises of payments in the event of early termination due to a change of control were agreed with Dr. Heinrich Hiesinger, Guido Kerkhoff and Oliver Burkhard in their contracts for their second term of office (from fiscal year 2015 / 2016). A corresponding clause was also agreed with Dr. Donatus Kaufmann in connection with the renewal of his contract from fiscal year 2016 / 2017 resolved in this fiscal year. The same benefits are granted as in the event of early termination without cause.

Fixed compensation and fringe benefits

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

Performance bonus

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

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

Long Term Incentive Plan (LTI)

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

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

For the LTI installment granted to the Executive Board members in January 2016, the Supervisory Board set the target average tkVA at zero. This relates to the tkVA performance period 2015/2016 up to and including 2017/2018. In the case of the LTI, too, the Supervisory Board reviews and if necessary adjusts the target and threshold values for each new annual installment in order to maintain challenging targets.

Compensation caps

Under the recommendation of the German Corporate Governance Code (section 4.2.3 (2), sentence 6), the compensation of Executive Board members must be capped both in total and with regard to its variable components. In addition to the maximum thresholds applying for variable compensation components, thyssenkrupp has therefore also established caps for overall compensation. These were increased to €4.5 million per fiscal year for Guido Kerkhoff and Oliver Burkhard, and €9 million per fiscal year for Dr. Heinrich Hiesinger for their second term of office starting in fiscal year 2015/2016; for Dr. Donatus Kaufmann the cap will be increased from currently €4 million to €4.5 million from the start of his second term of office in fiscal year 2016/2017.

Pensions

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

The pension of Executive Board members appointed before September 30, 2012 (Dr. Heinrich Hiesinger and Guido Kerkhoff) was originally a percentage of the final fixed salary they received before their employment contract ended. This percentage increased with the duration of the Executive Board member's appointment and was generally 30% at the start of the first five-year period of appointment, 50% at the start of the second and 60% at the start of the third; in the case of Dr. Heinrich Hiesinger, a pension entitlement of 50% of his final fixed salary before his employment contract ended was agreed right at the start of his first appointment period. When the Supervisory Board resolved to reappoint the two in fiscal year 2014/2015, it was agreed with them that from the start of the new period of appointment their pension entitlement would be fixed at 50% of their 2014/2015 fixed salary – as a result their pension is no longer pegged to the term of their appointment and progression of their fixed salary.

For Executive Board members appointed after September 30, 2012 (Oliver Burkhard and Dr. Donatus Kaufmann) the final-salary pension plan was switched to a defined-contribution pension plan, with the annual pension contribution ("module") currently amounting to 40% of the annual fixed salary. In connection with the resolution on the reappointment of Oliver Burkhard in fiscal 2014/2015, with effect from the start of his new appointment period it was additionally agreed with him to cap his pension entitlement at 50% and the defined contribution at 40% of his fixed salary in 2014/2015.

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

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

Total Executive Board compensation 2015 / 2016

Since fiscal year 2013/2014 we have disclosed compensation for individual Executive Board members on the basis of the standardized model tables recommended in the German Corporate Governance Code (as amended). A key feature of these model tables is the separate statement of the benefits granted (Table 1) and the actual allocations (Table 2). For the benefits granted, the target values (payable on 100% target achievement) and the minimum and maximum values that can be achieved are also stated. In addition, stock-based compensation is stated separately (Table 3).

TABLE 1: EXECUTIVE BOARD COMPENSATION 2015 / 2016 (BENEFITS GRANTED)

		Dr. Heinrich Hiesinger				Guido Kerkhoff				Oliver Burkhard				Dr. Donatus Kaufmann			
		Chairman of the Executive Board since January 21, 2011				Ordinary member of the Executive Board since April 01, 2011				Ordinary member of the Executive Board since February 01, 2013				Ordinary member of the Executive Board since February 01, 2014			
		2014 / 2015 Initial value	2015 / 2016 Initial value	2015 / 2016 Mini- mum	2015 / 2016 Maxi- mum ¹⁾	2014 / 2015 Initial value	2015 / 2016 Initial value	2015 / 2016 Mini- mum	2015 / 2016 Maxi- mum ¹⁾	2014 / 2015 Initial value	2015 / 2016 Initial value	2015 / 2016 Mini- mum	2015 / 2016 Maxi- mum ¹⁾	2014 / 2015 Initial value	2015 / 2016 Initial value	2015 / 2016 Mini- mum	2015 / 2016 Maxi- mum ¹⁾
all figures in €000s																	
Fixed compensation		1,340	1,340	1,340	1,340	700	700	700	700	700	700	700	700	700	700	700	700
Fringe benefits		220	304	304	304	27	71	71	71	112	149	149	149	78	80	80	80
Total		1,560	1,644	1,644	1,644	727	771	771	771	812	849	849	849	778	780	780	780
One-year variable compensation	Performance bonus (cash)	1,200	1,250	–	2,500	630	655	–	1,310	630	630	–	1,260	630	630	–	1,260
	6th installment LTI 2015/2016 – 2018/2019	–	1,656	–	5,000	–	828	–	2,500	–	786	–	2,375	–	786	–	2,375
	5th installment LTI 2014/2015 – 2017/2018	2,129	–	–	–	1,124	–	–	–	1,124	–	–	–	1,124	–	–	–
	Total	4,889	4,550	1,644	9,144	2,481	2,254	771	4,581	2,566	2,265	849	4,484	2,532	2,196	780	4,415
Service cost ²⁾³⁾		1,699	1,768	1,768	1,768	(380)	513	513	513	812	827	827	827	266	315	315	315
Total		6,588	6,318	3,412	10,912	2,101	2,767	1,284	5,094	3,378	3,092	1,676	5,311	2,798	2,511	1,095	4,730
HGB total ⁴⁾		4,788	4,280	–	–	2,428	2,113	–	–	2,513	2,129	–	–	2,479	2,060	–	–

¹⁾ In addition to the individual caps stated in the "Maximum" column, total annual compensation is limited to €9.0 million (Dr. Heinrich Hiesinger) and €4.5 million (Guido Kerkhoff and Oliver Burkhard). For Dr. Donatus Kaufmann the cap will be adjusted from currently €4 million to €4.5 million on commencement of his second term of office in fiscal year 2016 / 2017. Prorated limits apply for appointments/departures during the year.

²⁾ All figures in accordance with IFRS. Service costs in accordance with HGB are €1,321K for Dr. Heinrich Hiesinger (prior year: €1,333K), €343K for Guido Kerkhoff (prior year: €(152)K), €522K for Oliver Burkhard (prior year: €405K), and €296K for Dr. Donatus Kaufmann (prior year: €195K). The present values of the obligations amount to €13,742K (IFRS)/€8,015K (HGB) for Dr. Heinrich Hiesinger (prior year: €8,893K (IFRS)/€6,557K (HGB)), €3,966K (IFRS)/€1,885K (HGB) for Guido Kerkhoff (prior year: €2,308K (IFRS)/€1,520K (HGB)), €5,467K (IFRS)/€2,398K (HGB) for Oliver Burkhard (prior year: €2,733K (IFRS)/€1,723K (HGB)), and €818K (IFRS)/€701K (HGB) for Dr. Donatus Kaufmann (prior year: €439K (IFRS)/€398K (HGB)). Cf. footnote 3 for calculation method.

³⁾ To improve the comparability of the final salary-based and defined-contribution pension plans as well as comparability with the prior-year figures, service cost and present value are prorated in line with Executive Board membership in the fiscal year. To take account of the vesting of contractual pension rights of Executive Board members, further provisions were recognized for Dr. Heinrich Hiesinger and Guido Kerkhoff in the past. Taking these provisions into account and without proration, the service costs are €7K (IFRS)/€5K (HGB) for Dr. Heinrich Hiesinger (prior year: €(355)K (IFRS)/€199K (HGB)), and €3,699K (IFRS)/€2,272K (HGB) for Guido Kerkhoff (prior year: €(377)K (IFRS)/€37K (HGB)). The present values of the obligations are then €21,548K (IFRS)/€12,555K (HGB) for Dr. Heinrich Hiesinger (prior year: €16,474K (IFRS)/€12,132K (HGB)) and €11,028K (IFRS)/€5,216K (HGB) for Guido Kerkhoff (prior year: €4,597K (IFRS)/€3,010K (HGB)).

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

TABLE 2: EXECUTIVE BOARD COMPENSATION 2015 / 2016 (ALLOCATIONS)

		Dr. Heinrich Hiesinger		Guido Kerkhoff		Oliver Burkhard		Dr. Donatus Kaufmann	
		Chairman of the Executive Board since January 21, 2011		Ordinary member of the Executive Board since April 01, 2011		Ordinary member of the Executive Board since February 01, 2013		Ordinary member of the Executive Board since February 01, 2014	
all figures in €000s		2014 / 2015	2015 / 2016	2014 / 2015	2015 / 2016	2014 / 2015	2015 / 2016	2014 / 2015	2015 / 2016
Fixed compensation		1,340	1,340	700	700	700	700	700	700
Fringe benefits		220	304	27	71	112	149	78	80
Total		1,560	1,644	727	771	812	849	778	780
One-year variable compensation	Performance bonus (cash)	1,099	980	577	514	577	494	577	494
Multi-year variable compensation	Performance bonus in stock rights 2012/2013 – 2015/2016	–	481	–	240	–	160	–	–
	Performance bonus in stock rights 2011/2012 – 2014/2015	275	–	137	–	–	–	–	–
	Additional bonus in stock rights 2012/2013 – 2015/2016	–	674	–	337	–	225	–	–
	Additional bonus in stock rights 2011/2012 – 2014/2015	403	–	201	–	–	–	–	–
	3rd installment LTI 2012/2013 – 2015/2016	–	1,662	–	831	–	554	–	–
	2nd installment LTI 2011/2012 – 2014/2015	750	–	375	–	–	–	–	–
Total		4,087	5,441	2,017	2,693	1,389	2,282	1,355	1,274
Service cost ¹⁾		1,699	1,768	(380)	513	812	827	266	315
Total		5,786	7,209	1,637	3,206	2,201	3,109	1,621	1,589

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

TABLE 3: STOCK-BASED EXECUTIVE BOARD COMPENSATION

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

		Dr. Heinrich Hiesinger		Guido Kerkhoff		Oliver Burkhard		Dr. Donatus Kaufmann	
		Chairman of the Executive Board since January 21, 2011		Ordinary member of the Executive Board since April 01, 2011		Ordinary member of the Executive Board since February 01, 2013		Ordinary member of the Executive Board since February 01, 2014	
		2014 / 2015	2015 / 2016	2014 / 2015	2015 / 2016	2014 / 2015	2015 / 2016	2014 / 2015	2015 / 2016
Number of stock rights granted	LTI 2015/2016 – 2018/2019	–	109,709	–	54,855	–	52,112	–	52,112
	LTI 2014/2015 – 2017/2018	90,634	–	47,835	–	47,835	–	47,835	–
Cost of stock-based compensation in fiscal year in €000s		442	5,479	237	2,771	273	2,623	301	2,237

Total compensation for Executive Board members active in the respective fiscal year calculated in accordance with German GAAP (HGB) for work in the reporting year amounted to €10.6 million. The corresponding prior-year value was €12.2 million. The requirement for appropriateness was also taken into account when determining the individual variable compensation. No further benefits have been promised to any Executive Board members in the event that they leave their post. thyssenkrupp has no knowledge of benefits or corresponding promises given to members of the Executive Board by third parties in connection with their Executive Board positions. As in previous years, no loans or advance payments were granted to members of the Executive Board, nor were any guarantees or other commitments entered into in their favor.

The 3rd installment of the LTI fell due in the reporting year. On account of the performance of tkVA and the share price over the applicable performance period 2012/2013 to 2015/2016, this led to a payout amounting to over 166% of the initial value for each beneficiary. As a result an amount of €1,662,394 was paid to Dr. Heinrich Hiesinger and €831,197 to Guido Kerkhoff. Oliver Burkhard received a prorated payment of €554,137 based on his contract start date February 1, 2013. Dr. Donatus Kaufmann did not receive any payment from this installment because he was not yet a member of the Executive Board in fiscal year 2012/2013. In January 2016 the Executive Board members were granted new stock rights under the 6th installment of the LTI. Under the 4th to 6th installments of the LTI, the Executive Board members now have a total of 629,874 stock rights which have been awarded but are not yet payable.

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €17.4 million (prior year: €17.4 million). For pension obligations benefiting former Executive Board members and their surviving dependants, €304.1 million (prior year: €261.6 million) was accrued in the financial statements under IFRS and €207.3 million (prior year: €205.2 million) in the financial statements under German GAAP (HGB).

Stock-based compensation for further executives

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

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

In the reporting year, the LTI program for further executives resulted in expense of altogether €76.2 million (prior year: €29.5 million).

Supervisory Board compensation

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

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

The members of the Supervisory Board will receive total compensation, including meeting attendance fees, for the reporting year of €1.69 million (prior year: €1.74 million). This includes compensation paid to Supervisory Board members for directorships at Group companies in the amount of €69,302 (prior year: €77,202).

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

SUPERVISORY BOARD COMPENSATION 2015 / 2016

in € ¹⁾	Fixed compensation	Compensation for committee work	Meeting attendance fees	from directorships within the Group	Total compensation
Prof. Dr. Ulrich Lehner	200,000	— ²⁾	10,000	—	210,000
Dr. Sabine Maaßen	(200,000)	(—) ²⁾	(12,500)	(—)	(212,500)
(Vice Chairwoman until March 15, 2016)	75,000	— ²⁾	3,500	—	78,500
Markus Grolms	(150,000)	(—) ²⁾	(7,500)	(—)	(157,500)
(Vice Chairman since April 08, 2016)	100,000	16,250 ^{2) 3)}	8,000	—	124,250
Martin Dreher	(50,000)	(32,500)	(7,000)	(—)	(89,500)
(until May 31, 2016)	33,333	—	1,500	15,202	50,035
Ingrid Hengster	(50,000)	(—)	(2,500)	(23,502)	(76,002)
Susanne Herberger	50,000	—	2,000	—	52,000
Tanja Jacquemin	(37,500)	(—)	(1,500)	(—)	(39,000)
(since March 30, 2016)	50,000	25,833	5,500	16,000	97,333
Prof. Dr. Hans-Peter Keitel	(50,000)	(32,500)	(7,000)	(16,000)	(105,500)
Ernst-August Kiel	29,167	6,667	2,000	—	37,834
Dr. Norbert Kluge	(—)	(—)	(—)	(—)	(—)
Tekin Nasikkol	50,000	50,000	6,500	—	106,500
(since June 01, 2016)	(50,000)	(43,750)	(8,500)	(—)	(102,250)
René Obermann	50,000	—	2,000	16,000	68,000
Prof. Dr. Bernhard Pellens	(50,000)	(—)	(2,500)	(15,750)	(68,250)
Klaus Preußler	50,000	—	2,000	—	52,000
(until January 31, 2015)	(50,000)	(—)	(2,500)	(—)	(52,500)
Peter Remmler	16,667	—	500	—	17,167
Carola Gräfin v. Schmettow	(—)	(—)	(—)	(—)	(—)
Wilhelm Segerath	50,000	32,500	5,000	—	87,500
Carsten Spohr	(50,000)	(29,375)	(6,500)	(—)	(85,875)
Dr. Lothar Steinebach	50,000	—	2,000	—	52,000
Christian Streiff	(50,000)	(—)	(2,500)	(—)	(52,500)
(until January 30, 2015)	50,000	52,500	5,000	—	107,500
Jürgen R. Thumann	(50,000)	(52,500)	(7,500)	(—)	(110,000)
Jens Tischendorf	—	—	—	—	—
Fritz Weber	(16,667)	(—)	(1,500)	(—)	(18,167)
Isolde Würz	50,000	12,500	3,500	16,500	82,500
Total	(50,000)	(12,500)	(5,000)	(16,500)	(84,000)
	50,000	—	2,000	—	52,000
	(50,000)	(—)	(2,500)	(—)	(52,500)
	50,000	50,208	8,000	—	108,208
	(50,000)	(45,000)	(7,500)	(—)	(102,500)
	50,000	—	1,500	—	51,500
	(50,000)	(4,167)	(2,500)	(—)	(56,667)
	50,000	25,000	4,500	—	79,500
	(50,000)	(25,000)	(5,000)	(—)	(80,000)
	—	—	—	—	—
	(16,667)	(—)	(1,000)	(—)	(17,667)
	—	—	—	—	—
	(16,667)	(12,500)	(3,000)	(—)	(32,167)
	50,000	12,500	4,500	—	67,000
	(37,500)	(8,333)	(3,000)	(—)	(48,833)
	50,000	—	2,000	5,300	57,300
	(50,000)	(—)	(2,500)	(5,450)	(57,950)
	50,000	—	2,000	—	52,000
	(33,333)	(—)	(1,000)	(—)	(34,333)
	1,254,167	283,958	83,500	69,302	1,690,927
Total	(1,258,333)	(298,125)	(102,500)	(77,202)	(1,736,160)

¹⁾ Prior-year figures in brackets

²⁾ Covered by fixed compensation in accordance with § 14 (3) of the Articles of Association

³⁾ Committee compensation paid on a prorated basis.

The employee representatives who belong to trade unions have stated that they will transfer their compensation to the Hans Böckler Foundation in accordance with the policies of the German Federation of Trade Unions.

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

thyssenkrupp stock

KEY DATA OF THYSSENKRUPP STOCK

		2011 / 2012	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016
Capital stock	million €	1,317	1,317	1,449	1,449	1,449
Number of shares (total)	million shares	514.5	514.5	565.9	565.9	565.9
Market capitalization end September	million €	8,510	9,096	11,754	8,873	12,008
Closing price end September	€	16.54	17.68	20.78	15.68	21.22
High	€	22.86	19.05	22.72	26.30	22.27
Low	€	11.58	13.16	16.60	15.25	12.84
Dividend per share	€	–	–	0.11	0.15	0.15 ¹⁾
Dividend yield	%	–	–	0.5	1.0	0.7 ¹⁾
Dividend payout	million €	–	–	62	85	85 ¹⁾
Basic earnings per share	€	(8.24)	(2.79)	0.38	0.55	0.52
Number of shares (outstanding ²⁾)	million shares	514.5	514.5	557.1	565.9	565.9
Trading volume (daily average)	million shares	4.1	3.7	2.4	2.6	2.7

¹⁾ Proposal to the Annual General Meeting

²⁾ Weighted average

thyssenkrupp stock master data

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

¹⁾ International Stock Identification Number

²⁾ American Depositary Receipt

In the 2015/2016 fiscal year thyssenkrupp's stock significantly outperformed the comparative indexes DAX and STOXX. At the start of the fiscal year in a difficult economic environment the stock was carried by visible progress on the company's Strategic Way Forward. Towards the end of the 1st quarter and the start of the 2nd quarter, concerns surrounding high import and price pressure in the materials markets took the upper hand. Moreover, uncertainties about the economic situation in China particularly impacted the performance of stocks regarded as early cyclical, such as thyssenkrupp. In early February the stock stood at a fiscal year low of €12.84.

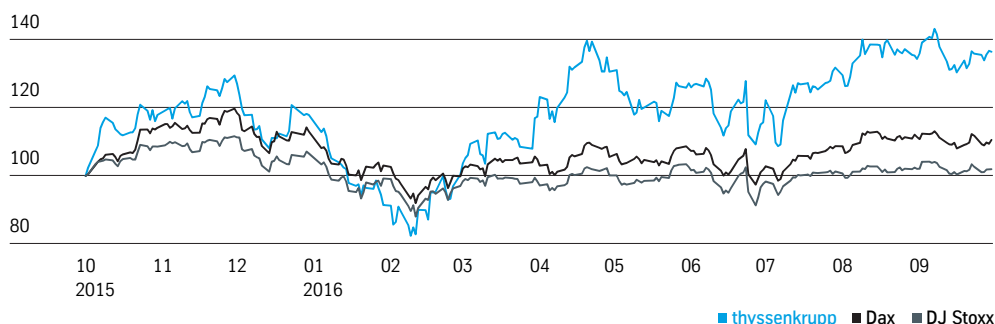
In the subsequent period stocks from the materials sector benefited from recovering raw material and steel prices. Boosted in part by the expectation of potential consolidation steps in the European steel industry, from early March to the end of April thyssenkrupp's stock decoupled itself clearly from the general market performance. Towards the end of the fiscal year thyssenkrupp's stock reached a fiscal year high of €22.27. On September 30, 2016 the stock stood at €21.22, up 35.3% from the prior year, while the DAX and STOXX indexes only improved by 8.8% and 1.5% respectively in the fiscal year.

 **35.3%**

thyssenkrupp's stock improved by 35.3% compared with the prior year.

PERFORMANCE OF THYSSENKRUPP STOCK RELATIVE TO DAX AND DJ STOXX

indexed, fiscal year 2015/2016



Shareholder structure

The biggest shareholder in thyssenkrupp AG is the Alfried Krupp von Bohlen und Halbach Foundation (AKBH Foundation), Essen, with a holding of 23.03% of the capital stock. Cevian Capital, Stockholm and Zurich, holds 15.08% and private investors around 10% of the capital stock. The remaining shares are widely held internationally, with a focus on North America and the United Kingdom. The share held by the Krupp Foundation is not included in free float. thyssenkrupp AG currently holds no treasury shares. The free float generally taken into account in the weighting of thyssenkrupp's stock in stock indexes accounts for 76.97% of the capital stock.

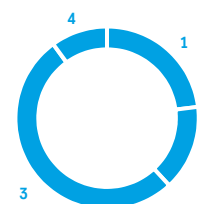
Buy and hold recommendations predominate

26 financial analysts from international banks regularly cover the strategic and operating performance of thyssenkrupp. The analysts' recommendations and stock price targets reflect not least the upside potential of thyssenkrupp's stock from the Strategic Way Forward. At September 30, 2016 over 90% of the analysts recommended holding or buying the stock.

Dividend proposal of €0.15 per share

The Executive Board and Supervisory Board will propose to the Annual General Meeting on January 27, 2017 that a dividend of €0.15 per share be paid for the 2015/2016 fiscal year. In the reporting year we reduced our risk portfolio in particular through the acquisition of all shares in CSA and receipt of the operating license from the Brazilian authorities, and further improved the Group's efficiency, cash flow and value added. In an exceptionally weak materials environment in Europe, especially in the 1st fiscal half, we generated net income on a par with the prior year and higher positive cash flow than a year earlier. We improved quarter by quarter over the course of the fiscal year, and in the final quarter achieved higher results year-on-year. Although we are still some way from achieving our minimum requirements and our medium- and long-term goals, we again reached some important milestones in the reporting year and expect to make further progress with the implementation of our Strategic Way Forward in the 2016/2017 fiscal year now under way. We therefore consider it appropriate and financially justifiable to pay a dividend in the proposed amount. The proposal takes into account the exceptionally weak materials environment in the 1st half, our significant performance increase in the 2nd half, the prospect of a significant earnings improvement in the year now under way, and our balance sheet needs.

Shareholder structure in %



1 AKBH Foundation ¹⁾	23.03
2 Cevian Capital ²⁾	15.08
3 International institutional investors	51.89
4 Private investors	10.00

¹⁾ Voluntary disclosure at September 30, 2016

²⁾ Disclosure under WpHG of January 27, 2014

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02

Combined management report

33 Preliminary remarks	83 Technology and innovations
33 Fundamental information about the Group	87 Environment, climate and energy
33 Profile and organizational structure	88 Purchasing
35 Strategy	90 Employees
37 Management of the Group	94 Compliance
39 Targets	97 Subsequent events
41 Report on the economic position	98 Forecast, opportunity and risk report
41 Macro and sector environment	98 2016 / 2017 forecast
46 Summarized assessment by the Executive Board	101 Opportunity and risk report
49 Forecast-actual comparison	123 Legal information
51 Group review	
57 Business area review	
68 Results of operations and financial position	
79 Annual financial statements of thyssenkrupp AG	

Preliminary remarks

Combined management report


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

Fundamental information about the Group

Profile and organizational structure

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

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

 www.thyssenkrupp.com >
Company > Corporate culture

Capability profile

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

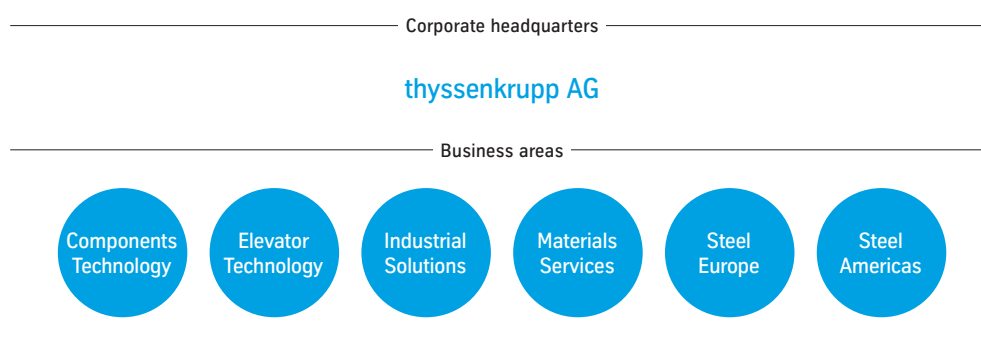
Organizational and management structure

Our business operations are organized in six business areas: Components Technology, Elevator Technology, Industrial Solutions, Materials Services, Steel Europe and Steel Americas. The business areas are divided into business units and operating units. In 78 countries, 471 companies and 25 investments accounted for by the equity method are included in the consolidated financial statements.

78

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

THYSSENKRUPP GROUP

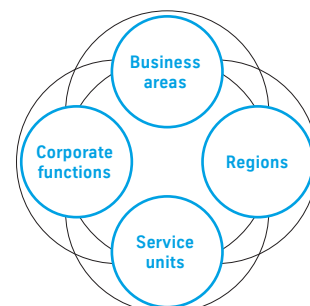


The Group is led strategically by thyssenkrupp AG. Founded in 1999 as a stock corporation under German law, the company has dual domiciles in Essen and Duisburg. Our corporate headquarters is in Essen. The Executive Board of thyssenkrupp AG sets the strategy for the Group's development and steers the business areas, the corporate functions, the regions and the service units. We take an integrated approach to address the markets in our strategic growth regions in North and South America, India, Asia/Pacific, Greater China, the Middle East and Africa. To this end we established a regional headquarters in Istanbul in the reporting year to add to the existing regional headquarters in Chicago, Sao Paulo, Mumbai, Beijing und Singapore. The regions of West Europe, Central and East Europe, the Commonwealth of Independent States, and the German-speaking region are managed via the various corporate functions.

The Group's Strategic Way Forward is focused on concrete individual goals for the business areas and global connectedness and cooperation – we therefore operate in a multidimensional management structure (matrix structure) made up of operating businesses, corporate functions, regions, and service units. Within this structure clear roles and responsibilities, rules and standards for cooperation, and processes and reporting lines have been defined. The "Global Shared Services" unit combines key local functions in Groupwide service centers and ensures that they are competitive in terms of efficiency and performance. These are generally site-independent tasks such as certain accounting, IT, real estate service and human resources sub-processes. Alongside the central service center in Essen, we currently operate regional centers in Bochum (Germany), Gdansk (Poland), Porto Alegre (Brazil) and Thane (India). We plan to establish a further center in China in 2017.

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

Multidimensional management structure with network character



Business areas

- Global corporate responsibility for businesses
- Active support of cross-business measures

Corporate functions

- Strategic development of the Group
- Governance framework
- Coordination and support

Regions

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

Service units

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

Strategy

Positioning as a diversified industrial group

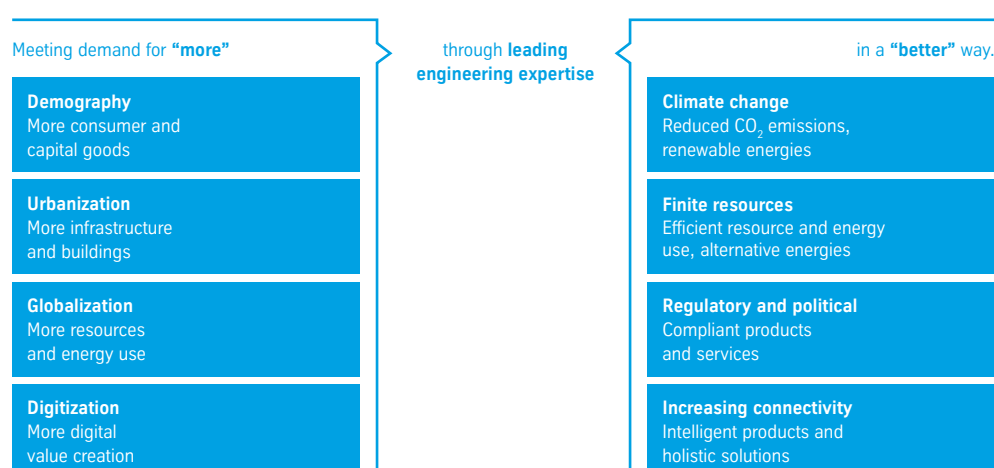
Our positioning as a diversified industrial group is linked to the ambition to generate strong and stable earnings, cash flow and value added. We diversify our businesses in several ways: through our presence in numerous markets worldwide, a customer base spanning a range of sectors with different cycles,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

www.thyssenkrupp.com >
Company > Strategy

To significantly improve our earnings strength we are applying two levers: implementing clearly defined measures to systematically increase the earning power of the business areas and secure profitable growth while consistently and systematically leveraging synergies within the Group through targeted, cross-business initiatives. In the process we are increasingly focusing thyssenkrupp on profitable capital goods and service businesses in global growth regions and sectors.

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

BUSINESS OPPORTUNITIES FOR THYSSENKRUPP



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

Successful implementation of the Strategic Way Forward

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

The four action areas of our Strategic Way Forward:

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

HR strategy: Our HR work is aimed at strengthening cooperation and trust, training, and talent development. We practice a culture that strengthens our employees’ personal responsibility and gives them room for personal development. Integrity is at the heart of all our business activities.

Performance orientation: For all our businesses we have defined clear targets based on peer benchmarks for earnings, cash flow and value added. The initiatives and measures to achieve them are combined in our Groupwide efficiency program “impact”. The methods and systems of “impact” are a firmly established part of our performance culture.

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

 **€1 billion**

With savings of almost €1 billion, the “impact” target of €850 million for 2015 / 2016 was again clearly exceeded.

THYSSENKRUPP – STRATEGIC WAY FORWARD

Culture change	HR strategy	Performance orientation	Customers and markets	Financial stability	Strategic push
<ul style="list-style-type: none"> ▪ Mission statement ▪ Leadership ▪ Network organization ▪ Governance ▪ Compliance ▪ Systems & processes 	<ul style="list-style-type: none"> ▪ HR Global 2020 ▪ Employee excellence ▪ Employee survey ▪ Safety & health ▪ Diversity & inclusion ▪ HR transformation 	<ul style="list-style-type: none"> ▪ Active portfolio management ▪ Capital efficiency ▪ Continuous benchmarking ▪ Operational excellence ▪ Functional excellence ▪ Profitable growth 	<ul style="list-style-type: none"> ▪ thyssenkrupp brand ▪ Market intelligence ▪ Sector strategies ▪ Customer relationships ▪ Sales excellence 	<ul style="list-style-type: none"> ▪ High-performance portfolio ▪ Strong cash flow ▪ Gearing < 100 % ▪ Equity ratio > 15 % ▪ Investment grade 	<ul style="list-style-type: none"> ▪ Organic growth ▪ Strengthen innovation and technology ▪ Inorganic growth

Corporate program **impact**

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

Management of the Group

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

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

THYSSENKRUPP – KEY PERFORMANCE INDICATORS

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

Adjusted EBIT

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

The Adjusted EBIT of the Group and the business areas and the special items are described in detail in the sections “Group review” and “Business area review” in the report on the economic position. Please also refer to the reconciliation in the segment reporting (Note 24).

tkVA

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

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

tkVA is a key performance indicator for value-based management.

FCF before M & A

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

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

Definition changes from 2015 / 2016

From the start of the 2015/2016 fiscal year we modified the definition of the key performance indicator cash flow. For investments and disposals, a distinction is now made between M & A transactions and other acquisitions or disposals of property, plant and equipment. Divestments not resulting from M & A transactions may include for example the sale of real estate or used machinery. According to the new definition therefore, FCF is adjusted not for proceeds from divestments but for cash inflows and outflows from M & A transactions.

Targets

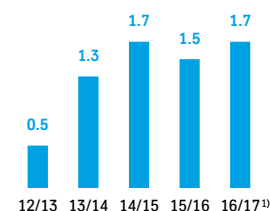
Despite the decline in adjusted EBIT reflecting the sharp downturn in the materials markets in the reporting year, the multi-year overview and outlook of our key performance indicators show that the measures under the Strategic Way Forward are having a clear effect. Nevertheless we are still some way from achieving our sustainable minimum requirement. Ambitious targets for our financial indicators and systematic improvements in strategic areas, including via indirect financial indicators, are therefore important elements of the Strategic Way Forward.

Financial targets

We are working hard to generate strong, stable positive value added and free cash flow before M & A again in order to provide the funds needed to expand our growth businesses and pay a solid dividend to our shareholders. For this we need EBIT of at least €2 billion. We are convinced that we will achieve the earnings growth needed for this minimum requirement and beyond by strictly following the Strategic Way Forward in all business areas. We have defined clear targets for this:

- **Components Technology** – Profitable growth, medium- to long-term return to EBIT margins of 6% to 8% through successful ramp-up of new plants and continuation of efficiency and restructuring measures
- **Elevator Technology** – Profitable growth and efficiency and restructuring measures for continuing improvements to EBIT margin by 0.5 to 0.7 percentage points per year to 15% long-term and an EBIT contribution of over €1 billion

Adjusted EBIT
in billion €



¹⁾ Forecast fiscal year 2016 / 2017

€2 billion

EBIT is our long-term minimum requirement.

- **Industrial Solutions** – After implementing the “planets” transformation program, long-term sales expansion by on average around 5% per year to an absolute target level of €8 billion with a sustainable EBIT margin of 6% to 7%; details on “planets” can be found in the “Business area review” section of the Report on the economic position.
- **Materials Services** – Return to higher margin levels with recovery of materials markets and successful restructuring of AST
- **Steel Europe** – EBIT improvement through efficiency measures and differentiation initiatives to sustainably earn more than the cost of capital across the cycle
- **Steel Americas** – Further operating improvement with positive EBIT contributions

We expect that further progress on our Strategic Way Forward will again be reflected in our key performance indicators in fiscal 2016/2017. However, it must be borne in mind that sales and earnings in large parts of our materials and components businesses may be subject to short-term fluctuations. Nevertheless we expect a strong improvement in adjusted EBIT and tkVA and slightly positive FCF before M & A.

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

Sustainability and indirect financial targets

Sustainability is a core component of our corporate strategy. As a diversified industrial group, thyssenkrupp provides innovative products, technologies and services worldwide that secure the success of our customers and make a positive contribution to global sustainable development.

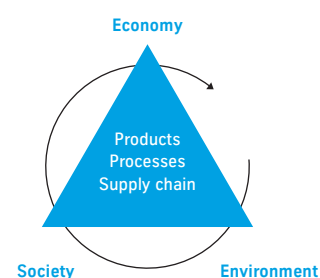
Together with our customers we focus on the future and include economic, ecological and social considerations in our decision-making processes. This requires a 360° view of our value and production chains. In this way we improve our performance and strengthen the future of our company.

Indirect financial targets to secure continuous improvement

A key part of our Strategic Way Forward is the management of indirect financial parameters. Accordingly, thyssenkrupp has set itself indirect financial targets (IFTs) in the areas technology and innovations, environment, climate, energy, purchasing and people. Our progress towards these targets is measured annually by thyssenkrupp’s Sustainability Committee, which includes the Group Executive Board, the CEOs of the business areas and heads of corporate functions. The Groupwide targets are factored into the management’s variable compensation via the sustainability multiplier.

In the reporting year for example further progress was made in the areas energy efficiency, energy management, and occupational safety and health. More information on the individual targets can be found in the relevant sections and the detailed sustainability reporting on our website.

Our understanding of sustainability



▶ www.thyssenkrupp.com > Company > Sustainability

OVERVIEW OF INDIRECT FINANCIAL TARGETS

		2014 / 2015	2015 / 2016	Change	Section
3.5 TWh energy efficiency gains by 2019 / 2020	TWh	2.2	2.75	+0.55	Environment, energy, climate
100% of relevant activities covered by ISO 50001 energy management system by 2019 / 2020	%	25	53	+28%-P.	Environment, energy, climate
100% of relevant activities covered by ISO 14001 environmental management system by 2019 / 2020	%	77	77	0%-P.	Environment, energy, climate
Sustainable adjusted R&D intensity of around 2.5%	%	2.3	2.6	+0.3%-P.	Technology and innovations
15% share of women in leadership positions by 2019 / 2020	%	10.2	10.9	+0.7%-P.	Employees
10% reduction in number of accidents per million hours worked every year	Accidents per million hours worked	4.6	3.7	(20)%	Employees
100 supplier sustainability audits each year	#	135	185	+50	Purchasing

Report on the economic position

Macro and sector environment

Global growth remains slow in 2016 – only slight increase in momentum expected for 2017

After expanding at a below-average rate in 2015, the global economy again looks weak for 2016. According to the latest indicators, global GDP growth is set to slow to 2.8%. Despite continuing highly expansionary monetary policy, the average growth rate in the industrialized countries is expected to be only around 1.5%, and in the emerging markets growth looks likely to slow further to less than 4%. While the world economy should gradually regain momentum in 2017, there are no signs yet of a strong global upturn. We therefore expect only a slight increase in the global growth rate to 3.2% in 2017.

The global growth outlook is marked by major uncertainty. One factor in this will be the future political course of the USA. A sharper slowdown in China could also have a dampening effect. The fragile economy in oil and raw materials exporting countries remains dependent on the price situation for oil and raw materials. In addition there are signs of more nationalist economic policies in some countries of the EU. The recovery in the euro zone remains fragile. Following the Brexit referendum, uncertainty over the further course of the exit negotiations is expected to weigh on investment – particularly in Britain itself but also in the other countries of the EU. Furthermore, a

3%

Global economic growth of just under 3% expected in 2016, increasing only slightly in 2017.

worsening of the situation in the geopolitical flashpoints could heighten uncertainty on the financial markets and slow the global economy.

The euro zone recorded moderate economic growth in the 1st half 2016. There should initially be moderate stimulus from a further improvement in the labor market situation, continued favorable financing conditions, and the relatively low value of the euro. However, in the medium term the United Kingdom's planned withdrawal from the EU will weigh on the euro zone economy through direct trade effects and increased uncertainty in business and consumer spending. We therefore expect the rate of growth here to slow from 1.6% in 2016 to 1.2% in 2017.

Economic growth in Germany is likely to weaken slightly in 2016 after a strong 1st half – this is signaled particularly by the moderate order intake and output levels in manufacturing industry. GDP is expected to grow by 1.7% overall in 2016. In 2017 GDP growth will be dampened by reduced exports and lower business spending due mainly to the Brexit vote. Economic growth is therefore forecast to slow slightly to 1.3% in 2017.

With moderately positive growth rates, the performance of the US economy in the 1st half of the year was weak. However, in the further course of 2016 and also in 2017 the economy is expected to gain pace with continued support from the main drivers – primarily robust consumer spending, a solid labor market and very low interest rates. In these favorable conditions business spending should also accelerate again. Overall the US economy is expected to expand by 1.5% in 2016 and 2.4% in 2017.

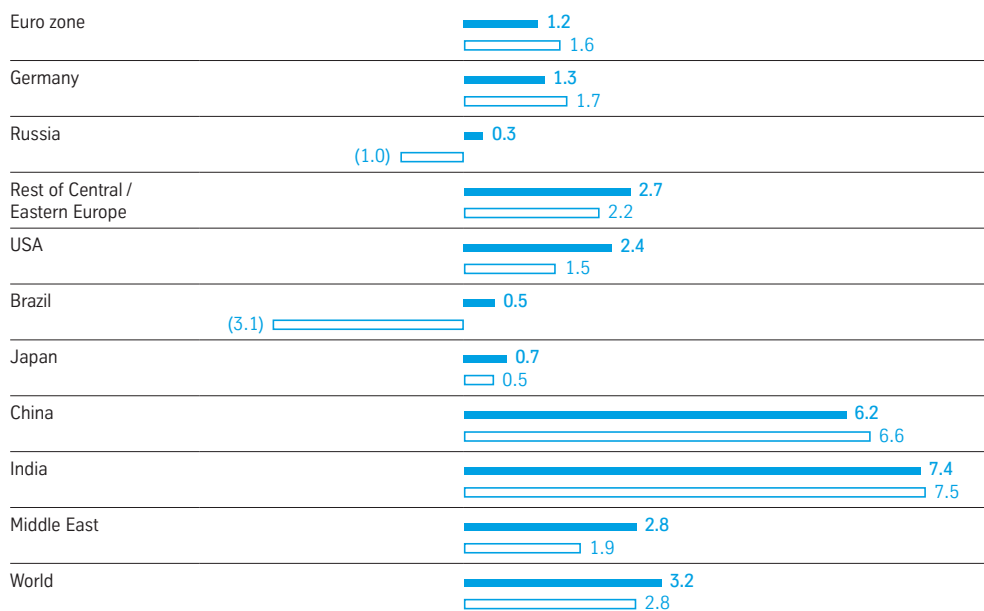
After 6.9% growth in the prior year, economic growth in China is expected to slow slightly in 2016, but at 6.6% will remain within the government's overall target (6.5% to 7%). For 2017 the pace of expansion is likely to slow further to 6.2%. This is partly because the government is expected to hold back from further extensive stimulus programs and instead drive forward the consolidation of loss-making state-owned businesses and give market forces more freedom in the shift towards a more domestic demand-based economy. India's economy remains buoyant: The business prospects for industrial companies and service providers are good, the implementation of various infrastructure projects continues. GDP growth is expected to slow only minimally from 7.5% in 2016 to 7.4% in 2017. The economy in Brazil remained in recession in the 1st half of 2016, but in recent months consumer and business confidence has brightened, indicating an economic turning point may have been reached. However, in view of significant unemployment, high interest rates and the indebtedness of private households, the recovery will struggle to gather pace. After contracting by 3.1% in 2016, GDP is expected to show 0.5% growth in 2017. Russia's economy too seems to be gradually stabilizing, as reflected among other things in the industrial output figures. However, the uncertain political climate will inhibit growth. Following a 1% decline in 2016, a small 0.3% increase in economic output is forecast for 2017.

China slowing slightly, while India's economy will remain buoyant. Brazil possibly reaching an economic turning point.

GROSS DOMESTIC PRODUCT

□ 2016 ¹⁾ ■ 2017 ¹⁾

Real change compared with previous year in %



¹⁾ Forecast

Heterogeneous trend in industrial activity

Automotive – Global car and light truck production will continue to rise – albeit at a slower pace. In 2016 output is expected to increase by 3% to 89.2 million units. For 2017 moderate growth of just under 1% is currently forecast – bringing the total production volume in 2017 to 90.2 million units. Once again this growth will be very unevenly distributed: Frontrunner China is expected to achieve an 8% increase to 25.4 million units in 2016 thanks to the positive sales market and temporary tax relief programs; for 2017 we forecast growth of around 1%. At just under 4%, production growth in Western Europe as a whole is likely to be slightly stronger than in Germany in 2016 – and will remain stable in 2017. In Germany we forecast low growth for 2016 and a decline of almost 2% for 2017 due to the increasing uncertainty as a result among other things of the Brexit referendum. In the USA growth of almost 2% is anticipated in 2016. In 2017 US output could decline by up to 4%, but this should be offset by growth of 20% in Mexico, reflecting the increasing importance of Mexico as a production location and sales market in the NAFTA region. For Brazilian auto manufacturers the situation remains very difficult. After a further sharp decline of over 12% in 2016, we expect production to stabilize at the current very low level in 2017.

90.2 million

Global car and light truck production to reach around 90.2 million units in 2017.

IMPORTANT SALES MARKETS

	2015	2016 ¹⁾	2017 ¹⁾
Vehicle production, million cars and light trucks			
World	86.6	89.2	90.2
Western Europe (incl. Germany)	14.1	14.7	14.7
Germany	5.9	5.9	5.8
USA	11.8	12.0	11.5
Mexico	3.4	3.5	4.2
Japan	8.8	8.7	8.8
China	23.6	25.4	25.7
India	3.7	4.0	4.3
Brazil	2.3	2.0	2.0
Machinery production, real, in % versus prior year			
Germany	(0.2)	0.0	0.5
USA	(1.6)	(2.9)	4.6
Japan	(1.3)	(1.3)	1.0
China	5.2	2.5	3.0
Construction output, real, in % versus prior year			
Germany	(0.7)	1.7	1.5
USA	5.0	5.0	6.5
China	6.9	6.6	4.6
India	3.4	2.8	6.8

¹⁾ Forecast

Sources: IHS Markit, Oxford Economics, national associations, own estimates

Machinery – After weak growth in 2015, global machinery production will at best be flat in 2016, only returning to moderate growth in 2017. In China the growth rate will drop to 2.5% in 2016, rising only slightly to 3% in 2017. The slump in demand for mining machinery continues to impact the US machinery sector: After a sharp 3% fall in 2016, output will only pick up again in 2017. In Europe, too, weak global economic growth in 2016 means production volumes in many countries will increase only slightly or even fall. Moderate growth is expected only in the coming year.

The export-oriented German machinery sector registered a 0.2% fall in production in 2015. The main reasons for this were the weak economy in many emerging countries, especially in Russia and Latin America, and only moderate growth in capital spending in Germany and the EU. In view of the so far sluggish growth in orders, the weak global economy, and various political uncertainties, production is likely to remain at the prior-year level in 2016. Low growth at best is expected for 2017.

Moderate growth in global machinery production expected only in 2017.

Construction – Construction activity in the euro zone is expected to grow by around 2% in both 2016 and 2017. German construction output decreased by 0.7% in 2015 and has shown only marginal year-on-year growth in 2016 to date. However, continuing internal migration, the high number of refugees, a solid labor market – combined with rising private household real incomes – and continuing low mortgage rates should continue to boost residential construction, while public sector construction should also increase in 2016 due to higher investment in roads, railways and waterways. Overall construction growth of 1.7% is forecast for 2016 and 1.5% for 2017. In China numerous state infrastructure projects will ensure construction output growth slows only slightly; an increase of 6.6% is predicted for 2016. Next year growth will be lower due to the slowing overall economy. The US real estate market continues to enjoy a moderate upswing. Despite a temporary weak phase, the number of housing starts has picked up significantly compared with last year, with property prices currently around 5.5% higher year-on-year. US construction output is forecast to grow by 5% in 2016 and 6.5% in 2017.



2%

Construction activity in the euro zone expected to grow by around 2% in both 2016 and 2017.

Steel – The international steel industry continues to navigate difficult waters in 2016. The global economy is growing only moderately, steel demand remains subdued, and structural overcapacities mean the sector is coming under massive pressure. This is mainly coming from China, where steel production continues unabated despite declining demand and the announced capacity reduction has so far made only slow progress. As a result steel exports from China continued to weigh on the global markets until well into 2016 – despite the introduction of numerous trade measures which also affect China. Steel prices on the spot markets, which plummeted to their lowest in several years in the final quarter of 2015, recovered significantly for the most part by mid-2016. A key reason for this was again the strong price surge in China – a market with direct impact on the global price level, but higher raw material prices also accelerated the upturn.

Overcapacities weighing on steel markets.

Bolstered by continued solid activity in the steel processing sector – particularly by a rise in demand from the auto industry – the flat carbon steel market in the EU recorded further growth in the first 8 months of 2016. However, the competitive situation remained very tight for European steel manufacturers. While flat steel imports to the EU from third countries increased 10% against the year before, European suppliers profited little from the market recovery. While order intake was higher, their sales on the EU market remained unchanged. And the non-EU markets offered no alternative; exports decreased further as key foreign markets were less receptive. Spot market prices in Europe followed the global trend, rising strongly from a low level from the end of the 1st quarter 2016. The antidumping measures imposed among others on China and Russia had a stabilizing effect in some areas; however, overall imports remained virtually as high as before.

In the USA the steel market contracted again in 2016. With supply noticeably lower – imports in particular declined steeply, not least as a result of speedily implemented trade restrictions – the steel price recovery was more pronounced than in other regions. However, towards mid-year demand and prices weakened. In Brazil the recession continued and steel demand was down again from the year before.

Global steel demand will grow hardly at all in 2016 and only slightly in 2017, mainly due to the decline on the Chinese market. However, prospects in the other emerging countries of Asia remain favorable. With a further sharp decline in 2016, the Brazilian market is expected to bottom out, with next year bringing increased political stability and slight growth. In the industrialized countries steel demand will rise only slowly; for both the EU and Germany we expect steel market growth of around 1%, for the USA 3%. As there are no signs that the global overcapacities can be reined in quickly, import pressure on the European steel market is expected to remain high. However, there may be some temporary relief from lower import volumes as a result of ongoing and possible future trade measures.

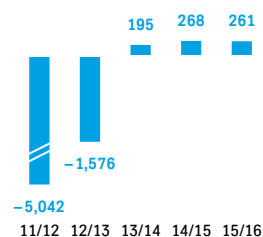
Summarized assessment by the Executive Board

Net income and positive free cash flow achieved once again in difficult materials environment

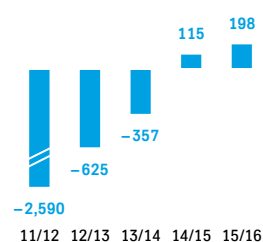
In a very difficult environment for our materials businesses, especially in the 1st half of the fiscal year, the measures initiated as part of the Group's Strategic Way Forward had a clear stabilizing effect. Thanks to the increasing focus on our higher-margin, less volatile capital goods businesses and EBIT effects of almost €1 billion from our "impact" efficiency program, we once again generated net income on a par with the prior year despite high import and price pressure on the materials markets. Although we also had to contend with a continuing weak market environment for chemical plants and mining equipment and a lack of major naval shipbuilding orders at Industrial Solutions, we also once again achieved positive free cash flow; among other factors, this was due in particular to the strong improvement in net working capital at all our materials businesses.

However, adjusted EBIT for the full reporting year was lower than a year earlier and failed to meet the target we set at the start of the 2015/2016 fiscal year, mainly due to the difficult materials environment in the 1st half. The recovery on the materials markets – especially in Europe – came later than originally expected and from a lower price level. The impact of this was so great that it overshadowed the overall progress made in the rest of the Group. From the 3rd quarter onwards the materials markets then showed clear signs of recovery, and spot prices increased overall. In the final fiscal quarter the Group's earnings and cash flow were once again higher than a year earlier. Despite the net income and positive cash flow, gearing rose to 134.2% in the reporting year; this mainly reflects the remeasurement of pensions as a result of lower interest rates. With cash, cash equivalents and undrawn committed credit lines totaling €8.0 billion at September 30, 2016 and a balanced and extended maturity profile, thyssenkrupp is solidly financed.

Net income in million €



FCF before M & A¹⁾ of full Group in million €



¹⁾ until FY 2013 / 14 FCF before divestments

Further improvement to performance and risk profile in many areas

Overall, thyssenkrupp's performance and risk profile improved significantly in many areas of the Group in the past fiscal year. Components Technology reported higher adjusted EBIT and margins and acquired significant major orders for its new electric power-assisted steering systems. Elevator Technology achieved further significant earnings and margin improvements and reached important strategic milestones in its growth strategy. Industrial Solutions launched an extensive transformation program to increase its efficiency and strengthen its customer focus. Materials Services introduced numerous measures for the digital transformation and made important progress in the implementation of its business plan for the stainless steel producer AST. Steel Europe initiated an extensive program to secure its long-term competitiveness and aligned its management structures more strongly to customers and markets. Steel Americas managed to increase output and shipments, strengthen its market position, further significantly reduce losses and generate positive cash flow. Moreover we received the operating license from the Brazilian authorities and acquired the minority shares in CSA held by Vale, significantly reducing complexity and risks and giving us greater room to maneuver for the further development of CSA.

On this basis we look to the new fiscal year with cautious optimism and expect substantial earnings increases. We are systematically continuing to transform thyssenkrupp into an efficient, profitable and value-creating diversified industrial group.

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

We look to the new fiscal year with cautious optimism and expect substantial earnings increases.

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

THYSSENKRUPP IN FIGURES

		Full Group				Continuing operations			
		Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change	in %	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change	in %
Order intake	million €	41,318	37,424	(3,894)	(9)	41,318	37,424	(3,894)	(9)
Net sales	million €	42,778	39,263	(3,515)	(8)	42,778	39,263	(3,515)	(8)
EBIT ¹⁾	million €	1,050	1,189	139	13	1,061	1,189	129	12
EBIT margin	%	2.5	3.0	0.5	–	2.5	3.0	0.5	–
Adjusted EBIT ¹⁾	million €	1,676	1,469	(207)	(12)	1,676	1,469	(207)	(12)
Adjusted EBIT margin	%	3.9	3.7	(0.2)	–	3.9	3.7	(0.2)	–
EBT	million €	485	652	167	34	496	652	157	32
Net income/(loss) / Income/(loss) (net of tax)	million €	268	261	(6)	(2)	279	261	(17)	(6)
attributable to thyssenkrupp AG's shareholders	million €	309	296	(13)	(4)	320	296	(23)	(7)
Earnings per share (EPS)	€	0.55	0.52	(0.03)	(5)	0.57	0.52	(0.05)	(8)
Operating cash flows (consolidated statement of cash flows)	million €	1,300	1,387	87	7	1,311	1,387	76	6
Cash flow for investments	million €	(1,235)	(1,387)	(152)	(12)	(1,235)	(1,387)	(152)	(12)
Cash flow from divestments	million €	597	191	(406)	(68)	597	191	(406)	(68)
Free cash flow ²⁾	million €	662	191	(470)	(71)	673	191	(481)	(72)
Free cash flow before M & A ²⁾	million €	115	198	83	72	126	198	71	56
Net financial debt (Sept. 30)	million €	3,414	3,500	86	3				
Total equity (Sept. 30)	million €	3,307	2,609	(698)	(21)				
Gearing (Sept. 30)	%	103.2	134.2	31.0	–				
ROCE	%	6.5	7.5	1.0	–				
thyssenkrupp Value Added	million €	(399)	(85)	314	79				
Dividend per share	€	0.15	0.15 ³⁾	–	–				
Dividend payout	million €	85	85 ³⁾	–	–				
Employees (Sept. 30)		154,906	156,487	1,581	1				

¹⁾ See reconciliation in segment reporting (Note 24).

²⁾ See reconciliation in the analysis of the statement of cash flows.

³⁾ Proposal to the Annual General Meeting

Forecast-actual comparison

We achieved the targets formulated at the beginning of the reporting year for the key performance indicators thyssenkrupp Value Added (tkVA) and free cash flow before M & A (FCF before M & A); however – despite the solid performance of our capital goods businesses and further significant contributions from our efficiency program “impact” – we did not meet the Group’s earnings targets. This reflects above all the high import and price pressure on the materials markets which particularly in Europe had a stronger and more sustained impact than expected. Also the chemical plant, mining equipment and naval shipbuilding businesses at Industrial Solutions performed below forecasts, with customers holding back on major projects. In this extremely difficult environment, sales and earnings were lower than planned. Nevertheless we achieved a significant improvement in tkVA and even a year-on-year increase in FCF before M & A as planned on account of lower special items and reduced capital employed.

Value added and cash flow targets met. Sales and earnings lower than planned.

Our targets as adjusted in the half-year report against the background of the – particularly in the 1st half – very weak materials environment were met or exceeded thanks to a strong increase in earnings and cash flow in the 2nd half. This was partly the result of the pleasing performance of Components Technology and Steel Americas, whose earnings were higher than expected mainly due to operating progress. Above all Steel Americas clearly exceeded expectations in the reporting year – despite the difficult 1st half – on the back of efficiency improvements, the market recovery in the 2nd half, and positive exchange rate effects.

Strong increase in earnings and cash flow in 2nd half.

The Group’s overall business performance was again strongly supported by our corporate program. The “impact” target of reducing costs by €850 million that we formulated for 2015 / 2016 at the beginning of the fiscal year was again substantially exceeded with savings of almost €1 billion.

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

The following chart contains details on the forecasts, updated in each case on publication of the interim reports on the 1st half and the first nine months of the reporting year, and the actual results in 2015 / 2016:

FORECAST AND ACTUAL RESULTS FOR FISCAL YEAR 2015 / 2016

	Forecast in annual report 2014 / 2015	Update in interim report 1st half 2015 / 2016	Update in interim report 9 months 2015 / 2016	Actual fiscal year 2015 / 2016
Group sales	On comparable basis at prior-year level	Decline on comparable basis in single-digit % range		On comparable basis: (7)%
Components Technology	Growth on comparable basis in single-digit % range			On comparable basis: +1%
Elevator Technology				On comparable basis: +4%
Industrial Solutions	Sideways movement		Slight decline on comparable basis	On comparable basis: (8)%
Materials Services				On comparable basis: (11)%
Steel Europe	Weaker by comparison	Significant decline by comparison		On comparable basis: (12)%
Steel Americas				On comparable basis: (18)%
Adjusted EBIT	€1.6 to 1.7 billion	At least €1.4 billion		Decline by €207 million to €1,469 million
Components Technology	At least at prior-year level		Slightly above prior-year level	Improvement by €22 million to €335 million
Elevator Technology	Improvement through sales growth and increase in margin by 0.5 to 0.7 percentage points			Improvement by €66 million to €860 million Improvement of margin by 0.5 percentage points to 11.5%
Industrial Solutions	Net sales, margin and therefore adjusted EBIT at prior-year level		Slight decline in sales with margin at bottom end of target range of 6- 7%	Decline by €69 million to €355 million Decline in margin by 0.6 percentage points to 6.2%
Materials Services				Decline by €78 million to €128 million
Steel Europe	Targeted at prior-year level	Considerable decline compared with prior year		Decline by €177 million to €315 million
Steel Americas			Significant improvement	Improvement by €105 million to €(33) million
Net income	Significant improvement	At prior-year level		Decline by €6 million to €261 million
tkVA	Significant improvement versus prior-year pro forma comparative	In the range of pro forma prior-year comparative		Improvement by €153 million to €(85) million
FCF before M & A	At prior-year level	Between low 3-digit million € negative and breakeven		Improvement by €83 million to €198 million
Investments	Around €1.5 billion		Lower than €1.5 billion	Increase in comparison to prior year by €152 million to €1,387 million

Group review

Course of business

Components Technology and Elevator Technology with stabilizing effect on order intake and sales in difficult materials environment

Order intake and sales of the thyssenkrupp Group declined sharply in the past fiscal year. This was mainly due to the following reasons: The materials businesses came under very high import and price pressure particularly in the 1st half of the fiscal year, the market environment for chemical plants and mining equipment was weak, and the prior year included larger naval contracts. However, the performance of Components Technology and Elevator Technology, whose order intake and sales were level with or higher than a year earlier, had a stabilizing effect.

Materials businesses, market environment for chemical plants and mining equipment, and absence of larger naval contracts led to declines in order intake and sales.

ORDER INTAKE BY BUSINESS AREA

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %	Change on a comparable basis ¹⁾ in %
Components Technology	6,826	6,740	(1)	(1)
Elevator Technology	7,704	7,631	(1)	(1)
Industrial Solutions	4,871	3,461	(29)	(29)
Materials Services	13,945	11,840	(15)	(10)
Steel Europe	8,421	8,146	(3)	(3)
Steel Americas	1,723	1,525	(11)	(14)
Corporate	196	243	24	24
Consolidation	(2,368)	(2,162)	–	–
Total order intake	41,318	37,424	(9)	(8)

¹⁾ Excluding material currency and portfolio effects

Order intake at the capital goods businesses Components Technology, Elevator Technology and Industrial Solutions was lower year-on-year overall. While new orders at Components Technology and Elevator Technology were largely stable, they declined significantly at Industrial Solutions. This reflects the absence of major naval contracts from the prior year and in particular the continued weak market environment for chemical plants and mining equipment. Continuing low and volatile oil and raw material prices were the reason for customer caution in placing orders. Nevertheless we won numerous contracts in the Process Technologies and Resource Technologies businesses in the reporting period, profiting inter alia from strong demand for electrolysis plants and cement plants. At System Engineering new orders for production systems for the auto industry increased to a new record level. The contracts won reflect our strong market and technology positions.

We hold strong market and technology positions in electrolysis plants, cement plants and production systems for the auto industry.

In the Components Technology business area we took advantage of generally robust demand growth for car components and were able to offset the difficult environment for truck and construction equipment components. One particularly pleasing aspect was the positive customer response to our new electric power-assisted steering systems – an important basis for expected growth in the coming fiscal years. Order intake in the Elevator Technology business area was level with the prior year and again higher than sales; orders in hand reached a new record level.

At the materials businesses Materials Services, Steel Europe and Steel Americas, order intake was down from the prior year. This was mainly due to significant price declines and was also true on a comparable basis – i.e. excluding the disposal of the VDM and RIP groups at Materials Services in the prior year. By contrast, order volumes in our steel businesses were significantly higher year-on-year on the whole.

NET SALES BY BUSINESS AREA

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %	Change on a comparable basis ¹⁾ in %
Components Technology	6,753	6,807	1	1
Elevator Technology	7,208	7,468	4	4
Industrial Solutions	6,256	5,744	(8)	(8)
Materials Services	14,254	11,886	(17)	(11)
Steel Europe	8,697	7,633	(12)	(12)
Steel Americas	1,773	1,489	(16)	(18)
Corporate	194	255	32	32
Consolidation	(2,357)	(2,020)	–	–
Total net sales	42,778	39,263	(8)	(7)

¹⁾ Excluding material currency and portfolio effects

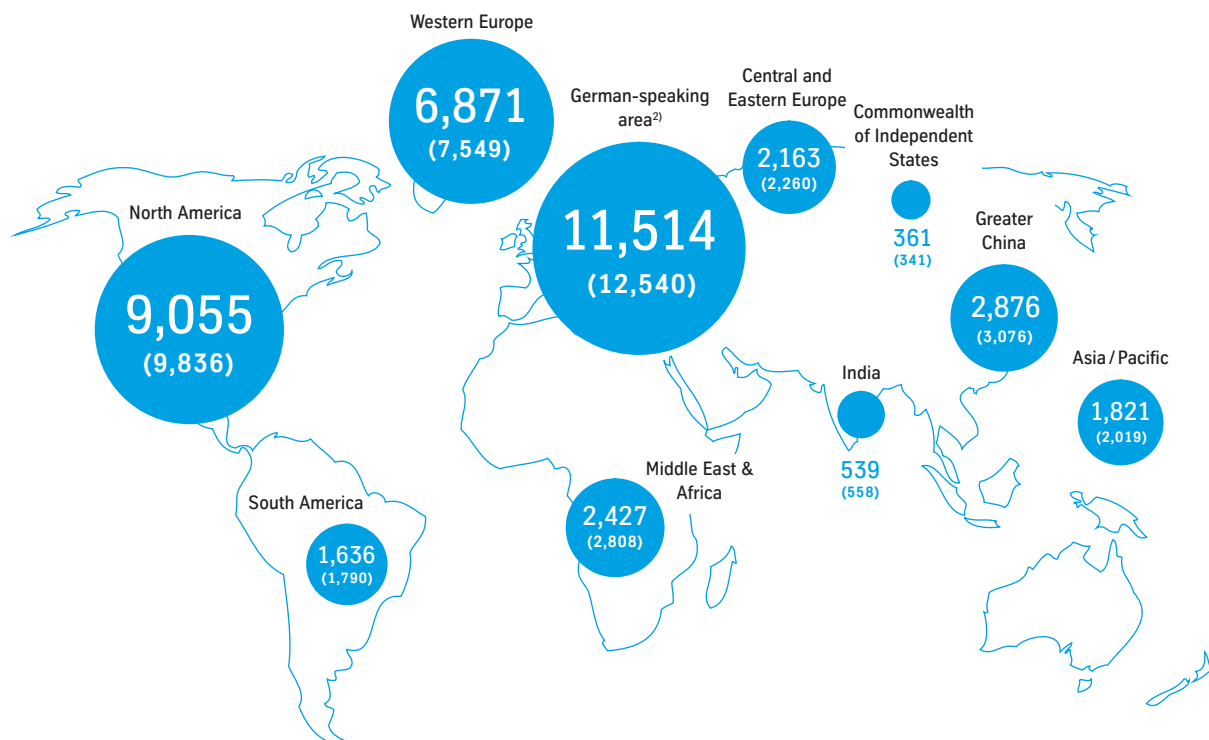
As with order intake, the contributions of Components Technology and Elevator Technology also had a stabilizing effect on the Group's sales performance but were unable to offset the continuing weak market environment for chemical plants and mining equipment and lower sales in naval shipbuilding at Industrial Solutions and above all the strong import and price pressure on the materials markets. Materials Services and Steel Europe were impacted in particular by negative price effects, compounded at Steel Europe by lower volumes. However, the biggest percentage drop in sales was recorded by Steel Americas, even though shipments there increased significantly due to good progress made in production and in building long-term customer relationships. This situation reflects the particularly dramatic price falls in the 1st half of the fiscal year, which the strong recovery in average selling prices in the final quarter was unable to offset.

The regional breakdown of sales was largely stable. The most important sales market for thyssenkrupp with an unchanged 29% of sales was once again the German-speaking region, combining Germany, Austria, Switzerland and Liechtenstein. Sales to customers in Central and Eastern Europe gained relatively in importance; here declines in the materials businesses were largely offset by growth in our capital goods businesses. By contrast, sales to the Middle East & Africa declined despite sales growth in our elevator business; in addition to declines in our materials businesses this mainly reflects deliveries in the naval shipbuilding business as well as billing-related declines in chemical plant business at Industrial Solutions.

Components Technology and Elevator Technology had a stabilizing effect on Group sales.

SALES BY REGION¹⁾

in million € (prior-year figures in brackets)

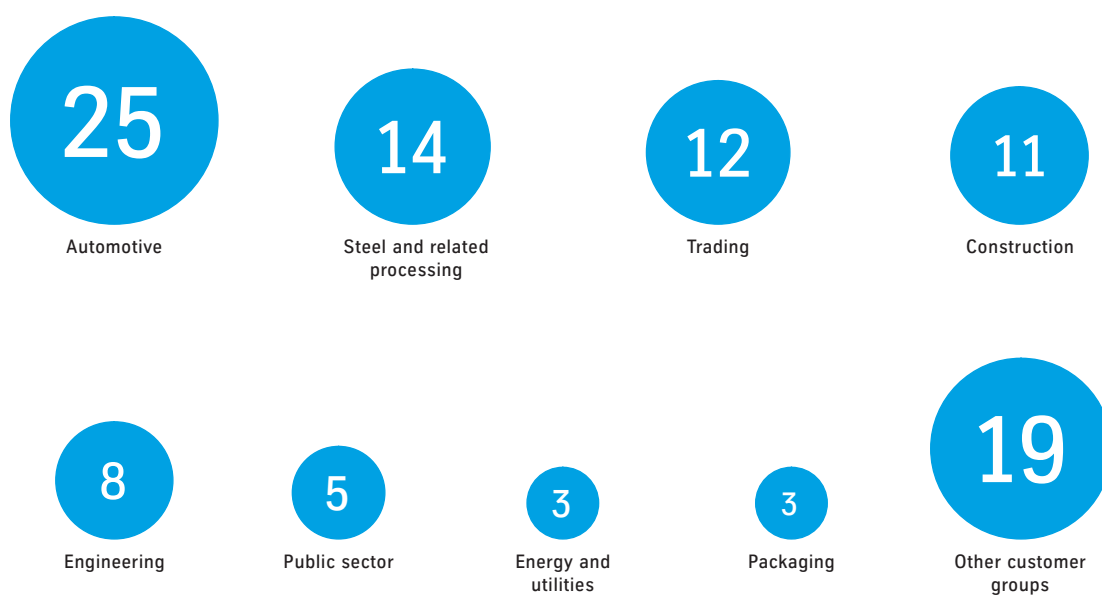


¹⁾ Prior-year figures adjusted to new regional organization in fiscal 2015/2016.

²⁾ Germany, Austria, Switzerland, Liechtenstein

SALES BY CUSTOMER GROUP 2015/2016

in %



Accounting for a further increased share of 25% of sales, the automotive industry remained thyssenkrupp's most important customer group, particularly for our components and steel businesses. It is followed by steel and related processing and trading, which are highly important for our materials businesses and account for a high but declining share of total sales. The construction industry gained further in importance, accounting for 11% of Group sales and roughly half the sales of our elevator business.

Adjusted EBIT lower on the whole despite high efficiency gains from "impact" program

The Group's adjusted EBIT declined in the reporting year. The main reason was the very difficult environment for our materials businesses, particularly in the 1st half of the fiscal year. EBIT effects of almost €1 billion from our efficiency program "impact" were overshadowed above all by high import and price pressure on the materials markets but contributed – alongside the recovery in the market environment – to a clear earnings improvement in the 2nd half. In the final quarter the Group's adjusted EBIT was higher than the prior-year figure.

ADJUSTED EBIT BY BUSINESS AREA

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %
Components Technology	313	335	7
Elevator Technology	794	860	8
Industrial Solutions	424	355	(16)
Materials Services	206	128	(38)
Steel Europe	492	315	(36)
Steel Americas	(138)	(33)	76
Corporate	(414)	(497)	(20)
Consolidation	(1)	6	–
Total adjusted EBIT ¹⁾	1,676	1,469	(12)

¹⁾ See reconciliation in segment reporting (Note 24).

In the capital goods businesses, adjusted EBIT was higher than a year earlier, supported by sustainable efficiency and cost-reduction measures. The profitable growth at Components Technology and Elevator Technology more than offset the decline at Industrial Solutions due to lower sales and margins. Components Technology improved its adjusted EBIT margin in the reporting year by 0.3 percentage points and in the 4th quarter 2015 / 2016 increased its adjusted EBIT and margin year-on-year for the sixth time in a row. Elevator Technology again improved its margin in the reporting year by 0.5 percentage points and in the final quarter increased its earnings and margin year-on-year for the 16th time in succession. At Industrial Solutions, adjusted EBIT margin overall declined by 0.6 percentage points but at 6.2% remained in the target range of 6 to 7%.

Adjusted EBIT in the capital goods businesses was higher on the whole than a year earlier.

At the materials businesses, adjusted EBIT was down significantly from the prior year overall despite continuous quarter-on-quarter improvements in the course of the reporting year and pleasing progress at Steel Americas. At Materials Services and Steel Europe extensive “impact” measures were unable to offset the high import and price pressure that impacted European business in particular well into the fiscal year and led to declining average selling prices and also to lower shipments, particularly at Steel Europe. At Materials Services the absence of the earnings contributions of the VDM and RIP groups sold in the prior year also had an impact. The business area achieved clear progress implementing the business plan for AST; the Italian company made a positive contribution to adjusted EBIT despite generally falling stainless steel prices and corresponding inventory losses. Steel Americas significantly improved its adjusted EBIT and reduced its losses thanks to efficiency and volume gains, the price recovery in the 2nd half and positive exchange rate effects.

Earnings impacted by special items

EBIT was impacted by special items in the reporting year; however, the impacts were much less than in the prior year. The prior-year effects included higher pre-tax expense at Materials Services in connection with the sale of the VDM group and high expense at Corporate in connection with a settlement with The Budd Company, a non-operating former US subsidiary in liquidation.

The impacts of special items on EBIT were much less than in the prior year.

SPECIAL ITEMS BY BUSINESS AREA

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change
Components Technology	19	84	65
Elevator Technology	132	90	(42)
Industrial Solutions	(1)	22	22
Materials Services	244	52	(192)
Steel Europe	(22)	(1)	21
Steel Americas	9	(11)	(21)
Corporate	235	45	(190)
Consolidation	(1)	0	–
Total special items	615	280	(335)

In the reporting period there were special items on a notable scale at Components Technology: Firstly due to the closure because of flooding of a factory in the UK in the Springs and Stabilizers business; and secondly due to restructuring and impairment charges for adapting capacities to the weak market situation in Brazil, the USA and Germany in the Forging & Machining business. In addition, there were plant closures in the construction machinery component business. At Elevator Technology there were special items from the restructuring and reorganization in Europe and the Middle East. At Industrial Solutions there were initial special items in connection with the

reorganization and the restructuring measures. Further, mainly restructuring-related special items were recorded at Materials Services. At Steel Europe special items had hardly any net impact; impairment charges for a real estate property after end of use were largely offset by the reversal of impairment in connection with the reopening of a hot-dip galvanizing line in Spain. At Steel Americas there were net positive special items from the updated valuation of a long-term freight contract. At Corporate the special items mainly resulted from expenses in connection with disposal projects and restructurings.

thyssenkrupp Value Added (tkVA) significantly improved from prior year

In fiscal year 2015/2016 the tkVA of the thyssenkrupp Group remained negative but was significantly improved from the prior year. The improvement was attributable to higher EBIT due to lower special items, a decline in capital employed, and lower weighted average cost of capital (WACC) rates. We reduced capital employed above all in the materials businesses among other things by reducing net working capital. At Materials Services this also reflects the prior-year disposal of the VDM and RIP groups. However, there was a slight increase in average capital employed at Components Technology. In addition, there was a significant rise in capital employed at Industrial Solutions; here the figure was less negative year-on-year due to lower advance payments and the working down of the existing order backlog. At the beginning of the reporting year we reduced the WACC rates to reflect the lower costs of borrowed capital and pension provisions. However, we also significantly increased tkVA for the Group compared with the prior-year figure applying the updated WACC (pro-forma prior-year comparative €(238) million). The highest tkVA was once again generated by Elevator Technology, which also recorded another significant year-on-year improvement. The tkVA of the materials businesses was negative; however, on the whole it improved year-on-year. Details on tkVA and its main components are shown in the following table.

THYSSENKRUPP VALUE ADDED (TKVA) BY BUSINESS AREA

	Year ended Sept. 30, 2015				Year ended Sept. 30, 2016				Change tkVA (million €)
	EBIT (million €)	Capital employed (million €)	WACC (%)	tkVA (million €)	EBIT (million €)	Capital employed (million €)	WACC (%)	tkVA (million €)	
Group	1,050	16,106	9.0	(399)	1,189	15,933	8.0	(85)	314
Thereof:									
Components Technology	294	3,530	9.0	(23)	251	3,587	8.5	(54)	(30)
Elevator Technology	662	1,289	8.0	559	771	1,197	7.5	681	122
Industrial Solutions	425	(1,554)	8.5	557	333	(475)	8.0	371	(187)
Materials Services	(38)	4,566	9.0	(449)	76	3,861	8.0	(233)	216
Steel Europe	514	5,265	9.5	14	316	5,012	8.5	(110)	(124)
Steel Americas	(147)	2,167	10.5	(374)	(22)	2,145	10.0	(236)	138

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

Business area review

Components Technology

COMPONENTS TECHNOLOGY IN FIGURES

		Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %
Order intake	million €	6,826	6,740	(1)
Net sales	million €	6,753	6,807	1
EBIT	million €	294	251	(15)
EBIT margin	%	4.4	3.7	–
Adjusted EBIT	million €	313	335	7
Adjusted EBIT margin	%	4.6	4.9	–
Employees (Sept. 30)		29,627	30,751	4

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

Positive performance in difficult markets – major orders from auto industry and optimization of automotive production network

In a mixed market environment, order intake at Components Technology was down slightly year-on-year, sales slightly higher. While the markets for car components in Western Europe, the USA and China showed robust growth, demand in Brazil and Russia continued to fall sharply. The heavy truck markets, particularly in Brazil and the USA, also remained weak. Sales of industrial components, above all in the wind energy sector, increased, while demand for construction equipment components continued to decline.

In the steering systems business we profited from new orders from international OEMs worth around €7 billion over the product lifecycle. The orders are for the development and production delivery of electric power-assisted steering systems for major model platforms. The electric power-assisted steering systems from thyssenkrupp are more energy-efficient than conventional hydraulic steering systems and therefore allow fuel savings; they are also a prerequisite for electronic driver assistance systems. With this technology we have already successfully established our position in the premium segment and are increasingly growing in the high-volume mid-size and compact car segments and the big auto markets such as China and North America.

www.thyssenkrupp.com >
Company > Corporate structure



Our aim: To be innovator and partner to our customers thanks to our engineering expertise and global market presence.

Customers value our steering systems
for their energy efficiency.

We made further progress with the implementation of our profitable growth and regionalization strategy in the reporting year; in particular new plants in Mexico and Hungary were opened or are in the planning or early implementation phase. At the same time by concentrating production of various technologies at a single manufacturing location, we are gaining considerable competitive and cost advantages. In Mexico for example we are expanding our existing production activities – engine and steering system components, springs and stabilizers, axle module assembly – to include cylinder head cover modules and damper systems; in Hungary in addition to axle module assembly we will also be producing electric power-assisted steering systems and cylinder head cover modules in the future.

Higher earnings thanks to efficiency measures

Adjusted EBIT of Components Technology was again higher than a year earlier. Positive factors were above all improvements in car components (among other things due to the ramp-up of new cover module plants) and wind energy, which more than offset declines in truck components and the weak market performance in Brazil. Adjusted EBIT margin also improved on the back of efficiency measures and cost reductions in production and purchasing. EBIT of Components Technology was down from the prior year on account of special items.

Elevator Technology

ELEVATOR TECHNOLOGY IN FIGURES

		Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %
Orders in hand (Sept. 30)	million €	4,863	4,974	2
Order intake	million €	7,704	7,631	(1)
Net sales	million €	7,208	7,468	4
EBIT	million €	662	771	16
EBIT margin	%	9.2	10.3	–
Adjusted EBIT	million €	794	860	8
Adjusted EBIT margin	%	11.0	11.5	–
Employees (Sept. 30)		51,335	51,426	0

The Elevator Technology business area delivers innovative technology for efficient urban mobility. It supplies passenger and freight elevators, escalators and moving walks, passenger boarding bridges, stair and platform lifts as well as providing service for the entire product range. A tight-knit service network with competent employees at over 900 locations keeps us close to customers with our customized, intelligent, reliable and safe solutions and services for personal transportation. In this way we create tangible value for our customers and strengthen confidence in our brand.



Elevator Technology offers advanced, comfortable and resource-friendly systems and services.

Order intake largely stable at high level; sales at new high

The business area's order intake in fiscal 2015/2016 was largely level with the prior year also on a comparable basis and continues to profit from increased demand for new installations, especially in the USA and South Korea. Despite increased price pressure, orders for new installations in China were slightly up from a year earlier; here we secured additional orders following the acquisition of a majority shareholding in Marohn Elevator. However, orders for new installations in Europe, Brazil and the Middle East decreased. Service business, which is particularly important for thyssenkrupp in Europe, was expanded. Orders in hand at Elevator Technology reached a new record level in the reporting year.

High demand for new installations.

The business area's sales in the reporting year were significantly higher than the year before. This pleasing growth is the result of strong demand for new installations and positive results in the service business. Elevator Technology's sales increased particularly strongly in the USA and South Korea, while sales in Europe and China were only slightly higher year-on-year.

Key strategic milestones achieved

In the implementation of our comprehensive growth strategy, Elevator Technology achieved key milestones as planned in fiscal 2015/2016: In mid-October 2015 the foundation stone was laid for our new elevator plant in India; in March 2016 the new multifunctional building in Shanghai was inaugurated. The business area therefore remains on expansion course and is systematically continuing its long-term strategy in Asia.

With the inauguration of the multifunctional building in the Neuhausen technology park near Stuttgart in December 2015 we successfully completed the main investments planned for the modernization of our elevator plant. Meanwhile some 90 kilometers further southwest in Rottweil, the construction of the 246 meter tall elevator test tower is proceeding to schedule. On completion at the end of 2016 the tower will be used among other things to test and certify our ground-breaking MULTI elevator system: Featuring several cars moving vertically and for the first time also horizontally in the same shaft, MULTI will open up completely new possibilities in terms of building planning, design and use. In November 2015 thyssenkrupp presented a fully functional 1:3 scale model of this innovative system at its innovation center in Gijón (Spain). MULTI is a joint development of the business areas Elevator Technology, Components Technology and Industrial Solutions, the project was coordinated by Corporate Technology, Innovation & Sustainability: an impressive example of how we use the combined strength of the Group for innovations.

246_m

The test tower for elevator innovations will be 246 m tall.

With the help of the Internet of Things (IOT) and big data, we will significantly increase the safety and availability of elevators. MAX is the name of the industry's first cloud-based predictive maintenance solution, developed by Elevator Technology. With MAX we aim to take the availability, reliability and efficiency of elevators to a whole new level. The intelligent, machine learning solution uses the enormous potential of the Internet of Things and by means of real-time diagnostics can significantly reduce elevator downtimes: MAX identifies maintenance issues before they occur; service technicians are informed in advance when components and systems need replacing. We plan to monitor around 180,000 elevators worldwide with MAX by the end of 2017.

Further earnings and margin improvement

In the 2015/2016 fiscal year Elevator Technology again significantly improved its adjusted EBIT year-on-year as a result of higher sales and margins. The earnings and margin improvement reflects a positive operating performance and the efficiency and restructuring measures under the corporate program “impact”. Despite the continuing difficult market situation in Europe, adjusted EBIT margin improved year-on-year by 0.5 percentage points to 11.5%. EBIT includes special items primarily due to restructuring measures in the Middle East and Europe.

+0.5

Adjusted EBIT margin improved by 0.5 percentage points.

Industrial Solutions

INDUSTRIAL SOLUTIONS IN FIGURES

		Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %
Orders in hand (Sept. 30)	million €	12,307	9,908	(19)
Order intake	million €	4,871	3,461	(29)
Net sales	million €	6,256	5,744	(8)
EBIT	million €	425	333	(22)
EBIT margin	%	6.8	5.8	–
Adjusted EBIT	million €	424	355	(16)
Adjusted EBIT margin	%	6.8	6.2	–
Employees (Sept. 30)		19,388	19,602	1

In the reporting year the Industrial Solutions business area comprised four business units with a broad spectrum of capabilities in project business: Process Technologies builds chemical plants and refineries; Resource Technologies provides innovative solutions for the extraction and processing of raw materials and builds equipment for the mining and cement industries; System Engineering supplies production systems for the automotive industry; Marine Systems stands for naval shipbuilding.

Order intake and sales down overall, mixed picture in the business units

In the 2015/2016 fiscal year the market environment for Industrial Solutions was persistently difficult: Oil and raw material prices remained volatile at a low level. Order intake decreased sharply.

In the Process Technologies business unit order intake declined steeply; chemical plant customers held back on investments. Nevertheless, with gas prices remaining low the US continues to be an attractive market for us, and we see growth opportunities in the Middle East, North Africa, and Asia-Pacific regions which we can exploit with our competitive offerings. Advantages here are our technological strength and our ability to provide custom solutions thanks to our regional presence. There was sustained demand for electrolysis plants in the reporting year, among other things we won mid-size orders for plants in Belgium and China.

The Resource Technologies business unit also recorded a sharp decline in order intake. Strong demand for cement plants with a major order from Yamama Cement in Saudi Arabia in the 1st quarter was not enough to offset continued subdued investment above all in new mining equipment. Resource Technologies received further orders from customers in Australia, Canada, Serbia, India and the USA. In the cement business customers value our wide offering of engineering, procurement and construction services for turnkey cement lines. A further major advantage is our technological flexibility with regard to the fuels used: With this we enable customers to respond to price changes in the energy sector and increase the profitability of their plants. In the mining business we won several medium-size orders in a weak market environment and are seeing initial signs of a market recovery in individual regions. To further strengthen our mining business we widened our technology portfolio for standard machinery and invested in associated infrastructure and equipment. In the service business we further expanded our 360-degree lifecycle services, which offer customers solutions throughout the entire lifecycle of mines and plants – from spare parts supply and management and field services to asset management. The integrated asset management solutions help increase plant performance and reduce total cost of ownership.

The System Engineering business unit achieved record order intake in the 2015/2016 fiscal year, breaking the billion barrier for the first time. This was mainly thanks to brisk demand for production systems for the automobile industry, particularly from customers in Europe and Asia. Among other things we won several major orders for body-in-white lines from leading German OEMs. We also succeeded in further strengthening our position in the electromobility market, receiving orders for the supply of battery assembly lines for example in China and the USA.

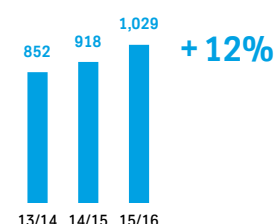
Marine Systems booked only smaller maintenance and service orders, e.g. for India, in the reporting year. Marine Systems is currently bidding for several major projects; in particular we are participating in the Europe-wide tender for the multi-role combat ship MKS 180 of the German Navy and pursuing submarine projects for India and Norway among others.

Sales in the Industrial Solutions business area declined as a result of the lower number of milestone billings in chemical plant construction, mining equipment and naval shipbuilding. However, at System Engineering the strongly positive sales trend continued.

Earnings down year-on-year; margin within target range – “planets” transformation program launched

Adjusted EBIT at €355 million was down year-on-year, in line with the drop in sales. Adjusted EBIT margin remained within the target range of 6% to 7%, supported by the effects of “impact”: Under the corporate program we implemented diverse cost-reduction measures, created synergies through the integration of the plant engineering business, and made further savings by optimizing sales and purchasing processes.

Order intake
System Engineering
in million €



In a dynamic and highly challenging environment, the new leadership team is currently implementing the “planets” transformation program to focus Industrial Solutions more firmly on customers, markets and the high-margin service business. We want to safeguard growth and efficiency over the long term and drive forward culture change in the business area. A central approach to enhancing efficiency and flexibility involves bringing together our entire plant engineering capabilities in a Network of Excellence. As well as giving us greater planning flexibility, this will allow us to optimize capacity management and increase value added in the regions. We are also currently reviewing the set-up of the individual operating units in the business area as a whole and implementing measures to further strengthen our competitiveness.

Under “planets” we introduced a new organizational structure and refilled key management positions as of the start of the new fiscal year from October 1, 2016. Industrial Solutions now has eight business units: Fertilizer & Syngas Technologies, Electrolysis & Polymer Technologies and Industrial Specialties in chemical plant engineering, Mining Technologies, Cement Technologies, Service, Marine Systems and System Engineering. This means the management tier of the former Resource Technologies and Process Technologies units has been eliminated, which will increase efficiency and transparency, strengthen the responsibility of the operating units, and shorten decision-making processes. Across all business units, alongside our traditional engineering, procurement and construction activities we want to significantly increase the share of service business and achieve sales growth both with individual products and machines and also through system integration. This will make our business generally more stable and less dependent on individual major orders and market cycles.

Materials Services

MATERIALS SERVICES IN FIGURES

		Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %
Order intake	million €	13,945	11,840	(15)
Net sales	million €	14,254	11,886	(17)
EBIT	million €	(38)	76	++
EBIT margin	%	(0.3)	0.6	–
Adjusted EBIT	million €	206	128	(38)
Adjusted EBIT margin	%	1.4	1.1	–
Employees (Sept. 30)		20,226	19,754	(2)

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



Industrial Solutions wants to focus more firmly on customers, markets, and the high-margin service business.

We are bundling together our plant engineering services and want to increase the share of service in the business area's sales to around a third on a long term basis.



Materials Services profits from a deep understanding of the market, an international setup and engaged and motivated employees.

In assessing the figures for Materials Services it is important to note that in the 2014/2015 fiscal year the VDM group was still included until July 2015 and the RIP group in Brazil until November 2014.

Orders and sales down year-on-year mainly due to lower prices

The fiscal year was characterized by sharply declining prices for almost all materials, the severity and persistence of which in some cases into the 2nd half-year were graver than generally expected. Accordingly order intake and sales were clearly down year-on-year; on a comparable basis the declines were 10% and 11% respectively.

Order intake and sales clearly lower year-on-year.

In the warehouse and service business all regions and units were affected by the fall in sales; this was also true of our processing services, though here volumes were appreciably higher year-on-year. With the acquisition of service centers in Spain and Hungary we further strengthened our position as a partner particularly to the auto industry. The biggest drop in sales was recorded by our global direct-to-customer and trading operations: While the prior year included an unusually large individual order, in the reporting year sales were impacted by numerous trade barriers. Our logistics services for the aerospace sector performed significantly better; contributory factors here were new long-term orders and the expansion of our global network. Sales of the production and distribution operations of AST in Italy were down from the prior year despite an almost 10% rise in volumes; this reflected particularly clearly the weak stainless steel price situation. Altogether the Materials Services business units sold 12.6 million tons of materials compared with 13.4 million tons a year earlier; this included 0.9 million tons of flat-rolled stainless steel products from AST (prior year: 0.8 million tons). Sales of metals in the warehousing and service business were virtually level with the prior year at 6.2 million tons. Our global direct-to-customer and trading business recorded sales of 3.4 million tons, compared with 4.0 million tons the year before. We sold 3.0 million tons of raw materials, around half a million tons less than a year earlier. Shipments of coke and coal fell sharply, but shipments of nickel ore were significantly higher.

Digitization as an element of customer focus and efficiency enhancement

In our business, customer focus and strong reliability are key success factors. Creating added value for our customers is central to our brand promise and our initiatives. As part of the ongoing digitization of our business processes and distribution channels, which are based on our sophisticated warehousing, logistics and IT systems, we already operate several modern internet shops and portals for our existing customers and end users. Since the beginning of the year, end customers in selected European countries have been able to order materials for the first time from our new “materials4me” online shop. More than 15,000 products are already available on the site. Our Online Metals shop in the USA has been open for business since 2007 and today offers around 65,000 products. The next steps in our digital transformation process will focus on the automation of processes in warehousing, production and logistics and increasing integration with customers and suppliers. Digital connectedness, data analysis, and real time data exchange open up whole new possibilities for dialogue and flexible collaboration which will further strengthen customer ties and create efficiency advantages for both sides.



Digital sales channels enhance our offering and open up new customer groups.

Adjusted EBIT lower year-on-year

On account of the very difficult market environment particularly in the 1st half, Materials Services' adjusted EBIT was clearly lower year-on-year. Alongside strong competitive and price pressure, this reflected windfall losses, which in the case of stainless steel continued into the 3rd quarter, and the absence of earnings contributions from sold activities, which came to more than €40 million the year before.

The Italian stainless steel plant AST delivered its first positive contribution to net income for the year. The turnaround at AST, achieved despite high windfall losses, impressively documents the effectiveness of the ongoing restructuring process.

Steel Europe

STEEL EUROPE IN FIGURES

		Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %
Order intake	million €	8,421	8,146	(3)
Net sales	million €	8,697	7,633	(12)
EBIT	million €	514	316	(39)
EBIT margin	%	5.9	4.1	–
Adjusted EBIT	million €	492	315	(36)
Adjusted EBIT margin	%	5.7	4.1	–
Employees (Sept. 30)		27,601	27,559	0

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

With our profound knowledge of the needs of our customers, technical know-how, and the advantage of being part of a strong group, we develop custom solutions.

Orders and sales lower year-on-year

The difficult market and competitive environment continued to weigh on the performance of Steel Europe. Average selling prices remained inadequate. The fall in European spot market prices persisted until the middle of the fiscal year, with a delayed impact on our deals. Although the market subsequently picked up, our high share of long-term contracts meant we could not profit fully from this before the end of the fiscal year.

Average selling prices failed to come up to an adequate level.

Order intake declined solely due to lower prices. The price pressure on new deals continued into the 3rd quarter. By contrast order volumes climbed 6% to 11.8 million tons in the reporting year. We registered a noticeable improvement in orders especially in the spring: The incipient recovery in market prices caused many customers to build up stocks. In the final quarter of the fiscal year order intake was down again – for seasonal reasons but also in part due to temporarily reduced bookings due to production disturbances among other things following the fire at the hot-rolling mill in Bochum.

Sales of Steel Europe were down significantly from the prior year. This mainly reflected the decline in average net selling prices, but shipments too were 5% lower year-on-year at 11.2 million tons. Overall and particularly in the 1st half of the fiscal year sales decreased for market reasons, but in the 2nd half production-related cutbacks were the main cause. However, there was a small increase in shipments to the auto industry as well as to the construction and appliance industries. Shipments to other customer groups decreased.

At 12.0 million tons, crude steel production in the past fiscal year including supplies from Hüttenwerke Krupp Mannesmann was 3% lower year-on-year. To offset temporary supply difficulties we purchased around 0.5 million tons of slabs from our Brazilian plant CSA.

Rolled steel production for customers was 7% lower at 11.1 million tons, mainly reflecting the deliberate reduction of shipments in the first half of the reporting period. In addition in the second half of the year production stoppages were necessary in some areas, particularly the hot rolling operations, due to planned repairs and a higher incidence of outages which in isolated cases also created problems with supplies to our customers.

EBIT lower – “one steel” launched

The Steel Europe business area reported significantly lower adjusted EBIT in the year under review. The deterioration was mainly caused by lower volumes and prices. Temporarily lower raw material costs did little to ease the situation. However, the extensive efficiency measures under “impact” had a stabilizing effect and also contributed to an earnings recovery in the course of the reporting year. In addition we initiated the “one steel” strategic program in the reporting year. The aim of the program is to secure our long-term competitiveness, a task which is all the more important in the currently difficult climate. Under the program all strategic initiatives are bundled together and managed centrally. We want to become Europe’s leading steel company in all relevant markets and sectors and continually earn more than our cost of capital. Important levers are a stronger market and customer orientation, further efficiency gains in production, optimization of the product range towards high-margin grades, accelerated development and delivery of innovations, and clear performance improvements in the supply chain. The measures developed and approved will be implemented step by step in the coming years.

one steel

New strategic program “one steel”
aims to secure our competitiveness.

Steel Americas

STEEL AMERICAS IN FIGURES

		Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %
Order intake	million €	1,723	1,525	(11)
Net sales	million €	1,773	1,489	(16)
EBIT	million €	(147)	(22)	85
EBIT margin	%	(8.3)	(1.5)	–
Adjusted EBIT	million €	(138)	(33)	76
Adjusted EBIT margin	%	(7.8)	(2.2)	–
Employees (Sept. 30)		3,725	3,847	3

The Steel Americas business area supplies in particular the US and Brazilian markets with high-quality slabs from its steel mill in Brazil (CSA). A long-term slab supply contract with ArcelorMittal reliably secures a minimum 40% capacity utilization for our plant for several years.

Long-term slab supply contract secures minimum utilization rate over several years.

Order intake and sales lower year-on-year due to lower prices

In the reporting year the market and competitive environment for Steel Americas remained difficult; particularly in the 1st half of the fiscal year selling prices were unsatisfactory. Order intake was significantly lower year-on-year. However, order volumes were 8% higher on average over the year, totaling 4.2 million tons. Order intake improved significantly in the 2nd half of the fiscal year, mainly as a result of the positive trend in market prices.

Sales were down sharply from a year earlier mainly as a result of lower selling prices. Shipments on the other hand were 14% higher year-on-year at 4.4 million tons. Crude steel production came to 4.3 million tons, up 7% from the year before. This was mainly attributable to improved production stability, particularly in the 2nd half of the fiscal year. We are making good and steady progress with the establishment of further long-term customer relationships; above all in the Brazilian home market we succeeded in gaining market share.

EBIT higher

Adjusted EBIT of the Steel Americas business area was significantly higher year-on-year, but still slightly negative overall: Clear progress with improved volumes and extensive efficiency measures, a market recovery in the 2nd half, and positive exchange rate effects on input tax credits at CSA partly offset the severe price and margin pressure in the 1st half of the fiscal year. In the 2nd half earnings were already clearly positive; over the full year positive cash flow was generated. We made significant progress with the implementation of the efficiency program UP ("Ultimate Performance"). This is already having a positive effect on slab costs and will continue to improve cost efficiency at CSA over the long term.

Positive earnings in 2nd half; full-year cash flow positive.

Corporate at thyssenkrupp AG

The Group is managed centrally by thyssenkrupp AG as corporate headquarters. Corporate comprises the Group's head office including administration for the regions, asset management for the Group's real estate, and the global shared services activities.

Adjusted EBIT at Corporate was €(497) million in the 2015/2016 fiscal year, €83 million down from the year before. This was mainly the result of project costs in connection with our digital initiatives for the standardization of the IT infrastructure and data and process harmonization. EBIT was €(542) million and included special items of altogether €45 million.

To further optimize control structures and increase the transparency of cost reporting for our headquarters and other activities at Corporate, from the 2016/2017 fiscal year we will be dividing Corporate into four areas: Corporate Headquarters ("CorpHQ"), Regions, Service Units and Special Units.

From fiscal 2016/2017 we will divide Corporate into four areas.

CorpHQ mainly comprises the Executive Board of thyssenkrupp AG and the corporate functions. It will also include the management of the Groupwide transformation programs for the harmonization of the IT infrastructure ("unite"), data and processes ("daproh"), and HR processes ("HR Transformations").

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

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

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

Results of operations and financial position

The next two sections contain an analysis of the earnings situation based on the statement of income and an analysis of the statement of financial position. The subsequent analysis of the financial situation includes information on financing. It is followed by a discussion of the statement of cash flows including a description of key investment areas in the business areas.

Analysis of the statement of income

Net sales were down year-on-year in fiscal 2015 / 2016. The decline was mainly due to lower sales in the materials businesses as a result of strong import and price pressure on the materials markets. Cost of sales decreased at a higher rate than sales, primarily as a result of lower materials expense. Gross margin improved to 17%.

Cost of sales decreased at a higher rate than sales; gross margin increased to 17%.

The reduction in selling expenses was mainly due to lower freight expense and lower impairment losses on trade accounts receivable. The rise in general and administrative expenses mainly reflected higher personnel expenses. Other expenses were lower, mainly due to the absence of the increase in a provision recognized in the prior year in connection with a settlement with the non-operating US company The Budd Company, which is currently in liquidation. The improvement in other gains and losses was mainly due to the currency translation of refund entitlements in connection with non-income taxes.

Finance income was down, mainly reflecting lower exchange rate gains in connection with finance transactions, lower income from accrued interest for refund entitlements in connection with non-income taxes, and the absence of a gain from the divestment of a shareholding in a logistics company in the Steel Europe business area recognized in the prior year. The overall reduction in finance expenses resulted mainly from lower expense from derivatives in connection with financing as well as declining interest expense for financial debt; this was partly offset by increased currency losses from finance transactions.

Tax expense as in the prior year was impacted by the non-recognition of deferred tax assets for current losses at individual Group companies. After taking into account income taxes, income from continuing operations was at the prior-year level.

CONSOLIDATED STATEMENT OF INCOME

million €, earnings per share in €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Net sales	42,778	39,263
Cost of sales	(35,904)	(32,637)
Gross margin	6,874	6,625
Research and development cost	(330)	(373)
Selling expenses	(2,996)	(2,865)
General and administrative expenses	(2,284)	(2,415)
Other income	284	234
Other expenses	(371)	(114)
Other gains/(losses), net	(223)	112
Income/(loss) from operations	954	1,204
Income from companies accounted for using the equity method	33	46
Finance income	1,320	1,030
Finance expense	(1,811)	(1,627)
Financial income/(expense), net	(458)	(552)
Income/(loss) from continuing operations before income taxes	496	652
Income tax (expense)/income	(217)	(391)
Income/(loss) from continuing operations (net of tax)	279	261
Discontinued operations (net of tax)	(11)	0
Net income/(loss)	268	261
Thereof:		
thyssenkrupp AG's stockholders	309	296
Non-controlling interest	(41)	(35)
Net income/(loss)	268	261
Basic and diluted earnings per share based on		
Income/(loss) from continuing operations (attributable to thyssenkrupp AG's stockholders)	0.57	0.52
Net income/(loss) (attributable to thyssenkrupp AG's stockholders)	0.55	0.52

See accompanying notes to consolidated financial statements.

Analysis of the statement of financial position

Total assets were lower than at September 30, 2015.

The increase in non-current assets mainly reflected higher deferred taxes particularly in connection with the losses from the remeasurement of pensions and similar obligations recognized in other comprehensive income. Additions to property, plant and equipment above the level of depreciation and an increase in refund entitlements in connection with non-income taxes recognized in other non-financial assets also contributed to the increase. The decrease in investment property resulted mainly from reclassifications to assets held for sale following the initiation of the disposal of German property classified as non-operating real estate in the 3rd fiscal quarter.

The significant decrease in current assets mainly reflected price- and volume-related decreases in the inventories of the materials businesses and lower cash and cash equivalents, primarily due to the repayment of financial debt.

Total equity at September 30, 2016 was down from a year earlier. This was mainly due to €891 million losses (after taxes) recognized in other comprehensive income as a result of the remeasurement of pensions and similar obligations due to the fall in the discount rate as well as €120 million dividend payments. This was partly offset by the €261 million net income for the reporting year and €74 million currency translation gains recognized in other comprehensive income. The equity ratio fell to 7.4%.

Total equity was lower, mainly due to the remeasurement of pensions and similar obligations due to the fall in the discount rate.

The increase in non-current liabilities was mainly due to provisions for pensions and similar obligations as a result of the aforementioned remeasurement. The decline in non-current other provisions mainly related to reclassifications to other financial liabilities as a result of the settlement of claims against thyssenkrupp companies in connection with the non-operating US company The Budd Company currently in liquidation. Further offsetting effects resulted from the reduction in non-current financial debt. The reclassification to current financial debt of a bond due in February 2017 with a total volume of €1,250 million was partly offset by the issuing of a bond with a total volume of €850 million in March 2016 as well as the placement of loan notes in the 1st half of the reporting year.

The decrease in current liabilities related in particular to current non-financial liabilities, mainly as a result of significantly lower liabilities in connection with construction contracts. Current financial debt was also lower; the increase from the aforementioned reclassification from non-current financial debt was more than offset by the repayment of a €1,000 million bond in February 2016 and repayments of loan notes. There were further decreases, mainly in other financial liabilities, from derivatives accounting and amounts utilized in other current provisions in connection with restructuring measures. This was partly offset by increases in trade accounts payable relating mainly to the elevator and components businesses.

Consolidated statement of financial position

ASSETS

million €	Sept. 30, 2015	Sept. 30, 2016
Intangible assets	4,529	4,570
Property, plant and equipment	8,728	8,872
Investment property	239	66
Investments accounted for using the equity method	303	284
Other financial assets	47	44
Other non-financial assets	343	445
Deferred tax assets	2,031	2,322
Total non-current assets	16,220	16,604
Inventories	6,945	6,341
Trade accounts receivable	5,118	5,003
Other financial assets	319	407
Other non-financial assets	2,397	2,376
Current income tax assets	160	172
Cash and cash equivalents	4,535	4,105
Assets held for sale	0	65
Total current assets	19,474	18,468
Total assets	35,694	35,072

See accompanying notes to consolidated financial statements.

EQUITY AND LIABILITIES

million €	Sept. 30, 2015	Sept. 30, 2016
Capital stock	1,449	1,449
Additional paid-in capital	5,434	5,434
Retained earnings	(4,123)	(5,255)
Cumulative other comprehensive income	422	474
Equity attributable to thyssenkrupp AG's stockholders	3,182	2,102
Non-controlling interest	125	507
Total equity	3,307	2,609
Accrued pension and similar obligations	7,654	8,754
Provisions for other employee benefits	339	373
Other provisions	906	589
Deferred tax liabilities	53	33
Financial debt	6,385	6,157
Other financial liabilities	2	221
Other non-financial liabilities	5	6
Total non-current liabilities	15,344	16,134
Provisions for current employee benefits	362	408
Other provisions	1,066	963
Current income tax liabilities	241	279
Financial debt	1,570	1,455
Trade accounts payable	4,985	5,119
Other financial liabilities	1,226	975
Other non-financial liabilities	7,593	7,130
Total current liabilities	17,043	16,329
Total liabilities	32,387	32,463
Total equity and liabilities	35,694	35,072

See accompanying notes to consolidated financial statements.

Financing

Principles and aims of financial management

The financing of the Group is handled centrally by thyssenkrupp AG. It is based on a multi-year financial planning system and a monthly rolling liquidity planning system covering a planning period of up to a year. The cash inflows from our operating activities are our main source of liquidity. Our cash management systems allow Group companies to use surplus funds of other units to cover their liquidity requirements. This reduces the volume of external financing and thus interest expense. External financing requirements are covered using money and equity market instruments such as bonds, loan notes or commercial papers. We also make use of committed credit facilities in various currencies and with various terms, as well as selected off-balance financing instruments such as factoring programs and operating leases. Information on the available credit facilities is provided in Note 17.

Central financing enables us to act as a single entity on the capital markets. This strengthens our negotiating position vis-à-vis banks and other market players and makes it easier for us to raise or invest capital on the best possible terms and conditions.

Net financial debt and available liquidity

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

The net financial debt of the full Group at September 30, 2016 stood at €3,500 million, only slightly higher than the level at September 30, 2015 (€3,414 million). Taking into account cash, cash equivalents, committed undrawn credit lines and the balanced maturity structure, thyssenkrupp is solidly financed.

At the balance sheet date the Group's available liquidity came to €8.0 billion, consisting of €4.1 billion cash and cash equivalents and €3.9 billion committed undrawn credit lines. Additional financing possibilities were available to us under a commercial paper program with a limit of €1.5 billion. Under the program commercial papers can be issued with a term of up to 364 days depending on investor demand. At September 30, 2016 we had not made use of the program.

€8.0 billion

The Group's available liquidity amounted to €8.0 billion.

The available liquidity offers enough scope to cover debt maturities. The gross financial debt repayable in the 2016 / 2017 fiscal year amounts to €1.5 billion.

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

thyssenkrupp AG has agreements with banks which contain certain conditions in the event that the gearing ratio (net financial debt to equity) in the consolidated financial statements exceeds an applicable limit at the closing date (September 30). The applicable limit lies in a range from 150% to 200% and depends on the discount rate used to calculate thyssenkrupp's pension obligations in Germany. At September 30, 2016 the applicable gearing limit for thyssenkrupp AG based on these agreements was 185%.

134.2%

The gearing ratio was 134.2%.

In addition, CSA has concluded a development loan with BNDES (carrying value €310 million at September 30, 2016). BNDES agreed to an amendment of the gearing covenant at September 30, 2016, as a result of which the gearing ratio limit is in a range from 150% to 185%.

At the balance sheet date the gearing ratio was 134.2% and therefore below the agreed limit in all cases.

Financing measures

Bond and loan notes issued – In March 2016 thyssenkrupp AG issued a bond with a total volume of €850 million, a maturity of five years and a coupon of 2.75% p.a. under its €10 billion debt issuance program. With the transaction we made use of the good market environment; as a result we were able to extend the maturity profile of our financial debt and strengthen the capital market share in our financing mix.

In addition, thyssenkrupp AG issued a €100 million loan note in December 2015 with a maturity of three years and an interest rate of 0.931% p.a. as well as a €150 million loan note in March 2016 with a maturity of five years and an interest rate of 1.75% p.a.

Syndicated credit line extended – In March 2016 thyssenkrupp prematurely extended its €2.0 billion syndicated credit line to March 2021.

Rating

We have been rated by Moody's and Standard & Poor's since 2001 and by Fitch since 2003. In February 2016 Moody's downgraded our rating to Ba2 with stable outlook. All our ratings are thus currently below investment grade with a stable outlook.

RATING

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

Analysis of the statement of cash flows

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

Operating cash flows

In the reporting year net cash inflow from operating activities was slightly higher than a year earlier. This was mainly due to the improved net income before depreciation and deferred taxes.

Cash flows from investing activities

At €1,387 million capital spending in the reporting year was higher than a year earlier (€1,235 million or €1,335 million excluding cash acquired in connection with the increase in Elevator Technology's stake in Marohn Elevator and the first-time consolidation of thyssenkrupp Uhde Chlorine Engineers at Industrial Solutions). Capital spending increased at all the capital goods businesses; overall spending by the materials activities was level with the prior year. The share of the capital goods businesses in total investment therefore increased further and now stands at 50%.

Capital allocation improved further, the share of the capital goods businesses in the investment mix was strengthened further.

INVESTMENTS BY BUSINESS AREA

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %
Components Technology	392	488	24
Elevator Technology	89	135	52
Industrial Solutions	22	75	236
Materials Services	115	137	19
Steel Europe	458	400	(13)
Steel Americas	86	110	27
Corporate	76	45	(41)
Consolidation	(3)	(5)	–
Total investments	1,235	1,387	12

Components Technology – Investments in the Chassis business unit focused mainly on building production capacities for electric steering systems, in particular in China and Mexico, and on a new plant in Mexico for active and passive damper systems. In the Powertrain business unit investments were made to expand capacities for cylinder head modules in China, Europe and Mexico (for the US market). A new combined plant for electric steering systems and cylinder head modules is being built in Hungary. Selective investments were made in the industrial components business to expand slewing ring production, focusing on rotor bearings and large diameter rings for multi-megawatt wind turbines in Germany and China.

Elevator Technology – At Elevator Technology we are currently implementing an extensive growth strategy and invested further in the international expansion of our service network and production sites. Details of the growth strategy can be found in the section “Business Area review”.

Industrial Solutions – Our Process Technologies business unit added to its technology portfolio by acquiring an oxygen depolarized cathode technology in its electrolysis business. At Resource Technologies we invested in measuring equipment to improve our service business. This business also expanded its technology portfolio to strengthen its market position in standard machinery and equipment for mining. System Engineering invested in growth and further internationalization in its forming dies business. Marine Systems focused on the continuing modernization of its Kiel shipyard.

Materials Services – In addition to the acquisition of a steel service center in Hungary and the full acquisition of a steel service center in Spain, investments focused mainly on the expansion and modernization of warehousing and service activities worldwide. Further spending related to modernization and maintenance at AST.

Steel Europe – One important investment decision related to the construction of a new ladle furnace at BOF meltshop 2 in Duisburg. This new furnace will make it possible to produce particularly high-quality grades and thus help further focus our portfolio on premium products, in particular high-strength steels for the automotive industry. The project launched in September 2016. Modernization measures in the reporting year included work on the sinter line; new burner technology also appreciably improves the line’s energy efficiency. Extensive upgrades were also carried out on three lines to strengthen our tinplate production site thyssenkrupp Rasselstein in Andernach. Further substantial amounts were spent on modernizing the IT infrastructure. Steel

Europe invests continuously in the maintenance of its plants and further improving environmental protection.

Steel Americas – Capital expenditures at our Brazilian steel mill focused on further improving environmental performance and further technical optimization.

Corporate – Our Asset Management unit consolidates property investments for the entire Group. For example our Elevator Technology business area is currently building a test and development tower for elevators in Rottweil in the German state of Baden-Württemberg. There was also further IT spending in the reporting year, for example for standardizing the IT infrastructure, data and process harmonization and the central purchase of software licenses.

Capital spending in the reporting year resulted in a net cash outflow of €1,196 million. This year-on-year increase was mainly due to the absence of the proceeds from the sale of the VDM group and the service activities of the RIP group at Materials Services recognized in the prior year as well as the divestment of a shareholding in a logistics company at Steel Europe. This was partly offset by cash inflows in connection with the disposal initiated in the reporting year of German property classified as non-operating real estate.

Free cash flow

RECONCILIATION TO FREE CASH FLOW BEFORE M & A

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change
Operating cash flows (consolidated statement of cash flows)	1,300	1,387	87
Cash flows from investing activities (consolidated statement of cash flows)	(638)	(1,196)	(558)
Free cash flow (FCF)	662	191	(470)
–/+ Cash inflow/cash outflow resulting from material M & A transactions	(547)	6	553
Free cash flow before M & A (FCF before M & A)	115	198	83

€198 million

Free cash flow before M & A again positive at €198 million.

In the reporting year we again generated positive free cash flow, although it was down from the prior year mainly due to the lower cash inflows from disposals. Free cash flow before M & A, i.e. operating cash flows excluding cash inflows or outflows from major portfolio measures, was also positive again and was higher year-on-year. Impacts from low order intake and the reduced order backlog at Industrial Solutions, in particular at Process Technologies and Marine Systems, were more than offset by positive cash flows from all other business areas.

Cash flows from financing activities

Financing activities resulted in a net cash outflow. This was mainly due to net repayment of financial debt, compared with net proceeds in the prior year. The lower cash outflow from other financing activities mainly reflects reduced expenditures for currency and cross-currency swaps in connection with Group financing.

CONSOLIDATED STATEMENT OF CASH FLOWS

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Net income/(loss)	268	261
Adjustments to reconcile net income/(loss) to operating cash flows:		
Discontinued operations (net of tax)	11	0
Deferred income taxes, net	(110)	83
Depreciation, amortization and impairment of non-current assets	1,397	1,259
Reversals of impairment losses of non-current assets	(3)	(8)
Income/(loss) from companies accounted for using the equity method, net of dividends received	(33)	(46)
(Gain)/loss on disposal of non-current assets	(58)	(23)
Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes		
– Inventories	311	625
– Trade accounts receivable	636	74
– Accrued pension and similar obligations	(138)	(119)
– Other provisions	77	(55)
– Trade accounts payable	36	146
– Other assets/liabilities not related to investing or financing activities	(1,083)	(811)
Operating cash flows – continuing operations	1,311	1,387
Operating cash flows – discontinued operations	(11)	0
Operating cash flows – total	1,300	1,387
Purchase of investments accounted for using the equity method and non-current financial assets	(2)	(8)
Expenditures for acquisitions of consolidated companies net of cash acquired	45	(17)
Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property	(1,150)	(1,216)
Capital expenditures for intangible assets (inclusive of advance payments)	(128)	(146)
Proceeds from disposals of investments accounted for using the equity method and non-current financial assets	97	1
Proceeds from disposals of previously consolidated companies net of cash disposed	400	9
Proceeds from disposals of property, plant and equipment and investment property	100	180
Proceeds from disposals of intangible assets	0	2
Cash flows from investing activities – continuing operations	(638)	(1,196)
Cash flows from investing activities – discontinued operations	0	0
Cash flows from investing activities – total	(638)	(1,196)
Proceeds from issuance of bonds	1,350	850
Repayments of bonds	(750)	(1,000)
Proceeds from liabilities to financial institutions	2,855	972
Repayments of liabilities to financial institutions	(3,074)	(1,140)
Proceeds from/(repayments on) loan notes and other loans	58	(142)
Increase/(decrease) in bills of exchange	4	(4)
(Increase)/decrease in current securities	1	(3)
Payment of thyssenkrupp AG dividend	(62)	(85)
Proceeds from non-controlling interest to equity	15	0
Profit attributable to non-controlling interest	(63)	(35)
Expenditures for acquisitions of shares of already consolidated companies	(1)	(6)
Other financing activities	(411)	(67)
Cash flows from financing activities – continuing operations	(78)	(658)
Cash flows from financing activities – discontinued operations	0	0
Cash flows from financing activities – total	(78)	(658)
Net increase/(decrease) in cash and cash equivalents – total	584	(467)
Effect of exchange rate changes on cash and cash equivalents – total	(89)	37
Cash and cash equivalents at beginning of year – total	4,040	4,535
Cash and cash equivalents at end of year – total	4,535	4,105
Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows of continuing operations:		
Interest received	122	89
Interest paid	(464)	(432)
Dividends received	116	61
Income taxes paid	(274)	(324)

See accompanying notes to consolidated financial statements.

Assets not recognized and off-balance financing instruments

In addition to the assets recognized on the balance sheet, the Group also uses non-recognized assets. These are mainly leased or rented assets (operating leases). More details on this can be found under Note 21. Our off-balance financing instruments also include factoring programs. More details can be found under Note 10. Should financing instruments of this kind no longer be available in the future, we have adequate available credit lines. This also applies to the non-recourse factoring of receivables, which the Group sold in connection with ordinary business activities in the amount of €1.6 billion at the closing date; in the prior year the amount was €1.5 billion.

Annual financial statements of thyssenkrupp AG

thyssenkrupp AG is the parent company of the thyssenkrupp Group. The Executive Board of thyssenkrupp AG is responsible for the management of the Company and the Group. This includes above all defining corporate strategy and allocating resources as well as executive development and financial management. The annual financial statements of thyssenkrupp AG were prepared according to the rules of the German Commercial Code (HGB), the management report is combined with the management report on the Group. The parent-company financial statements are used to calculate unappropriated income and thus the amount of the possible dividend payment.

Course of business, future development and risk position

Course of business 2015/2016

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

Expected development 2015/2016 with material opportunities and risks

The expected development of thyssenkrupp AG in the 2015/2016 fiscal year also depends mainly on the development of the Group as a whole and its opportunity and risk position. This is the subject of the forecast, opportunity and risk report of the Group. To this extent the information provided there on the expected development and risk position of the Group also applies to the future development and risk position of thyssenkrupp AG.

As parent company of the Group, thyssenkrupp AG receives income in particular from its equity investments. Net income from investments comprises profits and losses transferred from domestic subsidiaries and dividends distributed by foreign subsidiaries. Accordingly, the positive expectations for the Group’s business performance in 2016/2017 should also be reflected in the income of thyssenkrupp AG. Overall we expect an unappropriated profit at thyssenkrupp AG in 2016/2017 that will allow our shareholders to share appropriately in the earnings of the Group.

For 2016/2017 we expect an unappropriated profit that will allow our shareholders to participate appropriately in the earnings of the Group.

Results of operations

thyssenkrupp AG reported net income of €161 million in the 2015/2016 fiscal year, compared with a net loss of €122 million a year earlier.

Net income from investments increased by €967 million to €855 million.

Income from profit and loss transfer agreements was up by €411 million to €694 million. In addition, expenses from loss transfers decreased by €551 million to €84 million. After a loss of €284 million in the prior year, thyssenkrupp Technologies Beteiligungen GmbH recorded positive earnings of €240 million. After a loss transfer of €165 million in the last fiscal year, thyssenkrupp Materials Services GmbH transferred a profit of €60 million. Thyssen Stahl GmbH increased its income by €115 million to €323 million.

In addition, a total of €244 million income from investments resulted in particular from dividend payments of thyssenkrupp Nederland Holding B.V.

The €601 million decreased in other operating income was mainly due to €739 million write-ups on shares in affiliated companies. In fiscal 2015/2016 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 resulted in other operating income of €392 million (prior year: €242 million).

In the 2015/2016 fiscal year there were €40 million write-downs on financial assets relating to the shares of thyssenkrupp UK Plc.

Compared with a year earlier, general administrative expenses increased by €34 million to €667 million. This was mainly due to expenses for IT consultancy (€45 million higher) and higher salary expenses (€43 million higher). This was partly offset by a €36 million decrease in expenses for post-retirement benefits, in particular due to lower allocations to pension provisions compared with a year earlier.

Other operating expenses include in particular €73 million internal waivers of receivables from thyssenkrupp Presta Aktiengesellschaft.

Income from ordinary activities came to €168 million (prior year: €(157) million).

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

After income taxes, net income was €161 million (prior year: net loss of €122 million).

Financial position

Total assets decrease year-on-year by €1,404 million to €37,364 million. At September 30, 2016 fixed assets as a percentage of total assets were 1 percentage point higher than a year earlier at 69%.

Fixed assets fell by €717 million to €25,598 million. Shares in affiliated companies were €677 million lower at €22,110 million. The reductions were mainly due to the €659 million release of additional paid-in capital at Thyssen Stahl GmbH. A €40 million impairment charge was taken on the shares of thyssenkrupp UK Plc. The acquisition of €20 million shares in thyssenkrupp Rothe Erde GmbH resulted in an addition to shares in affiliated companies.

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

€161 million

net income

At September 30, 2016 receivables from affiliated companies were up by €89 million from the prior year to €8,968 million. The increase related mainly to other receivables from profit transfer agreements (€411 million). This was partly offset by a €321 million reduction in intercompany account balances.

thyssenkrupp AG bears liability from the internal transfer of pension obligations. The indemnification right created by transfer of responsibility for meeting the obligations recognized under miscellaneous assets decreased by €247 million in the past fiscal year to €346 million. The decrease was mainly due to internal retransfers from thyssenkrupp Regional Services Germany GmbH to thyssenkrupp AG. Correspondingly this was recognized under pension obligations.

At September 30, 2016 cash in hand and cash at banks was €538 million lower year-on-year at €2,345 million.

Total equity increased by €76 million to €5,843 million at September 30, 2016. This change was due to the net income of €161 million and the dividend payment of €85 million. The equity ratio therefore rose to 16% (prior year: 15%).

The €21 million reduction in pension provisions was mainly due to payments (€24 million) and the change in the aforementioned internally transferred pension obligations (€38 million). The €21 million additions and the €21 million accrued interest offset each other. In other provisions, the provision for share-based compensation increased by €20 million and the provision for outstanding invoices by €28 million.

In March 2016 a bond with a total volume of €850 million was issued under the €10 billion debt issuance program with a maturity of five years and a coupon of 2.75% p.a. In December 2015 a €100 million loan note was issued with a maturity of three years and a coupon of 0.931% p.a., and in March 2016 a €150 million loan note with a maturity of five years and a coupon of 1.75% p.a.

Liabilities to affiliated companies are mainly deposits by subsidiaries in the Group's central financial clearing system. Liabilities to affiliated companies were €2,189 million lower year-on-year at €23,019 million. This was mainly due to a €960 million loan repayment, a €654 million reduction in intercompany liabilities as well as lower liabilities from loss transfers. More information on the financial position of thyssenkrupp AG is contained in the Notes to the parent-company financial statements.

Unappropriated income and proposal for the appropriation of net income

The legal basis for the distribution of a dividend is the unappropriated income of thyssenkrupp AG calculated in accordance with HGB. The annual financial statements show unappropriated income of €1,427 million. The Executive Board and Supervisory Board propose to the Annual General Meeting that the unappropriated income for the 2015/2016 fiscal year in the amount of €1,427 million be used as follows: Distribution of a dividend of €0.15 per eligible share and the remaining amount to be carried forward.

€1,427 million

unappropriated income

Statement of financial position of thyssenkrupp AG

ASSETS

million €	Sept. 30, 2015	Sept. 30, 2016
Fixed assets		
Purchased intangible assets	54	54
Property, plant and equipment	370	341
Financial assets	25,891	25,203
	26,315	25,598
Operating assets		
Receivables and other assets	9,525	9,375
Cash on hand and cash at banks	2,883	2,345
	12,408	11,720
Prepaid expenses and deferred charges	45	46
Total assets	38,768	37,364

EQUITY AND LIABILITIES

million €	Sept. 30, 2015	Sept. 30, 2016
Total equity		
Capital stock	1,449	1,449
Additional paid-in capital	1,473	1,473
Other retained earnings	1,494	1,494
Unappropriated net income	1,351	1,427
	5,767	5,843
Provisions		
Accrued pension and similar obligations	1,129	1,107
Other provisions	213	240
	1,342	1,347
Liabilities		
Bonds	5,450	6,300
Liabilities to financial institutes	471	375
Liabilities to affiliated companies	25,208	23,019
Other liabilities	528	477
	31,657	30,171
Deferred income	2	3
Total equity and liabilities	38,768	37,364

STATEMENT OF INCOME

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Net income from investments	(112)	855
Other operating income	1,091	490
Write-downs of financial assets and securities classed as operating assets	(21)	(41)
General administrative costs	(633)	(667)
Other operating expense	(76)	(120)
Net interest	(406)	(349)
Income from ordinary activities	(157)	168
Income taxes	35	(7)
Net income / loss	(122)	161
Profit carried forward	1,473	1,266
Unappropriated net income	1,351	1,427

Technology and innovations

Innovation strategy

When it comes to innovation thyssenkrupp takes a systematic approach: We work together closely within the Group across sector and technology boundaries, optimizing and standardizing basic innovation and manufacturing processes. In this way we make targeted use of our combined strength as a diversified industrial group.

The driving force behind our innovations is our global research and development (R&D) network with more than 3,500 employees at around 100 sites. In addition we cooperate with external partners such as universities, research institutes and other industrial enterprises. Our innovative capabilities are reflected in the roughly 2,000 industrial property rights we registered in the reporting period. thyssenkrupp's patent portfolio now contains some 18,000 patents and utility models. Spending on research and development came to €778 million in the reporting year, an increase of 6% year-on-year. Adjusted R&D intensity – the share of R&D costs in sales excluding trading and distribution – was 2.6%, in line with our goal of a sustainable adjusted R&D intensity of around 2.5%.

In the 2015/2016 fiscal year we capitalized development costs of €23 million, compared with €18 million in 2014/2015. The share of capitalized costs in the overall research and development costs – the capitalization ratio – increased slightly from 5.2% a year ago to 5.8%.



Cooperation for the technologies
of the future.

RESEARCH AND DEVELOPMENT

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %
Research and development costs	330	373	13
Amortization of capitalized development costs	55	44	(20)
Order-related development costs	350	361	3
Total expenditure on research and development	735	778	6

Key development areas

The long-term horizon for our research and development work is set by our innovation foresight process, which we use to anticipate future customer and market requirements. Innovation foresight is an established and reliable method of studying the future, which we use to develop scenarios for the coming decades.

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Company > Innovation

The “thyssenkrupp Garage” was created to allow new solutions to be developed quickly. This format makes targeted use of innovation methods outside the standard R&D channels and involves early exchanges with customers, end users and other external experts. Working in a start-up atmosphere, people from various areas of the Group combine their interdisciplinary expertise to create new solutions, product ideas and business models. The most promising approaches from the “thyssenkrupp Garage” are then added to the Group’s innovation agenda and developed further.

We manage the various phases of the product lifecycle, from initial idea to after-sales service to end of product life, via our product lifecycle management (PLM) process. Our innovation work is focused mainly on smart energy (technologies for the energy transition), sustainable mobility, resource-efficient processes, intelligent manufacturing and cross-sector innovation.

Smart energy/technologies for the energy transition

Based on our years of experience in chlor-alkali electrolysis, we have further developed and optimized the water electrolysis process to produce hydrogen cost-efficiently using renewable energies. In parallel with this we have further optimized the performance of redox flow storage systems: As part of a project funded by the German Federal Ministry for Economic Affairs and Energy, a new technology is being developed which will significantly reduce the cost of producing redox flow batteries.

Sustainable mobility

We work closely with OEMs on new vehicle concepts, focusing on high-tech chassis components – primarily electric power-assisted steering (EPS) systems and active and passive dampers. By further developing these systems we are helping enhance the safety and comfort of automated driving. Based on our EPS systems we are also working on steer-by-wire solutions; steering systems with no continuous mechanical links allow completely new steering and vehicle concepts.

Under an e-mobility project we are working on the production technology for new, lower-cost batteries with very high storage capacities: The aim is to roughly double the current energy density of around 250 watt-hours per liter of battery volume at costs of approximately €200/kWh. These improvements are based on a new battery design featuring a large-area sandwich structure. We are collaborating on this project, in which we are responsible for the development of equipment and production technology, with the Fraunhofer Institute for Ceramic Technologies and Systems and the engineering company IAV. The project is being funded by the German state of Saxony and the European Regional Development Fund.

Resource-efficient processes

Our new biomechanical cleaning process uses bacteria to remove toxic substances from coke plant wastewater. After a further treatment step, the water is so clean that it can be processed into drinking water. For this we grow special bacterial cultures that can handle even high concentrations of harmful substances. Previously, the wastewater had to be diluted in a complex process before it could be treated by bacteria. The coke plant at the Hüttenwerke Krupp Mannesmann steel mill in Duisburg uses the new process to clean up to 30 m³ of wastewater per hour. Using this new application the steel mill has increased its wastewater cleaning capacity by over a third.

In collaboration with the Technical University of Berlin we are developing a new process to produce ammonium hydrogen carbonate from coke plant gases. This material is used by the chemical industry for fertilizers and the production of foam materials. A corresponding pilot plant in Duisburg is the first of its kind worldwide.

Intelligent manufacturing

By collecting and processing large volumes of data we aim to generate additional business, improve production processes and further optimize the servicing and repair of equipment in our own plants and at customers. One example for the use of so-called big data analytics is the reduction of defective parts in steering column production by analyzing production data using specially developed statistical programs. A further big data application already in successful use is MAX, a concept to provide predictive maintenance for elevators by systematically analyzing operating data (cf. "Elevator Technology" in the section "Business area review" under the "Report on the economic position").

Digitization is also changing the entire value chain and the business model of our material distribution operations: Warehousing and logistics processes are increasingly automated, and we are more strongly interconnected with our customers and suppliers. Online distribution platforms, data analysis and the connected exchange of information open up new possibilities for dialogue and flexible cooperation in real time.

Big data pilot projects launched in all business areas.

In our elevator service operations we are now using HoloLens technology from Microsoft. HoloLens is a special headset that allows “mixed reality”, helping service technicians work faster and more reliably. On callouts HoloLens provides remote access to all technical information on the elevator and also expert guidance via webcam. Initial tests show that with HoloLens service calls can be completed significantly faster.

Additive manufacturing is an intelligent technology with great potential. In this technique, also known as 3D printing, the entire development process from initial draft to final product is carried out digitally. It allows geometries and functions to be realized which would not be possible using conventional manufacturing methods. thyssenkrupp has formed an interdisciplinary project group to develop additive manufacturing further and has already filed several patents for 3D printed parts. A TechCenter for additive manufacturing is currently being established.

Cross-sector innovation

The collaborative project Carbon2Chem initiated by thyssenkrupp has been allocated more than 60 million euros in funding by Germany’s Federal Ministry of Education and Research. 16 further partners from the areas of basic and applied research and various sectors of industry are involved in the project. The aim of Carbon2Chem is to convert process gases from steel production – including the CO₂ they contain – into base chemicals. The greenhouse gas would then no longer be discharged into the atmosphere. The energy required for the conversion process is to come from renewable sources. Carbon2Chem is characterized by broad-based, cross-sector cooperation, creating a new network of steel production, electricity generation and chemical production.

Carbon2Chem converts process gases into useful products.

We are working with the European steel producers ArcelorMittal and Tata Steel on a collaborative R&D project to develop a common European quality tracking standard. Quality tracking allows customers taking delivery of steel coils to be supplied digitally with information on material quality over the entire length of the coil. Customers such as automotive OEMs and suppliers are informed about the exact position of any defects.

Environment, climate and energy

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

Systematic management processes defined

At our more than 2,000 plant, service and office sites around the world we work systematically to continuously improve environmental and climate protection and energy efficiency. These issues also play an important part in our innovation processes and purchasing activities (see also “Technology and innovations” and “Purchasing”). Our efforts are confirmed by external assessments: In the CDP climate protection ranking thyssenkrupp achieved the highest score (A) and is listed as a global leader in climate protection.

Our environmental management system is based on an active exchange of experience, clear allocation of responsibilities and systematic internal monitoring and control processes. In the reporting year we spent over €474 million on environmental protection (down 2% from the prior year) and invested a further €76 million in anti-pollution equipment such as filters and oil separators (down 12% from the prior year). Our aim is for all our relevant activities around the world to have implemented an ISO 14001 environmental management system and an ISO 50001 energy management system by the 2019/2020 fiscal year. In the reporting year we made significant progress, in particular in the area of energy management. Coverage of energy-relevant activities by ISO 50001 rose from 25% to 53%. As a result roughly 2/3 of thyssenkrupp's energy consumption is covered by ISO 50001. Coverage of environment-relevant activities by ISO 14001 remained at the same high level of 77%, equating to roughly 57% of the total workforce.

Continuous improvements in energy efficiency

With a worldwide energy consumption of around 100 terawatt hours (TWh), maximizing energy efficiency makes good business sense for thyssenkrupp. With systematic energy management we help conserve resources and lower energy costs.

The Groupwide Energy Efficiency Program (GEEP) is aimed at achieving sustainable efficiency gains of 3.5 TWh by fiscal 2019/2020. Since the program launched in fiscal 2013/2014 we have already achieved gains of 2.75 TWh through site-related projects (+ 0.55 TWh versus prior year) such as improved utilization of waste heat, reduction of standby times, and replacement of plant components. The efficiency gains achieved enable us to avoid almost 1 million tons of CO₂ emissions per year.

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



Climate protection: CDP includes thyssenkrupp in its global “A list”.

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

Purchasing

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

Almost half our purchasing volume is for commodities such as raw materials or materials for our distribution businesses. The other half is used for technological products and services. We expect this to increase in the current fiscal year.

Materials expense

Materials expense includes the Group's total spending on products and services and fell by 12% year-on-year to €23.5 billion. At the same time materials expense as a percentage of Group sales decreased slightly from 63% to 60%. Depending on business model, the percentages of the business areas ranged between 36% at Elevator Technology and 82% at Materials Services. The following table shows the materials expense for each business area:

MATERIALS EXPENSE BY BUSINESS AREA

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Change in %
Components Technology	4,224	4,186	(1)
Elevator Technology	2,631	2,682	2
Industrial Solutions	3,950	3,341	(15)
Materials Services	11,791	9,750	(17)
Steel Europe	5,301	4,403	(17)
Steel Americas	1,159	990	(15)
Corporate/ consolidation	(2,207)	(1,853)	16
Total materials expense	26,849	23,498	(12)

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

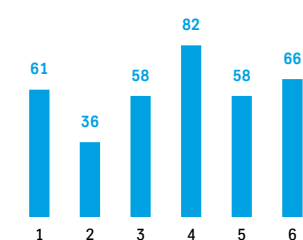
Corporate initiative "synergize+"

With "synergize+", the corporate initiative to reduce materials costs, we have established a consistent purchasing organization across all businesses, functions and regions, enabling us to manage our global purchasing volumes strategically.

(12)%

Materials expense fell from
€26.9 billion in fiscal 2014 / 2015 to
€23.5 billion in the reporting year.

Materials expense of the business areas as % of sales 2015/2016



1 Components Technology	61%
2 Elevator Technology	36%
3 Industrial Solutions	58%
4 Materials Services	82%
5 Steel Europe	58%
6 Steel Americas	66%


As in prior years, “synergize+” was once again responsible for around half the total EBIT effects generated under the corporate program “impact” in fiscal 2015/2016. We expect contributions of a similar magnitude in the coming years.

A key component of “synergize+” is strategic cluster management, which involves consolidating the Group’s purchasing volumes across businesses, regions and functions. We also employ state-of-the-art procurement tools such as online sourcing and online auctions and make increasing use of the possibilities offered by the Asian procurement markets. To ensure not only cost efficiency but also high quality we liaise closely with our local procurement experts.

Increasingly we are supplementing these commercial levers with technical levers, such as product standardization and optimization, i.e. also modifying our own products so as to reduce the cost of procuring starting materials. These activities are combined in the “value chain engineering” initiative, which aims to intensify and expand the systematic use of advanced technical methods and tools – in collaboration with cross-function purchasing partners within the Group. This will enable us to leverage further earnings potential. The projects currently underway cover a broad range of business requirements and material groups. Methods extend from classic value analysis, optimization of existing products and innovative tools to support product development and innovation to joint developments with customers and the digitization of procurement processes and supply chains.

The next step will involve supply market intelligence, in which our suppliers and procurement markets will be further analyzed in depth, in particular with regard to cost structures.

The combined strength of the Group and our growing internal and external networks will continue to deliver great synergy potential in the future.

 www.thyssenkrupp.com >
Company > Procurement

Sustainability in supplier management

In the future we will only work with suppliers who have signed our Supplier Code of Conduct and comply with its requirements. In a risk-based approach, each year we audit at least 100 suppliers to assess whether they reliably and consistently meet the defined principles and requirements of this code. We focus these audits on suppliers from countries with higher procurement risks. In the reporting year we conducted 185 supplier audits. As a general rule, improvement measures are agreed during such audits, and we follow up to check that these measures have been implemented. In this way we promote supplier development and minimize our risks.

Employees

Employees in figures

On September 30, 2016 thyssenkrupp employed 156,487 people worldwide, 1,581 (1.0%) more than a year earlier. The increase at Components Technology mainly reflects the growth in our automotive components businesses in China, Mexico, Germany and Eastern Europe. By contrast, employee numbers in the forging and machining operations in Brazil and the USA were adjusted in line with the weak market situation. At Elevator Technology the net headcount remained virtually unchanged: Increases in the service business of the Asia Pacific business unit were offset by decreases in other business units, mainly due to the closure of the Canadian plant, the sale of the Finnish company, the reduction in manufacturing activities in France and the decline in production activities at Access Solutions. There was a slight rise in employee numbers at Industrial Solutions and a disproportionate decrease in contractor employees. In the chemical plant engineering business the order situation resulted in a significant reduction of both company and contractor employees. By contrast, pleasing demand for production systems for the automotive industry led to an increase in the number of employees. Despite minor acquisitions and reductions in contractor staff in almost all countries, particularly Germany, the workforce at Materials Services decreased, reflecting measures to adjust to the weak market environment. At Steel Europe the number of employees remained virtually unchanged: Slight growth in the workforce in Germany, partly due to the data and process harmonization initiative, and in Spain where a hot-dip coating line was taken back into operation was offset by decreases in particular in connection with the restructuring of the South American heavy plate activities. At Steel Americas the rise in headcount mainly reflected the insourcing of maintenance work to optimize costs. The increase at Corporate resulted mainly from the buildout of Global Shared Services (331 employees) and to a lesser extent from the ramp-up of our patent management activities, the regional headquarters and our digital initiatives.

EMPLOYEES BY BUSINESS AREA

	Sept. 30, 2014	Sept. 30, 2015	Sept. 30, 2016	Change in %
Components Technology	28,941	29,627	30,751	4
Elevator Technology	50,282	51,335	51,426	0
Industrial Solutions	18,546	19,388	19,602	1
Materials Services	30,289	20,226	19,754	(2)
Steel Europe	27,858	27,601	27,559	0
Steel Americas	3,466	3,725	3,847	3
Corporate	2,990	3,004	3,548	18
Total employees	162,372	154,906	156,487	1

HR strategy

Both our current and future employees are at the center of our HR strategy. Our aim is to attract the best qualified people to thyssenkrupp, find a place for them in the Group that is a good fit for their talents, support their further development and offer them attractive prospects. In this way we make a valuable contribution to each of our locations and to the Group's Strategic Way Forward as a whole.

To make sure it remains efficient in the future, our HR organization is continuously improving its processes. Under the "HR Transformation" project, thyssenkrupp is optimizing its structure and way of working so as to better serve the needs of its 156,000 employees worldwide, improve efficiency and make thyssenkrupp an attractive proposition to potential recruits. In the past fiscal year we advanced step by step towards these goals and achieved improvements in key areas.

Identifying and nurturing potential

To help others develop their potential to the full, we first need to identify talents in the company: The regional talent pools established in 2015 allow a wide variety of talented colleagues to pursue careers in the Group beyond regional and business unit boundaries. They enhance the visibility of our talents and give them greater opportunities. Moreover, individual management members get to meet more highly promising employees than ever before. We also have a Fast Track program to help particularly talented colleagues from the early stages of their career. For this, in 2015 thyssenkrupp was honored with the HR Excellence Award bestowed by the Bundesverband der Personalmanager (Federal Association of HR Managers) in conjunction with "HR Manager", Germany's leading HR journal.

We promote not only talent but also diversity, because it is the diversity of our employees that makes us successful. As part of our Diversity & Inclusion Management program, January saw the launch of our LGBTI network (lesbian, gay, bisexual, transgender, intersex) under the patronage of CHRO Oliver Burkhard. In March we organized the first ever thyssenkrupp Diversity Day as a clear sign of our efforts to stamp out prejudice in the workplace. We made further good progress in our quest to meet our self-imposed target of a 15% share of women in leadership positions by 2020: In the past fiscal year the share of women in leadership positions rose by 6.4% to 10.9% (prior year: 10.2%). Further information on the implementation of the law on the equal participation of women and men in leadership positions in the private and public sector can be found in the corporate governance declaration.

Another sign of our conscious efforts to promote diversity is the "we.help" program launched in September 2015 to integrate refugees into the German labor market. Under this program, in September 2015 thyssenkrupp and the Group Works Council pledged to offer an additional 230 internships for refugees and to create 150 apprenticeship places. More than 200 internship and 40 apprenticeship contracts have already been signed. thyssenkrupp is part of the nationwide German initiative "Wir zusammen" (We together).

honored

The company received the 2015 HR Excellence Award for its Fast Track career program. Talents are supported by personal coaches and mentors from top management positions.

380

Responsible: 380 internships and apprenticeship places have been created for refugees.

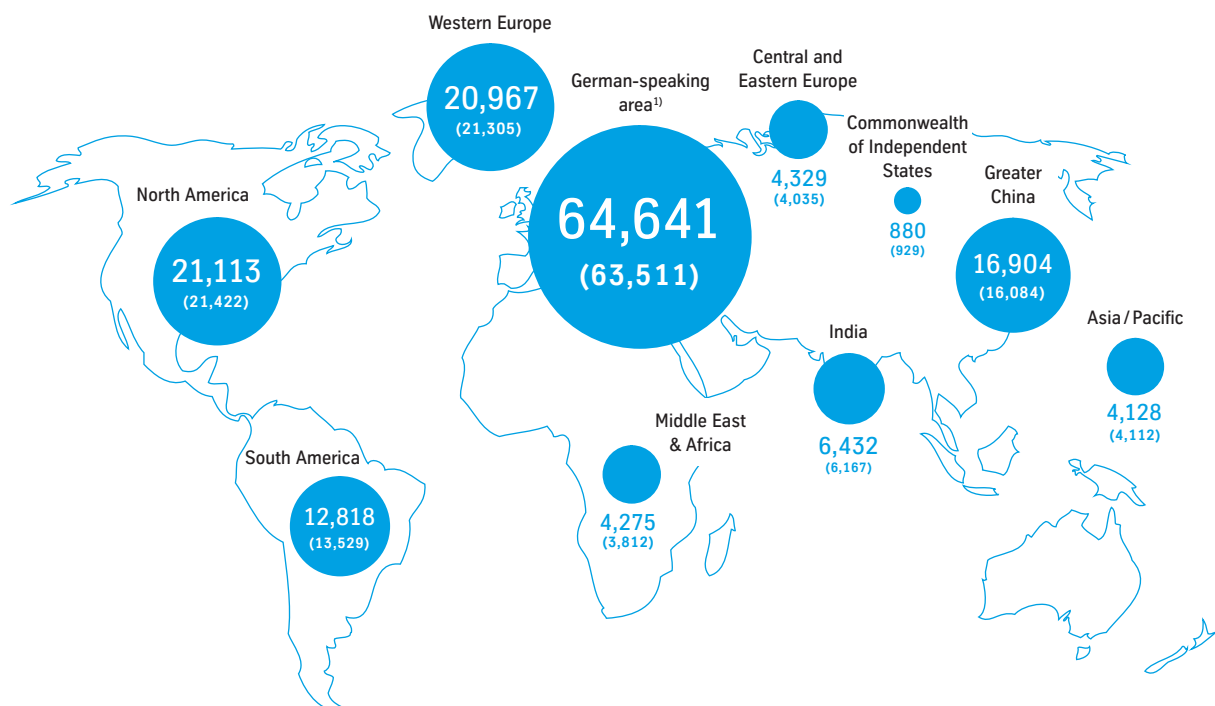
ADDITIONAL GROUP HR INDICATORS

Prior-year figures in brackets



EMPLOYEES BY REGION (SEPT. 30)

Prior-year figures in brackets



¹⁾ Germany, Austria, Switzerland, Liechtenstein

Enabling top performance

The thyssenkrupp Academy offers employees and managers training at the very highest level. In the ten years since its inception the Academy has carried out around 950 programs. It has evolved from a place of learning for managers into a tool that drives the dynamic change process. It now also supports employees from the business units and corporate functions with tailored learning and development programs.

In fiscal 2015/2016 the Academy increased its sales by around 36% and expanded its range of programs: In addition to established courses for project management and purchasing experts, there are now separate additional campuses with online seminars, libraries etc. for Strategy, Markets & Development and Human Resources. More campuses for other functions will follow in 2017. "Regional Learning Germany" has been introduced to provide additional support to our various locations, focusing on practical training tailored to the personal requirements of our employees.

Last year in Germany 971 young people once again started their careers at thyssenkrupp under our dual system of vocational training. The apprentices are taught by 149 full-time trainers in 30 apprentice workshops and 47 works schools. At 5.1 percent the apprentice training rate is at the good level of the prior year.

Anyone who wants to improve their performance needs feedback. This is also true for companies and managers. That's why in 2014 we carried out the first ever Groupwide employee survey and collected responses from over 105,000 people. In the follow-up process to this survey, some 4,800 teams developed over 12,000 measures to improve work processes and cooperation at local level, and most of these measures have now been implemented. In September 2016 we staged the second Groupwide employee survey, once again giving around 150,000 people the opportunity to provide feedback on management, cooperation and health. The results will show us where we now stand and where we still need to improve. The follow-up process for the second Groupwide employee survey will commence in January 2017.

A dependable partner

For us, the safety and health of our employees take top priority. Through Groupwide campaigns aimed at promoting a health and safety culture and KPI-based management, we again made very good progress in the area of occupational safety and health in the 2015/2016 fiscal year. For example, global targets were set with regard to early indicators of the need for health promotion measures, and in Germany goals were agreed to systematically reduce mental stress at the workplace. A further step on the path to a change in culture was taken with the "World Day for Safety and Health at Work" on April 28, 2016. Under the motto "we move the world", some 60,000 employees from 69 countries took part in a pedometer challenge and other activities to promote health and more exercise at work. We also made very good progress in the area of occupational safety. Accident frequency fell by 20% in the reporting period to 3.7 accidents per 1 million hours worked. The aim is to reduce the number of accidents per 1 million hours worked by at least 10% a year up to 2020. As an incentive for our operations, the "we care Award" was presented for the first time in the reporting period to winners from South Korea, India and Germany.

qualified

The thyssenkrupp Academy has been offering top level training for ten years.

12,000

Together: Over 12,000 improvement measures were developed on the basis of the 2014 employee survey.

3.7

Safe and healthy: We reduced the number of accidents per 1 million hours worked to 3.7.

For us, dependability also means creating fair working conditions. With an International Framework Agreement on minimum labor standards we expressly recognize the ILO's Core Labor Standards, which aim to guarantee not only the safety of employees at work but also humane working conditions, at all our sites. In January 2016 we introduced an IT-based reporting system, which our own employees and third parties can use to provide information on possible violations of these standards via a secure internet connection. Employer and employee representatives then act jointly on this information in an agreed process.

Further development of HR work

In fiscal 2015/2016 we made good progress on modernizing and standardizing post-retirement benefits. For example, the so-called "Flexplan" to be introduced from January 1, 2017 will completely restructure pension provision for skilled workers and managers in Germany. For the first time the obligations will be funded on a period-related basis: In principle this means there will be no further increase in pension provisions. The new "Flexplan" includes employer-financed contributions which are invested directly on the capital market; employees will be able to see how much they are worth at any time via an online pension account. Employee contributions will in general be subsidized by the employer and can be made in line with provision or financing requirements. Benefits can be paid out as a lump sum or in installments.

Compliance

thyssenkrupp has a broad understanding of compliance: Observance of the law and internal regulations is a must for us, and part of our corporate culture. Compliance creates the framework for our business actions and serves to safeguard our long-term business success. In the 2015/2016 fiscal year, compliance work focused on the continuing implementation of our Compliance 2020 strategy.

Compliance firmly embedded in our corporate culture

Compliance is a fundamental prerequisite for sustainable business success. Compliance is a central component of good corporate governance. Our compliance strategy is aimed at creating a fully embedded integrity and compliance culture. In concrete terms our goal is to instill the entire thyssenkrupp Group with a value culture in which reliability, honesty, credibility and integrity are the cornerstones of our actions. This value culture must be jointly supported and lived by all employees.



compliance

For more information on compliance at thyssenkrupp, visit thyssenkrupp.com

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

Clear commitment: We would rather sacrifice a contract than win it by breaking the law.

However, at the same time we want to support entrepreneurial risk-taking within a clearly defined framework. Part of this means being willing to take calculable entrepreneurial risks, to make and accept mistakes. However, violations of the law or internal rules are neither legally acceptable nor compatible with our understanding of compliance. The following rules therefore apply unequivocally:

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

Compliance 2020 strategy

The Compliance function established the Compliance 2020 strategy under an extensive project back in the 2013/2014 fiscal year and is now continuously implementing it year by year in accordance with its roadmap. The strategy's main aim is to systematically embed compliance in the Group. This is to be achieved through numerous measures, such as the further development of our global training programs, the embedding of compliance in our business processes, and targeted communications.

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

Compliance program at thyssenkrupp

Our compliance program was consistently applied and implemented in the reporting year: The compliance program focuses primarily on the areas antitrust law and corruption prevention, and also includes money laundering prevention, data protection, and the Italian compliance law 231/01.

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

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

- “Inform & advise”: In the past year our compliance officers and regional compliance officers once again trained and advised employees around the world on applicable statutory requirements, internal Groupwide policies, and also looked at concrete individual cases. As in previous years the Compliance function supported important business transactions, e.g. in connection with major projects and M&A projects or the engagement of intermediaries. For advice on all matters relating to compliance, employees can contact their compliance officers in the business areas, regions, and at Corporate, or call our central hotline. In the reporting year over 4,700 employees worldwide attended classroom courses on antitrust law and corruption prevention. With almost 55,000 employees having successfully completed anticorruption courses and almost 45,000 employees antitrust courses in the 3rd cycle of the e-learning program as of the end of the previous reporting year, the 4th cycle was initiated in November 2015. Already over 100,000 courses have been completed in this cycle, which means 95% of those registered have taken part in the program. In addition special e-learning programs are offered on compliance in purchasing and on the Italian compliance law 231/01.
- The compliance principles presented by the Group Executive Board in summer 2016 provide an answer to the question often asked by our managers on how to fulfill their compliance responsibility in practice in operating business. The principles offer a concrete guide to integrating compliance requirements in our day-to-day work. Developed in close collaboration between managers and the Compliance function, they are now being rolled out throughout the organization with the help of discussion workshops. We are confident that this will help permeate the message on a lasting basis in the interests of a positive corporate culture.



Over 100,000 online courses on antitrust law and corruption prevention have been completed since November 2015.

COMPLIANCE IS A QUESTION OF MINDSET – 7 PRINCIPLES:

Culture	1	I act with integrity and as a visible role model for my colleagues, employees, customers and suppliers.
	2	I promote an open and trustful compliance culture, which includes effectively communicating compliance topics.
Role	3	I assume compliance responsibility for the business in my area.
	4	I identify and mitigate the Compliance risks in my area and look deeply into unusual transactions until any doubts have been eliminated.
	5	I know the Compliance requirements and approval processes for my business and implement them into the business processes of my organization.
Action	6	I ensure that my employees receive regular compliance training and are aware of specific compliance challenges in their daily work.
	7	I interact with the compliance community in mutual trust and in a transparent and proactive way.

- “Identify”: This focuses on regularly reviewing critical business operations based on a risk-oriented, structured audit process. Key elements in the identification of compliance risks are our internal whistleblower system and the ombudsman. Alongside the options of directly contacting a supervisor or the compliance department, these provide employees with additional channels for reporting possible infringements of laws or policies without revealing their identity. Accordingly in the reporting year proactive and event-driven audits and investigations were again conducted by our compliance officers.
- “Report & act”: As well as our regular reports to the Supervisory Board and Audit Committee, our intensive compliance reporting covers all levels of our organizational matrix: Executive Board of thyssenkrupp AG, business area boards, Group company managements, and regional officers and project managers with market responsibility. In the event of proven infringements, our “zero tolerance” policy applies: Sanctions are systematically imposed on the employees concerned.

Compliance organization

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

At thyssenkrupp we have over 70 full-time compliance employees worldwide. They are supported by a network of around 350 compliance managers. These are generally top executives of the individual Group companies who ensure the compliance program is implemented at operating level in their area of responsibility. Together they play a key role in permanently embedding compliance in the Group and are available to employees seeking advice.

70

thyssenkrupp has over 70 full-time compliance employees.

350

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

Subsequent events

No reportable events occurred between the end of the reporting year (September 30, 2016) and the date of authorization for issuance (November 15, 2016).

Forecast, opportunity and risk report

2016/2017 forecast

Overall assessment by the Executive Board

Overall we expect that further progress on our Strategic Way Forward will be reflected in our key performance indicators in the 2016/2017 fiscal year. However, it must be kept in mind that the economic climate is marked by great uncertainty and as a result sales and earnings in large parts of our materials and components businesses may be subject to short-term fluctuations. Uncertainties arise from geopolitical flashpoints and also concern in particular

- the future political course of the USA and the extent of the expected weakening of the Chinese economy as key factors for global growth and as important sales markets
- the negative impacts of the Brexit referendum on economic growth in Europe and on exports to Britain by our automotive customers
- the volatility and amount of raw material prices as a key factor for our customers in plant engineering in the award of major projects and as an important cost factor in our materials businesses
- the overcapacities in the global steel industry, the corresponding competitive and import pressure on the European market, and the effectiveness of current and possible follow-up trade measures.

Nevertheless on the whole we take a cautiously optimistic view of developments in the 2016/2017 fiscal year and expect a significant improvement in earnings and value added and slightly positive free cash flow before M & A.

A key driver for meeting our targets in the current fiscal year will again be the efficiency measures under "impact": For 2016/2017 we once more aim to achieve EBIT effects of €850 million under "impact", which will counter the risks and market effects described above, create the basis for profitable structural growth, and open up scope for necessary measures to make our IT infrastructure and process landscape fit for purpose moving forward.

€850 million

We aim to achieve EBIT effects of €850 million again under "impact".

Key assumptions

The expected improvement in our key performance indicators is predicated on the assumption that there will be no further escalation of the geopolitical crises and that the economic effects of the future course of the USA, the weakening of growth in China and the impacts of the Brexit referendum will remain manageable. For the current fiscal year we assume moderate growth in the euro zone, a slight increase in economic momentum in the USA, slightly weaker growth in China, and an improvement in the economies of many emerging countries.

We expect only a slight rise in global demand for steel, with moderate low single-digit percent growth in both Europe and the USA. Demand is expected to bottom out at a low level in Brazil, and decline further in China. Import pressure on the European market will likely remain high. We assume there will be no lasting dislocations on the raw materials markets, that the recent significant price increases for coking coal will be passed onto the market, and that competition will remain intense.

Against a background of high uncertainties, a very mixed regional picture, and generally slowing momentum, global automotive output should increase again moderately. After very strong growth in 2016, a further slight increase in output in China is forecast for 2017. Production in the NAFTA region will probably also increase moderately; a steep decline in the USA will be offset by very dynamic growth in Mexico. In Western Europe as a whole production is expected to stagnate – with a decline in Germany and growth in France. After a further steep decline in 2016, auto production in Brazil should stabilize at a low level in the forecast period.

The high order backlog with good earnings quality and high volume of service contracts at Elevator Technology already ensure that planned sales are secured well into the new fiscal year.

The high order backlog at Industrial Solutions already secures a large part of planned sales. Our workload in cement plant construction and production systems for the auto industry is very good. However, some of our chemical plant, mining equipment and naval shipbuilding operations are starting to experience capacity underutilization, the further course of which will depend to a great extent on decisions by our customers to award major orders.

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

2016/2017 forecast: Clear increase in earnings and value added with slightly positive FCF before M&A

On a comparable basis the **Group's sales** and all capital goods businesses are expected to grow at a single-digit percentage rate.

The Group's **adjusted EBIT** is expected to be around €1.7 billion (prior year: €1,469 million). €850 million planned EBIT effects under “impact” will counter the market effects described above, create the basis for profitable growth, and open up scope for necessary measures to secure the future of the Group.

€1.7 billion

Adjusted EBIT of around €1.7 billion.

■ Capital goods businesses

- At Components Technology we expect an improvement in adjusted EBIT (prior year: €335 million) from a slight increase in sales and margin (prior year: 4.9%) and also as a result of further progress with the ramp-up of the new plants and efficiency programs.

- At Elevator Technology we expect an improvement in adjusted EBIT (prior year: €860 million) from slight sales growth and an increase in adjusted EBIT margin by 0.5 to 0.7 percentage points from restructuring and efficiency measures (prior year: 11.5%).
- At Industrial Solutions the short-term focus is on reversing the trend in orders and cash flow. We expect a decline in adjusted EBIT (prior year: €355 million) and based on the previous year's weak order intake a slight decline in sales. In plant construction we will safeguard margin at the bottom end of the target range of 6% to 7% through extensive efficiency measures. However, at Marine Systems we anticipate a temporary sharp decline in margins and earnings with the expiry of high-earning projects and as a result of capacity underutilization. Across the mix of project milestones to be billed, our overall margin will therefore temporarily drop noticeably below the target range.

■ Materials businesses

- At Materials Services, in a slightly more favorable market environment we forecast a clear year-on-year increase in adjusted EBIT (prior year: €128 million) due to the absence of windfall losses and in particular through progress with our restructuring and efficiency programs and sales initiatives and the continued implementation of the business plan at AST.
- At Steel Europe we expect a slightly more favorable market environment with however continued high import pressure and sharply increased raw material prices. As a result of efficiency measures, differentiation initiatives and volume growth, we forecast a clear year-on-year increase in adjusted EBIT (prior year: €315 million).
- At Steel Americas, in a volatile price environment with rising raw material costs we expect adjusted EBIT to come in level with the year before (prior year: €(33) million). Our efficiency programs and operating progress will counter negative cost effects from a stronger Brazilian real. Our long-term contract for the supply of slabs to the USA will secure a base workload in a solid market environment; in addition we predict growth in shipments to the stabilizing Brazilian market.

Our goal is to strengthen equity with clearly positive **net income**; for fiscal 2016/2017 despite continued restructuring expenses we expect a significant year-on-year improvement (prior year: €261 million).

The Group's **tkVA** is therefore also expected to show a clear improvement (prior year: €(85) million).

Capital spending in the Group is expected to come to around €1.5 billion in the current fiscal year (prior year: €1,387 million).

With an increase in net working capital at our materials businesses due to higher volumes and prices, we expect slightly positive **FCF before M&A** overall (prior year: €198 million).

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

Opportunity and risk report

Opportunities

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

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

Advantages created through the targeted use of our engineering expertise.

Significant opportunities also arise after implementation of planned “impact” measures and from profitable growth in the business areas. At the same time major opportunities are opening up as a result of targeted Groupwide initiatives and the consistent and systematic exploitation of the Group’s economies of scope.

Definitions

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

Opportunity management process

In the Strategic Dialogue, a structured, standardized Groupwide process at thyssenkrupp, strategies including opportunities and risks arising from relevant market and technology trends are systematically and comprehensively discussed each year in all business areas. Close integration of opportunity management with the Strategic Dialogue means that opportunity management too is based on a strategic medium- to long-term approach in some cases going far beyond the forecast period.

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

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

In addition, we systematically analyze the regions in which the biggest opportunities exist for thyssenkrupp. We continuously strengthen our regional structures and consolidate our cross-business regional activities in these regions.

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

processes in the Group ensures that opportunities are reliably identified and systematically exploited.

Strategic opportunities for the Group

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

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

Opportunities created through economies of scope.

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

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

Details of our corporate strategy are contained in the section "Fundamental information about the Group"

In our development projects we are also always guided by the Group's financial scope. Unfavorable economic conditions may result in delays or compromises in implementing existing opportunities. More on this and on other risks can be found in the "Risks" section.

Operational opportunities of the business areas

Components Technology – Growing global demand for personal mobility and freight transportation is a key factor for the Components Technology business area's future business performance. Our strategic program "pace" forms the framework for our strategic development. For us as an engineering partner and component and module supplier to the auto industry, growth opportunities are arising in these sectors worldwide. This applies particularly to the emerging markets in Asia and the Americas. With new production sites we have positioned ourselves well in these markets and see long-term growth opportunities here. Our products can support the global trend towards efficient and environmentally friendly mobility. Challenging political targets worldwide to reduce emissions in the auto sector add to this need. In the relevant areas of weight reduction and

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

optimization of drive technologies, we offer our customers state-of-the-art solutions and are working to extend our lead. At the same time we are developing new approaches and solutions for innovative chassis systems. With this we want to participate in the trend towards increasingly automated and autonomous vehicles; we see growth opportunities for this across all vehicle classes.

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

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

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

Our innovative products and service solutions meet the highest technological and ecological standards. In addition, our internal improvement program “elevate” and implementation of the measures defined under the “impact” program will continuously improve the efficiency and competitiveness of Elevator Technology.

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

Industrial Solutions – If we continue to advance our innovative technologies, global growth opportunities will open up for the Industrial Solutions business area despite the deterioration of the investment climate due to the low oil price, increasingly fierce competition and political uncertainties on the relevant markets. To increase competitiveness and exploit these growth opportunities in our markets even more effectively, we are driving forward the regionalization of our business. At the same time we are continuously standardizing and optimizing our project management methods. All initiatives in this connection are brought together in our “planets” transformation program.

In the marine sector, export projects provide a continuing bright market outlook for submarines over the next few years. If our various campaigns for submarine programs around the world succeed, this will benefit our order backlog and our workload.

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

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

Under its “focusX” program, Materials Services has defined extensive measures to further improve the cost and earnings situation. A key element of this is the restructuring of materials warehousing and service operations in Germany. Operational opportunities will derive from the consistent implementation of the corresponding sales and service initiatives and the systematic digitization of business processes through to the establishment and operation of online shops for various target groups. In addition, the further implementation of the optimization programs for AST, part of Materials Services since 2014, particularly with regard to production, purchasing, and sales will be of major importance for the business area and open up the opportunity for us to better exploit market potential.

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

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

Following a strong focus on efficiency measures in recent years, Steel Europe is now pursuing an overall strategy aimed at strengthening its market and customer orientation. To this end the business area board adopted the “one steel” strategic program which with twelve initiatives addresses both market-facing and internal performance levers and contributory success factors.

“one steel” also includes the strengthening of Steel Europe’s technological capabilities through targeted investment projects which will enable us on the market side to optimize our product and customer portfolio. Overall therefore, even in a difficult market environment, Steel Europe is well placed to participate sustainably in the major global trends of urbanization, increasing mobility, and more efficient use of scarce resources – all of which require the use of intelligent steel products.

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

Steel Americas – We are confident that our now much more stable operational processes in the Steel Americas business area will again be reflected in higher output volumes in the coming year and as a result operational opportunities can be realized. With the establishment of a broad customer base, the further optimization of sales activities should result in deeper penetration of the attractive product and grade segments of the Brazilian and international slab markets. This will create further profitability opportunities and support the step-by-step ramp-up of production towards design capacity.

The “Ultimate Performance” program launched in the last fiscal year aimed at significantly reducing production costs and enhancing production stability is being vigorously implemented at CSA in Brazil in close coordination with the Group performance program “impact” and the Group’s purchasing program “synergize+”, so the trend towards further improving operational performance should continue in the coming year. In addition, positive effects are expected from stronger technical cooperation with the Steel Europe business area.

If the relevant steel market environment (particularly hot rolled prices in the USA and global and Brazilian slab prices) or the operational performance improvement perform better than expected, the forecasts for our key performance indicators could be moderately exceeded.

Risks

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

The Group’s risk profile continued to improve in the reporting year; for example we obtained the operating license for our steel mill in Brazil from the Brazilian authorities, and with the takeover of Vale’s minority shareholding in CSA we reduced complexity and risks and increased our room for maneuver for the further development of CSA. Transparent and systematic risk management with structured processes ensured risks in the Group were efficiently managed.

From the current perspective the Group’s risks are contained and there are no risks that threaten the Group’s ability to continue as a going concern.

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

Definitions

thyssenkrupp defines risks as events or developments that reduce our ability to achieve the Group’s goals. Risk management encompasses all measures involved in the systematic and transparent management of risks. With its integral link to planning and reporting processes in controlling, risk management is an important element of the value-based management of the

Group and goes far beyond the early identification of risks required by law. Efficient, forward-looking risk management therefore also serves the interests of capital providers and other stakeholders.

We continuously enhance the Group's risk management system by following the internationally recognized COSO model and integrating it with the internal control system, with the internal control system being the main risk management measure we use to reduce process-related risks. In optimizing the systems, we promptly implement requirements and suggestions of the Executive Board and Supervisory Board Audit Committee. Under our "Governance, Risk and Compliance (GRC) Policy", our risk management system methodology is embedded in the three lines of defense model. Details can be found in the corporate governance report.

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

Risk strategy and risk policy

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

Our risk strategy is focused on securing the existence of the company and increasing the value of the company sustainably. Business success requires opportunities to be recognized and associated risks to be identified and evaluated. Opportunities should be optimally exploited and business risks should be entered into consciously and responsibly and managed proactively to the extent that an appropriate increase in value can be achieved. Risks threatening the Group's ability to continue as a going concern must be avoided.

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

Risk management process

thyssenkrupp has defined Groupwide risk management sub-processes: identify and report risks early, assess risks consistently, control risks and develop measures, and monitor risks and track implementation of measures. The efficient design of our various risk management instruments ensures that the sub-processes are integrated in a continuous risk management loop and all risk managers are involved appropriately in the process. We continually improve our methods and tools to identify, assess, control and report risks.

Continuous improvement of risk management system embedded in the GRC policy.

transparent

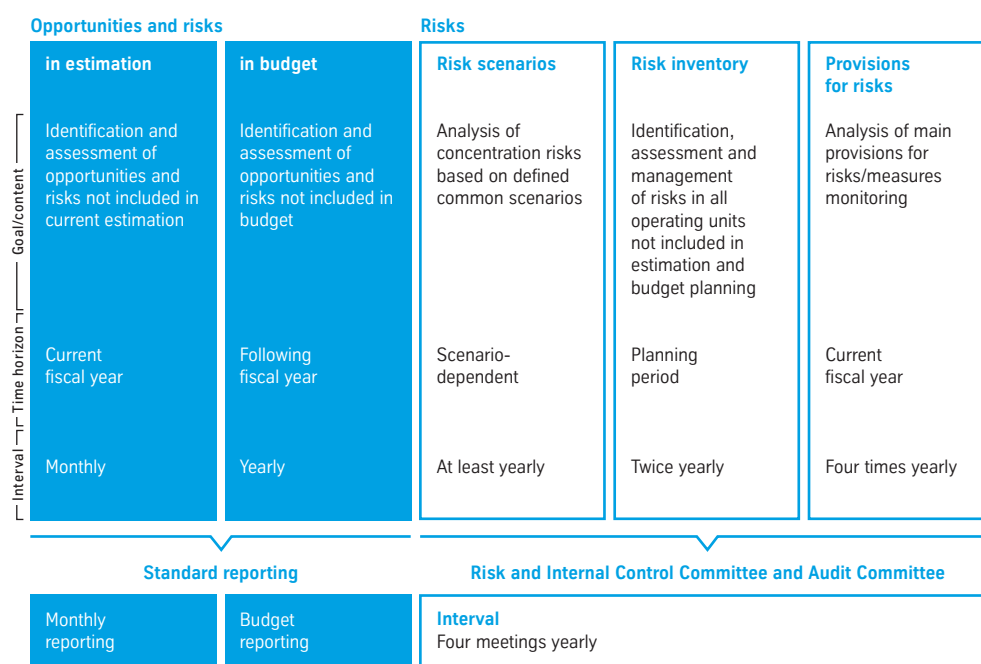
The culture change at thyssenkrupp promotes transparent risk management.

standardized

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

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

OPPORTUNITY AND RISK REPORTING AT THYSSENKRUPP



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

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

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

All Group companies worldwide use a standardized IT risk management application to prepare risk maps. This ensures that earnings and cash risks influencing our key performance indicators are recorded locally by the operational risk managers and reported through a series of approval and

aggregation processes via the business area management boards to the top level of the Group. In the risk mapping process all consolidated Group entities are required to formulate risk management measures for the individual risks identified and assessed in the three-year planning period and systematically monitor their implementation. The assessment period used for the risk map goes beyond the period covered by the forecast and provides complete transparency into the local risk assessments. The regular bottom-up reporting and updating of risks also ensures that risk awareness remains high throughout the Group.

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

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

Roles and responsibilities

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

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

The Risk and Internal Control Committee meets four times a year to discuss material Group risks.

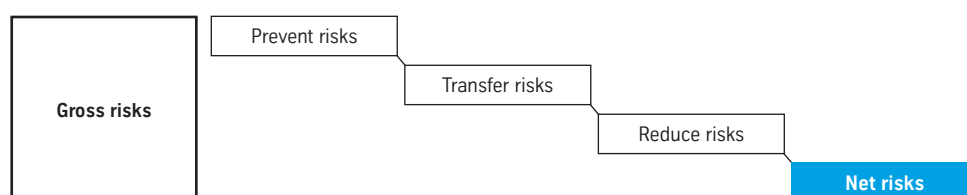
Group risk management has the task of continuously developing the risk management system towards best practice standard and adapting it to new insights and requirements where needed. In the Group policy on risk management we have formulated binding requirements for the risk management process and defined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

In line with the roles defined in the Group's matrix structure, the corporate functions and regions play a supporting and coordinating role in the risk management process. The corporate functions additionally act as risk category managers and in this role they are responsible for governance specifications in their area of responsibility.

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

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

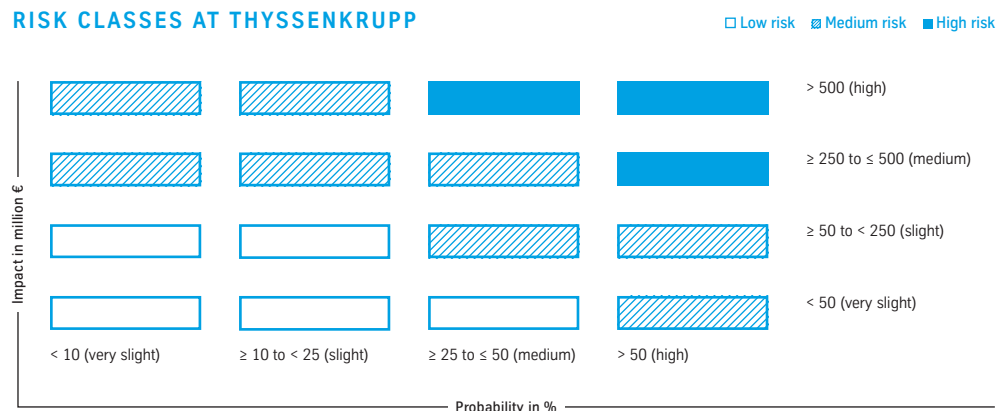
RISK MANAGEMENT MEASURES AT THYSSENKRUPP



Risk assessment

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

RISK CLASSES AT THYSSENKRUPP



Risk management methods are coordinated.

Risk control

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

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

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

We reduce risks by taking appropriate targeted measures. More information on the individual initiatives can be found in the section “Operational risks of the business areas”.

Insurable risks

As central service provider thyssenkrupp Risk and Insurance Services again handled the Groupwide transfer of risks to insurers in the reporting year. The scope and design of insurance cover are determined on the basis of structured risk assessments in which insurable risks at the Group companies are identified, evaluated and reduced or eliminated through specific protection plans. According to the Group’s risk-bearing ability we agree appropriate deductibles for individual classes of insurance. A balanced portfolio reduces the risk of insurer insolvency.

Binding standards are in place for all Group companies to keep risk prevention at a sustainable and appropriately high level. These standards were developed by experts from all areas of the Group under the leadership of thyssenkrupp Risk and Insurance Services and are updated on an ongoing basis. Internal and external auditors regularly check compliance with these standards.

Internal control system in the Group accounting process

The internal control system comprises all the systematically defined controls and monitoring activities aimed at ensuring the security and efficiency of business management, the reliability of financial reporting, and compliance of all activities with laws and policies. The creation of an effective and efficient internal control system is important for the control of process-related risks.

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

Various monitoring measures in the accounting process help ensure that implemented controls allow compliant financial reporting despite possible risks.

A standard, regularly updated Operating Instruction for the consolidated financial statements is available to all employees concerned via an internal internet platform. For consolidation we use a Group tool based on standard software. In this way we ensure consistent procedures and minimize the risk of misstatements in the Group’s accounting and external reporting.

thyssenkrupp has clearly defined the sub-processes involved in financial reporting and assigned clear responsibilities for them. An appropriate segregation of functions and application of the dual-control principle reduce the risk of fraudulent conduct.

Corporate Function Controlling, Accounting & Risk is responsible for the preparation of the consolidated financial statements and issues binding instructions to the local units with regard to content and timing. In this way we ensure consistent accounting practices throughout the Group with minimum scope for discretion in connection with the recognition, measurement and reporting

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



Internal control system reduces process-related risks.

of assets and liabilities. Group-owned shared service centers support the local units in preparing local financial statements. All employees involved in the accounting process undergo regular training.

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

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

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

Macroeconomic risks

Economic risks exist when positive impetus is not forthcoming from the global economy and markets of relevance for thyssenkrupp. After the UK's vote to leave the EU (Brexit) and possibly other EU-critical referendums, the option of withdrawal could gain support in other countries, resulting in a serious crisis of confidence regarding the institutions of the EU and lower growth rates in the European economies. The future political course of the USA, slower growth rates in China, a prolonged recession in Brazil, unresolved debt crises in the euro zone or exogenous shocks such as a further escalation of violence in crisis regions could have major effects on the global economy; this would also affect thyssenkrupp. We continuously monitor the corresponding country-specific conditions. In Groupwide risk scenarios we simulate the impacts on our business models to enable us to take action and minimize risks at an early stage when necessary.

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

In the event of a severe exogenous shock the individual economic risks would be medium.

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

Financial risks

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

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

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



Centrally controlled measures are used to contain financial risks.

thyssenkrupp AG has entered into agreements with banks which contain certain conditions in the event that the ratio of net financial debt to equity (gearing) in the consolidated financial statements exceeds a specified limit at the closing date (September 30). The applicable limit is within a range of 150% to 200% and depends on the discount rate used to calculate the pension obligations of thyssenkrupp in Germany. At September 30, 2016 the applicable gearing ratio limit for thyssenkrupp AG was 185%. In addition CSA has taken out a development loan with BNDES (carrying value €310 million at September 30, 2016). BNDES agreed to an amendment of the gearing covenant at September 30, 2016, under which the gearing limit is within a range of 150% to 185%. At the closing date the gearing ratio was 134.2%, 31 percentage points higher than a year earlier, and therefore within the agreed limit in all cases. The increase in gearing was mainly attributable to lower interest rates for the revaluation of pension obligations of thyssenkrupp in Germany.

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

Currency risk – To contain the risks of our numerous payment flows in different currencies – in particular in US dollars – we have developed Groupwide policies for foreign currency management. All companies of the Group are required to hedge foreign currency positions at the time of their inception; companies based in the euro zone hedge via our central clearing office. Translation risks arising from the conversion of foreign currency positions are generally not hedged.

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

Risks associated with disposals, acquisitions and restructurings

Active portfolio management is one of the key pillars of our Strategic Way Forward. The disposal and acquisition of businesses as well as restructurings within our existing businesses are associated with risks. The risks identified in this category, which we classify in each case as low, are monitored continuously and provisions are recognized where required.

In the reporting year thyssenkrupp acquired Vale's minority interest in our South American steel business CSA to streamline the ownership structure and simplify the extremely complex contract situation at CSA. thyssenkrupp is now the sole owner of CSA and in a better position than previously to strategically develop the steel mill in Rio de Janeiro. At the same time we settled substantial reciprocal claims with the acquisition of Vale's minority interest, significantly reducing risks for our company.

Risks lowered by reducing complexity of contract situation at CSA.

Procurement risks

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

To hedge against raw material price swings, we also use derivative financial instruments, mainly commodity forward transactions. The use of such instruments is subject to strict rules. Details of these risk areas are provided in Note 22.

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

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

Production risks

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

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

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

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

Sales risks

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

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

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

Order risks

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

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

Risks from trade restrictions

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

Our management instruments help minimize risks in the handling of major contracts.

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

Litigation risks

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

Based on the applicable risk standards, current estimates indicate that there are no litigation risks which could individually or cumulatively be classified as high. Cumulative litigation risks are combined risks from lawsuits brought by numerous claimants and from regulatory proceedings against thyssenkrupp which relate to the same matter and can be classified as a single litigation risk. Information on further litigation risks for which we have recognized provisions or which are classified as contingent liabilities is provided in Notes 16 and 21.

Compliance risks

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

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

In 2013 the public prosecutor's office in Bremen launched an investigation into (former) employees of Atlas Elektronik GmbH (Atlas) on suspicion of bribery of foreign officials and tax evasion in connection with naval projects in various countries. Atlas is a joint company of thyssenkrupp and Airbus. In this connection, the public prosecutor's office has opened administrative proceedings against Atlas as a legal person which could potentially serve as the basis for a company fine. The Greek state prosecutors have also started investigations into Atlas and natural persons involved in marine projects in Greece. In connection with these criminal proceedings, the Greek state is also pursuing civil claims for compensation against Atlas. Atlas is cooperating fully with the authorities and has initiated an internal investigation to clarify the matter in consultation with the Bremen public prosecutor's office. The ongoing official proceedings and the internal investigation are being closely monitored by the owners.

Regulatory risks

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

As an energy-intensive industrial and services group, we face earnings risks on the global markets if additional costs are imposed under energy- and climate-related rules which we are not able to pass onto our customers, or only to a limited extent.

thyssenkrupp supports effective climate protection efforts and a sustainable energy transition in which climate protection, security of supply, and competitiveness are equal priorities. We support the relevant discussion processes on regulatory efforts through close working contacts with the relevant institutions and also cooperate with industry associations to reduce possible risks such as further rising energy costs.

Risks could occur for example in Germany as a result of the current evaluation of the treatment of in-house electricity under the Renewable Energies Act (EEG). Regarding the EU emissions trading system there is a significant long-term risk of higher costs for thyssenkrupp if the effective CO₂ allowance costs rise sharply in the fourth trading period (from 2021), as politically desired in part. The EU Commission's current proposal suggests the burdens will increase significantly, though at present it is not possible to estimate what final form the regulation will take.

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

At global level, international climate policy and the process to implement at national level the Paris Agreement of the International Climate Conference in December 2015 could give rise to risks as well as opportunities for our businesses. Corresponding activities to minimize risks are coordinated at Group level and strengthened through global networks and the close involvement of thyssenkrupp's regional headquarters.

Further regulatory risks may ensue from changes to the tax framework over time. For example in Brazil tax benefits granted at state level, from which CSA also profits, are currently being examined by the constitutional court. Should the court cases result in the benefits being removed and/or reduced, substantial back taxes plus additional costs in Brazil cannot be excluded.

Risks associated with information security

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

In the past fiscal year the number of attacks by criminals and external services on the IT infrastructure of major German companies increased further. In this connection we carried out measures to further improve our information security management and security technologies. A group of IT security experts which is continuously being increased supports the Group with the early identification of risks. In addition, vulnerability analyses are carried out regularly with the

support of our IT security team and external experts to verify the security of the infrastructure and if necessary increase protection.

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

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

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

Personnel risks

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

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

Risks associated with pension obligations

The fund assets used to cover pension liabilities are exposed to capital market risks. To minimize these risks, the individual investment forms are selected and weighted on the basis of studies by independent experts. The aim is to align the investments so that the pension obligations can be permanently fulfilled with the current and future income from the investments.

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

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

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

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

Operational risks of the business areas

Components Technology – The Components Technology business area is a global supplier of automotive and industrial components and as such is dependent on the international economic situation and exposed to various general risks in its different areas of business.

Components Technology is a leading player in the powertrain sector. This position could be jeopardized by the increasing trend towards electrification.

For the core markets of the business area continued growth is expected in all product segments. However, this is subject to major uncertainty. Components Technology is very well positioned in China. Slowing momentum in China could cloud our market prospects. Furthermore slower growth rates in the newly industrializing countries, economic crises in the emerging markets (Brazil) and continuing high budget deficits in Western Europe and the USA could compromise our market outlook. Implementation of protectionist measures currently under consideration in North America could make the transfer of goods within the NAFTA region more difficult. This would impact our production network in Mexico and the USA. To lessen the risk of dependency on individual markets the business area is expanding its customer base, developing technical innovations, and further strengthening its international presence.

Slowing market growth harbors risks for Components Technology.

In addition to the economic risks, further risks come from the consolidation process in the auto components industry and the increasing price pressure, intensified by auto manufacturers' cost reduction programs.

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

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

Further general risks for the business area concern the impact of changes in exchange rate parities on sales and earnings, both translation and transaction effects. In addition, risks from unplanned budget overruns cannot be ruled out in association with ongoing technological innovations and improvements. On top of this there are potential risks from unexpected yield and quality problems and the associated warranty obligations. The business area uses extensive production and quality assurance systems to avoid or limit such risks as far as possible.

Elevator Technology – The risk structure of Elevator Technology is mainly determined by two factors: the different areas of business and the different regions in which the business area operates.

Global economic uncertainty carries further risk potential for Elevator Technology, mainly the risk of bad debt and project delays. As an additional effect, competition could intensify on all markets and increase price pressure. The business area counters these risks with professional project management in association with extensive checks of customers' credit standing as well as customer retention strategies, high service quality, efficiency programs and not least innovative and sustainable product solutions.

The service and modernization business is comparatively independent of the general economic situation. To prevent possible losses of maintenance units, the business area pursues corresponding customer retention strategies. In addition we continuously implement efficiency programs to counter rising personnel and procurement costs.

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

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

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

"Safety First" reduces accident risks at Elevator Technology.

Industrial Solutions – A major risk factor for the business area is the uncertainty concerning the performance of the global economy, the stability of growth in the USA, and the future development of other major economies such as China, India, and Brazil. Further risks include a fall in demand for capital goods from customers in the oil and gas industries and the mining sector as a result of lower oil and raw material prices. In addition to the decline in raw material and oil prices, political developments in important sales regions (for example in the Middle East & Africa region and in Russia/Ukraine) could negatively impact the project situation in the Industrial Solutions business area, leading to project deferrals or cancellations.

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

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

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

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

Cost reduction measures under Groupwide and business-area programs increase efficiency and profitability. Systematic improvements to net working capital management help us optimize inventories and minimize the risks of bad debt. At the same time we are intensifying our service activities for materials.

Bad debt a specific risk for Materials Services.

In addition we contain cyclical risks by our worldwide presence, broad customer base and high degree of diversification. This results in a significant spread of risks.

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

Steel Europe – Risks going forward for the Steel Europe business area include in particular uncertainties on the sales and procurement markets, earnings and margin risks from high import pressure and global overcapacities, risks from exchange rate fluctuations and from the emissions trading system and the Renewable Energies Act. If the economy were to deteriorate, the risk of customer insolvencies would increase.

To contain the risk of cyclical demand fluctuations the business area optimizes costs in all areas, adjusts production levels in good time and focuses on less cyclical high-end market segments. The risk of customer insolvencies is minimized by intensive monitoring and by adjusting payment conditions and using commercial credit insurance facilities and other appropriate instruments. Constant optimization of supply chains reduces risks to quality and delivery performance.

High volatility of steel business a challenge for Steel Europe.

Steel Europe continues to counter intense competition on the market for flat steel products with its strengths in technological expertise and an even stronger focus on markets and customers, allowing differentiation from the competition. This involves systematic investment in research and development projects aimed at developing innovative products and customer solutions and bringing them to market quickly. In addition Steel Europe has reorganized quality management to further strengthen the focus on product quality.

The business area has integrated a business and technical risk controlling system for property insurance into its risk management process. Additional investment and maintenance budgets are available to further optimize fire prevention. The risks of other business interruptions are reduced by ongoing preventive maintenance, modernization and investment. In the event of business interruptions, business continuity plans are in place specifying measures for remedying damage.

Like all businesses, Steel Europe is exposed to the increasing risk of attacks on its IT infrastructure described under "Risks associated with information security". We focus on protecting production against unauthorized access for purposes of espionage or sabotage. In this connection we are at the same time driving forward the digitization of our business processes in a secure IT environment.

The move towards an energy system dominated by renewables in Germany is creating major challenges for energy-intensive industries in general and the steel sector in particular. Possible cuts to the exemptions applying to producers of in-house electricity in the forthcoming amendment of the Renewable Energies Act represent a threat to the company. Added to this are further cost-driving factors associated with the integration of renewable energies, such as the necessary expansion of the electricity grids and the storage of reserve capacities to provide security of supply. Regulatory requirements placed on the electricity and gas networks of our large production sites and our power plants could result in further cost impacts. The risk of rising electricity prices is being countered at Steel Europe by increasing the supply of in-house produced electricity. In response to the risk of increasing natural gas prices, the Group is pursuing a centrally managed price hedging strategy.

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

The risk of rising raw materials prices is countered by using alternative procurement sources, risk-reducing procurement strategies, active risk management, and margin-securing measures.

Steel Americas – The production-related risks at the steel mill in Brazil, which in the prior fiscal year were still leading to stoppages mainly in iron production and in the melt shop, were effectively contained through further process optimizations. This was reflected in a significantly improved operating performance in the past fiscal year, particularly in the second half.

In the reporting year we also obtained the operating license for our steel mill in Brazil from the Brazilian authorities. This decision further reduced the risk of production outages at CSA.

Risks typical to the industry include future market prices for raw materials on the procurement side (particularly iron ore and coking coal) and for steel (particularly in Brazil and the USA) on the selling side. We are countering the sales risks by building our own sales organization in Brazil. We have already built some promising long-term customer relationships on the international market. On the local market demand showed very encouraging growth following (partial) closures of crude steel production capacities at competitors in the second half of the past fiscal year. The next few months will show whether this recovery is sustained.

For Steel Americas risks can arise from exchange rate fluctuations. The Brazilian real stabilized in the past fiscal year, which increased the value of input tax credits, which are denominated in real but accounted for in US dollars, but this also created exchange-rate-related cost disadvantages in current operating business. Short- and medium-term risks associated with fluctuations of the exchange rate of the Brazilian real against the US dollar are minimized by exchange rate hedges in accordance with the requirements of the thyssenkrupp Group Regulation Corporate Finance. Over the long term the performance of the Brazilian real will continue to significantly impact our cost position in operating business. In view of the political and economic uncertainties in the country, we do not expect a stabilization of the Brazilian real.

Continuing political and economic uncertainties in Brazil pose risks for Steel Americas.


The risk associated with electricity prices in Brazil has now been further significantly reduced as a result of falling prices. In addition steam and gas production in the power plant was optimized, which ultimately stabilized and increased in-house electricity production at the steel mill and sharply reduced energy procurement costs and dependence on the electricity market.

Further risks typical to Brazil relate to the fast-changing legal situation. Above all, new rules in tax legislation call for fast and careful action. To counter such fiscal risks at an early stage the steel mill and the tax department of the regional headquarters in South America cooperate closely.

Legal information

Corporate governance declaration

The corporate governance declaration issued in accordance with § 289a HGB is part of the combined management report and is published on the Company's website at www.thyssenkrupp.com/cgd2015-16.

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

Compensation report

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

Takeover-related disclosures

The following information, valid September 30, 2016, is presented in accordance with § 289 (4), § 315 (4) HGB. Details under § 289 (4), § 315 (4) HGB which do not apply at thyssenkrupp are not mentioned.

Composition of capital stock

The capital stock of thyssenkrupp AG amounts to €1,448,801,144.32 and consists of 565,937,947 no-par value bearer shares. Each share carries the same rights and grants one vote at the Annual General Meeting.

Direct and indirect shareholdings exceeding 10% of the voting rights

At the date of issuance the following shareholdings in the Company exceed 10% of the voting rights:

- Direct shareholding of Alfried Krupp von Bohlen und Halbach Foundation, Essen, in the amount of 23.03% of the voting rights of thyssenkrupp AG;
- Indirect shareholding of Cevian Capital II GP Limited, St. Helier, Jersey, in the amount of 15.08% of the voting rights. Voting rights are attributed to it by its controlled company Cevian Capital II Master Fund LP, Cayman Islands, which has a direct shareholding of 12.23% of the voting rights of thyssenkrupp AG.

Appointment and dismissal of Executive Board members, amendments to the Articles of Association

The appointment and dismissal of members of the Executive Board of thyssenkrupp AG is subject to § 84 and § 85 AktG and § 31 Codetermination Act (MitbestG) in conjunction with § 6 of the Articles of Association. Amendments to the Articles of Association are subject to the approval of the Annual General Meeting with a majority of at least three quarters of the capital stock represented; §§ 179 ff. AktG apply. Under § 11 (9) of the Articles of Association, the Supervisory Board is authorized to resolve amendments to the Articles of Association which relate only to their wording. If the authorized capital pursuant to § 5 (5) of the Articles of Association has not been used or has been only partly used by January 16, 2019, the Supervisory Board may also amend the wording of § 5.

Authorization of the Executive Board to issue shares and exclude subscription rights

Authorized capital – Under § 5 (5) of the Articles of Association, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the Company's capital stock on one or more occasions on or before January 16, 2019 by up to €370 million by issuing up to 144,531,250 new no-par value bearer shares in exchange for cash and/or contributions in kind (authorized capital).

It may exclude shareholders' subscription rights with the approval of the Supervisory Board in the following cases:

- to round off fractional amounts
- to the extent necessary to grant holders, or creditors in the case of registered securities, of option or conversion rights or conversion obligations issued by thyssenkrupp AG or its Group companies subscription rights to new shares as would be due to them as shareholders after exercise of the option or conversion rights or after fulfillment of the conversion obligations
- if the issue price of new shares issued for capital increases in exchange for cash contributions is not significantly lower than the stock market price of already listed shares at the time the final issue price is determined, which should be as close as possible to the time the shares are issued, and the shares issued in total do not exceed 10% of the capital stock either at the time this authorization becomes effective or at the time it is exercised. There shall be counted towards this limit of 10% of the capital stock the share of the capital stock attributable to treasury shares which are sold from the time this authorization becomes effective in direct or analogous application of § 186 (3) sentence 4 AktG, as well as the share of the capital stock attributable to shares relating to conversion and/or option rights and/or conversion obligations from bonds issued with exclusion of subscription rights according to § 186 (3) sentence 4 AktG from the time this authorization becomes effective in accordance with the authorization of the Annual General Meeting on January 17, 2014.
- in the event of capital increases in exchange for contributions in kind

Under the aforesaid authorizations the total shares issued with subscription rights excluded for capital increases in exchange for cash and/or contributions in kind may not exceed 20% of the capital stock either at the time the authorization becomes effective or at the time it is exercised. Up to the issue of shares without subscription rights, there shall be counted towards the aforesaid 20% limit (i) treasury shares sold with subscription rights excluded, and (ii) shares to be issued to service bonds with conversion and/or option rights, insofar as the bonds were issued on the basis of the authorization of the Annual General Meeting of January 17, 2014 with shareholder subscription rights excluded.

The Executive Board is authorized, with the approval of the Supervisory Board, to determine the further content and conditions of the share issue.

Conditional capital – Under §5 (6) of the Articles of Association the Company's capital stock is conditionally increased by up to €250,000,000, divided into up to 97,656,250 no-par bearer shares (conditional capital). The conditional capital increase will only be implemented to the extent that the holders or creditors of option or conversion rights or those with an obligation to convert warrant or convertible bonds issued against cash contribution that are issued or guaranteed by the Company or a subordinate Group company on or before January 16, 2019 based on the authorization of the Executive Board by resolution by the Annual General Meeting passed on January 17, 2014 actually use their option or conversion rights or, to the extent that they are obliged to convert, fulfill their obligation to convert or to the extent that the Company exercises an option to grant shares of the Company in whole or in part instead of payment of the cash amount due provided no cash compensation is granted or no treasury shares or shares of another listed company are used for servicing in each case. New shares are issued at the option or conversion price to be determined in each case according to the above mentioned authorization resolution. The new shares participate in profits from the start of the fiscal year in which they are created. To the extent legally permissible the Executive Board, subject to the approval of the Supervisory Board, may determine the profit participation of new shares differently than §60 (2) AktG. The Executive Board is authorized, subject to the approval of the Supervisory Board, to determine the further details of the conditional capital increase.

Authorization of the Executive Board to repurchase stock

By resolution of the Annual General Meeting of January 30, 2015 the Company was authorized until January 29, 2020 to purchase for all legally permissible purposes treasury shares up to a total of 10% of the capital stock at the time of the resolution of €1,448,801,144.32 or – if lower – at the time the authorization is exercised. The authorization may be exercised in whole or in installments, once or several times, directly by the Company or by controlled enterprises or enterprises majority-owned by the Company or by third parties acting for the Company's account or for the account of controlled enterprises or enterprises majority-owned by the Company. The purchase may be effected on the open market or by means of a public offer or public invitation to tender or by issue of tender rights to shareholders or by using equity derivatives (put or call options or a combination of the two). If the shares are purchased on the open market, the countervalue per share paid by the Company (excluding incidental costs) may not be more than 5% higher or lower than the price determined on the day of trading by the opening auction in the Xetra trading system (or a comparable successor system).

If the shares are purchased by means of a public offer, the purchase price or the limits of the price range per share (excluding incidental costs) may not be more than 10% higher or lower than the average closing price in the Xetra trading system (or a comparable successor system) on the three trading days before the date of the announcement of the offer. If, after announcement of an offer, the relevant price or the limits of the price range are subject to significant changes, the offer may be modified. In this case the price is based on the average price over the three days of trading before the announcement of a modification and may not be more than 10% higher or lower than this amount. The volume of a public offer may be limited. Insofar as the volume of shares tendered exceeds the volume to be repurchased, tender rights may be partially excluded to the extent that shares may be purchased in proportion to the number of shares tendered (tender quota) instead of in proportion to the number of shares held in the company (shareholding quota). In addition tender rights may be partially excluded to the extent that priority is given to smaller lots of up to 100 shares per shareholder or the number of shares is rounded to avoid fractions of shares.

If the shares are purchased by means of a public invitation to all shareholders to tender, the Company specifies a purchase price range per share within which shares may be tendered. The purchase price range may be modified if the share price changes significantly during the term of the offer from the share price at the time of publication of the invitation to tender. The purchase price per share to be paid by the Company (excluding incidental costs), which is calculated by the Company on the basis of the tenders received, may not be more than 10% higher or lower than the average closing price in the Xetra trading system (or a comparable successor system) on the three trading days before the cut-off date described below. The cut-off date is the date on which the Executive Board of the Company finalizes its formal decision to publish or modify the invitation to tender. The volume of tenders accepted may be limited. If due to the limited volume not all of several equal tenders can be accepted, tender rights may be partially excluded to the extent that shares are purchased on the basis of tender quotas instead of shareholding quotas. In addition tender rights may be partially excluded to the extent that priority is given to smaller lots of up to 100 shares per shareholder or the number of shares is rounded to avoid fractions of shares.

If the shares are purchased by means of issuing tender rights to shareholders, these may be allocated for each share of the Company. A fixed number of tender rights based on the ratio of the Company's capital stock to the volume of shares to be repurchased by the Company will entitle a shareholder to sell one share of the Company back to the Company. Tender rights may also be allocated in such a way that one tender right is allocated for a certain number of shares based on the ratio of capital stock to the buy-back volume. Fractions of tender rights are not allocated; in these cases any partial tender rights are excluded. The price or the limits of the price range (in each case excluding incidental costs) for which a share of the Company may be sold when

exercising a tender right are subject to the provisions of the above paragraph, with the relevant cut-off date being the date of publication of the buyback offer with associated tender rights, and in the event of modifications the relevant cut-off date being the date of publication of the modification. Further details of the tender rights, in particular their content, term and if appropriate their tradability, are determined by the Executive Board of the Company.

If the shares are purchased using equity derivatives (put options, call options, combinations of put and call options, or forward contracts), the equity derivatives must be agreed with one or several banks, one or several enterprises operating in accordance with § 53 (1) sentence 1 or § 53b (1) sentence 1 or (7) of the German Banking Act or a group or consortium of banks and/or such enterprises. The terms and conditions must ensure that the equity derivatives are based only on shares acquired in accordance with the principle of equal treatment for shareholders; this is satisfied by acquiring the shares on the open market. The term of each individual equity derivative may not exceed 18 months, may end no later than January 29, 2020 and must be selected in such a way that the purchase of shares to exercise or fulfill the options cannot take place later than January 29, 2020. The authorization may be exercised in whole or in part, once or in several different transactions by the Company, and also by an entity dependent on or majority-owned by the Company or by third parties acting on behalf of the Company or enterprises dependent on or majority-owned by the Company. Each share purchase by means of equity derivatives is limited to a maximum of 5% of the capital stock of €1,448,801,144.32 at the time of the resolution or – if lower – at the time the authorization is exercised. If treasury shares are purchased by means of equity derivatives in accordance with the authorization provisions, all rights of shareholders to enter into such equity derivatives with the Company and all shareholder tender rights are excluded.

The Executive Board is authorized to use the repurchased treasury shares for all legally permissible purposes. In particular it may cancel the shares, sell them by means other than on the open market, by offer to the shareholders or in exchange for contributions in kind, use them to fulfill option and/or conversion rights/obligations in respect of warrant and convertible bonds issued by the Company or the Company's subsidiaries, grant the holders of such warrant and/or convertible bonds a subscription right to the shares as would be due to them after exercise of the option or conversion rights or after fulfilment of a conversion obligation, and offer them for sale to employees of the Company and its affiliated companies. With the exception of cancelation shareholders' subscription rights are excluded in the cases stated. In addition if treasury shares are sold by means of a tender offer to all shareholders, the Executive Board may exclude shareholders' subscription rights for fractional amounts. The Supervisory Board may determine that measures by the Executive Board under this authorization to purchase and use treasury shares are subject to its approval.

Authorization of the Executive Board to issue warrant and convertible bonds and to exclude subscription rights

By resolution of the Annual General Meeting of January 17, 2014 the Executive Board was authorized, with the approval of the Supervisory Board, to take the following measures on or before January 16, 2019:

- to issue once or several times bearer or registered warrant and/or convertible bonds (together “bonds”) in the total par value of up to €2 billion with or without limited terms, and to grant to or impose on the holders or creditors of convertible bonds conversion rights or obligations for no-par bearer shares of the Company with a total share of the capital stock of up to €250 million in accordance with the conditions of these bonds. The bonds can also be issued by a subordinate Group company of the Company; in this event the Executive Board is authorized, with the approval of the Supervisory Board, to guarantee the bonds for the Company and to grant to or impose on the holders or creditors of these bonds option or conversion rights or obligations for no-par bearer shares of the Company.
- The bonds are divided into partial bonds. In the event of a warrant bond issue, one or several options are attached to each partial bond which entitle the holder or creditor to purchase no-par bearer shares of the Company in accordance with the option conditions determined by the Executive Board. The option conditions may specify that the option price can also be settled by transfer of partial bonds and if appropriate a cash surcharge. Where fractional shares occur, the option or bond conditions may specify that these fractional shares can be added together for the purchase of whole shares, if appropriate subject to payment of a surcharge.
- In the event of a convertible bond issue, the holders of bearer bonds or creditors of partial bonds obtain the right to convert their partial bonds into no-par bearer shares of the Company in accordance with the convertible bond conditions determined by the Executive Board. The conversion ratio is calculated by dividing the par value or, if lower, the issuing amount of a partial bond by the fixed conversion price for a no-par bearer share of the Company. The ratio may be rounded up or down; in addition, it may be specified that a cash surcharge must be paid and that non-convertible fractional amounts must be grouped together and/or compensated in cash. The bond conditions can specify a variable conversion ratio (subject to the minimum price specified below) within a pre-defined range depending on the development of the price of the no-par shares of the Company during the term of the bond.

- The bond conditions may also provide the Company with the right in the event of a conversion or exercise of an option not to issue new no-par shares, but to pay a cash amount corresponding to the weighted average closing price of the shares in the electronic trading system of Frankfurt Stock Exchange over a period specified in the bond conditions in lieu of the shares which would otherwise be issued. The bond conditions may also specify that, at the Company's discretion, the bond with option rights or conversion rights or obligations attached is to be converted not into new shares from conditional capital but into existing shares of the Company or another listed company, or that the option right can be fulfilled by delivering such shares. The bond conditions may also include a combination of these performance options.
- The bond conditions may also provide the Company with the right to grant the holders or creditors of a bond with option rights or conversion rights or obligations which has reached maturity (this also includes maturity due to termination) no-par shares of the Company or another listed company in lieu of part or all of the payable cash payment.
- The convertible bond conditions may also include an obligation to convert at the end of the term (or earlier or at the time of a specified event). The convertible bond conditions may entitle the Company to fully or partly offset in cash any difference between the par value or lower issuing amount of the convertible bond and the product of conversion price and conversion ratio.
- With the exception of cases where a right to offer alternative performance or a conversion obligation applies, the fixed option or conversion price for a no-par share of the Company must be no lower than 80% of the weighted average closing price of the no-par shares of the Company in the electronic trading system of Frankfurt Stock Exchange over the last 10 trading days before the Executive Board passes the resolution to issue the bond with option or conversion rights or conversion obligations attached, or – in the event that a subscription right is granted – no lower than 80% of the weighted average trading price of the no-par shares of the Company in the electronic trading system of Frankfurt Stock Exchange during the subscription period with the exception of the days of the subscription period necessary to ensure the option or conversion price can be announced in due time in accordance with § 186 (2) sentence 2 AktG. § 9 (1) AktG and § 199 AktG remain unaffected.
- In the cases where a right to offer alternative performance or a conversion obligation applies, the option or conversion price in accordance with the bond conditions must correspond at least to the above minimum price or the weighted average closing price of the no-par shares of the Company in the electronic trading system of Frankfurt Stock Exchange over the 10 trading days before the final maturity date or another specified date, even if this average price is lower than the aforesaid minimum price (80%). § 9 (1) AktG and § 199 AktG remain unaffected.

- Notwithstanding § 9 (1) AktG, the option or conversion price may be reduced under a dilution protection clause as defined in the conditions if during the option or conversion period the Company (i) increases the capital stock through a capital increase from Company funds or (ii) increases the capital stock or sells treasury stock granting an exclusive subscription right to its shareholders or (iii) issues, grants or guarantees further bonds with option or conversion rights or obligations granting an exclusive subscription right to its shareholders, and in cases (ii) and (iii) the owners of existing option or conversion rights or obligations are not granted subscription rights such as they would have held after exercising the option or conversion right or after fulfilling the conversion obligation. The reduction of the option or conversion price may also be effected by a cash payment upon exercise of the option or conversion right or upon fulfillment of a conversion obligation. In addition, the conditions may require modification of the option or conversion rights or conversion obligations in the case of a capital reduction or other measures or events which are associated with an economic dilution of the value of the option rights or conversion rights or conversion obligations (e.g. dividends, third parties gaining control).
- To the extent that shareholders are not permitted to subscribe to the bonds directly, the statutory subscription rights will be granted to shareholders in such a way that the bonds are acquired by a bank or banking syndicate which undertakes to offer them to the shareholders for subscription. If the bonds are issued by a subordinate Group company, the Company must ensure that statutory subscription rights are granted to the shareholders of the Company within the meaning of the sentence above.
- However, the Executive Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:
 - to eliminate fractional amounts
 - to the extent necessary to grant holders, or creditors in the case of registered securities, of option or conversion rights or obligations previously issued by thyssenkrupp AG or its Group companies subscription rights to new shares as would be due to them as shareholders after exercise of the option or conversion rights or after fulfillment of a conversion obligation
 - in the case of bonds issued against cash payment, to the extent that the Executive Board, after due review, reaches the conclusion that the issuing price of the bonds is not significantly lower than their theoretical fair value, calculated using recognized, in particular financial mathematics methods. However, this authorization to exclude subscription rights only applies to bonds issued with an option right or conversion right or obligation, with an option or conversion right or a conversion obligation for shares with a share of the capital stock that may not exceed 10% of the capital stock in total either on the date this authorization becomes effective or – if this value is lower – on the date the authorization is exercised. There shall be counted towards this limit of 10% of the capital stock the share of the capital stock attributable to shares which during the period between granting of this authorization and the issue

- excluding subscription rights in accordance with § 186 (3) sentence 4 AktG utilizing this authorization of bonds with conversion and/or option rights or conversion obligations excluding subscription rights are either issued under an authorization of the Executive Board to exclude subscription rights in direct or analogous application of § 186 (3) sentence 4 AktG or sold as acquired treasury stock in corresponding application of § 186 (3) sentence 4 AktG
- The total number of bonds issued excluding subscription rights under the above authorizations is limited to the number of bonds with an option or conversion right or a conversion obligation for shares with a share of the capital stock that must not exceed 20% of the capital stock in total, either at the time this authorization enters into force or – if this value is lower – at the time it is exercised. There shall be counted towards the above 20% limit (i) treasury shares which during the term of this authorization until the issue excluding subscription rights of the bonds with option and/or conversion rights or obligations are sold excluding subscription rights, and (ii) shares which during the term of this authorization until the issue excluding subscription rights of bonds with option and/or conversion rights or obligations are issued excluding subscription rights from authorized capital.
- The Executive Board is authorized, subject to Supervisory Board approval, to determine the further details of the issuing of the bonds, in particular interest rate, issuing price, term and denomination, dilution protection provisions, option or conversion period as well as the conversion and option price within the above framework, or to fix them in agreement with the boards of the Group company issuing the option or convertible bond.

Key agreements subject to conditions

thyssenkrupp AG is party to the following agreements that contain certain conditions in the event of a change of control as a result of a takeover bid:

- The Company has concluded an agreement with a banking consortium on a committed credit facility in the amount of €2.0 billion. Each member of the banking consortium has the right under certain conditions to cancel its share in the credit facility and its share in outstanding loans and demand their repayment if one or more shareholders who act in a concerted manner towards thyssenkrupp AG with shareholders other than the Alfried Krupp von Bohlen und Halbach Foundation, together hold more than 50% of the voting rights or capital stock of thyssenkrupp AG.
- In the fiscal years 2011/2012, 2012/2013, 2013/2014, 2014/2015 and 2015/2016 the Company issued bonds and private placements in the total amount of €6.5 billion. A change of control, i.e. cases where a third party or third parties acting in a concerted manner towards thyssenkrupp AG acquire or hold more than 50% of the capital stock or more than 50% of the voting shares of thyssenkrupp AG, may under certain conditions lead to the early redemption including interest.

- The Company is party to a shareholders' agreement in respect of Atlas Elektronik GmbH (joint venture) under which the co-shareholder Airbus Defence and Space GmbH has a call option on specific assets and liabilities of the joint venture at fair value in the event that a competitor of the joint venture or of the co-shareholder directly or indirectly acquires a controlling interest in the Company. If the call option is exercised, thyssenkrupp Technologies AG (today operating under the name thyssenkrupp Technologies Beteiligungen GmbH) is entitled to purchase all the co-shareholder's shares in the joint venture at fair value plus 5% premium. If the call option is not exercised, the co-shareholder has a put option in respect of the shares in the joint venture at the specified purchase price conditions.

- In connection with the reappointments of the members of the Executive Board of thyssenkrupp AG – Dr. Heinrich Hiesinger, Guido Kerkhoff and Oliver Burkhard – resolved in the 2014/2015 fiscal year, compensation arrangements for the event of a takeover bid (change of control clause) were agreed in their respective service contracts with effect from the second period of appointment. A corresponding arrangement, likewise effective from the second period of appointment, was also agreed with Dr. Donatus Kaufmann in connection with his reappointment in this fiscal year. Under these arrangements the Executive Board members mentioned, in the event of a change of control, have a special right of termination which triggers a severance payment equal to the sum of two annual fixed salaries and two annual performance bonuses but not more than the compensation due for the remaining term of their service contract. The installments of the Long-Term Incentive Plan (LTI) are not forfeited if the special right of termination is exercised. The same applies if the Executive Board member's contract is terminated by mutual agreement in connection with the change of control. A change of control exists when (i) a shareholder has acquired control within the meaning of the Securities Acquisition and Takeover Act (WpÜG) by holding at least 30% of the voting shares in the Company, (ii) an enterprise agreement in accordance with § 291 AktG has been entered into with the Company as a dependent enterprise or (iii) the Company has been merged with another non-Group legal entity in accordance with § 2 Transformation Act (UmwG), unless the value of the other legal entity is less than 50% of the value of the Company as evidenced by the agreed exchange ratio.

03

Consolidated financial statements

134 Consolidated statement of financial position	140 Notes to the consolidated financial statements
136 Consolidated statement of income	165 Notes to the consolidated statement of financial position
137 Consolidated statement of comprehensive income	221 Notes to the consolidated statement of income
138 Consolidated statement of changes in equity	227 Notes to the consolidated statement of cash flows
139 Consolidated statement of cash flows	227 Subsequent events
	228 Other information
	230 Independent Auditors' Report
	232 Responsibility Statement

thyssenkrupp AG – Consolidated statement of financial position

ASSETS

Excel 

million €	Note	Sept. 30, 2015	Sept. 30, 2016
Intangible assets	04	4,529	4,570
Property, plant and equipment	05, 29	8,728	8,872
Investment property	06	239	66
Investments accounted for using the equity method	07	303	284
Other financial assets	11	47	44
Other non-financial assets	12	343	445
Deferred tax assets	32	2,031	2,322
Total non-current assets		16,220	16,604
Inventories	09	6,945	6,341
Trade accounts receivable	10	5,118	5,003
Other financial assets	11	319	407
Other non-financial assets	12	2,397	2,376
Current income tax assets		160	172
Cash and cash equivalents		4,535	4,105
Assets held for sale	03	0	65
Total current assets		19,474	18,468
Total assets		35,694	35,072


EQUITY AND LIABILITIES

Excel 

million €	Note	Sept. 30, 2015	Sept. 30, 2016
Capital stock		1,449	1,449
Additional paid-in capital		5,434	5,434
Retained earnings		(4,123)	(5,255)
Cumulative other comprehensive income		422	474
Equity attributable to thyssenkrupp AG's stockholders		3,182	2,102
Non-controlling interest		125	507
Total equity	13	3,307	2,609
Accrued pension and similar obligations	15	7,654	8,754
Provisions for other employee benefits	16	339	373
Other provisions	16	906	589
Deferred tax liabilities	32	53	33
Financial debt	17	6,385	6,157
Other financial liabilities	19	2	221
Other non-financial liabilities	20	5	6
Total non-current liabilities		15,344	16,134
Provisions for current employee benefits	16	362	408
Other provisions	16	1,066	963
Current income tax liabilities		241	279
Financial debt	17	1,570	1,455
Trade accounts payable	18	4,985	5,119
Other financial liabilities	19	1,226	975
Other non-financial liabilities	20	7,593	7,130
Total current liabilities		17,043	16,329
Total liabilities		32,387	32,463
Total equity and liabilities		35,694	35,072


See accompanying notes to consolidated financial statements.

thyssenkrupp AG – Consolidated statement of income

				Excel 
million €, earnings per share in €	Note	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	
Net sales	24, 26	42,778	39,263	
Cost of sales	04, 05	(35,904)	(32,637)	
Gross margin		6,874	6,625	
Research and development cost		(330)	(373)	
Selling expenses		(2,996)	(2,865)	
General and administrative expenses		(2,284)	(2,415)	
Other income	27	284	234	
Other expenses	04, 28	(371)	(114)	
Other gains/(losses), net	29	(223)	112	
Income/(loss) from operations		954	1,204	
Income from companies accounted for using the equity method		33	46	
Finance income		1,320	1,030	
Finance expense		(1,811)	(1,627)	
Financial income/(expense), net	31	(458)	(552)	
Income/(loss) from continuing operations before income taxes		496	652	
Income tax (expense)/income	32	(217)	(391)	
Income/(loss) from continuing operations (net of tax)		279	261	
Discontinued operations (net of tax)	03	(11)	0	
Net income/(loss)		268	261	
Thereof:				
thyssenkrupp AG's stockholders		309	296	
Non-controlling interest		(41)	(35)	
Net income/(loss)		268	261	
Basic and diluted earnings per share based on	33			
Income/(loss) from continuing operations (attributable to thyssenkrupp AG's stockholders)		0.57	0.52	
Net income/(loss) (attributable to thyssenkrupp AG's stockholders)		0.55	0.52	

See accompanying notes to consolidated financial statements.

thyssenkrupp AG – Consolidated statement of comprehensive income

	Excel 	
million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Net income/(loss)	268	261
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	(380)	(1,272)
Tax effect	101	381
Other comprehensive income from remeasurements of pensions and similar obligations, net	(279)	(891)
Share of unrealized gains/(losses) of investments accounted for using the equity-method	3	(10)
Subtotals of items of other comprehensive income that will not be reclassified to profit or loss in future periods	(276)	(901)
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	119	73
Net realized (gains)/losses	5	1
Net unrealized (gains)/losses	124	74
Unrealized gains/(losses) from available-for-sale financial assets		
Change in unrealized gains/(losses), net	0	0
Net realized (gains)/losses	0	0
Tax effect	0	0
Net unrealized (gains)/losses	0	0
Unrealized gains/(losses) on derivative financial instruments (cash flow hedges)		
Change in unrealized gains/(losses), net	(76)	(18)
Net realized (gains)/losses	68	7
Tax effect	(5)	14
Net unrealized (gains)/losses	(13)	3
Share of unrealized gains/(losses) of investments accounted for using the equity-method	18	(9)
Subtotals of items of other comprehensive income that will be reclassified to profit or loss in future periods	129	68
Other comprehensive income	(147)	(833)
Total comprehensive income	121	(572)
Thereof:		
thyssenkrupp AG's stockholders	213	(559)
Non-controlling interest	(92)	(13)
Total comprehensive income attributable to thyssenkrupp AG's stockholders refers to:		
Continuing operations	224	(559)
Discontinued operations	(11)	0

See accompanying notes to consolidated financial statements.

thyssenkrupp AG – Consolidated statement of changes in equity

Excel 

Equity attributable to thyssenkrupp AG's stockholders											
million €, (except number of shares)	Number of shares outstanding	Capital stock	Additional paid-in capital	Retained earnings	Cumulative other comprehensive income				Total	Non-controlling interest	Total equity
					Foreign currency translation adjustment	Available-for-sale financial assets	Derivative financial instruments (cash flow hedges)	Share of investments accounted for using the equity method			
Balance as of Sept. 30, 2014	565,937,947	1,449	5,434	(4,142)	248	6	(51)	39	2,983	216	3,199
Net income/(loss)				309					309	(41)	268
Other comprehensive income				(276)	169	0	(7)	18	(96)	(51)	(147)
Total comprehensive income				33	169	0	(7)	18	213	(92)	121
Profit attributable to non-controlling interest									0	(63)	(63)
Payment of thyssenkrupp AG dividend				(62)					(62)	0	(62)
Capital increase									0	15	15
Changes of shares of already consolidated companies				1					1	(2)	(1)
Other changes				47					47	51	98
Balance as of Sept. 30, 2015	565,937,947	1,449	5,434	(4,123)	417	6	(58)	57	3,182	125	3,307
Net income/(loss)				296					296	(35)	261
Other comprehensive income				(898)	58	0	(6)	(9)	(855)	22	(833)
Total comprehensive income				(602)	58	0	(6)	(9)	(559)	(13)	(572)
Profit attributable to non-controlling interest									0	(35)	(35)
Payment of thyssenkrupp AG dividend				(85)					(85)		(85)
Changes of shares of already consolidated companies ¹⁾				(456)	9				(447)	440	(7)
Other changes				11					11	(10)	1
Balance as of Sept. 30, 2016	565,937,947	1,449	5,434	(5,255)	484	6	(64)	48	2,102	507	2,609

¹⁾ See Note 02 to the consolidated financial statements regarding the equity impacts of the full consolidation of CSA.
See accompanying notes to consolidated financial statements.

thyssenkrupp AG – Consolidated statement of cash flows

	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
million €		
Net income/(loss)	268	261
Adjustments to reconcile net income/(loss) to operating cash flows:		
Discontinued operations (net of tax)	11	0
Deferred income taxes, net	(110)	83
Depreciation, amortization and impairment of non-current assets	1,397	1,259
Reversals of impairment losses of non-current assets	(3)	(8)
Income/(loss) from companies accounted for using the equity method, net of dividends received	(33)	(46)
(Gain)/loss on disposal of non-current assets	(58)	(23)
Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes		
– Inventories	311	625
– Trade accounts receivable	636	74
– Accrued pension and similar obligations	(138)	(119)
– Other provisions	77	(55)
– Trade accounts payable	36	146
– Other assets/liabilities not related to investing or financing activities	(1,083)	(811)
Operating cash flows – continuing operations	1,311	1,387
Operating cash flows – discontinued operations	(11)	0
Operating cash flows – total	1,300	1,387
Purchase of investments accounted for using the equity method and non-current financial assets	(2)	(8)
Expenditures for acquisitions of consolidated companies net of cash acquired	45	(17)
Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property	(1,150)	(1,216)
Capital expenditures for intangible assets (inclusive of advance payments)	(128)	(146)
Proceeds from disposals of investments accounted for using the equity method and non-current financial assets	97	1
Proceeds from disposals of previously consolidated companies net of cash disposed	400	9
Proceeds from disposals of property, plant and equipment and investment property	100	180
Proceeds from disposals of intangible assets	0	2
Cash flows from investing activities – continuing operations	(638)	(1,196)
Cash flows from investing activities – discontinued operations	0	0
Cash flows from investing activities – total	(638)	(1,196)
Proceeds from issuance of bonds	1,350	850
Repayments of bonds	(750)	(1,000)
Proceeds from liabilities to financial institutions	2,855	972
Repayments of liabilities to financial institutions	(3,074)	(1,140)
Proceeds from/(repayments on) loan notes and other loans	58	(142)
Increase/(decrease) in bills of exchange	4	(4)
(Increase)/decrease in current securities	1	(3)
Payment of thyssenkrupp AG dividend	(62)	(85)
Proceeds from non-controlling interest to equity	15	0
Profit attributable to non-controlling interest	(63)	(35)
Expenditures for acquisitions of shares of already consolidated companies	(1)	(6)
Other financing activities	(411)	(67)
Cash flows from financing activities – continuing operations	(78)	(658)
Cash flows from financing activities – discontinued operations	0	0
Cash flows from financing activities – total	(78)	(658)
Net increase/(decrease) in cash and cash equivalents – total	584	(467)
Effect of exchange rate changes on cash and cash equivalents – total	(89)	37
Cash and cash equivalents at beginning of year – total	4,040	4,535
Cash and cash equivalents at end of year – total	4,535	4,105
Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows of continuing operations:		
Interest received	122	89
Interest paid	(464)	(432)
Dividends received	116	61
Income taxes paid	(274)	(324)

See Note 35 to the consolidated financial statements.

thyssenkrupp AG – Notes to the consolidated financial statements

Corporate information

thyssenkrupp Aktiengesellschaft (“thyssenkrupp AG” or “Company”) is a publicly traded corporation domiciled in Duisburg and Essen in Germany. The consolidated financial statements of thyssenkrupp AG and its subsidiaries, collectively the “Group”, for the year ended September 30, 2016, were authorized for issuance in accordance with a resolution of the Executive Board on November 15, 2016.

Statement of compliance

Applying Art. 315a of the German Commercial Code (HGB), the Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations of the International Accounting Standards Board (IASB) effective within the EU in accordance with the Regulation No. 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards.

01 Summary of significant accounting policies

The consolidated financial statements are presented in Euros since this is the currency in which the majority of the Group’s transactions are denominated, with all amounts rounded to the nearest million except when otherwise indicated; this may result in differences compared to the unrounded figures.

Consolidation

The Group’s consolidated financial statements include the accounts of thyssenkrupp AG and all significant entities which are directly or indirectly controlled by thyssenkrupp AG (subsidiaries). Control is achieved where thyssenkrupp AG has the power, is exposed to positive or negative variable returns from its involvement with the investee and has the ability to use its power to affect the amount of its returns. This typically occurs when thyssenkrupp AG possesses more than half of the voting rights of a company. As far as structured entities are concerned, the ability to control does not result from a majority of voting rights but from contractual agreements.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Capital consolidation is performed by offsetting the carrying amounts of subsidiaries against their attributable equity. On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

The interest of minority shareholders (non-controlling interest) is stated at the minority's proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognized.

All significant intercompany transactions and balances between Group entities are eliminated on consolidation.

Joint arrangements where two or more parties jointly control an activity either classify as joint operations or as joint ventures. Joint control exists when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint operations are joint arrangements whereby the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. This results in including the assets and liabilities as well as the related income and expense on a pro rata basis in the Group's consolidated financial statements. Joint ventures are joint arrangements whereby the parties that have joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method of accounting. Where the Group transacts with its joint operations or joint ventures, unrealized profits and losses are eliminated to the extent of the Group's interest.

Investments in associates are also accounted for using the equity method of accounting. An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policies. Significant influence is presumed when the Group holds 20% or more of the voting rights ("Associated Companies"). Where a Group entity transacts with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Subsidiaries, joint operations, joint ventures and associates which influence the Group's net assets, financial position and results of operations only immaterially. Such entities are measured at fair value or at cost when the fair value of unlisted equity instruments cannot be reliably measured; they are presented under the "Other financial assets, non-current" line item.

Goodwill arising on acquisition represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, joint operation, joint venture or associate at the date of acquisition. Goodwill is recognized as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

Goodwill arising on the acquisition of a joint venture or an associate is included within the carrying amount of the joint venture or the associate, respectively. Goodwill arising on the acquisition of subsidiaries or joint operations is presented separately in the balance sheet.

On disposal of a subsidiary, joint operation, joint venture or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Foreign currency translation

The functional and reporting currency of thyssenkrupp AG and its relevant European subsidiaries is the Euro (€). Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

Financial statements of the foreign subsidiaries included in the Group consolidated financial statements where the functional currency is other than the Euro are translated using their functional currency which is generally the respective local currency. The translation is performed using the current rate method, in which balance sheet amounts are translated to the reporting currency using the rates of exchange prevailing on the balance sheet date, while income statement amounts are translated using the period's average exchange rates. Net exchange gains or losses resulting from the translation of foreign financial statements are accumulated and included in equity. Such translation differences are recognized as income or as expenses in the period in which the operation is disposed of.

Companies that manage their sales, purchases, and financing substantially not in their local currency use the currency of their primary economic environment as their functional currency. Using the functional currency in these cases involves translating non-monetary items such as non-current assets, including scheduled depreciation, and equity to the functional currency using the average exchange rates of the respective year of addition. All other balance sheet line items are translated using the exchange rate as of the balance sheet date and all other income statement line items are translated using the period's average exchange rates. The resulting translation differences are included in the consolidated statement of income as "Other operating income or expenses". Thereafter, the functional currency financial statements are translated into the reporting currency using the current rate method.

The exchange rates of those currencies significant to the Group have developed as follows:

CURRENCIES

	Exchange rate as of (Basis €1)		Annual average exchange rate for the year ended (Basis €1)	
	Sept. 30, 2015	Sept. 30, 2016	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
US Dollar	1.12	1.12	1.15	1.11
Brazilian Real	4.48	3.62	3.43	4.03
Chinese Renminbi Yuan	7.12	7.45	7.09	7.25

Intangible assets

Intangible assets with finite useful lives are capitalized at cost and amortized on a straight-line basis generally over a period of 3 to 15 years, depending on their estimated useful lives. Technology resulting from the acquisition of Howaldtswerke-Deutsche Werft (HDW) is amortized over a period of 40

years. Useful lives are examined on an annual basis and adjusted when applicable on a prospective basis. The amortization expense of intangible assets is primarily included in the “cost of sales” line item in the consolidated statement of income.

Goodwill is stated at cost and tested for impairment annually or on such other occasions that events or changes in circumstances indicate that it might be impaired. Goodwill impairment losses are included in other operating expenses.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and impairment losses. Capitalized production costs for self-constructed assets include costs of material, direct labour, and allocable material and manufacturing overhead. Borrowing costs directly attributable to the production of assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Administrative costs are capitalized only if such costs are directly related to production. Maintenance and repair costs (day-to-day servicing) are expensed as incurred. The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing parts and major inspection of such an item if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. Where fixtures and equipment comprise of significant parts having different useful lives those parts are depreciated separately.

Fixtures and equipment are depreciated over the customary useful life using the straight-line method. Upon sale or retirement, the acquisition or production cost and related accumulated depreciation are removed from the balance sheet and any gain or loss is included in the consolidated statement of income.

The following useful lives are used as a basis for calculating depreciation:

	Useful lives
Buildings (incl. investment property)	10 to 50 years
Building and land improvements	15 to 25 years
Technical machinery and equipment	8 to 25 years
Factory and office equipment	3 to 10 years

Investment property

Investment property consists of investments in land and buildings that are held to earn rental income or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. Investment property is stated at cost less accumulated depreciation and impairment losses. The fair value of the Group's investment property is stated in Note 06.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its intangible assets, property, plant and equipment and investment property to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the greater of the fair value less cost to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market conditions. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash Generating Unit to which the asset belongs.

Goodwill arising on acquisition is allocated to the Cash Generating Units that are expected to benefit from the synergies of the acquisition. Those groups of Cash Generating Units represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount of the Cash Generating Unit that carries a goodwill is tested for impairment annually as of September 30, or on such other occasions that events or changes in circumstances indicate that it might be impaired. For more details refer to Note 04.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

In case of impairment losses related to Cash Generating Units that carry a goodwill the carrying amount of any goodwill allocated to the Cash Generating Unit is reduced first. If the amount of impairment losses exceeds the carrying amount of goodwill, the difference is generally allocated proportionally to the remaining non-current assets of the Cash Generating Unit to reduce their carrying amounts accordingly.

Where an impairment loss subsequently reverses, the carrying amount of the asset (Cash Generating Unit) is increased to the revised estimate of its recoverable amount. The revised amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (Cash Generating Unit) in prior years. A reversal of an impairment loss is recognized as income immediately. However, impairment losses of goodwill may not be reversed.

Leases

On initial recognition leases are classified as either finance or operating. Lease transactions whereby the Group is the lessee and bears substantially all the risks and rewards incidental to ownership of an asset are accounted for as a finance lease. Accordingly, the Group capitalizes the leased asset at the lower of the fair value or the present value of the minimum lease payments and subsequently depreciates the leased asset over the shorter of the lease term and its useful life. In addition, the Group records a corresponding lease obligation on the balance sheet which is subsequently settled and carried forward using the effective interest method. All other lease agreements entered into by the Group, as a lessee, are accounted for as operating leases whereby the lease payments are expensed on a straight-line basis.

Lease transactions whereby the Group is the lessor and transfers substantially all of the benefits and risks incident to the ownership of property, are accounted for as a sale and financing of the leased asset. The Group recognizes a receivable at an amount equal to the net investment in the lease and includes interest income in the consolidated income statement. All other lease agreements entered into by the Group, as a lessor, are accounted for as operating leases whereby the leased asset remains on the Group's balance sheet and is depreciated. Scheduled lease payments are recognized in income on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of acquisition/manufacturing cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs. In general, inventories are valued using the average cost method. Manufacturing cost includes direct material, labor and allocable material and manufacturing overhead based on normal operating capacity.

Financial instruments

A financial instrument is any contract that at the same time gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized as soon as thyssenkrupp becomes a contracting party to the financial instrument. In cases where trade date and settlement date do not coincide, for non-derivative financial instruments the settlement date is used for initial recognition or derecognition, while for derivatives the trade date is used. Financial instruments stated as financial assets or financial liabilities are generally not offset; they are only offset when a legal right to set-off exists at that time and settlement on a net basis is intended.

Determining fair value

The fair value of financial instruments is generally equal to the amount the Group would receive or pay if it exchanged or settled the financial instruments on the balance sheet date. If available, quoted market prices are used for financial instruments, especially for those categorized as available-for-sale financial assets. Otherwise, fair values are calculated based on the market conditions prevailing on the balance sheet date – interest rates, exchange rates, commodity prices – using middle rates or prices. In doing so, fair values are calculated using common methods, such as the option pricing models for currency and interest rate options or the discounted cash flow method for interest rate swaps. The fair values of some derivatives are based on external valuations by our financial partners.

Financial assets

In particular, financial assets include trade accounts receivable, cash and cash equivalents, derivative financial assets, as well as equity instruments and bonds held. Financial assets are initially recognized at fair value. This includes any transaction costs directly attributable to the acquisition of financial assets, which are not carried at fair value through profit or loss in future periods. The fair values recognized on the balance sheet usually reflect the market prices of the financial assets.

Trade accounts receivable and other current receivables

Receivables are accounted for at amortized cost less valuation allowances.

Impairments in the form of individual allowances for doubtful accounts adequately consider default risk. When there is objective evidence of default, the receivable concerned is derecognized. Receivables that are immaterial, and receivables of similar default risk, are grouped together and tested collectively for impairment based on past experience. Partially, impairments are accounted for using separate allowance accounts. Whether default risk is recognized by means of an allowance account or a direct derecognition of the receivable depends on the probability of default and the reliability of its estimation.

Receivables that do not bear interest or bear below market interest rates and have an expected term of more than one year are discounted with the discount subsequently amortized to interest income over the term of the receivable.

The Group sells undivided interests in certain trade accounts and notes receivable both on an ongoing and one-time basis to structured entities, which are not required to be consolidated, or to other lending institutions. Financial assets sold under these arrangements are excluded from accounts receivable in the Group's balance sheet at the time of sale if it is assured that the cash flows related to those receivables will be passed through to the acquirer and substantially all risks and rewards have been transferred. If substantially all risks and rewards have neither been transferred nor retained, financial assets are excluded from the books at the time of the sale if it is assured that the cash flows of the receivables will be passed through to the acquirer and the acquirer has gained control over the receivables. If substantially all risks and rewards have been retained financial assets remain in the Group's balance sheet as collateral for borrowings.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits as well as financial assets that are readily convertible to cash and which are only subject to an insignificant risk of change in value, they are measured at amortized cost.

Financial assets held for trading

Derivatives that are not part of an effective hedge accounting in accordance with IAS 39 must be assigned to this category when the fair value is positive as of measurement date. Gains or losses resulting from changes in fair value are recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets not assigned to any of the above categories (trade accounts receivable and other current receivables, cash and cash equivalents, and financial assets held for trading). This category includes primarily equity and debt instruments which are in general measured at fair value. Gains or losses resulting from the measurement of available-for-sale financial assets are recognized directly in equity, with the exception of foreign

currency conversion effects on monetary items as well as impairment losses on monetary and non-monetary items. On disposal of these financial assets, a cumulative gain or loss recognized directly in equity until then is recognized in profit or loss of the respective period. When the fair value of unlisted equity instruments cannot be reliably measured, they are measured at cost.

Financial assets measured at fair value through profit or loss

The Group does not use the option to categorize financial assets at fair value through profit or loss when initially recognized.

Impairment of financial assets

At each balance sheet date, an assessment is made of whether there is any objective evidence that the carrying amounts of financial assets not carried at fair value through profit or loss are impaired. Objective evidence includes, for example, considerable financial difficulty of the debtor obligor, disappearance of an active market, and significant changes in the technological, market, economic or legal environment. A significant or prolonged decline in the fair value of an equity instrument is an objective evidence of impairment.

The impairment loss on a financial asset carried at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. An impairment loss is recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

If the decrease in fair value of an available-for-sale financial asset was previously recognized directly in equity, such loss is transferred from equity to profit or loss as soon as an objective evidence of an impairment loss exists. The amount of the impairment represents the difference between historical cost (less any redemption and amortization) and the current fair value less any impairment loss on that financial asset previously recognized in profit or loss. Impairment losses on equity instruments classified as available-for-sale and recognized in the income statement are not reversed through profit or loss, but rather through equity. The amount of any reversal of any write-down of debt instruments, which objectively occurred after the impairment was recognized, is recognized in profit or loss.

Financial liabilities

Financial liabilities are liabilities that must be settled in cash or other financial assets. These especially include trade accounts payable, derivative financial liabilities and components of financial debt, mainly bonds and other securitized liabilities, liabilities to financial institutions and finance lease liabilities. Financial liabilities are initially carried at fair value. This includes any transaction costs directly attributable to the acquisition of financial liabilities, which are not carried at fair value through profit or loss in future periods.

Trade accounts payable and other non-derivative financial liabilities

Trade accounts payable and other non-derivative financial liabilities are in general measured at amortized cost using the effective interest method. Finance charges, including premiums payable on redemption or settlement, are periodically accrued using the effective interest method and increase the liabilities' carrying amounts unless they have already been settled in the period in which they were incurred.

Financial liabilities carried at fair value through profit or loss

The Group does not use the option to categorize financial liabilities at fair value through profit or loss when initially recognized.

Financial liabilities held for trading

Derivatives that are not part of an effective hedge accounting in accordance with IAS 39 must be classified as "held for trading" and thus carried at fair value through profit or loss. In the event of negative fair values, such derivatives are recognized as "financial liabilities held for trading".

Derivative financial instruments

The Group generally uses derivative financial instruments to hedge its exposure to foreign currency exchange rate, interest rate and commodity price risks arising from operational, financing and investment activities. Derivatives are used generally to hedge existing or anticipated underlying transactions. Such derivatives and so-called "embedded derivatives", which are an integral part of a non-derivative host contract and must be accounted for separately, are measured initially and subsequently at fair value through profit or loss. Gains or losses due to fluctuations in fair value are recognized immediately in profit or loss.

If derivatives are used to hedge the exposure to variability in cash flows and to hedge balance sheet items, the hedging relationship qualifies for hedge accounting under IAS 39 if certain conditions are met. This can reduce volatility in the income statement. There are three types of hedging relationships: fair value hedge, cash flow hedge and hedge of a net investment in a foreign operation.

In a fair value hedge, which is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, the hedging instrument is stated at fair value and any changes in fair value are immediately recognized in profit or loss. Changes in fair value of a hedged asset, liability or firm commitment, which are attributable to a particular hedged risk, are also recognized in profit or loss. Given a perfect hedge, changes in fair value of the underlying and hedging transactions are almost entirely offset. If the asset or liability is measured at amortized cost according to general accounting guidelines, its carrying amount must be adjusted for the cumulative changes in fair value resulting from the hedged risk. However, if the hedged item (e.g. available-for-sale security)

is recognized at fair value without influencing the income statement in accordance with the general accounting guidelines, changes in fair value resulting from the hedged risk are recognized in profit or loss, contrary to the general guidelines.

A cash flow hedge is a hedge of the exposure to variability in cash flows associated with a recognized asset or liability, a highly probable forecast transaction, or foreign currency risk of a firm commitment. The effective portion of the fluctuations in fair value is immediately recognized in equity. The effective portion is reclassified from equity to profit or loss in the same period during which the hedged underlying transaction affects profit or loss. If a hedge subsequently results in the recognition of a non-financial asset (e.g. property, plant and equipment or inventories), then the fluctuations in fair value that were recognized in equity affect the value of the non-financial asset. When measuring the effectiveness between the underlying hedged transaction and the hedging instrument the remaining ineffective portion of the hedge and adjustments due to interest rate changes are immediately recognized in the consolidated statement of income. In the case of currency risks, the effectiveness of the hedging relationship is established by including changes in value due to spot rate changes as a hedged risk and excluding the interest component.

When the hedging instrument expires or is sold, terminated or exercised, or the hedging relationship is discontinued, but the forecast underlying transaction is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognized in equity remains separately in equity until the forecast transaction occurs. It is recognized in profit or loss as detailed above when the transaction affects the income statement. If the hedged forecast transaction is no longer expected to occur, any related cumulative unrealized gain or loss recognized in equity is recognized immediately in the consolidated statement of income.

The Group mainly uses cash flow hedges to hedge its exposure to changes in foreign currency rates, interest rates and commodity prices. In addition, the Group carries out hedging in accordance with the basic principles of risk management under which existing risks are hedged economically, but the hedges do not comply with the strict hedge accounting requirements under IAS 39. The Group does not use hedge accounting for foreign currency derivatives that have been concluded to hedge foreign currency risks arising from monetary balance sheet items. Thus, the effects from the foreign currency conversion of balance sheet items recognized in profit or loss are offset against the fluctuations in fair value of derivatives, which are also recognized in profit or loss.

Currently, the Group does not apply hedging of a net investment in a foreign operation.

More information about financial instruments is provided in Note 22.

Deferred income taxes

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit as well as for unused tax losses or credits. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets and liabilities are also recognized on temporary differences arising from business combinations except to the extent they arise from goodwill that is not taken into account for tax purposes.

Deferred taxes are calculated at the enacted or substantially enacted tax rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to other comprehensive income in equity, in which case the corresponding deferred tax is also recognized directly in equity.

Cumulative other comprehensive income

The equity line item “Cumulative other comprehensive income” includes changes in the equity of the Group that were not recognized in the consolidated statement of income of the period, except those resulting from investments by owners and distributions to owners. Cumulative other comprehensive income includes foreign currency translation adjustments, unrealized holding gains and losses on available-for-sale financial assets and on derivative financial instruments as well as the share of the other comprehensive income of associates and joint ventures accounted for using the equity method. Remeasurements of pensions and similar obligations are reported in retained earnings in the period that they are recognized as other comprehensive income.

Accrued pension and similar obligations

The Group’s net obligation for defined benefit and other postretirement benefit plans have been calculated for each plan using the projected unit credit method as of the balance sheet date. A quarterly valuation of pensions and health care obligations is performed on the basis of updated interest rates and fair values of plan assets.

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

With the exception of net interest, all income and expenses related to defined benefit plans are recognized in income from operations. Net interest included in net periodic pension cost is recognized in net financial income/(expense) in the Group’s consolidated statement of income.

The Group's obligations for contributions to defined contribution plans are recognized as expense in income from operations as incurred.

The effects of remeasurements of pensions and similar obligations are recognized in other comprehensive income in the consolidated statement of comprehensive income. They consist of actuarial gains and losses, the return on plan assets and changes in the effects of asset ceiling excluding amounts already included in net interest. Deferred taxes relating to remeasurements are also recognized in other comprehensive income.

The Group also maintains multi-employer plans. In principle, these multi-employer plans contain defined benefit plans as well as defined contribution plans. With respect to defined benefit multi-employer plans these are accounted for in the same way as any other defined benefit plan in case the required information is available. Otherwise these plans are accounted for as defined contribution plans. In particular in the USA, Sweden and in the Netherlands, there exist multi-employer defined benefit plans that are accounted for as defined contribution plans due to the fact that the pension obligations and the plan assets cannot be assigned to the participating employers.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event which will result in a probable outflow of economic benefits that can be reasonably estimated. The amount recognized represents best estimate of the settlement amount of the present obligation as of the balance sheet date. Expected reimbursements of third parties are not offset but recorded as a separate asset if it is virtually certain that the reimbursements will be received. Where the effect of the time value of money is material, provisions are discounted using a market rate.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Provisions for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring and has notified the affected parties.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Share-based compensation

The Group has management incentive plans which grant stock rights to executive and senior employees. The fair value of these rights is calculated on the date of grant and on each balance sheet date and recognized as an expense on a straight-line basis over the vesting period with a corresponding increase in provisions. Furthermore a portion of the variable compensation was granted as share appreciation rights to the Executive Board members of thyssenkrupp AG inclusive of fiscal year 2013 / 2014 and was granted to additional selected executive employees inclusive of fiscal year

2014/2015. For both types of compensation, the provision is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the provision are recognized as part of income from operations.

See also information provided in Note 14.

Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably. Revenue from services is recognized when services are rendered. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods. Revenue is recognized net of applicable provisions for discounts and allowances.

Construction contract revenue and expense are accounted for using the percentage-of-completion method, which recognizes revenue as performance of the contract progresses. The contract progress is determined based on the percentage of costs incurred to date to total estimated cost for each contract after giving effect to the most recent estimates of total cost. If the construction takes a substantial period of time, contract costs also include borrowing costs that are directly attributable.

Contracts where the Group provides engineering services are also accounted for like construction contracts. Construction contracts under the percentage-of-completion method are measured at construction cost plus profits earned based on the percentage of the contract completed. Revenues net of advance payments received are recognized as trade accounts receivable in the balance sheet. Variations in contract work and claims are included to the extent that it is probable that they will be approved by the customer and the amount can be reliably measured. Reliably measurable incentive payments are recognized if it is probable that the specified performance standards will be met or exceeded.

Where the income of a construction contract cannot be estimated reliably, contract revenue that is probable to be recovered is recognized to the extent of contract costs incurred. Contract costs are recognized as expenses in the period in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Revenues from contracts with multiple element arrangements, such as those including both goods and services, are recognized as each element is earned based on objective evidence of the relative fair value of each element.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Government grants

Government grants are recognized only if there is reasonable assurance that the associated conditions will be met and the grants will be received. Grants related to assets are reported as a reduction of cost of the assets concerned with a corresponding reduction of depreciation and amortization in subsequent periods. Grants related to income are stated as other operating income in the periods in which the expenses intended to be compensated by the grant are recognized.

Research and development costs

Research costs are expensed as incurred.

Development costs, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if the product or process is technically and commercially feasible, it is intended to complete the intangible asset, there is a market for the output of the intangible asset, the attributable expenditure can be measured reliably, and the Group has sufficient resources to complete development. Other development costs are expensed as incurred. Capitalized development costs of completed projects are stated at cost less accumulated amortization and impairment losses. Costs include direct costs of material, direct labour, and allocable material and manufacturing overhead. Borrowing costs directly attributable to a production of assets that necessarily takes a substantial period of time to get the assets ready for their intended use, are included in the cost of those assets until the assets are ready for their intended use. Administrative costs are capitalized only if such costs are directly related to production. Capitalized development costs of projects not yet completed are reviewed for impairment annually or more frequently when an indicator of impairment arises during the reporting year.

Earnings per share

Basic earnings per share amounts are calculated by dividing net income/(loss) attributable to thyssenkrupp AG's shareholders by the weighted average number of shares outstanding. Shares sold during the period and shares reacquired during the period are weighted for the portion of the period that they were outstanding.

Segment reporting

In accordance with the so-called management approach, segment reporting of the thyssenkrupp Group is based on the internal organizational and reporting structure. The data used to determine the internal key figures are derived from the IFRS consolidated financial statements.

Single assets held for sale, disposal groups and discontinued operations

A single non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group reports assets and liabilities as a disposal group, that will be disposed of by sale or otherwise in a single transaction, which collectively meet the held for sale criteria as specified in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The Group reports the assets and liabilities of a disposal group separately in the balance sheet line item "assets held for sale/disposal" and "liabilities associated with

assets held for sale/disposal”, respectively. Unless a disposal group qualifies for discontinued operations reporting, the revenues and expenses of the disposal group remain within continuing operations until the date of disposal. The Group reports the results of a disposal group that also qualifies as a component of the Group as discontinued operations if it represents a separate major line of business or geographical area of operations. The Group reports the results of discontinued operations in the period in which they occur separately within the consolidated statement of income as “discontinued operations (net of tax)”. All prior period consolidated statements of income are adjusted to report the results of the component within discontinued operations. In the consolidated statement of cash flows the cash flows resulting from discontinued operations are presented separately from cash flows resulting from continuing operations; prior year presentation has been adjusted accordingly. In order to present the proportion of income/loss attributable to discontinued operations, net sales and expenses arising from intercompany transactions are recognized provided that these transactions will not continue after the disposal of the discontinued operations.

On initial classification as held for sale, non-current assets are recognized at the lower of the carrying amount and fair value less costs to sell and depreciation and amortization ceases. A disposal group is initially measured in line with the respective IFRS standards to determine the carrying amount of the disposal group which is then compared to the fair value less costs to sell of the group in order to recognize the group at the lower of both amounts. Impairment losses on initial classification as held for sale are included in profit or loss, as are gains and losses on subsequent remeasurement, but not in excess of the cumulative impairment loss.

Financial statement classification

Certain line items on the consolidated balance sheet and in the consolidated statement of income have been combined. These items are disclosed separately in the Notes to the consolidated financial statements. Certain reclassifications have been made to the prior year presentation to conform to that of the current year.

In general the Group classifies assets and liabilities as current when they are expected to be realized or settled within twelve months after the balance sheet date. Group companies that have operating cycles longer than twelve months classify assets and liabilities as current if they are expected to be realized within the company’s normal operating cycle.

Use of estimates

The preparation of the Group consolidated financial statements requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting estimates and judgements made by Management in the application of IFRS that have a significant effect on the consolidated financial statements are presented in Note 25.

Recently adopted accounting standards

In fiscal year 2015/2016, thyssenkrupp adopted the following amendments to already existing standards:

In November 2013 the IASB issued narrow-scope amendments to IAS 19 “Employee Benefits” titled “Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)”. The amendments are applicable to recognizing contributions of employees or third parties to defined benefit plans. Hereby it will be allowed to recognize employees’ or third parties’ contributions as a reduction of current service costs in the period in which the corresponding servicing has been rendered if the contributions are independent of the number of years of employee service. The amendments to IAS 19 are to be applied for fiscal years beginning on or after July 1, 2014. In the context of the endorsement, the mandatory effective date was deferred to fiscal years beginning on or after February 1, 2015; the option of an earlier adoption had not been used by thyssenkrupp. The amendments do not have a material impact on the Group’s consolidated financial statements.

In December 2013 the IASB issued the annual improvements for the 2010 to 2012 cycle and for the 2011 to 2013 cycle as part of its annual improvement process project. In the context of the 2010 to 2012 cycle clarifications and smaller amendments of seven standards were published: IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations”, IFRS 8 “Operating Segments”, IFRS 13 “Fair Value Measurement”, IAS 16 “Property, Plant and Equipment”, IAS 24 “Related Party Disclosures” and IAS 38 “Intangible Assets”. In the context of the 2011 to 2013 cycle clarifications and smaller amendments of four standards were published: IFRS 1 “First-time Adoption of IFRS”, IFRS 3 “Business Combinations”, IFRS 13 “Fair Value Measurement” and IAS 40 “Investment Property”. The amendments are effective for fiscal years beginning on or after July 1, 2014. In the context of the endorsement, the mandatory effective date was deferred – namely for the 2010 to 2012 cycle to fiscal years beginning on or after February 1, 2015 and for the 2011 to 2013 cycle to fiscal years beginning on or after January 1, 2015; the option of an earlier adoption had not been used by thyssenkrupp. The amendments do not have a material impact on the Group’s consolidated financial statements.

Issued accounting standards that have not been adopted in fiscal year 2015/2016

The following standards, interpretations and amendments of standards and interpretations have been issued by the IASB. Their adoption has not been mandatory for 2015/2016 and must be endorsed partially by the EU:

In July 2014 the IASB issued the final version of IFRS 9 “Financial Instruments”. The new version includes revised requirements for the classification and measurement of financial assets and for the first time regulations on the impairment of financial instruments; with the new “expected loss model” losses are recognized earlier because both existing and expected losses are recognized. The new regulations must be applied for fiscal years beginning on or after January 1, 2018. In general they

must be applied retrospectively, but various transition options are allowed; earlier application is permitted. The EU has not yet endorsed the standard. Currently, Management is not able to finally assess what impact adoption of the standard will have – if endorsed by the EU in the current version.

In May 2014 the IASB issued the new standard IFRS 15 “Revenue from Contracts with Customers”. The purpose of the new standard on revenue recognition is to bring together the large number of existing guidelines contained in various standards and interpretations. At the same time it establishes uniform core principles to be applied to all industries and all types of revenue transactions. A 5-step model is used to determine at which point in time or over which period of time revenues are to be recognized and in what amount. The standard also includes further detailed guidance and extended disclosure requirements. Due to the amendment to IFRS 15 issued in September 2015, the mandatory effective date was deferred from January 1, 2017 to fiscal years beginning on or after January 1, 2018. In general it must be applied retrospectively, but various transition options are allowed; earlier application is permitted. In April 2016 clarifications to IFRS 15 were issued relating mainly to the identification of separate performance obligations, the definition of principal and agent as well as the recognition of income from licenses. The clarifications have not yet been endorsed by the EU.

In 2015 a Groupwide IFRS 15 implementation project was launched. The project has two phases: Phase 1, which mainly related to the 2015 / 2016 fiscal year, involved an initial detailed analysis of the impact of the rules of IFRS 15 at the level of the 14 business models identified in the business areas. The results of the initial impact analysis were then verified at company level with reference to defined contract types. Based on the contract analysis, a detailed concept was developed for the transition of revenue recognition to the new rules of IFRS 15, also including the need for adjustments to existing IT processes/systems. The subsequent Phase 2 of the project, mainly relating to the 2016 / 2017 fiscal year, will serve particularly to implement the initial IT process/system adjustments identified in Phase 1 and to provide training for the Group companies in handling the new requirements of IFRS 15.

Based on the findings of the detailed analysis of IFRS 15 carried out in fiscal year 2015 / 2016, the following key impacts were identified compared with the current revenue recognition:

- For certain business models in the automotive supply business of the Components Technology business area, the concretized definition of principal and agent in IFRS 15 based on the principle of control will result in a significant and sustained reduction in reported revenue due to the extended net presentation of agent revenue. At the same time this will have a positive impact on the reported percentage sales margin (related to adjusted EBIT) of the Components Technology business area, which would be 0.6 percentage points higher at the balance sheet date September 30, 2016.

- When applying the IFRS 15 criteria for revenue recognition over time, revenue may be recognized later in individual cases in the Industrial Solutions business area, which currently uses the percentage of completion method in accordance with IAS 11.
- The requirement under IFRS 15 to identify separate performance obligations under certain circumstances and the resultant allocation of the transaction price will impact the timing of revenue recognition.

In the naval shipbuilding business of the Industrial Solutions business area, revenue will be deferred in the event that options are granted on the future purchase of further products, which represent “material rights” under IFRS 15 and must be treated as a separate performance obligation.

In addition, especially in the Materials Services business area, depending on the Incoterms agreed with the individual customer separate performance obligations will have to be identified in connection with the provision of transportation services.

- The requirement under IFRS 15 to capitalize costs of obtaining a contract under certain circumstances, in particular in the Industrial Solutions and Components Technology business areas, will result in a balance sheet extension. Balance sheet extensions will also result from the recognition of contract assets, i.e. receivables from customers, to which there is not yet any legal entitlement.
- Impacts may result from the application of IFRS 9, which has not yet been endorsed by the EU, in connection with the measurement of contract assets. In this context IFRS 9 provides for use of the expected loss model rather than the incurred loss approach currently used.

The Group currently assumes that no use will be made of the option for early application of IFRS 15 before the start of the 2018/2019 fiscal year. The transition rules for IFRS 15 permit both a full retrospective or a modified retrospective approach to initial application. Given that the detailed analysis of the impact of IFRS 15 on the IT processes/systems is not yet fully complete, the Group expects to decide on which alternative to use for retrospective initial application in the course of the 2016/2017 fiscal year.

In December 2014 the IASB issued amendments to IAS 1 “Presentation of Financial Statements”. The amendments mainly include clarifications regarding the judgment of materiality of disclosures, explanations how to aggregate and disaggregate line items of the balance sheet and the statement of comprehensive income, the order of the notes and the disclosure of significant accounting policies. The amendments are to be applied for fiscal years beginning on or after January 1, 2016; the option of an earlier adoption had not been used by thyssenkrupp. Currently, Management expects the amendments to have an impact on the Group’s presentation of the notes.

In January 2016 the IASB issued the new standard IFRS 16 “Leases”, which is to replace the current lease standard IAS 17. Central to the new standard is that the lessee must report all leases and associated contractual rights and obligations on the balance sheet. The current requirement to differentiate between finance leases and operating leases under IAS 17 will therefore no longer apply for lessees. Under IFRS 16 for all leases the lessee must recognize a lease liability on the balance sheet in the present value of future lease payments of the respective lease plus directly allocable costs and at the same time recognize a corresponding right of use to the underlying asset. Over the term of the lease, the lease liability is adjusted using financial mathematics methods – similar to the rules for finance leases under the current IAS 17 – and the right of use is depreciated. The accounting for short-term leases and leases of low-value assets has been simplified. For lessors, the rules of the new standard are almost identical to those of IAS 17. Leases in which all material risks and opportunities from the asset are transferred are classified as finance leases, all other leases as operating leases. Application of the new standard is mandatory for fiscal years beginning on or after January 1, 2019. Earlier application is permitted as long as IFRS 15 is also applied. The EU has not yet endorsed the standard. Currently, Management is not able to finally assess what impact adoption of the standard will have – if endorsed by the EU in the current version.

In addition to the standards presented above in detail, the IASB has issued further standards, interpretations and amendments to standards and interpretations whose application is also not yet mandatory and which in part require EU endorsement before they can be applied. Management currently assumes that the application of these standards, interpretations and amendments will not have a material impact on the presentation of the consolidated financial statements:

- Amendments to IFRS 11 “Joint Arrangements”: “Accounting for Acquisitions of Interests in Joint Operations“, issued in May 2014, initial application in fiscal year 2016/2017
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”: “Clarification of Acceptable Methods of Depreciation and Amortisation“, issued in May 2014, initial application in fiscal year 2016/2017
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures (2011)”: “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture“, issued in September 2014, initial application deferred indefinitely
- Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014, initial application in fiscal year 2016/2017
- Amendments to IFRS 10, IFRS 12 and IAS 28: “Investment Entities – Applying the Consolidation Exception“, issued in December 2014, initial application in fiscal year 2016/2017

- Amendments to IAS 12 “Income Taxes”: “Recognition of Deferred Tax Assets for Unrealised Losses”, issued in January 2016, not yet endorsed, expected initial application in fiscal year 2017/2018
- Amendments to IAS 7 “Statements of Cash Flows”: “Disclosure Initiative”, issued in January 2016, not yet endorsed, expected initial application in fiscal year 2017/2018
- Amendments to IFRS 2 “Share-based Payment”: “Classification and Measurement of Share-based Payment Transactions”, issued in June 2016, not yet endorsed, expected initial application in fiscal year 2018/2019
- Amendments to IFRS 4 “Insurance contracts”: “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”, issued in September 2016, not yet endorsed, expected initial application in fiscal year 2018/2019

02 Consolidated companies and equity interests

Composition of the scope of consolidation

The changes in the scope of consolidation in fiscal 2014/2015 and 2015/2016, respectively are presented in the table below:

ACQUISITIONS/DIVESTITURES OF BUSINESSES

Number of consolidated companies	Germany	Abroad	Total
Balance as of Sept. 30, 2014	146	401	547
Additions	1	13	14
Disposals	(16)	(48)	(64)
Balance as of Sept. 30, 2015	131	366	497
Additions	–	1	1
Disposals	(9)	(18)	(27)
Balance as of Sept. 30, 2016	122	349	471

The addition in 2015 / 2016 results from a foundation, while 19 of the disposals result from the internal merging of Group entities. To further details see “acquisitions and disposals” in this Note.

8 (prior year: 9) controlled subsidiaries are not consolidated because their combined influence on the Group's net assets, financial position and results of operations is not material. Their net sales amount to 0.02%, their income/(loss) before tax amounts to 0.04% and their total equity amounts to 0.02% of the Group's respective balances.

The Group has 10 (prior year: 10) associated companies and 15 (prior year: 13) joint ventures that are accounted for using the equity method of accounting. Another 8 (prior year: 11) associated companies are not accounted for using the equity method of accounting because their combined influence on the Group's net assets, financial position and results of operations is not material. The income before tax of the immaterial associated companies amounts to 0.66% and their total equity to 0.49% of the Group's respective balances.

A complete listing of the Group's subsidiaries and equity interests is published in the German Federal Gazette and is available on the thyssenkrupp website at www.thyssenkrupp.com.

Subsidiaries with material non-controlling interests

Up until the acquisition of the minority interest held by Vale on May 31, 2016, Companhia Siderúrgica do Atlântico (CSA), based in Rio de Janeiro, Brazil, was a subsidiary with material non-controlling interests. The proportion of ownership interests held by non-controlling interests was 26.87%; it was identical with the proportion of voting rights. In 2014 / 2015, a loss of €(102) million was allocated to the non-controlling interests; no dividends were paid to the non-controlling interests of CSA in 2014 / 2015. As of September 30, 2015 the accumulated non-controlling interests of CSA in the consolidated statement of financial position came to €(349) million. The following table contains the summarized prior-year financial information for CSA:

FINANCIAL INFORMATION CSA

million €	Sept 30, 2015 / Year ended Sept. 30, 2015
Total non-current assets	1,798
Total current assets	811
Total non-current liabilities	2,510
Total current liabilities	634
Net sales	1,558
Net income/(loss)	(379)
Total comprehensive income	(422)
Operating cash flows	(161)
Cash flows from investing activities	(84)
Cash flows from financing activities	320

The holders of the non-controlling interests in CSA had certain protective rights that prevented thyssenkrupp from changing material operating and financial fundamentals of CSA without their approval.

After a contract was signed with Vale at the beginning of April 2016 to acquire all minority shares (26.97%) in CSA held by Vale for a symbolic purchase price in combination with an earn-out for the event of a sale of CSA, the transaction was completed on May 31, 2016 after receipt of the necessary approvals. thyssenkrupp is therefore the sole owner of CSA. The resulting changes to the equity of the shareholders of thyssenkrupp AG and the non-controlling interests are as follows:

EQUITY IMPACTS RESULTING FROM THE FULL CONSOLIDATION OF CSA

million €	
Non-controlling interest in CSA as of Sept. 30, 2015	(349)
Pro rata income/(expense) October 2015 to May 2016	(80)
Pro rata other comprehensive income October 2015 to May 2016	4
Equity impact CSA	(425)
Cumulative non-controlling interest in thyssenkrupp Slab International (shareholder of CSA)	(19)
Change in equity attributable to thyssenkrupp AG's stockholders	(444)
thereof: changes in retained earnings	(453)
thereof: changes in cumulative other comprehensive income: foreign currency translation adjustment	9
Change in non-controlling interest	444
Change in total equity 2015 / 2016	0

Structured entities

thyssenkrupp includes 4 (prior year: 4) structured entities in the consolidated financial statements. One of these structured entities is the operating company of a leased facility for the production of coke. This operating company is the lessee under an operating lease, so liabilities from future minimum rental payments are part of the commitments included in the consolidated financial statements. The maximum loss risk to the Group from this facility is €61 million, resulting from the residual value guarantee – mainly transferred to third parties – for the facility up to the end of the lease contract (cf. Note 21). Another of the structured entities is a special purpose leasing company established to realize the second construction phase of the thyssenkrupp Quarter. The lease object and the corresponding liabilities are included in the consolidated financial statements. There are no obligations to provide financial support. The two other structured entities do not have a material influence on the Group's net assets, financial position and results of operations.

thyssenkrupp also has contractual relationships with 6 (prior year: 6) non-controlled structured entities. The Group holds a maximum 1% share in these entities. One of these entities is the owner company and operating lessor of the coke production facility leased by the thyssenkrupp Group. Under factoring programs, contractual relationships exist with a structured entity in which the company holds no interests. The other non-controlled structured entities have supply or service contracts with individual Group companies. Potential losses from these contracts are already included in the purchasing commitments stated under commitments (cf. Note 21).

Acquisitions and disposals

Year ended September 30, 2016

In the year ended September 30, 2016, the Group had only some smaller acquisitions in the form of asset deals and some smaller disposals that were, on an individual basis and in total, immaterial.

Year ended September 30, 2015

In the year ended September 30, 2015, the Group consolidated the electrolysis joint venture thyssenkrupp Uhde Chlorine Engineers as well as the Marohn Elevator Co. in Shanghai for the first time and acquired additional smaller companies that are, on an individual basis, immaterial. Based on the values as of the acquisition date, these acquisitions affected in total the Group's consolidated financial statements as presented below:

ACQUISITIONS

million €	Year ended Sept. 30, 2015
Goodwill	93
Other intangible assets	96
Property, plant and equipment	32
Investments accounted for using the equity method	(6)
Other non-current non-financial assets	1
Deferred tax assets	20
Inventories	29
Trade accounts receivable	56
Other current financial assets	4
Other current non-financial assets	11
Current income tax assets	1
Cash and cash equivalents	103
Total assets acquired	440
Deferred tax liabilities	34
Other non-current financial liabilities	1
Other non-current non-financial liabilities	2
Other current provisions	14
Current income tax liabilities	1
Current financial debt	19
Trade accounts payable	57
Other current financial liabilities	5
Other current non-financial liabilities	65
Total liabilities assumed	198
Net assets acquired	242
Non-controlling interest	20
Purchase prices	222
Thereof: paid in cash and cash equivalents	72
Thereof: paid in equity instruments	69

In addition, in the year ended September 30, 2015, the Group sold the RIP group and the VDM group and additional smaller companies as part of the portfolio optimization that are, on an individual basis, immaterial. Based on the values as of the disposal date, these disposals affected in total the Group's consolidated financial statements as presented below:

DISPOSALS

million €	Year ended Sept. 30, 2015
Goodwill	29
Other intangible assets	5
Property, plant and equipment	56
Other non-current non-financial assets	1
Deferred tax assets	22
Inventories	418
Trade accounts receivable	260
Other current financial assets	82
Other current non-financial assets	28
Current income tax assets	5
Cash and cash equivalents	50
Total assets disposed of	956
Accrued pension and similar obligations	113
Other non-current provisions	30
Deferred tax liabilities	6
Other current provisions	14
Current income tax liabilities	3
Current financial debt	330
Trade accounts payable	138
Other current financial liabilities	32
Other current non-financial liabilities	48
Total liabilities disposed of	714
Net assets disposed of	242
Cumulative other comprehensive income	3
Non-controlling interest	(19)
Gain/(loss) resulting from the disposals	(5)
Selling prices	221
Thereof: paid in cash and cash equivalents	220

03 Disposal group and discontinued operation

Disposal group

At Corporate the sale was initiated at June 30, 2016 of a package of non-operation real estate located in Germany which was classified as a disposal group under IFRS 5 and reported under “Assets held for Sale” in the statement of financial position. As of September 30, 2016 the group comprises investment property in the amount of €63 million and inventories in the amount of €2 million. Measurement of the disposal group at fair value less cost to sell resulted in impairment losses of €5 million on investment property which are recognized in cost of sales.

Discontinued operation: former Stainless Global business area

The former Stainless Global business area was classified as a discontinued operation until December 28, 2012. Income and expense incurred after the disposal but directly related to the disposal of Stainless Global also has to be presented as income from discontinued operations in the income statement. Thus disposal related expense in the amount of €11 million incurred in the year ended September 30, 2015 mainly resulting from compensation payments in connection with personnel measures.

Notes to the consolidated statement of financial position

04 Intangible assets

Changes in the Group's intangible assets were as follows:

CHANGES IN INTANGIBLE ASSETS

million €	Franchises, trademarks and similar rights and values as well as licenses thereto	Development costs, internally developed software and website	Goodwill	Total
Gross amounts				
Balance as of Oct. 1, 2014	1,622	631	4,188	6,441
Currency differences	32	31	123	186
Acquisitions/divestitures of businesses	35	(13)	69	91
Additions	60	45	6	111
Transfers	16	16	(1)	31
Disposals	(29)	(2)	0	(31)
Balance as of Sept. 30, 2015	1,736	708	4,385	6,829
Currency differences	0	1	23	25
Acquisitions/divestitures of businesses	7	(13)	(3)	(8)
Additions	78	54	0	132
Transfers	39	15	7	62
Disposals	(16)	(8)	(1)	(25)
Balance as of Sept. 30, 2016	1,845	757	4,413	7,015
Accumulated amortization and impairment losses				
Balance as of Oct. 1, 2014	1,087	433	607	2,127
Currency differences	23	20	38	81
Acquisitions/divestitures of businesses	(44)	(14)	0	(58)
Amortization expense	94	41	0	135
Impairment losses	26	14	0	40
Reversals of impairment losses	0	0	0	0
Transfers	1	0	0	1
Disposals	(26)	0	0	(26)
Balance as of Sept. 30, 2015	1,161	494	645	2,300
Currency differences	3	1	1	4
Acquisitions/divestitures of businesses	3	(8)	0	(6)
Amortization expense	84	41	0	125
Impairment losses	5	3	0	8
Reversals of impairment losses	0	0	0	0
Transfers	32	0	4	36
Disposals	(15)	(8)	0	(23)
Balance as of Sept. 30, 2016	1,273	522	650	2,445
Net amounts				
Balance as of Oct. 1, 2014	535	198	3,581	4,314
Balance as of Sept. 30, 2015	575	214	3,740	4,529
Balance as of Sept. 30, 2016	573	235	3,763	4,570

Impairment of goodwill

Goodwill impairment losses are included in other expenses.

Impairment of other intangible assets

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

In the 2nd quarter ended March 31, 2015 in the Materials Services business area the disposal of the VDM group was initiated and in the 4th quarter ended September 30, 2015 the disposal was consummated. In the context of the initiated disposal an impairment loss of €21 million on other intangible assets was recognized in accordance with IFRS 5. Due to the fact that the disposal group presentation was only during the fiscal year these impairments are included in the line item “impairment losses” in the above presented changes in intangible assets. €10 million of the total impairment relates to franchises, trademarks and similar rights and €11 million to development costs. The total impairment losses of €21 million were recognized in cost of sales. At the same time a deferred tax asset of €7 million was recognized.

Goodwill

Goodwill (excluding goodwill of equity method investments) has been allocated to cash generating units (CGU) of all business areas. The recoverable amount of each cash generating unit is determined based on a value in use calculation using after-tax cash flow projections based on bottom-up prepared financial budgets approved by thyssenkrupp AG's management covering a three-year period. The last budget year is generally used to determine the cash flows beyond the budget period and modified to calculate the perpetuity considering additional assumptions. A business specific, sustained growth rate is taken into account; as a rule this growth rate amounts to 1.5%. The weighted average cost of capital discount rate is based on a risk-free interest rate of 0.5% (prior year: 1.5%) and a market risk premium of 6.5% (prior year: 6.0%). Moreover for each CGU the beta, the cost of debt and the capital structure is derived individually from the relevant peer group. In addition CGU specific tax rates and country risk premiums are used. To discount cash flows after-tax discount rates are applied. Based on an iterative calculation the following pre-tax discount rates are derived from the after-tax discount rates:

PRE-TAX DISCOUNT RATES

in %	Ranges	
	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Components Technology	9.3 – 11.8	8.4 – 11.2
Elevator Technology	8.7 – 12.0	9.7 – 12.4
Industrial Solutions	9.0 – 13.1	7.4 – 11.2
Materials Services	6.4 – 9.8	5.1 – 10.2
Steel Europe	8.8	7.0
Corporate	9.8	10.4

The values in use for the CGUs are determined based on both historical data and expected forecast market performance. The values assigned to the key assumptions are generally consistent with external information sources.

23 CGUs were identified in the thyssenkrupp Group, of which 17 report goodwill. Total goodwill amounts to €3,763 million as of September 30, 2016. 69% of this goodwill relates to the CGUs Steel Europe, Americas, Europe / Africa and Marine Systems, as shown in the following table:

SIGNIFICANT GOODWILL

CGU (Business Area)	Carrying amount of goodwill allocated to CGU in million €	Proportion of total goodwill in %	Pre-tax discount rate in %	Growth rate in %	Description of key assumptions of budgeting	Procedure used to determine key assumptions
Steel Europe (Steel Europe)	307	8%	7.0%	1.5%	– Selling prices – – Procurement prices – – Production and sales volumes – – Business cycles	Internal estimates of sales and purchasing departments concerned and consideration of economic assumptions set by thyssenkrupp AG and external market studies
Americas (Elevator Technology)	993	27%	10.0%	1.4%	– Procurement prices – – Exchange rates and interest rates	Consideration of economic assumptions set by thyssenkrupp AG and external market studies
Europe / Africa (Elevator Technology)	346	9%	9.7%	1.5%	– Market growth rates – – Business cycles	Consideration of economic assumptions set by thyssenkrupp AG and external market studies as well as deduction of future demand and propensity to invest from the current development of end-product prices
Marine Systems (Industrial Solutions)	948	25%	7.4%	1.5%	– Market growth rates – Realization of scheduled measures	Consideration of long-term budget plans of potential customers and if appropriate concrete negotiations with customers

For none of the CGUs a goodwill impairment resulted from the annual impairment test because the recoverable amount of all CGUs was higher than the respective carrying amount. The recoverable amount of the Forging & Machining CGU exceeded the carrying amount of the CGU by less than 10%.

CRITICAL GOODWILL

CGU (Business Area)	Carrying amount of goodwill allocated to CGU in million €	Carrying amount of CGU in million €	Recoverable amount of CGU in million €	Pre-tax discount rate in %	Description of key assumptions of budgeting	Procedure used to determine key assumptions
Forging & Machining (Components Technology)	68	556	576	10.0%	– Market growth rates – Utilised capacity of plants – Realization of scheduled measures – Exchange rates	Internal estimates of sales and purchasing departments concerned and consideration of economic assumptions set by thyssenkrupp AG and external market studies

An increase of the after-tax discount rate by 1%-point would result in a goodwill impairment of €55 million. A reduction of the income/(loss) from operations (according to the statement of income) assumed in the calculation of the perpetuity would lead to a goodwill impairment of €32 million. A decrease of the sustained growth rate within the perpetuity by 0.5%-point would result in a goodwill impairment of €12 million.

05 Property, plant and equipment

Changes in the Group's property, plant and equipment were as follows:

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

million €	Land, leasehold rights and buildings including buildings on third-party land	Technical machinery and equipment	Other equipment, factory and office equipment	Assets under finance lease	Assets under operating lease	Construction in progress	Total
Gross amounts							
Balance as of Oct. 1, 2014	5,921	22,943	2,131	166	0	638	31,799
Currency differences	117	817	5	3	0	11	953
Acquisitions/divestitures of businesses	(93)	(256)	(104)	(3)	4	8	(444)
Additions	66	310	136	3	1	453	969
Transfers	64	347	22	6	0	(375)	64
Disposals	(47)	(183)	(100)	(36)	0	(4)	(370)
Balance as of Sept. 30, 2015	6,028	23,978	2,090	139	5	731	32,971
Currency differences	15	62	1	0	0	0	80
Acquisitions/divestitures of businesses	28	0	1	(6)	0	2	25
Additions	51	320	130	1	0	613	1,115
Transfers	89	323	58	(1)	0	(446)	24
Disposals	(31)	(181)	(76)	(7)	0	(2)	(297)
Reclassification due to the presentation as assets held for sale	(7)	(1)	0	0	0	0	(8)
Balance as of Sept. 30, 2016	6,173	24,500	2,203	127	6	898	33,908
Accumulated depreciation and impairment losses							
Balance as of Oct. 1, 2014	3,362	17,936	1,674	100	0	8	23,080
Currency differences	78	622	3	2	0	0	705
Acquisitions/divestitures of businesses	(84)	(248)	(93)	(2)	0	(4)	(431)
Depreciation expense	127	766	148	10	0	0	1,051
Impairment losses	59	87	15	1	0	5	167
Reversals of impairment losses	0	(2)	0	0	0	0	(2)
Transfers	5	0	(16)	(1)	0	1	(11)
Disposals	(26)	(173)	(87)	(30)	0	0	(316)
Balance as of Sept. 30, 2015	3,521	18,988	1,644	80	0	10	24,243
Currency differences	6	52	1	0	0	0	59
Acquisitions/divestitures of businesses	13	(6)	0	1	0	2	9
Depreciation expense	125	758	146	9	0	0	1,039
Impairment losses	12	59	7	1	0	1	80
Reversals of impairment losses	0	(7)	0	0	0	0	(7)
Transfers	(21)	(81)	(4)	(1)	0	(5)	(111)
Disposals	(20)	(173)	(72)	(7)	0	(1)	(272)
Reclassification due to the presentation as assets held for sale	(3)	(1)	0	0	0	0	(5)
Balance as of Sept. 30, 2016	3,631	19,589	1,723	84	1	7	25,036
Net amounts							
Balance as of Oct. 1, 2014	2,559	5,007	457	66	0	630	8,719
Balance as of Sept. 30, 2015	2,507	4,990	446	59	5	721	8,728
Balance as of Sept. 30, 2016	2,541	4,911	480	43	4	891	8,872

Impairment losses of property, plant and equipment are for the most part included in cost of sales and to a minor extent in selling and administrative expenses.

In the US and German Forging & Machining businesses of the Components Technology business area, impairment losses in the total amount of €46 million were recognized on technical machinery and equipment in 2015/2016 to adjust capacities to the weak market situation. The relevant recoverable amounts used to determine the impairment loss in each case correspond to the respective values in use (USA: €45 million; Germany: slightly negative), which were determined applying a discount rate (after taxes) of 7.7% in the USA and 6.6% in Germany.

In the 2nd quarter ended March 31, 2015 in the Materials Services business area the disposal of the VDM group was initiated and in the 4th quarter ended September 30, 2015 the disposal was consummated. In the context of the initiated disposal an impairment loss of €153 million on property, plant and equipment was recognized in accordance with IFRS 5. Due to the fact that the disposal group presentation was only during the fiscal year these impairments are included in the line item “impairment losses” in the above presented changes in property, plant and equipment. €56 million of the total impairment relates to land and buildings, €77 million to technical machinery and equipment, €15 million to other equipment, factory and office equipment, €1 million to assets under finance lease and €4 million to construction in progress. The total impairment losses of €153 million were recognized in cost of sales. At the same time a deferred tax asset of €48 million was recognized.

Property, plant and equipment include leased buildings, technical machinery and equipment and other equipment that have been capitalized, where the terms of the lease require the Group, as lessee, to assume substantially all of the benefits and risks of use of the leased asset (finance lease).

ASSETS UNDER FINANCE LEASE

million €	Gross amounts		Accumulated depreciation and impairment losses		Net amounts	
	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016
Land, leasehold rights and buildings including buildings on third-party land	56	50	18	20	38	29
Technical machinery and equipment	58	52	43	43	15	9
Other equipment, factory and office equipment	25	25	19	21	6	4
Total	139	127	80	84	59	43

Property, plant and equipment have been pledged as security for financial debt of €194 million (prior year: €213 million).

06 Investment property

Changes in the Group's investment property were as follows:

INVESTMENT PROPERTY

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Gross amounts		
Balance as of Oct. 1, 2014 and Sept. 30, 2015, respectively	420	351
Currency differences	0	0
Acquisitions/divestitures of businesses	0	0
Additions	0	0
Transfers	11	0
Disposals	(80)	(18)
Reclassification due to the presentation as assets held for sale	0	(204)
Balance as of Sept. 30, 2015 and Sept. 30, 2016, respectively	351	128
Accumulated depreciation and impairment losses		
Balance as of Oct. 1, 2014 and Sept. 30, 2015, respectively	137	112
Currency differences	0	0
Acquisitions/divestitures of businesses	0	0
Depreciation expense	1	1
Impairment losses	2	7
Reversals of impairment losses	0	0
Transfers	7	0
Disposals	(35)	(10)
Reclassification due to the presentation as assets held for sale	0	(48)
Balance as of Sept. 30, 2015 and Sept. 30, 2016, respectively	112	61
Net amounts		
Balance as of Oct. 1, 2014	283	
Balance as of Sept. 30, 2015 and Sept. 30, 2016, respectively	239	66

The fair value of the Group's investment property is determined using various internationally accepted valuation methods such as the gross rental method, discounted cash flow method, asset value method and comparison to current market prices of similar real estate. Investment property located in Germany is primarily determined based on internally prepared valuations using the gross rental method which is regulated in Germany by the "Verordnung über Grundsätze für die Ermittlung der Verkehrswerte von Grundstücken – WertV". Investment property located outside Germany is generally determined by external appraisers.

As of September 30, 2016, the total fair value of the Group's investment property is €81 million (prior year: €303 million); thereof €28 million (prior year: €51 million) are assigned to level 2 and €53 million (prior year: €252 million) are assigned to level 3 valuations methods of the fair value hierarchy. Of the fair value €22 million (prior year: €20 million) are based on valuations of external appraisers.

As in the prior year additions which are disclosed in the gross amounts do not include any subsequent expenditure.

The lease of investment property resulted in rental income of €7 million (prior year: €12 million) and direct operating expense of €4 million (prior year: €4 million). Direct operating expense of €5 million (prior year: €7 million) resulted from investment property that does not generate rental income.

07 Investments accounted for using the equity method

The investments accounted for using the equity method are, on an individual basis, immaterial. As of September 30, 2016, the carrying amount of associates is €41 million (prior year: €36 million) and of joint ventures is €244 million (prior year: €267 million).

Summarized financial information of immaterial investments accounted for using the equity method is presented in the table below. The information given represents the Group's interest:

SUMMARIZED FINANCIAL INFORMATION OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

million €	Associates		Joint ventures	
	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Income/(loss) from continuing operations (net of tax)	(19)	(26)	30	37
Income/(loss) from discontinued operations (net of tax)	0	0	0	0
Other comprehensive income	1	0	6	(2)
Total comprehensive income	(18)	(26)	36	35

In 2015/2016, the unrecognized share of losses of associates and joint ventures accounted for using the equity method was €2 million (prior year: €24 million). There were cumulative unrecognized losses of €46 million (prior year: €44 million).

The associates and joint ventures are included in the list of the Group's subsidiaries and equity interests that is published in the German Federal Gazette and is available on the thyssenkrupp website at www.thyssenkrupp.com.

08 Operating lease as lessor

The Group is the lessor of various commercial real estates under operating lease agreements.

As of September 30, the future minimum lease payments to be received on non-cancellable operating leases are as follows:

FUTURE MINIMUM LEASE PAYMENTS

million €	Sept. 30, 2015	Sept. 30, 2016
Not later than one year	14	10
Between one and five years	19	15
Later than five years	22	29
Total	55	53

The amounts reflected as future minimum lease payments do not contain any contingent rentals. No contingent rentals have been recognized in the consolidated statements of income in 2015 / 2016 and in 2014 / 2015, respectively.

09 Inventories

INVENTORIES

million €	Sept. 30, 2015	Sept. 30, 2016
Raw materials	1,556	1,435
Supplies	524	478
Work in process	1,524	1,377
Finished products, merchandise	3,341	3,052
Total	6,945	6,341

Inventories of €12 million (prior year: €23 million) have a remaining term of more than one year. Inventories of €32,637 million (prior year: €35,904 million) are recognized as cost of sales during the period. Included in cost of sales are write-downs of inventories of €146 million (prior year: €87 million).

10 Trade accounts receivable

TRADE ACCOUNTS RECEIVABLE

million €	Sept. 30, 2015	Sept. 30, 2016
Trade accounts receivable (excluding construction work)	4,055	4,023
Amounts due from customers for construction work	1,063	980
Total	5,118	5,003

Receivables from the sales of goods and services in the amount of €290 million (prior year: €238 million) have a remaining term of more than one year. As of September 30, 2016 cumulative impairment losses of €355 million (prior year: €390 million) are recognized for doubtful accounts.

As of the reporting date trade accounts receivable were as follows:

ANALYSIS OF STRUCTURE

million €	Carrying amount	thereof:	thereof: not impaired but past due as of balance sheet date						thereof:
	Trade accounts receivable	neither impaired nor past due as of balance sheet date	past due up to 30 days	past due 31 to 60 days	past due 61 to 90 days	past due 91 to 180 days	past due 181 to 360 days	past due more than 360 days	impaired as of balance sheet date
Sept. 30, 2015	5,118	4,182	346	120	69	125	80	44	152
Sept. 30, 2016	5,003	4,108	315	113	77	111	76	53	150

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

RECEIVABLES FOR CONSTRUCTION WORK

million €	Sept. 30, 2015	Sept. 30, 2016
Contract costs incurred and recognized contract profits (less recognized losses)	4,822	5,763
less advance payments received	(3,759)	(4,784)
Total	1,063	980

Advanced payments received are collateralized by assets of €0 million (prior year: €246 million). Sales from construction contracts of €8,630 million were recognized in the period (prior year: €9,155 million).

The Group primarily sells credit insured trade accounts receivable under existing programs on a revolving basis as well as under one-time transactions.

The amount of receivables sold and derecognized from the balance sheet as of September 30, 2016, was €237 million (prior year: €226 million), resulting in net proceeds in the amount of €236 million (prior year: €224 million). In some cases, when the Group sells receivables it retains rights and immaterial obligations; these retained interests mainly consist of servicing as well as providing limited cash reserve accounts. The recognized assets and provided guarantees which serve as a cash reserve account amounted to €0.1 million (prior year: €0.3 million) as of September 30, 2016.

11 Other financial assets

OTHER FINANCIAL ASSETS

million €	Sept. 30, 2015		Sept. 30, 2016	
	current	non-current	current	non-current
Loans and receivables	238	17	308	16
Available-for-sale financial assets	5	30	6	28
Derivatives not qualifying for hedge accounting	58	–	60	–
Derivatives qualifying for hedge accounting	18	–	33	–
Total	319	47	407	44

Other financial assets in the amount of €56 million (prior year: €54 million) have a remaining term of more than one year. As of September 30, 2016 cumulative impairments amount to €16 million (prior year: €18 million) regarding current other financial assets and €62 million (prior year: €71 million) regarding non-current other financial assets.

As of the reporting date other financial assets were as follows:

ANALYSIS OF STRUCTURE

million €	Carrying amount	thereof:	thereof: not impaired but past due as of balance sheet date						thereof:
	Other financial assets	neither impaired nor past due as of balance sheet date	past due up to 30 days	past due 31 to 60 days	past due 61 to 90 days	past due 91 to 180 days	past due 181 to 360 days	past due more than 360 days	impaired as of balance sheet date
Sept. 30, 2015	366	361	1	1	1	1	0	0	1
Sept. 30, 2016	451	450	0	0	0	0	1	0	0

12 Other non-financial assets

OTHER NON-FINANCIAL ASSETS

million €	Sept. 30, 2015		Sept. 30, 2016	
	current	non-current	current	non-current
Advance payments on intangible assets	–	46	–	41
Advance payments on property, plant and equipment	–	214	–	169
Advance payments to suppliers of inventories and to other current non-financial assets	1,437	–	1,605	–
Prepayments	157	–	101	–
Miscellaneous	803	83	670	234
Total	2,397	343	2,376	445

Other non-financial assets in the amount of €879 million (prior year: €343 million) have a remaining term of more than one year. As of September 30, 2016 cumulative impairments amount to €26 million (prior year: €22 million) regarding current other non-financial assets and €258 million (prior year: €257 million) regarding non-current other non-financial assets.

13 Total equity

Capital stock

The capital stock of thyssenkrupp AG consists of 565,937,947 no-par bearer shares of stock, all of which have been issued and are fully paid, with 565,937,947 outstanding as of September 30, 2016 and 2015, respectively. Each share of common stock has a stated value of €2.56.

All shares grant the same rights. The stockholders are entitled to receive dividends as declared and are entitled to one vote per share at the stockholders' meetings.

Additional paid-in capital

Additional paid-in capital include the effects of the business combination of Thyssen and Krupp as well as premiums resulting from capital increases at subsidiaries with non-controlling interest.

Retained earnings

Retained earnings include prior years' undistributed consolidated income. In addition, this line item includes the remeasurement effects of pensions and similar obligations.

Management of capital

As of September 30, 2016 the Group's equity ratio was 7.4% (prior year: 9.3%) and its gearing was 134.2% (prior year: 103.2%). As in the previous year, the gearing agreed upon was met as of September 30, 2016. Among the thyssenkrupp Group's most important financial goals are a sustainable appreciation of entity value and ensuring solvency at all times. Creating sufficient liquidity reserves is therefore of great importance.

The thyssenkrupp Group's financial risks are assessed on the basis of ratings by rating agencies:

RATING

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

In February 2016 Moody's downgraded our rating to Ba2 with stable outlook. As a result, all ratings are currently below investment grade with stable outlook. Achieving investment grade status with all rating agencies is a major priority for thyssenkrupp. For the financing of the thyssenkrupp Group, an investment grade rating in the "BBB" range leads to an optimum of capital costs. But even in the current rating situation, thyssenkrupp was able to demonstrate its access to a broad investor base by issuing a bond in the total amount of €850 million (March 2016) on favorable conditions. Capital management at thyssenkrupp is based on debt ratios published by rating agencies, which measure cash-flow-to-debt ratios for a specific period. thyssenkrupp is not subject to capital requirements under its articles of association.

Authorizations

Through resolution of the Annual General Meeting of January 30, 2015, the Executive Board of thyssenkrupp AG is authorized until January 29, 2020 to acquire treasury shares up to a total of 10% of the capital stock at the time of the resolution or – if lower – at the time the authorization is exercised and use them for the purposes expressly stated in the authorization resolution and for all legally permissible purposes. The Executive Board is authorized under certain circumstances to exclude shareholders' tender rights when purchasing treasury shares or subscription rights when using treasury shares. The resolution also includes authorization to use equity derivatives (put or call options or a combination of both) in connection with the purchase of treasury shares and to exclude tender and subscription rights. The Supervisory Board of thyssenkrupp AG may determine that measures of the Executive Board under these shareholder resolutions are subject to its approval.

The following authorizations were issued by resolution of the Annual General Meeting on January 17, 2014:

In revocation of the partly used authorization to increase the capital stock issued by the Annual General Meeting on January 20, 2012, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions on or before January 16, 2019 by up to €370 million by issuing up to 144,531,250 new no-par bearer shares in exchange for cash and/or contributions in kind (authorized capital). The shareholders are in principle entitled to subscription rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholder subscription rights in certain cases; the option of excluding subscription rights is limited to 20% of the capital stock. § 5, par. 5 of the Articles of Association of thyssenkrupp AG has been reworded accordingly.

The Executive Board was authorized, with the approval of the Supervisory Board, to issue once or several times bearer of registered warrant and/or convertible bonds in the total par value of up to €2 billion with or without limited terms, and to grant to or impose on the holders or creditors of convertible bonds conversion rights or obligations for no-par bearer shares of thyssenkrupp AG with a total share of the capital stock up to €250 million in accordance with the conditions of these bonds. The authorization is valid until January 16, 2019. The Executive Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in certain cases.

Furthermore, the Executive Board was authorized to conditionally increase the capital stock by up to €250 million by issue of up to 97,626,250 new no-par bearer shares (conditional capital). The conditional capital increase serves the granting of no-par bearer shares upon exercise of conversion or option rights, upon fulfilment of corresponding conversion obligations or upon exercise of an option of the thyssenkrupp AG to grant no-par shares of the thyssenkrupp AG in whole or in part instead of payment of the cash amount due to the holders or creditors of convertible or warrant bonds that are issued by thyssenkrupp AG or a subordinate Group company against cash contribution on or before January 16, 2019 as a result of the authorization resolution passed by the Annual General Meeting on January 17, 2014. New shares are issued at the option or conversion price to be determined in each case according to the above mentioned authorization resolution. A new paragraph 6 has been inserted in § 5 of the Articles of Association of thyssenkrupp AG.

Dividend

The Executive Board and Supervisory Board have agreed to propose to the Annual General Meeting a dividend in the amount of €0.15 per share entitled to dividend to be distributed from unappropriated net income of the stand-alone entity thyssenkrupp AG for fiscal year 2015/2016 as determined in conformity with the principles of the German Commercial Code (HGB) and to carry forward the remaining net income. This would result in a dividend payout of €85 million in total. A dividend of €0.15 was paid for fiscal year 2014/2015 (2013/2014: €0.11).

14 Share-based compensation

Management incentive plans

As a long-term oriented compensation component, in fiscal year 2010/2011 the long-term incentive plan (LTI) was implemented which issues stock rights to eligible participants. In fiscal year 2014/2015 the LTI plan design was slightly modified. Plan participants are Executive Board members and several other selected executive employees. As of September 30, 2016, 1,677,529 stock rights were issued in the 4th installment, 2,058,724 stock rights in the 5th installment and 2,581,453 stock rights in the 6th installment of the LTI.

For installments of the LTI granted inclusive of fiscal year 2013/2014, the number of stock rights issued based on individually fixed euro amounts will be adjusted at the end of each three-year tkVA performance period based on the average thyssenkrupp Value Added (tkVA) over this period, beginning October 1 of the year the stock rights were granted, compared to the average tkVA over the previous three fiscal year period. For the installments of the LTI granted beginning with fiscal year 2014/2015 (5th and 6th installments) the number of stock rights issued will be adjusted at the end of the respective three-year tkVA performance period based on the average tkVA over this period compared with a tkVA target value set in advance. The amount of payment for an installment is calculated by multiplying the adjusted number of stock rights by the average price of thyssenkrupp's stock in the first three months after the end of the tkVA performance period, with the result that the term of each installment extends over four fiscal years in total.

To determine the fair value of the stock rights used to calculate the pro-rata liability as of the balance sheet date forward prices of the thyssenkrupp stock are calculated taking into account the existing caps. The forward calculation is carried out for predefined periods (averaging periods) taking into account the thyssenkrupp stock price and the Euro interest rate curve as of the balance sheet date and the dividends assumed to be paid until the maturity of the stock rights. The following assumptions were

used for the determination of the fair values as of September 30, 2015 and as of September 30, 2016, respectively:

INCENTIVE PLANS – YEAR ENDED SEPT. 30, 2015

	3rd installment LTI	4th installment LTI	5th installment LTI
Maturity	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017
Averaging period	Oct. 1 to Dec. 31, 2015	Oct. 1 to Dec. 31, 2016	Oct. 1 to Dec. 31, 2017
thyssenkrupp stock price as of balance sheet date	€15.68	€15.68	€15.68
Assumed dividend payment(s) per stock until maturity	–	€0.11 on Feb. 1, 2016	€0.11 on Feb. 1, 2016 €0.26 on Jan. 30, 2017
Average dividend yield	–	0.63%	1.13%
Average interest rate (averaging period)	(0.09)%	0.03%	0.06%
Fair value as of Sept. 30, 2015			
– without caps	€15.68	€15.57	€15.30
– with caps	€15.68	€15.57	€15.30

INCENTIVE PLANS – YEAR ENDED SEPT. 30, 2016

	4th installment LTI	5th installment LTI	6th installment LTI
Maturity	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
Averaging period	Oct. 1 to Dec. 31, 2016	Oct. 1 to Dec. 31, 2017	Oct. 1 to Dec. 31, 2018
thyssenkrupp stock price as of balance sheet date	€21.22	€21.22	€21.22
Assumed dividend payment(s) per stock until maturity	–	€0.15 on Jan. 30, 2017	€0.15 on Jan. 30, 2017 €0.15 on Jan. 29, 2018
Average dividend yield	–	0.64%	0.68%
Average interest rate (averaging period)	(0.36)%	(0.21)%	(0.22)%
Fair value as of Sept. 30, 2016			
– without caps	€21.23	€21.08	€20.92
– with caps	€19.99	€21.08	€20.92

In the 2nd quarter of 2015 / 2016, the 3rd installment of the LTI was settled with a payment of €18.23 per stock right and a payment of €63.4 million in total, respectively. In the 2nd quarter of 2014 / 2015, the 2nd installment of the LTI was settled with a payment of €19.86 per stock right and a payment of €21.9 million in total, respectively. Also in fiscal 2015 / 2016 the 6th installment of the LTI was granted to the Executive Board and additional executive employees. In total in fiscal year 2015 / 2016 the Group recorded an expense of €89 million from the obligations of the incentive plans (prior year: €31 million). The liability arising from the LTI amounts to €144 million as of September 30, 2016 (prior year: €119 million).

For fiscal years 2009 / 2010 until 2013 / 2014, 25% of the performance bonus granted to the Executive Board members of thyssenkrupp AG for each fiscal year was compulsorily converted into thyssenkrupp AG stock rights to be paid out after a three-year lock-up period. The number of stock rights was calculated by dividing 25% of the performance bonus by the average thyssenkrupp share

price in the 4th quarter of the fiscal year for which the performance bonus is granted. After expiration of three fiscal years, the payout amount is calculated by multiplying the number of stock rights by the average thyssenkrupp share price in the 4th quarter of the 3rd fiscal year. In addition, for each stock right the dividend amount which would have been paid for these three fiscal years per share is also paid out. Insofar as the Executive Board members of thyssenkrupp AG were granted an additional bonus alongside the performance bonus, as in fiscal years 2009/2010 until 2013/2014, 55% of this additional bonus was also converted into stock rights and treated in accordance with the performance bonus model. In fiscal 2010/2011 the structure of the variable compensation for additional executive employees was also modified. 20% of the performance bonus granted for the respective fiscal year will be obligatorily converted into thyssenkrupp AG stock rights to be paid out after the expiration of three fiscal years based on the average thyssenkrupp share price in the 4th quarter of the 3rd fiscal year. Effective as of fiscal 2014/2015, the compensation system of the Executive Board members of thyssenkrupp AG has been adjusted in such a way that stock rights are no longer granted for a portion of the current variable compensation. For further selected executives this was the last conversion into stock rights, which was finally discontinued from fiscal year 2015/2016. In 2015/2016 the Group recorded expenses of €3 million (prior year: 0) associated with this compensation component; the resultant obligation as of September 30, 2016 amounts to €12 million (prior year: €13 million). In 2015/2016 a payment of €3 million occurred relating to the stock rights granted in 2011/2012 (prior year: €2 million).

Employee share purchase program

In fiscal years 2014/2015 and 2015/2016 the employee share purchase program was not offered.

15 Accrued pension and similar obligations

ACCRUED PENSION AND SIMILAR OBLIGATIONS

million €	Sept. 30, 2015	Sept. 30, 2016
Accrued pension obligations	7,445	8,534
Partial retirement	163	178
Other accrued pension-related obligations	46	43
Total	7,654	8,754

Accrued pension liability

The Group maintains defined benefit pension plans and defined contribution plans that mainly cover employees in Germany, the USA, Great Britain and Liechtenstein and represent approx. 95% of the thyssenkrupp Group's total pension obligations, so the information below mainly applies to the above-mentioned countries. In some other countries, eligible employees also receive benefits in accordance with the respective local requirements.

For historical reasons a wide variety of voluntary defined benefit pension plans (DB plans) exist in Germany based on different risk profiles. As a rule they provide benefits in the event of invalidity and/or death or on reaching a specified age limit, and are based exclusively on individual or collective arrangements. In Germany there is no legal requirement to provide employer-funded pension benefits.

In the past the mostly employer-funded pension plans in Germany generally provided a life-long pension based on defined benefits. For the most part benefits were defined according to an employee's length of service and final pay or based on career-average earnings or a fixed amount. In addition benefits were indexed to inflation. Because such pension plans were partly closed many years ago, they mainly cover terminated employees with vested pension rights and pensioners. For new employees coming into the Group, these pension plans are no longer available.

In contrast, the pension plans introduced at thyssenkrupp in Germany at the end of the 1990s and start of the new millennium and currently open to new employees are defined-contribution pension plans with a risk-optimized payout form. Benefits are paid either as a lump-sum or in installments or in the form of a life-long pension, though this is subject to a lower-risk fixed cost-of-living adjustment of 1% p.a. In addition, all employees have the option of participating in defined-contribution deferred-compensation pension plans in the form of direct insurance or direct pension commitments so that the employee bears a much greater responsibility for making adequate provision for old age. The deferred compensation currently earns interest at a rate of 4% or 6%. The risk relating to the amount of interest paid is contained by regular review and adjustment of the interest rates and partial restriction of the maximum permissible deferred compensation amounts.

There is no legal or regulatory minimum funding requirement for pension plans in Germany. To this extent only a small share of the domestic DB plans at thyssenkrupp are covered by offsettable assets held in trust by way of a Contractual Trust Arrangement (CTA). thyssenkrupp is therefore exposed to only a small investment risk in this connection, which is accommodated through investment guidelines and a broad mix and spread of asset categories. The low level of external funding for German pension plan obligations reflects the objective of the CTA, which is not to fund the benefits in full but to secure only those benefits not protected by the mutual pension guarantee association (Pensionssicherungsverein auf Gegenseitigkeit (PSVaG)) in the event of insolvency.

Most of the defined contribution plans (DC plans) in Germany are in the form of employer- or employee-funded direct insurance plans, but the share of these is immaterial in comparison with the defined benefit plans.

The majority of Group companies outside Germany also provide pension plans for their employees. These plans are in some cases based on statutory requirements or collective agreements, but in other cases they are provided by the Group companies on a voluntary basis.

The range of benefits provided under the plans differs widely depending on local arrangements, extending from DC plans to final-salary defined-benefit schemes with regular pension payment.

In the USA, hourly paid employees receive benefits based on years of service. Salaried employee benefits are typically based on years of service and salary history. The main DB plans in the USA are frozen related to future servicing, so the employees (with few exceptions, e.g. some collectively agreed employment contracts) accrue benefits mainly under DC plans.

In Great Britain, employee benefits are based on years of service and an employee's final salary before retirement. In this country on a staffing policy view DB plans play a less important role today because all current employees have been transitioned to DC plans over the past years. The risk from DB plans therefore relates exclusively to the vested rights of terminated employees, which will be claimed at a later time, and to current pension benefit payments.

In Liechtenstein there is in the broadest sense a statutory requirement to offer all employees in the mandatory social insurance scheme a defined contribution pension plan, which is implemented in the form of a company pension fund (Pensionskasse).

Partly due to legal minimum funding requirements, the pension plans outside Germany are funded to a much greater extent by externally separated assets. Minimum funding requirements for employee pension plans outside Germany are set out inter alia in the "Employee Retirement Income Security Act of 1974" in conjunction with the "Pension Protection Act of 2006" in the USA, the "Pension Act 1995" in conjunction with the "Pension Act 2004" in Great Britain, and the employee retirement benefits act "Gesetz über die betriebliche Personalvorsorge (BPVG)" in Liechtenstein, which require for example full external funding of the obligations or a financing under a capital funding system. For more information on the breakdown and investment strategy for plan assets, please refer to the remarks on plan assets.

Material risks associated with the different types of pension plans include above all financial risks as well as risks in the areas of inflation and biometrics.

Inflation risks which could lead to an increase in benefit obligations exist because some of the plans are based on (final) salary and in some cases annual pension modules are directly linked to current salaries (defined contribution plans). To this extent a rise in salaries above the salary/career trends assumed in the valuation of the obligation would also require a direct increase in the provisions (past service effect in the case of (final) salary pensions) or the future service cost (defined contribution plans).

In addition, further charges could result from the need for a cost-of-living adjustment in excess of the assumed pension trend during the pension payment phase, which would lead to an immediate increase in the provisions. A significant number of the pension plans in Germany are required by law to provide a cost-of-living adjustment. A cost-of-living adjustment may also be required under (collective bargaining) agreements or agreed on a voluntary/discretionary basis.

Biometric risks can result either from early benefit claims (risk of sudden changes to the balance sheet after death or invalidity) or from underestimated life expectancies (longevity risk) and could likewise result in costs to the company due to unexpected increases in provisions and early cash outflows.

Risks from changes to the discount rate are purely balance sheet-related, i.e. the provisions are adjusted directly against equity without affecting income. Cash outflows are not affected.

Under the pension plans in Germany, individual beneficiaries are in part counted more than once due to entitlements under different components of the pension systems. The breakdown of total of pension plans by active employees, terminated employees with vested benefits and pensioners is as follows:

BREAKDOWN OF THE TOTAL OF PENSION PLANS BY BENEFICIARIES

	Sept. 30, 2015			Sept. 30, 2016		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Active employees	108,313	26,318	134,631	109,906	28,108	138,014
Terminated employees with vested benefits	22,185	6,539	28,724	22,212	6,290	28,502
Pensioners	122,799	12,694	135,493	118,632	12,583	131,215
Total	253,297	45,551	298,848	250,750	46,981	297,731

Changes in defined benefit obligations and plan assets

The reconciliation of the changes in the defined benefit obligations and the fair value of plan assets are as follows:

CHANGE IN DEFINED BENEFIT OBLIGATIONS AND PLAN ASSETS

million €	Sept. 30, 2015			Sept. 30, 2016		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Change in defined benefit obligations (DBO):						
DBO at beginning of fiscal year	7,067	2,473	9,540	7,059	2,621	9,680
Service cost	111	42	153	117	51	168
Interest expense	176	83	259	170	76	246
Remeasurement: Actuarial (gains)/losses from experience adjustments	144	11	155	(2)	(30)	(31)
Remeasurement: Actuarial (gains)/losses from changes in demographic assumptions	3	47	50	0	(14)	(14)
Remeasurement: Actuarial (gains)/losses from changes in financial assumptions	83	62	145	1,096	398	1,495
Past service cost (inclusive of curtailments)	(1)	(13)	(14)	3	(1)	2
Settlements	0	(1)	(1)	0	0	0
Currency differences	0	208	208	0	(101)	(101)
Participant contributions	0	17	17	0	18	18
Benefit payments	(417)	(142)	(559)	(445)	(141)	(587)
Settlement payments	0	0	0	0	(1)	(1)
Acquisitions/divestitures of businesses	(107)	(175)	(282)	0	2	2
Others	0	9	9	0	2	2
DBO at end of fiscal year	7,059	2,621	9,680	7,999	2,879	10,878
Change in plan assets:						
Fair value of plan assets at beginning of fiscal year	215	2,090	2,305	197	2,100	2,297
Interest income	5	73	78	5	63	68
Remeasurement: Actuarial gains/(losses) on plan assets, excluding amounts included in interest income	0	(29)	(29)	1	159	160
Currency differences	0	175	175	0	(105)	(105)
Employer contributions	0	82	82	0	72	72
Participant contributions	0	17	17	0	18	18
Benefit payments	(23)	(133)	(156)	(19)	(135)	(154)
Settlement payments	0	0	0	0	(1)	(1)
Acquisitions/divestitures of businesses	0	(177)	(177)	0	0	0
Administration cost	0	(7)	(7)	0	(7)	(7)
Others	0	9	9	0	0	0
Fair value of plan assets at end of fiscal year	197	2,100	2,297	185	2,163	2,348

As of September 30, 2015, past service cost mainly relates to a plan in Liechtenstein. Adapting the factor used to convert paid-in contributions into a lifelong pension upon retirement resulted in a reduction in defined benefit obligations.

As of the balance sheet date, defined benefit obligations of €10,878 million (prior year: €9,680 million) in total related to plans that are wholly unfunded in the amount of €7,187 million (prior year: €6,422 million) and to plans that are wholly or partly funded in the amount of €3,691 million (prior year: €3,258 million).

Change of net defined liability and asset ceiling

The net defined benefit liability changed as follows:

CHANGE IN NET DEFINED BENEFIT LIABILITY

million €	Sept. 30, 2015			Sept. 30, 2016		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Net defined benefit liability at beginning of fiscal year	6,852	403	7,255	6,862	541	7,403
Service cost plus net interest income/(expense)	282	53	335	282	64	347
Remeasurements	230	147	377	1,093	178	1,271
Currency differences	0	34	34	0	3	3
Past service cost (inclusive of curtailments)	(1)	(13)	(14)	3	(1)	2
Settlements	0	(1)	(1)	0	0	0
Employer contributions	0	(82)	(82)	0	(72)	(72)
Benefit payments	(394)	(9)	(403)	(427)	(6)	(433)
Acquisitions/divestitures of businesses	(107)	2	(105)	0	2	2
Administration cost	0	7	7	0	7	7
Others	0	0	0	0	1	1
Net defined benefit liability at end of fiscal year	6,862	541	7,403	7,814	716	8,530
thereof: accrued pension liability	6,862	583	7,445	7,814	720	8,534
thereof: other non-financial assets	0	(42)	(42)	0	(3)	(3)

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

CHANGE IN ASSET CEILING (INCLUSIVE OF MINIMUM FUNDING)

million €	Sept. 30, 2015			Sept. 30, 2016		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Net amount at beginning of fiscal year	0	20	20	0	20	20
Interest expense/(income)	0	1	1	0	1	1
Remeasurement: Limitation of asset ceiling exclusive of amounts included in interest expense/income	0	(2)	(2)	0	(18)	(18)
Currency differences	0	1	1	0	(1)	(1)
Acquisitions/divestitures of businesses	0	0	0	0	0	0
Net amount at end of fiscal year	0	20	20	0	1	1

Net periodic pension cost

The net periodic pension cost for the defined benefit plans were as follows:

NET PERIODIC PENSION COST

million €	Year ended Sept. 30, 2015			Year ended Sept. 30, 2016		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Service cost	111	42	153	117	51	168
Net interest cost	170	12	182	165	14	179
Administration cost	0	7	7	0	7	7
Past service cost (inclusive of curtailments)	(1)	(13)	(14)	3	(1)	2
Settlement loss/(gain)	0	(1)	(1)	0	0	0
Net periodic pension cost	280	47	327	286	70	356

Assumptions

The assumptions for discount rates, the rates of compensation increase and the rates of pension progression on which the calculation of the obligations is based were derived in accordance with standard principles and established for each country as a function of their respective economic conditions. Discount rates are generally determined based on market yields of AA-rated corporate bonds of appropriate term and currency. Due to the strong volatility on the financial markets, the discount rate for pension obligations in Germany was 1.30% as of September 30, 2016, compared with 2.50% in the prior year.

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

WEIGHTED AVERAGE ASSUMPTIONS

in %	Sept. 30, 2015			Sept. 30, 2016		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Discount rate	2.50	3.02	2.64	1.30	1.78	1.41
Rate of compensation increase	2.59	0.73	2.10	2.50	1.27	2.25
Rate of pension progression	1.50	2.05	1.56	1.50	1.52	1.50

Accrued pensions in Germany are recognized on the basis of the “2005 G tables” of Prof. Dr. Klaus Heubeck, with modifications for certain beneficiary groups to take into account a longer life expectancy. In the other countries the following biometric tables were generally used: USA: Modified version of the RP-2014 Mortality Base Table and MP-2014 Mortality Projection Scale, Great Britain: Series Tables partly modified, and Liechtenstein: BVG2010 Gen.

Alternative assumptions (in each case weighted-average rate of all domestic and foreign pension obligations) would result in the following changes in the defined benefit obligation and the corresponding reverse changes in equity. The table shows the effects of the change in one assumption with all other assumptions remaining unchanged:

SENSITIVITY ANALYSIS

		Sept. 30, 2015		Sept. 30, 2016	
		Change of defined benefit obligation (€ million)		Change of defined benefit obligation (€ million)	
		Germany	Outside Germany	Germany	Outside Germany
Discount rate	Increase by 0.5 percentage points	(412)	(177)	(514)	(211)
	Decrease by 0.5 percentage points	438	189	549	228
Rate of compensation increase	Increase by 0.5 percentage points	16	6	19	16
	Decrease by 0.5 percentage points	(16)	(6)	(19)	(16)
Rate of pension progression	Increase by 0.25 percentage points	153	22	181	28
	Decrease by 0.25 percentage points	(149)	(21)	(177)	(28)
Mortality probability	Decrease by 10.0 percentage points	243	101	294	110

To test the sensitivity of the defined benefit obligation due to a change in the mortality and life expectancy assumptions, an alternative analysis was carried out on the basis of 10% lower mortality probabilities from retirement age. For beneficiaries currently aged 63 to 65, this roughly corresponds to a one year increase in life expectancy on entering retirement.

Plan assets

In the Group, the majority of reported plan assets associated with the funded pension plans are located in the USA, Great Britain and to a lesser extent in Germany and some other European countries. The Group invests in diversified portfolios consisting of an array of asset classes that attempt to maximize returns while minimizing volatility. The asset classes mainly include national and international stocks, fixed income government and non-government securities, real estate and shares in highly diversified funds. Plan assets do not include any direct investments in thyssenkrupp debt securities, treasury shares or real estate used on its own.

The Group uses professional investment managers to invest plan assets based on specific investment guidelines. The Investment Committees of the respective plan consist of senior financial management especially from treasury and other appropriate executives. The Investment Committees meet regularly to review the risks and performance of the major pension funds and approve the selection and retention of external managers.

For the Group's main pension funds, regular asset liability studies are also carried out, in which actuaries conduct a detailed analysis of the structure of the pension obligations (among other things in terms of age structure, duration, possible interest rate/inflation risks). On this basis the investment strategy and target portfolio of the pension funds are then defined and updated.

The processes established for managing and monitoring the plan assets as described above are used to counter the usual risks associated with capital market investment – counterparty, liquidity/market and other risks.

As described above, the major pension obligations exist in Germany, the USA, Great Britain and Liechtenstein. The plan assets in these countries amount to 84% of the total plan assets as of September 30, 2016 (prior year: 87%). As of the balance sheet date the portfolio of these major pension funds comprises the following asset categories:

ASSET ALLOCATION OF MAJOR PENSION FUNDS

Asset categories	Sept. 30, 2015				Sept. 30, 2016			
	Fair value (€ million)			Portion of major plan assets (in %)	Fair value (€ million)			Portion of major plan assets (in %)
	Total	Quoted market price in an active market	No quoted market price in an active market		Total	Quoted market price in an active market	No quoted market price in an active market	
Equity securities	655	636	19	33	683	665	18	34
Bonds	1,035	1,035	0	52	1,040	1,040	0	52
Derivatives	0	0	0	0	0	0	0	0
Cash and cash equivalents	57	57	0	3	52	52	0	3
Others	237	186	51	12	206	154	52	10
Total	1,984	1,914	70	100	1,981	1,911	70	100

In general, the Group's funding policy is to contribute amounts to the plans sufficient to meet the minimum statutory funding requirements relevant in the country in which the plan is located. In the USA, certain plans require minimum funding based on collective bargaining agreements. The Group may from time to time make additional contributions at its own discretion. thyssenkrupp's expected contribution in fiscal year 2016/2017 is €96 million (prior year: €66 million) related to its funded plans, all of which is expected to be as cash contributions.

Pension benefit payments

In fiscal 2015 / 2016, pension benefit payments for plans in Germany of €445 million (prior year: €417 million) were mainly from provisions, and pension benefit payments for non-German plans of €141 million (prior year: €142 million) were made mainly from plan assets. The estimated future pension benefits to be paid by the Group's defined benefit pension plans are as follows:

ESTIMATED FUTURE PENSION BENEFIT PAYMENTS

million € (for fiscal year)	Germany	Outside Germany	Total
2016 / 2017	446	130	576
2017 / 2018	416	128	544
2018 / 2019	413	133	546
2019 / 2020	410	133	543
2020 / 2021	406	133	539
2021 / 2022 – 2025 / 2026	1,921	686	2,607
Total	4,012	1,342	5,355

The duration of defined benefit plans amounts to 13 years for Germany (prior year: 12 years) and to 16 years (prior year: 15 years) for the other countries.

Defined contribution plans (DC plans)

The Group also maintains domestic and foreign defined contribution plans. Amounts contributed by the Group under such plans are based upon percentage of the employees' salary or the amount of contributions made by the employees. The total cost of pension plans accounted for as defined contribution plans in the current fiscal year was €161 million (prior year: €143 million). In addition, contributions paid to public/state pension insurance institutions amounted to €625 million (prior year: €574 million).

Partial retirement

In particular German companies have obligations resulting from partial retirement agreements. Under these agreements, employees work additional time prior to retirement, which is subsequently paid for in installments after retirement. In addition, employees receive a supplement on top of their pay. For these obligations, accruals were recognized in accordance with IAS 19 "Employee Benefits".

16 Provisions for employee benefits and other provisions

PROVISIONS FOR EMPLOYEE BENEFITS AND OTHER PROVISIONS

million €	Employee benefits	Product warranties and product defects	Other contractual costs	Restructuring	Decommissioning obligations	Others	Total
Balance as of Sept. 30, 2015	701	490	83	282	252	864	2,673
Currency differences	8	4	2	1	0	9	23
Acquisitions/divestitures of businesses	10	4	3	(4)	0	6	20
Additions	501	137	114	78	10	204	1,043
Accretion	6	0	0	1	8	1	16
Amounts utilized	(383)	(57)	(66)	(150)	(5)	(449)	(1,110)
Reversals	(61)	(109)	(33)	(11)	(6)	(111)	(331)
Balance as of Sept. 30, 2016	781	470	102	196	259	525	2,333

As of September 30, 2016, €1,371 million (prior year: €1,428 million) of the total of provisions for employee benefits and other provisions are current, while €963 million (prior year: €1,245 million) are non-current. Provisions of €1,117 million (prior year: €1,286 million) have a remaining term of more than one year.

Provisions for employee compensation and benefit costs primarily represent employment anniversary bonuses and obligations for the management incentive plans, while social plan and related costs pertaining to personnel related structural measures are reflected in the provision for restructuring activities. Pension related obligations for partial retirement agreements and early retirement programs, partly resulting from restructurings, are part of the provision for pensions and similar obligations.

Product warranties and product defects represent the Group's responsibility for the proper functioning of the goods sold (product warranty) as well as the obligation that arise from the use of the products sold (product defect).

Provisions for other contractual costs represent pending losses from uncompleted contracts.

The provision for restructurings consists of provisions for employee termination benefits and exit costs which have been established by operating divisions for costs incurred in connection with activities which do not generate any future economic benefits for the Group. With the exemption of Steel Americas restructurings are being carried out in all business areas. The additions to restructuring provisions in the fiscal year in the amount of €78 million in total consists of €26 million within the Elevator Technology business area, €19 million within the Materials Services business area, €18 million within the Components Technology business area and €8 million within the Industrial Solutions business area.

The provision for decommissioning obligations mainly consists of obligations associated with mining activities and recultivating landfills. Obligations associated with mining activities and recultivating landfills are generally handled over long periods of time, in some cases more than 30 years. The technical parameters are very complex. As a result, uncertainty exists with regard to the timing and concrete amount of the expenses.

Other provisions include provisions for litigation risks, environmental obligations and other risks from individual items not allocable to other positions. Provisions for the following items are included:

Claims for damages have been filed both in and out of court against thyssenkrupp AG and companies of the thyssenkrupp Group by potential injured parties in connection with the elevator cartel. A part of the claims has not yet been quantified. The court proceedings are pending in Germany, Belgium, Austria and the Netherlands and are at various stages; in part proceedings have already been settled or the actions have been withdrawn or dismissed. For the part of the claims thyssenkrupp assesses will probably result in cash outflows, thyssenkrupp has recognized provisions for risks.

In connection with the rail cartel, which concerned prohibited cartel agreements in the period 2001-2011 with regard to the supply of rails, sleepers and turnouts to private companies, including construction companies and companies operating private rail operations as well as local transport authorities (the so-called “private market”), various companies, particularly local transport services, have also asserted or announced damage claims in or mostly out of court as potential injured parties. Proceedings are at various stages; in part proceedings have already been settled or otherwise brought to an end. thyssenkrupp has recognized provisions for the damage claims.

In the USA the non-operating former Group company The Budd Company (“Budd”) filed a restructuring and liquidation plan in 2014. In this connection various claims were made against thyssenkrupp companies in the three-digit million range. These claims were settled and the restructuring plan for Budd came into legal force. The payments to be made over several years by thyssenkrupp under this settlement will mainly be used to finance health care plans for former Budd employees. The provision that had been recognized for this covers these payments in full, with the earnings impact of this provision had largely been offset by the tax effects of the settlement. As of September 30, 2016 the provision was reclassified to liabilities with corresponding presentation of the current portion. The reclassification is stated as an amount utilized in the “Other obligations” column.

17 Financial debt

FINANCIAL DEBT		
Carrying amounts in million €	Sept. 30, 2015	Sept. 30, 2016
Bonds	5,417	5,019
Loan notes	81	326
Liabilities to financial institutions	598	537
Finance lease liabilities	33	24
Other loans	256	250
Non-current financial debt	6,385	6,157
Bonds	999	1,249
Loan notes	361	5
Liabilities to financial institutions	173	175
Acceptance payables	6	3
Finance lease liabilities	11	9
Other loans	20	13
Current financial debt	1,570	1,455
Financial debt	7,955	7,611

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

Financial debt in the amount of €194 million (prior year: €213 million) is collateralized by real estate.

As of September 30, 2016, the financial debt reflects a total discount in the amount of €34 million (prior year: €37 million), which is offset by a total premium in the amount of €1 million (prior year: 0). Amortization of discounts and premiums of financial debt is included in “financial income/(expense), net”.

BONDS AND LOAN NOTES

	Carrying amount in million € as of Sept. 30, 2015	Carrying amount in million € as of Sept. 30, 2016	Notional amount in million € as of Sept. 30, 2016	Interest rate in %	Fair value in million € as of Sept. 30, 2016	Maturity
ThyssenKrupp Finance Nederland B.V. bond (€1,000 million) 2009/2016	999	–	–	–	–	02/25/2016
thyssenkrupp AG bond (€1,250 million) 2012/2017	1,248	1,250	1,250	4.3750	1,270	02/28/2017
thyssenkrupp AG bond (€1,600 million) 2013/2018	1,596	1,597	1,600	4.0000	1,700	08/27/2018
thyssenkrupp AG bond (€1,250 million) 2014/2019	1,239	1,242	1,250	3.1250	1,326	10/25/2019
thyssenkrupp AG bond (€750 million) 2015/2020	743	744	750	1.7500	767	11/25/2020
thyssenkrupp AG bond (€600 million) 2015/2025	591	592	600	2.5000	608	02/25/2025
thyssenkrupp AG bond (€850 million) 2016/2021	–	844	850	2.7500	895	03/08/2021
thyssenkrupp AG loan note (€80 million) 2008/2016	80	–	–	–	–	09/15/2016
thyssenkrupp AG loan note (€50 million) 2011/2016	50	–	–	–	–	03/11/2016
thyssenkrupp AG loan note (€150 million) 2011/2016	150	–	–	–	–	03/11/2016
thyssenkrupp AG loan note (€50 million) 2011/2016	50	–	–	–	–	03/29/2016
thyssenkrupp AG loan note (€50 million) 2011/2016	31	–	–	–	–	04/12/2016
thyssenkrupp AG loan note (€70 million) 2012/2017	69	69	70	3.5500	74	10/02/2017
thyssenkrupp AG loan note (€8 million) 2014/2018	8	8	8	2.2500	8	12/30/2018
thyssenkrupp AG loan note (€4 million) 2014/2019	4	4	4	2.5000	4	12/30/2019
thyssenkrupp AG loan note (€100 million) 2015/2018	–	100	100	0.9310	100	12/14/2018
thyssenkrupp AG loan note (€150 million) 2016/2021	–	150	150	1.7500	153	03/11/2021
Total	6,858	6,600	6,632		6,905	

In March 2016 thyssenkrupp AG issued a bond with a total volume of €850 million with a maturity of five years and a coupon of 2.75% p.a. under its €10 billion debt issuance program. In December 2015 thyssenkrupp AG also issued a €100 million loan note with a maturity of three years and a coupon of 0.931% p.a., and in March 2016 a €150 million loan note with a maturity of five years and a coupon of 1.75% p.a.

As of September 30, 2016, the financing structure of liabilities to financial institutions and other loans comprise the following:

LIABILITIES TO FINANCIAL INSTITUTIONS AND OTHER LOANS

	Carrying amount in million € as of Sept. 30, 2015	Carrying amount in million € as of Sept. 30, 2016	thereof in €	Weighted average interest rate in % as of Sept. 30, 2016	thereof in USD	Weighted average interest rate in % as of Sept. 30, 2016	thereof in other currencies	Fair value in million € as of Sept. 30, 2016
Other credits at variable interest rates	504	494	154	2.11	0	0.00	340	494
Credits at fixed interest rates	543	481	223	5.10	98	3.70	160	517
Total	1,047	975	377	4.03	98	3.98	500	1,011

Under a syndicated joint credit multi-currency facility agreement, thyssenkrupp has access to funds of €2.0 billion with variable interest rates. In March 2016 the facility, which had a term until March 28, 2018, was prematurely extended to March 14, 2021. The credit facility was not utilized as of the balance sheet date.

In addition to the syndicated joint credit multi-currency-facility agreement there are revolving credit agreements of €1.9 billion in total with banking institutions whereby thyssenkrupp AG or thyssenkrupp Finance USA, Inc. can borrow in Euros, U.S. dollars or in British pounds Sterling. As of September 30, 2016, the credit agreements were not drawn.

In total the Group has available unused, committed credit lines amounting to €3.9 billion.

The Group's Commercial Paper Program also provides up to €1.5 billion in additional financing. Commercial papers are debt instruments which can be issued under our program with a term of up to 364 days depending on investor demand. As of September 30, 2016, the program was not used.

As of the balance sheet date the future minimum lease payments reconcile to their present value (= finance lease liability) as follows:

RECONCILIATION FUTURE MINIMUM LEASE PAYMENTS TO PRESENT VALUE OF FINANCE LEASE LIABILITY

million €	Sept. 30, 2015			Sept. 30, 2016		
	Future minimum lease payments	Interest	Present value (finance lease liabilities)	Future minimum lease payments	Interest	Present value (finance lease liabilities)
Not later than one year	14	3	11	12	2	9
Between one and five years	30	6	24	21	5	16
Later than five years	17	8	9	15	6	8
Total	61	17	44	47	14	33

Maturity of financial debt is as follows:

MATURITY OF FINANCIAL DEBT

million € (for fiscal year)	Total financial debt	Thereof: Liabilities to financial institutions
2016/2017	1,455	175
2017/2018	1,894	210
2018/2019	237	112
2019/2020	1,354	87
2020/2021	1,791	53
nach 2020/2021	880	76
Total	7,611	713

18 Trade accounts payable

Trade accounts payable in the amount of €288 million (prior year: €137 million) have a remaining term of more than one year.

19 Other financial liabilities

OTHER FINANCIAL LIABILITIES

million €	Sept. 30, 2015		Sept. 30, 2016	
	current	non-current	current	non-current
Financial liabilities measured at amortized cost	772	2	748	221
Derivatives not qualifying for hedge accounting	326	–	163	–
Derivatives qualifying for hedge accounting	128	–	63	–
Total	1,226	2	975	221

Other financial liabilities amounting to €228 million (prior year: €12 million) have a remaining term of more than one year.

20 Other non-financial liabilities

OTHER NON-FINANCIAL LIABILITIES

million €	Sept. 30, 2015		Sept. 30, 2016	
	current	non-current	current	non-current
Amounts due to customers for construction work	4,131	–	3,638	–
Advance payments	1,104	–	1,087	–
Selling and buying market related liabilities	792	–	864	–
Liabilities due to put options	14	0	15	0
Liabilities to the employees	812	–	841	–
Liabilities for social security	97	–	95	–
Deferred income	66	–	44	–
Tax liabilities (without income taxes)	273	–	260	–
Miscellaneous	304	5	285	6
Total	7,593	5	7,130	6

Other non-financial liabilities amounting to €2,328 million (prior year: €972 million) have a remaining term of more than one year.

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

LIABILITIES FOR CONSTRUCTION WORK

million €	Sept. 30, 2015	Sept. 30, 2016
Contract costs incurred and recognized contract profits (less recognized losses)	10,570	10,250
less advance payments received	(14,701)	(13,889)
Total	(4,131)	(3,638)

21 Contingencies and commitments

Contingencies

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

CONTINGENCIES

million €	Maximum potential amount of future payments as of		Provision as of	
	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016
Advance payment bonds	197	154	1	1
Performance bonds	132	133	3	2
Residual value guarantees	61	61	17	12
Other guarantees	31	75	0	1
Total	421	423	21	16

Guarantees include contingent liabilities of joint ventures of €337 million (prior year: €328 million). Contingent liabilities of joint ventures include €148 million (prior year: €161 million) that apply to the shares of the other joint venturers.

The terms of these guarantees depend on the type of guarantee and may range from three months to ten years (e.g. rental payment guarantees).

The basis for possible payments under the guarantees is 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 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, such third party is generally requested to provide additional collateral in a corresponding amount.

thyssenkrupp bears joint and several liability as a member of certain civil law partnerships, ordinary partnerships and consortiums.

thyssenkrupp has contingencies for the following material legal disputes:

The judicial review pursued by former shareholders of Thyssen and Krupp to examine the share exchange ratios used in the merger of Thyssen AG and Fried. Krupp AG Hoesch-Krupp to form thyssenkrupp AG in accordance with § 305 UmwG (Reorganization Act, before amendment) was rejected by final ruling of the Higher Regional Court in Düsseldorf on August 18, 2016. These proceedings are now ended; there will be no further cash payment to former shareholders.

In connection with the majority interest previously held by the Industrial Solutions business area in the Greek shipyard Hellenic Shipyards (HSY) and the construction of submarines for the Greek Navy, the Greek government has filed legal and arbitration actions to claim compensation of €2.1 billion and reimbursement of a €115 million installment payment from thyssenkrupp Industrial Solutions AG and thyssenkrupp Marine Systems GmbH as well as from HSY and the current majority shareholder of HSY. To date the Greek government has concretized claims only in a double-digit million euro amount, relating exclusively to its contact with HSY. The claims asserted against the thyssenkrupp companies appear unfounded. All contractual obligations of thyssenkrupp Marine Systems and other thyssenkrupp companies vis-à-vis the Greek government have been fulfilled since 2010.

In addition further legal and arbitration actions and official investigations and proceedings as well as claims have been filed against thyssenkrupp companies or may be initiated or filed in the future. They include for example legal, arbitration and out-of-court disputes as well as official investigations in connection with the construction, tax concessions granted, and operation of the Brazilian steel plant, which could lead to payment of damages and fines or tax charges. Disputes in connection with the acquisition or disposal of companies or company units which may lead to partial repayment of the purchase price or to the payment of damages or to tax charges. Furthermore, damage claims may be payable to contractual partners, customers, consortium partners and subcontractors under performance contracts. Predicting the progress and results of lawsuits involves considerable difficulties and uncertainties. This means that lawsuits, official investigations and proceedings as well as claims not disclosed separately could also individually or together with other legal disputes, official investigations and proceedings as well as claims have a negative and also potentially major future impact on the Group's net assets, financial position and results of operations. However, at present thyssenkrupp does not expect pending lawsuits, official investigations and proceedings as well as claims not explained separately in this section to have a major negative impact on the Group's net assets, financial position and results of operations.

Commitments and other contingencies

The Group is the lessee to property, plant and equipment classified as operating leases. Rental expense amounting to €354 million (prior year: €336 million) resulting from rental contracts, long-term leases and leasing contracts classified as operating leases was incurred in fiscal 2015/2016. It comprises as follows:

EXPENSE RESULTING FROM OPERATING LEASE CONTRACTS

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Minimum rental payments	337	354
Contingent rentals	1	2
less income from sublease agreements	(2)	(2)
Total	336	354

The future minimum rental payments, excluding accrued interest from such non-cancellable contracts that have an initial or remaining term of more than one year as of the balance sheet date are (at face amounts):

FUTURE MINIMUM LEASE PAYMENTS

million €	Sept. 30, 2015	Sept. 30, 2016
Not later than one year	261	284
Between one and five years	392	462
Later than five years	66	110
Total	719	857

The future minimum rental income from non-cancelable sublease contracts amounting to €0.4 million (prior year: €2 million) is not included in the total of future minimum rental payments.

The commitment to enter into investment projects amounts to €551 million (prior year: €322 million) as of September 30, 2016 and relates mainly to property, plant and equipment of the Components Technology, Steel Europe and Steel Americas business areas.

Payment commitments and obligations to make further contributions to corporations and cooperative associations exist in the total amount of €42 million (prior year: 0). In addition, other financial commitments exist in the amount of €2,692 million (prior year: €3,282 million), primarily from the commitments to purchase coking coal, coal and lime under long term supply contracts as well as purchasing commitments resulting from the Group's electricity and gas supply contracts. In addition, in the Steel Europe and Steel Americas business areas long term iron ore and iron ore pellets supply contracts exist which will result in purchasing commitments over a period of up to 13 years. Due to the high volatility of iron ore prices, the measurement of the complete purchasing commitments is based on the iron ore price as of the current balance sheet date resulting in purchasing commitments of €7,127 million (prior year: €5,448 million) in total.

Based on the risk bearing ability of the Group or the Group companies, there exist adequate deductibles in the various classes of insurance. One or more damages at these units could impact the Group's net assets, financial position and results of operations.

22 Financial instruments

The following table shows financial assets and liabilities by measurement categories and classes. Finance lease receivables and liabilities, and derivatives that qualify for hedge accounting are also included although they are not part of any IAS 39 measurement category.

FINANCIAL INSTRUMENTS AS OF SEPT. 30, 2015

million €	Carrying amount on balance sheet as of Sept. 30, 2015	Measurement in accordance with IAS 39			Measurement in accordance with IAS 17	Fair value as of Sept. 30, 2015
		(Amortized) cost	Fair value recognized in profit or loss	Fair value recognized in equity	Amortized cost	
Trade accounts receivable (excluding finance lease)	5,069	5,069				5,069
Loans and receivables		5,069				5,069
Finance lease receivables	49				49	49
Other financial assets	366	273	58	35		366
Loans and receivables		255				255
Available-for-sale financial assets		18		17		35
Derivatives not qualifying for hedge accounting (Financial assets held for trading)			58			58
Derivatives qualifying for hedge accounting			0	18		18
Cash and cash equivalents	4,535	4,535				4,535
Loans and receivables		4,535				4,535
Total of financial assets	10,019					
thereof by measurement categories of IAS 39:						
Loans and receivables	9,859	9,859				9,859
Available-for-sale financial assets	35	18		17		35
Derivatives not qualifying for hedge accounting (Financial assets held for trading)	58		58			58
Financial debt (excluding finance lease)	7,911	7,911				8,007
Financial liabilities measured at amortized cost		7,911				8,007
Finance lease liabilities	44				44	44
Trade accounts payable	4,985	4,985				4,985
Financial liabilities measured at amortized cost		4,985				4,985
Other financial liabilities	1,228	774	326	128		1,228
Financial liabilities measured at amortized cost		774				774
Derivatives not qualifying for hedge accounting (Financial assets held for trading)			326			326
Derivatives qualifying for hedge accounting			0	128		128
Total of financial liabilities	14,168					
thereof by measurement categories of IAS 39:						
Financial liabilities measured at amortized cost	13,670	13,670				13,766
Derivatives not qualifying for hedge accounting (Financial assets held for trading)	326		326			326

FINANCIAL INSTRUMENTS AS OF SEPT. 30, 2016

million €	Carrying amount on balance sheet as of Sept. 30, 2016	Measurement in accordance with IAS 39			Measurement in accordance with IAS 17	Fair value as of Sept. 30, 2016
		(Amortized) cost	Fair value recognized in profit or loss	Fair value recognized in equity	Amortized cost	
Trade accounts receivable (excluding finance lease)	5,001	5,001				5,001
Loans and receivables		5,001				5,001
Finance lease receivables	1				1	1
Other financial assets	451	340	60	51		451
Loans and receivables		324				324
Available-for-sale financial assets		16		18		34
Derivatives not qualifying for hedge accounting (Financial assets held for trading)			60			60
Derivatives qualifying for hedge accounting			0	33		33
Cash and cash equivalents	4,105	4,105				4,105
Loans and receivables		4,105				4,105
Total of financial assets	9,559					
thereof by measurement categories of IAS 39:						
Loans and receivables	9,431	9,431				9,431
Available-for-sale financial assets	34	16		18		34
Derivatives not qualifying for hedge accounting (Financial assets held for trading)	60		60			60
Financial debt (excluding finance lease)	7,578	7,578				7,919
Financial liabilities measured at amortized cost		7,578				7,919
Finance lease liabilities	33				33	33
Trade accounts payable	5,119	5,119				5,119
Financial liabilities measured at amortized cost		5,119				5,119
Other financial liabilities	1,196	970	165	62		1,196
Financial liabilities measured at amortized cost		970				970
Derivatives not qualifying for hedge accounting (Financial assets held for trading)			163			163
Derivatives qualifying for hedge accounting			2	62		63
Total of financial liabilities	13,927					
thereof by measurement categories of IAS 39:						
Financial liabilities measured at amortized cost	13,667	13,667				14,008
Derivatives not qualifying for hedge accounting (Financial assets held for trading)	163		163			163

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

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

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

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

The fair value of commodity futures is based on published price quotations. It is measured as of the balance sheet date, both internally and by external financial partners.

The carrying amounts of trade accounts receivable and other current liabilities equal their fair values. The fair value of fixed rate liabilities equals the present value of expected cash flows. Discounting is based on interest rates applicable as of the balance sheet date. The carrying amounts of floating rate liabilities equal their fair values.

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

FAIR VALUE HIERARCHY AS OF SEPT. 30, 2015

million €	Sept. 30, 2015	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)	58	0	58	0
Derivatives qualifying for hedge accounting	0	0	0	0
Fair value recognized in equity				
Available-for-sale financial assets	17	15	2	0
Derivatives qualifying for hedge accounting	18	0	18	0
Total	93	15	78	0
Financial liabilities at fair value				
Fair value recognized in profit or loss				
Derivatives not qualifying for hedge accounting (Financial liabilities held for trading)	326	0	206	120
Derivatives qualifying for hedge accounting	0	0	0	0
Fair value recognized in equity				
Derivatives qualifying for hedge accounting	128	0	128	0
Total	454	0	334	120

FAIR VALUE HIERARCHY AS OF SEPT. 30, 2016

million €	Sept. 30, 2016	Level 1	Level 2	Level 3
Financial assets at fair value				
Fair value recognized in profit or loss				
Derivatives not qualifying for hedge accounting (Financial assets held for trading)	60	0	60	0
Derivatives qualifying for hedge accounting	0	0	0	0
Fair value recognized in equity				
Available-for-sale financial assets	18	16	3	0
Derivatives qualifying for hedge accounting	33	0	33	0
Total	111	16	96	0
Financial liabilities at fair value				
Fair value recognized in profit or loss				
Derivatives not qualifying for hedge accounting (Financial liabilities held for trading)	163	0	51	113
Derivatives qualifying for hedge accounting	2	0	2	0
Fair value recognized in equity				
Derivatives qualifying for hedge accounting	62	0	62	0
Total	227	0	114	113

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

The following table shows the reconciliation of level 3 financial instruments:

RECONCILIATION LEVEL 3 FINANCIAL INSTRUMENTS

million €	
Balance as of Sept. 30, 2015 (assets/(liability))	(120)
Changes recognized in profit or loss	7
Balance as of Sept. 30, 2016 (assets/(liability))	(113)

The financial liability, which is based on individual valuation parameters and recognized at fair value, primarily comprises a freight derivative which was valued according to the contractually agreed minimum volume on the basis of recognized hedge models taking into account the market data prevailing at the closing date. The resulting income effect is recognized in the consolidated statement of income under "Other expenses".

Financial liabilities measured at amortized cost with a carrying amount of €13,667 million (prior year: €13,670 million) have a fair value of €14,008 million (prior year: €13,766 million) that was determined based on fair value measurement attributable to Level 2.

Netting of financial assets and financial liabilities

The following two tables show to what extent financial assets and financial liabilities meet the offsetting criteria under IAS 32 and are set off in the statement of financial position and to what extent master netting arrangements exist which do not meet the offsetting criteria. In general, master netting arrangements exist only for derivative financial instruments in the thyssenkrupp Group. Excepted from this are embedded derivatives.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS

million €	Amounts that meet offsetting criteria			Amounts that do not meet offsetting criteria			
	Gross amounts	Amounts set off in the statement of financial position	Net amounts recognized	Derivative financial instruments	Potential offsetting	Cash collateral	Potential net amounts
Sept. 30, 2015							
Derivatives with positive fair values	83	8	75	75	42	5	28
Derivatives with negative fair values	456	5	451	451	42	4	405
Sept. 30, 2016							
Derivatives with positive fair values	92	0	92	92	42	0	50
Derivatives with negative fair values	238	13	225	225	42	10	173

The Group enters into derivative financial instruments mainly on the basis of master agreements that do not meet the offsetting criteria under IAS 32; in these cases a right of offsetting is enforceable only on termination of the contract on the grounds of a major breach of contract or insolvency of one of the contractual parties. The gross amounts for these derivatives are therefore presented separately in the statement of financial position. An exception from this are futures, for which the fair values are settled daily on the basis of margin calls. These derivatives meet the offsetting criteria under IAS 32 and are therefore shown as net amounts in the statement of financial position.

The following table shows net gains and losses from financial instruments by measurement categories. Gains or losses arising from finance lease and from derivatives that qualify for hedge accounting are not included, as they are not part of any IAS 39 measurement category.

NET GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Loans and receivables	(468)	137
Available-for-sale financial assets	80	8
Derivatives not qualifying for hedge accounting (Financial assets/liabilities held for trading)	(102)	159
Financial liabilities measured at amortized cost	(46)	(572)

Net gains under “loans and receivables” mainly comprise interest income on financial receivables as well as gains and losses on foreign currency receivables.

The category “available-for-sale financial assets” mainly includes current earnings from equity and debt instruments.

Gains and losses arising from changes in fair value of foreign currency, interest rate and commodity derivatives that do not comply with the hedge accounting requirements under IAS 39 are included in the “derivatives that do not qualify for hedge accounting” category.

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

Included in net gains and losses are exchange differences of €(74) million (prior year: €(42) million).

Derivative financial instruments

The Group uses various derivative financial instruments, including foreign currency forward contracts, foreign currency options, interest rate swaps, cross currency swaps and commodity forward contracts. Derivative financial instruments are generally used to hedge existing or anticipated underlying transactions so as to reduce foreign currency, interest rate and commodity price risks.

The following table shows the notional amounts and fair values of derivatives used within the Group:

DERIVATIVE FINANCIAL INSTRUMENTS

million €	Notional amount as of Sept. 30, 2015	Carrying amount as of Sept. 30, 2015	Notional amount as of Sept. 30, 2016	Carrying amount as of Sept. 30, 2016
Assets				
Foreign currency derivatives that do not qualify for hedge accounting	1,376	27	2,100	41
Foreign currency derivatives qualifying as cash flow hedges	264	9	360	14
Embedded derivatives	95	1	70	1
Interest rate derivatives qualifying as cash flow hedges ¹⁾	635	8	618	9
Commodity derivatives that do not qualify for hedge accounting	331	30	278	18
Commodity derivatives qualifying as cash flow hedges	101	1	64	10
Total	2,802	76	3,490	93
Equity and liabilities				
Foreign currency derivatives that do not qualify for hedge accounting	2,027	175	2,662	30
Foreign currency derivatives qualifying as cash flow hedges	573	26	400	7
Embedded derivatives	101	3	169	2
Interest rate derivatives that do not qualify for hedge accounting	0	0	11	0
Interest rate derivatives qualifying as cash flow hedges ¹⁾	817	78	406	32
Commodity derivatives that do not qualify for hedge accounting ²⁾	487	148	483	131
Commodity derivatives qualifying as cash flow hedges	119	24	152	23
Commodity derivatives qualifying as fair value hedges	0	0	50	2
Total	4,124	454	4,332	227

¹⁾Inclusive of cross currency swaps

²⁾Inclusive of freight derivatives

Derivatives that qualify for hedge accounting

Hedge accounting in accordance with IAS 39 is used to hedge foreign currency risks of firm commitments, future receivables and liabilities denominated in foreign currency, commodity price risks arising from sales and purchase transactions, and interest rate and foreign currency risks from non-current financings.

Cash flow hedges

Cash flow hedges are mainly used to hedge future cash flows against foreign currency and commodity price risks arising from future sales and purchase transactions as well as interest rate and foreign currency risks from non-current liabilities. These derivatives are measured at fair value, divided into an effective and ineffective portion. Until realization of the hedged underlying transaction, the effective portion of fluctuations in fair value of these derivatives is recognized directly in equity in the cumulative other comprehensive income position, while the ineffective portion is recognized in profit or loss. The cumulative gain or loss recognized in equity is reclassified to profit or loss in the same period during which the future underlying transactions (hedged items) affect profit or loss. As of September 30, 2016, hedging instruments with positive fair value totaled €33 million (prior year: €18 million) and

those with negative fair value totaled €62 million (prior year: €128 million). For the 2015 / 2016 fiscal year, €104 million (prior year: €84 million) (before tax) in unrealized gains or losses have been recognized directly in equity in the cumulative other comprehensive income position. Cash flows from future transactions are currently hedged for a maximum of 64 months.

During the current fiscal year, €1 million (prior year: €(27) million) of cumulative other comprehensive income were reclassified to sales in profit or loss as a result of the underlying transactions being realized during the year. In addition, €3 million (prior year: €36 million) of cumulative other comprehensive income were reclassified to increase cost of inventories, as the hedged commodities were recognized, although the underlying transaction had not yet been taken to profit or loss. This resulted in increased expenses of €7 million in 2015 / 2016. Furthermore, €19 million (prior year: €6 million) of cumulative other comprehensive income were reclassified and increased cost of property, plant and equipment. Thereof expenses of €1 million impacted earnings in 2015 / 2016. In addition, income of €3 million of that reclassified amount is expected to impact earnings in 2016 / 2017 and expenses of €17 million in subsequent fiscal years.

As of September 30, 2016, net income from the ineffective portions of derivatives classified as cash flow hedges totaled €5 million (prior year: €(21) million).

The cancellation of cash flow hedges during the current fiscal year resulted in earnings of 0 (prior year: €(13) million) due to reclassification from cumulative other comprehensive income. These fluctuations in fair value of derivatives originally recognized in equity in prior year were reclassified to profit or loss when the hedged underlying transactions in form of currency hedged sales and investments in fixed assets were no longer probable to occur.

In the subsequent fiscal year fluctuations in fair value of derivatives included in cumulative other comprehensive income as of the reporting date is expected to impact earnings by expenses of €20 million. During the 2017 / 2018 fiscal year, earnings are expected to be impacted by expenses of €9 million, during the 2018 / 2019 fiscal year by expenses of €10 million and during the following fiscal years by expenses of €64 million.

Fair value hedges

Fair value hedges are mainly used to hedge the exposure to changes in fair value of a firm commitment and exposure to inventory price risks as well as to hedge interest rate risks. These commodity and interest rate derivatives are measured at fair value. The carrying amounts of the corresponding underlying transactions are adjusted for the change of the fair values of the hedged risks. As of September 30, 2016 hedging instruments with negative fair value totalled €2 million (prior year: 0). Fluctuations in fair value are recognized immediately in profit or loss under sales, cost of sales or financial income/(expense), net, depending on the type of the underlying transaction. During the fiscal year, income/(expense), net from the measurement of fair value hedging instruments totalled €(6) million (prior year: 0), while income/(expense), net from the corresponding underlying transactions during the same period amounted to €6 million (prior year: 0).

Derivatives that do not qualify for hedge accounting

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

Financial risks

The management of thyssenkrupp AG has implemented a risk management system that is monitored by the Supervisory Board. The general conditions for compliance with the requirements for proper and future-oriented risk management within the Group are set out in the risk management principles. These principles aim at encouraging all Group members of staff to responsibly deal with risks as well as supporting a sustained process to improve risk awareness. The Group guideline on risk management and other Group guidelines specify risk management processes, compulsory limitations, and the application of financial instruments. The risk management system aims at identifying, analyzing, managing, controlling and communicating risks promptly throughout the Group. thyssenkrupp Group's risk environment is updated at least twice a year by carrying out a risk inventory in all Group companies. The results of the risk inventory process are communicated to both thyssenkrupp AG's Executive Board and the Supervisory Board's audit committee. Risk management reporting is a continuous process and part of regular Group reporting. Group guidelines and information systems are checked regularly and adapted to current developments. In addition, our Corporate Function Internal Auditing regularly checks whether Group companies comply with risk management system requirements.

Being a global Group, thyssenkrupp is exposed to credit, liquidity and market risks (foreign currency, interest rate and commodity price risks) during the course of ordinary activities. The aim of risk management is to limit the risks arising from operating activities and associated financing requirements by applying selected derivative and non-derivative hedging instruments.

Credit risk (counterparty default risk)

To the Group, financial instruments bear default risk resulting from one party's possible failure to meet its payment obligations, with the maximum default risk being equal to the positive fair value of the respective financial instrument. During crises, default risks take on greater significance; we are managing them very carefully by our business policy. In order to minimize default risk, the thyssenkrupp Group only enters into financial instruments for financing purposes with contracting parties that have a very good credit standing or are members of a deposit protection fund. For further risk minimizing transactions are concluded in compliance with specified risk limits. In the operative

area, receivables and default risks are monitored by Group companies on an ongoing basis and partially covered by merchandise credit insurance. Risks arising from the delivery of goods to major customers are subject to a special credit watch. In addition, letters of credit and indemnity bonds are used to hedge receivables from major customers. However, receivables from these contracting parties do not reach levels that would result in extraordinary risk concentrations. Default risk is taken into account by valuation allowances.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its existing or future obligations due to insufficient availability of cash or cash equivalents. Managing liquidity risk, and therefore allocating resources and hedging the Group's financial independence, are some of the central tasks of thyssenkrupp AG. In order to be able to ensure the Group's solvency and financial flexibility at all times, long-term credit limits and cash and cash equivalents are reserved on the basis of perennial financial planning and monthly rolling liquidity planning. Cash pooling and external financing focus primarily on thyssenkrupp AG and specific financing companies. Our financing is also secured for the next fiscal year.

The gearing limit agreed upon in some credit agreements was met as of September 30, 2016. Refer also to the explanation in Note 13 in chapter "Management of capital".

Cash pooling and external financing focus primarily on thyssenkrupp AG and specific foreign companies. Funds are provided internally to Group companies according to need.

The following table shows future undiscounted cash outflows from financial liabilities based on contractual agreements:

FUTURE UNDISCOUNTED CASH OUTFLOWS AS OF SEPT. 30, 2015

million €	Carrying amount Sept. 30, 2015	Cash flows in 2015 / 2016	Cash flows in 2016 / 2017	Cash flows between 2017 / 2018 and 2019 / 2020	Cash flows after 2019 / 2020
Bonds	6,416	1,267	1,436	3,115	1,438
Liabilities to financial institutions	771	230	177	423	119
Finance lease liabilities	44	14	12	18	17
Other financial debt	724	408	20	146	261
Trade accounts payable	4,985	4,848	128	9	0
Derivative financial liabilities not qualifying for hedge accounting	326	190	56	61	19
Derivative financial liabilities qualifying for hedge accounting	128	100	36	0	0
Other financial liabilities	774	764	8	2	0

FUTURE UNDISCOUNTED CASH OUTFLOWS AS OF SEPT. 30, 2016

million €	Carrying amount Sept. 30, 2016	Cash flows in 2016 / 2017	Cash flows in 2017 / 2018	Cash flows between 2018 / 2019 and 2020 / 2021	Cash flows after 2020 / 2021
Bonds	6,269	1,460	1,755	3,084	660
Liabilities to financial institutions	713	247	240	281	77
Finance lease liabilities	33	12	7	13	15
Other financial debt	596	33	101	330	246
Trade accounts payable	5,119	4,982	128	10	0
Derivative financial liabilities not qualifying for hedge accounting	163	73	27	64	0
Derivative financial liabilities qualifying for hedge accounting	63	45	0	23	0
Other financial liabilities	970	964	4	1	2

Cash flows from derivatives are offset by cash flows from hedged underlying transactions, which have not been considered in the analysis of maturities. If cash flows from the hedged underlying transactions were also considered, the cash flows shown in the table would be accordingly lower.

Market risks

Market risk is the risk that fair values or future cash flows of non-derivative or derivative financial instruments will fluctuate due to changes in risk factors. Among market risks relevant to thyssenkrupp are foreign currency, interest rate, commodity price, and especially raw material price risks. Associated with these risks are fluctuations in income, equity and cash flow. The objective of risk management is to eliminate or limit emerging risks by taking appropriate precautions, especially by applying derivatives. The application of derivatives is subject to strict controls set up on the basis of guidelines as part of regular reporting. The Group primarily concludes over-the-counter (OTC) forward foreign currency transactions, interest rate swaps, cross currency derivatives and commodity forward contracts with banks and trading partners. In addition, exchange-traded futures are used to hedge commodity prices.

The following analysis and amounts determined by means of sensitivity analyses represent hypothetical, future-oriented data that can differ from actual outcomes because of unforeseeable developments in financial markets. Moreover, non-financial or non-quantifiable risks, such as business risks, are not considered here.

Foreign currency risk exposure

The international nature of our business activities generates numerous cash flows in different currencies – especially in US dollars. Hedging the resulting currency risk exposures is an essential part of our risk management.

Group-wide regulations form the basis for thyssenkrupp Group's currency management. Principally, all group companies are obliged to hedge foreign currency positions at the time of inception. Affiliated companies based in the Euro zone are obliged to submit all unhedged positions from trade activities in

major transaction currencies to a central clearing office. Depending on the derivatives' hedging purpose and resulting accounting treatment, the offered positions are either hedged under a portfolio hedge approach or directly hedged with banks on a back-to-back basis taking into account the respective maturity. Financial transactions and the transactions undertaken by our subsidiaries outside the Euro zone are hedged in close cooperation with central Group management. Compliance with the Group's requirements is regularly ascertained by our Corporate Function Internal Auditing.

Foreign currency hedging is used to fix prices on the basis of hedging rates as protection against any unfavorable exchange rate fluctuations in the future. Hedging periods are generally based on the maturities of underlying transactions. Foreign currency derivative contracts usually have maturities of twelve months or less, but can also be up to 6 years in single exceptional cases.

The US dollar is the only relevant risk variable for sensitivity analyses under IFRS 7, as the vast majority of foreign currency cash flows occurs in US dollars. As hedging transactions are generally used to hedge underlying transactions, opposite effects in underlying and hedging transactions are almost entirely offset over the total period. Thus, the currency risk exposure described here results from hedging relationships with off-balance sheet underlying transactions, i.e. hedges of firm commitments and forecasted sales. Based on our analysis, the US dollar exposure as of September 30, 2016 was as follows:

If the Euro had been 10% stronger against the US dollar as of September 30, 2016, the hedge reserve in equity and fair value of hedging transactions would have been €8 million higher (prior year: €11 million lower) and earnings resulting from the measurement as of the balance sheet date 0 (prior year: €8 million) higher. If the Euro had been 10% weaker against the US dollar as of September 30, 2016, the hedge reserve in equity and fair value of hedging transactions would have been €10 million lower (prior year: €13 million higher) and earnings resulting from the measurement as of the balance sheet date €2 million higher (prior year: €12 million lower).

Interest rate risk

Due to the international focus of thyssenkrupp's business activities, the Group procures liquidity to cover its financial needs in international money and capital markets in different currencies and with various maturities. Some of the resulting financial debt and financial investments are exposed to interest rate risk. The Group's central interest rate management manages and optimizes interest rate risk. This includes regular interest analyses. In some cases, the Group uses derivatives to hedge interest rate risk. These instruments are contracted with the objective of minimizing interest rate volatilities and finance costs for underlying transactions.

As of September 30, 2015 and 2016, respectively, all interest derivatives are immediately and directly allocated to particular financings as cash flow hedges. As of the current balance sheet date almost all interest rate derivatives are accounted for as cash flow hedges, while as of the prior year's balance sheet date all interest derivatives qualified for hedge accounting.

Cross currency swaps have been contracted in connection with the financing of foreign activities, mainly for US dollars.

Interest rate instruments can result in cash flow risks, opportunity effects, as well as interest rate risks affecting the balance sheet and earnings. Refinancing and variable-rate financial instruments are subject to cash flow risk which expresses the uncertainty of future interest payments. Cash flow risk is measured by means of cash flow sensitivity. Opportunity effects arise from non-derivatives, as these are measured at amortized cost rather than fair value, in contrast to interest derivatives. This difference, the so-called opportunity effect, affects neither the balance sheet nor the statement of income. On-balance sheet interest rate risks affecting equity result from the measurement of interest derivatives qualifying as cash flow hedges. Interest rate risks affecting earnings arise from the remaining interest rate derivatives not qualifying for hedge accounting. Opportunity effects and interest rate risks affecting the balance sheet and earnings are determined by calculating fair value sensitivity analyses and changes.

As of September 30, 2016, a +100/(20) basis point parallel shift in yield curves is assumed for all currencies in interest analyses. The parallel downward shift is limited to (20) basis points to account for continued low interest rates with in part negative interest rates. Negative interest rates are included in the current analysis. The analysis results in the opportunities (positive values) and risks (negative values) shown in the following table:

INTEREST ANALYSIS

	Changes in all yield curves as of			
	Sept. 30, 2015 by		Sept. 30, 2016 by	
million €	+100 basis points	(20) basis points	+100 basis points	(20) basis points
Cash flow risk	35	(4)	30	(6)
Opportunity effects	250	(40)	236	(49)
Interest rate risks resulting from interest rate derivatives affecting balance sheet	(1)	4	(1)	0
Interest rate risks resulting from interest rate derivatives affecting earnings	0	0	0	0

If, as of September 30, 2016, all yield curves combined had been 100 basis points higher, the hedge reserve in equity and fair value of the relevant interest derivatives would have been €1 million (prior year: €1 million) lower and earnings resulting from the measurement as of the balance sheet date €30 million (prior year: €35 million) higher. If, as of September 30, 2016, all yield curves combined had been 20 basis points lower, the hedge reserve in equity and fair value of the relevant interest derivatives would have been 0 (prior year: €4 million) higher and earnings resulting from the measurement as of the balance sheet date €6 million (prior year: €4 million) lower.

Commodity price risks

The Group uses various nonferrous metals, especially nickel, as well as commodities such as ore, coal, coke and energy, for different production processes. Furthermore extensive additional freight capacities are needed. Purchase prices for commodities, energy and freight capacity can vary significantly depending on market conditions.

This causes commodity price risks which can affect income, equity and cash flow. We react with adjusted selling prices and alternative purchasing resources to ensure our competitiveness. To minimize risks arising from commodity price volatilities, the Group also uses derivatives, especially for ore, copper, nickel, zinc and tin. The contracting of such financial derivatives is subject to strict guidelines which are checked for compliance by internal auditing. The nonferrous metals are generally hedged by a central system. Only marketable instruments are used, as there are mainly commodity forward contracts. Commodity forward contracts are measured at fair value. Fluctuations in fair value are recognized predominately in profit or loss under sales revenue or cost of sales. Sometimes cash flow hedge accounting is used when commodity derivatives are immediately and directly allocated to a particular firm commitment. In some cases, fair value hedges are used to hedge the exposure to changes in fair value of a firm commitment and exposure to inventory price risks.

Risks resulting from rising energy prices are limited by structuring procurement on the electricity market and concluding or extending long-term natural gas contracts. These contracts are subject to the so-called “own use exemption” and therefore not carried as derivatives.

To minimize the risk of fluctuating freight prices, the Group uses among other things long-term fixed price contracts, of which one contract is recognized as a commodity forward transaction measured at fair value.

Only hypothetical changes in market prices for derivatives are included in scenario analysis, required for financial instruments under IFRS 7. Offsetting effects from underlying transactions are not taken into account and would reduce their effect significantly.

As of September 30, 2016 a +20/(20)% shift in market prices for non-ferrous metals and freight rates is assumed. If an increase of 20% in market prices for said non-ferrous metals and freight rates is assumed, the estimated hypothetical impact on profit or loss resulting from the measurement as of the balance sheet date is €3 million (prior year: €16 million), and on equity €9 million (prior year: €9 million). If a decrease of 20% in market prices for said non-ferrous metals and freight rates is assumed, the estimated hypothetical impact on profit or loss resulting from the measurement as of the balance sheet date is €(3) million (prior year: €(2) million), and on equity €4 million (prior year: €(22) million).

23 Related parties

Based on the notification received in accordance with German Securities Trade Act (WpHG) Art. 21 para. 1 as of December 3, 2013, the Alfried Krupp von Bohlen und Halbach Foundation holds an interest of 23.03% in thyssenkrupp AG; based on a voluntary notification of the Foundation as of October 4, 2016, the interest in thyssenkrupp AG as of September 30, 2016 is unchanged. Outside the services and considerations provided for in the by-laws (Article 21 of the Articles of Association of thyssenkrupp AG), there are no other significant delivery and service relations.

In 2014/2015 and 2015/2016, the Group has business relations with non-consolidated subsidiaries, associates and joint ventures. Transactions with these related parties result in general from the delivery

and service relations in the ordinary course of business; the extent of the business relations is presented in the following table:

RELATED PARTY TRANSACTIONS

million €	Sales		Supplies and services		Receivables		Total liabilities	
	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016
Non-consolidated subsidiaries	0	0	0	1	3	2	0	0
Associates	42	42	3	3	0	2	2	9
Joint ventures	11	15	51	13	0	4	59	28

Compensation of current Executive and Supervisory Board members

The Group's key management personnel compensation which has to be disclosed in accordance with IAS 24 comprises of the compensation of the current Executive and Supervisory Board members.

Compensation of the current Executive Board members is as follows:

COMPENSATION OF EXECUTIVE BOARD MEMBERS

Thousand €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Short-term benefits (excluding share-based compensation)	6,707	6,526
Post-employment benefits	346	4,848
Share-based compensation	5,501	4,056
Total	12,554	15,430

Service cost and past service cost resulting from the pension obligations of the current members of the Executive Board are disclosed as post-employment benefits. The disclosure of share-based compensation refers to the fair value at grant date.

As of September 30, 2015 and 2016, respectively, no loans or advance payments were granted to members of the Executive Board; also as in the previous year no contingencies were assumed for the benefit of Executive Board members.

Compensation of the current Supervisory Board members is as follows:

COMPENSATION OF SUPERVISORY BOARD MEMBERS

Thousand €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Short-term benefits (inclusive of meeting attendance fees)	1,659	1,622

In addition, members of the Supervisory Board of thyssenkrupp AG received compensation of €69 thousand in fiscal 2015 / 2016 (prior year: €77 thousand) for supervisory board mandates at Group subsidiaries.

As of September 30, 2015 and 2016, respectively, no loans or advance payments were granted to members of the Supervisory Board; also as in the previous year no contingencies were assumed for the benefit of Supervisory Board members.

For individualized presentation and further details of Executive and Supervisory Board compensation refer to the compensation report presented in the “Corporate Governance” chapter that is part of the combined management report.

Compensation of former Executive and Supervisory Board members

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €17.4 million (prior year: €17.4 million). Under IFRS an amount of €304.1 million (prior year: €261.6 million) is accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

24 Segment reporting

thyssenkrupp is organized in the following operating business areas that represent the Group's activities within capital goods and materials. The business areas are in line with the internal organizational and reporting structure and represent the segments in accordance with IFRS 8. In the year ended September 30, 2015, the Stainless Global business area was still classified as discontinued operation; after the disposal at the end of the 1st quarter ended December 31, 2012, income and expense directly related to the disposal of Stainless Global was reported here.

Components Technology

This business area offers efficient and innovative components for the automotive, construction and engineering sectors as well as for wind turbines.

Elevator Technology

This business area is active in the construction, modernization and servicing of elevators, escalators, moving walks, stair and platform lifts as well as passenger boarding bridges. Alongside a full range of installations for the volume market, the business area also delivers customized solutions.

Industrial Solutions

Industrial Solutions is a leading international supplier in special and large-scale plant construction as well as naval shipbuilding.

Materials Services

The business area is focused on the global distribution of materials and the provision of complex technical services for the production and manufacturing sectors. In connection with the ending of all financial links with OTK the full VDM group, the AST group with its plants and the Italian service center as well as further stainless steel service centers in Germany, France, Spain and Turkey were assigned to the business area with effect from February 28, 2014; effective as of July 31, 2015 the total VDM group was disposed of again.

Steel Europe

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

Steel Americas

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

Corporate

Corporate comprises the Group's head office including administration for the regions, asset management for the Group's real estate, and the global shared services activities. The global shared services unit combines key locally performed functions at the Group's internal service centers. These are site-independent activities such as certain processes in accounting, IT, real estate services and HR. Corporate also includes companies that cannot be allocated to the operating businesses of the business areas.

Stainless Global

This segment was classified as a discontinued operation until its disposal as of December 28, 2012; after the disposal at the end of the 1st quarter ended December 31, 2012, income and expense directly related to the disposal of Stainless Global was reported in the year ended September 30, 2015.

Consolidation

Consolidation essentially contains the elimination of intercompany profits in inventories and the reversal of intercompany interest income.

The accounting principles for the segments are the same as those described for the Group in the summary of significant accounting principles. In accordance with the management approach which is applicable to segment reporting all figures presented are inclusive of disposal groups and discontinued operations. Intersegment pricing is determined on an arm's length basis.

thyssenkrupp's key earnings performance indicator is EBIT (Earnings Before Interest and Taxes) and adjusted EBIT. EBIT is calculated according to economic criteria and is independent from IFRS rules. It provides information on the profitability of a unit and contains all elements of the income statement relating to operating performance. This also includes items of financial income/expense that can be characterized as operational, including income and expense from investments where there is a long-term intention to hold the assets. Adjusted EBIT is EBIT adjusted for special items, i.e. excluding disposal losses/gains, restructuring expenses, impairment losses/impairment reversals and other non-operating expenses and income. It is more suitable than EBIT for comparing operating performance over several periods.

Capital employed is the key indicator for capital tied up in operating activities. It mainly comprises fixed assets, inventories and receivables. Deducted from this are certain non-interest-bearing liability items such as trade accounts payable; cf. the following reconciliation.

SEGMENT INFORMATION FOR THE YEAR ENDED SEPT. 30, 2015

million €	Components Technology	Elevator Technology	Industrial Solutions	Materials Services	Steel Europe	Steel Americas	Corporate	Stainless Global ¹⁾	Consolidation	Group
For the fiscal year year ended Sept. 30, 2015										
Net sales	6,747	7,205	6,237	13,925	7,150	1,468	46	–	0	42,778
Internal sales within the Group	6	3	19	329	1,547	305	148	–	(2,357)	0
Total sales	6,753	7,208	6,256	14,254	8,697	1,773	194	–	(2,357)	42,778
Income from companies accounted for using the equity method	(1)	1	(7)	0	32	0	8	–	0	33
Aggregate investment in investees accounted for using the equity method	0	4	129	47	121	0	2	–	0	303
EBIT	294	662	425	(38)	514	(147)	(649)	(11)	0	1,050
Adjusted EBIT	313	794	424	206	492	(138)	(414)	0	0	1,676
Average capital employed	3,530	1,289	(1,554)	4,566	5,265	2,167	837	–	6	16,106
Depreciation and amortization expense	309	80	64	148	409	140	45	0	(8)	1,187
Impairment losses of intangible assets, property, plant and equipment and investment property	12	16	0	175	3	0	2	0	0	208
Reversals of impairment losses of intangible assets, property, plant and equipment and investment property	0	0	0	0	2	0	0	0	0	2
Significant non-cash items	(116)	(106)	14	(57)	(116)	2	(324)	0	1	(703)
Capital expenditures (intangible assets, property, plant and equipment and investment property)	392	83	71	114	457	86	76	0	(1)	1,278

¹⁾ Discontinued operation

SEGMENT INFORMATION FOR THE YEAR ENDED SEPT. 30, 2016

million €	Components Technology	Elevator Technology	Industrial Solutions	Materials Services	Steel Europe	Steel Americas	Corporate	Consolidation	Group
For the fiscal year year ended Sept. 30, 2016									
Net sales	6,802	7,465	5,732	11,601	6,362	1,263	38	0	39,263
Internal sales within the Group	5	3	13	285	1,271	226	217	(2,020)	0
Total sales	6,807	7,468	5,744	11,886	7,633	1,489	255	(2,020)	39,263
Income from companies accounted for using the equity method	0	2	9	(2)	37	0	0	0	46
Aggregate investment in investees accounted for using the equity method	0	4	125	47	107	0	2	0	284
EBIT	251	771	333	76	316	(22)	(542)	6	1,189
Adjusted EBIT	335	860	355	128	315	(33)	(497)	6	1,469
Average capital employed	3,587	1,197	(475)	3,861	5,012	2,145	653	(46)	15,933
Depreciation and amortization expense	319	80	65	113	401	143	49	(6)	1,165
Impairment losses of intangible assets, property, plant and equipment and investment property	57	6	7	7	11	0	7	0	95
Reversals of impairment losses of intangible assets, property, plant and equipment and investment property	0	0	0	0	7	0	0	0	7
Significant non-cash items	(109)	(146)	(141)	(52)	(113)	1	(168)	0	(729)
Capital expenditures (intangible assets, property, plant and equipment and investment property)	488	128	75	128	393	110	45	(5)	1,362

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

RECONCILIATION EBIT TO EBT

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Adjusted EBIT as presented in segment reporting	1,676	1,469
Special items	(626)	(280)
EBIT as presented in segment reporting	1,050	1,189
+ Non-operating income/(expense) from companies accounted for using the equity method	0	0
+ Finance income	1,320	1,030
– Finance expense	(1,811)	(1,627)
– Items of finance income assigned to EBIT based on economic classification	(113)	36
+ Items of finance expense assigned to EBIT based on economic classification	39	25
EBT-Group	485	652
– EBT of Stainless Global	11	0
EBT from continuing operations as presented in the statement of income	496	652

Total assets in accordance with the consolidated statement of financial position can be reconciled to average capital employed as follows:

RECONCILIATION TOTAL ASSETS TO CAPITAL EMPLOYED

million €	Sept. 30, 2015	Sept. 30, 2016
Total assets	35,694	35,072
Deferred tax assets	(2,031)	(2,322)
Current income tax assets	(160)	(172)
Cash and cash equivalents	(4,535)	(4,105)
Adjustments due to included assets classified as non-operating items	(260)	(143)
Liability items reducing capital employed:		
Provisions for other non-current employee benefits	(339)	(373)
Other provisions, non-current	(906)	(589)
Other non-financial liabilities, non-current	(5)	(6)
Provisions for current employee benefits	(362)	(408)
Other provisions, current	(1,066)	(963)
Trade accounts payable	(4,985)	(5,119)
Other financial liabilities, current	(1,226)	(975)
Other non-financial liabilities, current	(7,593)	(7,130)
Adjustments due to included liabilities classified as non-operating items	565	560
Capital employed as of balance sheet date	12,791	13,326
Impact from adjusting average capital employed to capital employed as of balance sheet date	1,114	407
Average capital employed (5-points-average)	13,905	13,733
Correction factors with increasing impact on performance requirements for positive value added	2,200	2,200
Average capital employed as presented in segment reporting	16,106	15,933

In presenting information for geographical areas, allocation of sales is based on the location of the customer. Allocation of segment assets and capital expenditures is based on the location of the assets. Capital expenditures are presented in line with the definition of the cash flow statement.

There are no individual customers that generate sales values that are material to the Group's consolidated net sales.

EXTERNAL SALES BY REGIONS

million €	Germany	USA	China	Outside Germany	Group
External sales (location of customer)					
Year ended Sept. 30, 2015	11,611	7,835	2,945	20,388	42,778
Year ended Sept. 30, 2016	10,719	6,955	2,728	18,860	39,263

NON-CURRENT ASSETS BY REGIONS¹⁾

million €	Germany	USA	Brazil	Outside Germany	Group
Non-current assets (intangible assets, property, plant and equipment, investment property and other non-financial assets) (location of assets)					
Sept. 30, 2015	6,683	1,443	1,999	3,714	13,839
Sept. 30, 2016	6,458	1,422	2,197	3,876	13,953

¹⁾Inclusive of disposal groups**25 Accounting estimates and judgements**

The preparation of the Group's consolidated financial statements requires management estimates and assumptions that affect reported amounts and related disclosures. All estimates and assumptions are made to the best of management's knowledge and belief in order to fairly present the Groups financial position and results of operations. The following accounting policies are significantly impacted by management's estimates and judgements.

Business combinations

As a result of acquisitions the Group recognized goodwill in its balance sheet. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair value. One of the most significant estimates relates to the determination of the fair value of these asset and liabilities. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market price. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Group either consults with an independent external valuation expert or develops the fair value internally, using an appropriate valuation technique which is generally based on a forecast of the total expected future net cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Goodwill

As stated in the accounting policy in Note 01, the Group tests annually and in addition if any indicators exist, whether goodwill has suffered an impairment loss. If there is an indication, the recoverable amount of the cash-generating unit has to be estimated which is the greater of the fair value less costs to sell and the value in use. The determination of the value in use involves making adjustments and estimates related to the projection and discounting of future cash flows (cf. Note 04). Although management believes the assumptions used to calculate recoverable amounts are appropriate, any unforeseen changes in these assumptions could result in impairment charges to goodwill which could adversely affect the future financial position and operating results.

Recoverability of assets

At each balance sheet date, the Group assesses whether there is any indication that the carrying amounts of its property, plant and equipment, investment property or intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In assessing the value in use, discounted future cash flows from the related assets have to be determined. Estimating the discounted future cash flows involves significant assumptions, including particularly those regarding future sale prices and sale volumes, costs and discount rates. Although management believes that its estimates of the relevant expected useful lives, its assumptions concerning the economic environment and developments in the industries in which the Group operates and its estimations of the discounted future cash flows are appropriate, changes in the assumptions or circumstances could require changes in the analysis. This could lead to additional impairment charges in the future or to reversal of impairments if the trends identified by management reverse or the assumptions or estimates prove incorrect.

Other provisions

The recognition and measurement of other provisions are based on the estimation of the probability of a future outflow of resources as well as empirical values and the circumstances known at the reporting date. This means that the actual later outflow of resources may differ from the other provisions, cf. also the remarks under Note 16.

Measurement of single assets held for sale, disposal groups and discontinued operations

Single assets held for sale as well as disposal groups and discontinued operations are measured at fair value less costs to sell. The determination of fair value less costs to sell can be based on estimations and assumptions of the management that carry a certain degree of uncertainty.

Revenue recognition on construction contracts

Certain Group entities, particularly in the Elevator Technology and Industrial Solutions business areas, conduct a portion of their business under construction contracts which are accounted for using the percentage-of-completion method, recognizing revenue as performance on the contract progresses. This method requires accurate estimates of the extent of progress towards completion. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgements. The managements of the operating companies continually review all estimates involved in such construction contracts and adjust them as necessary.

Income taxes

The Group operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within the countries. Significant judgements are necessary in determining the worldwide income tax liabilities. Although management believes they have made reasonable estimates about the ultimate resolution of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the income tax liabilities and deferred tax liabilities in the period in which such determinations are made.

At each balance sheet date, the Group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Group's ability to utilize future tax benefits. Cf. Note 32 for further information on potential tax benefits for which no deferred tax asset is recognized.

Employee benefits

The Group accounts for pension and other postretirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions including the discount rate, expected salary increases, mortality rates and health care cost trend rates. These actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in postretirement employee benefit obligations, of equity and the related future expense. (Cf. Note 15 for further information regarding employee benefits).

Legal contingencies

thyssenkrupp companies are parties to litigations related to a number of matters as described in Note 21. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. For the assessments internal and external lawyers are used. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against thyssenkrupp companies or the disclosure of any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.

Notes to the consolidated statement of income

26 Net sales

Net sales include revenues resulting from the sale of goods of €24,259 million (prior year: €26,234 million), the rendering of services of €5,243 million (prior year: €5,193 million) as well as sales from construction contracts of €8,630 million (prior year: €9,155 million).

27 Other income

OTHER INCOME

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Gains from premiums and from grants	8	11
Insurance compensation	20	35
Miscellaneous	256	188
Total	284	234

Miscellaneous other income includes a multitude of minor single items resulting from the 471 (prior year: 497) consolidated companies.

28 Other expenses

OTHER EXPENSES

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Additions to/reversals of provisions	232	12
Other taxes	41	15
Miscellaneous	98	85
Total	371	114

Miscellaneous other expenses include a multitude of minor single items resulting from the 471 (prior year: 497) consolidated companies.

29 Other gains/(losses), net

OTHER GAINS/(LOSSES), NET

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Gain/(loss) on disposal of intangible assets, net	(5)	0
Gain/(loss) on disposal of property, plant and equipment, net	(1)	5
Gain/(loss) on disposal of investment property, net	15	11
Gain/(loss) on disposal of subsidiaries, net	0	6
Miscellaneous	(232)	89
Total	(223)	112

Miscellaneous other gains/(losses) mainly include currency translation gains (prior year: losses) for refund entitlements in connection with non-income taxes.

30 Government grants

In the preceding fiscal year, government grants to compensate expenses of the Group were recognized in the amount of €15 million (prior year: €11 million).

Payment of the above-mentioned government grants is subject to certain conditions which are currently assumed to be met.

31 Financial income/(expense), net

FINANCIAL INCOME/(EXPENSE), NET

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Income from companies accounted for using the equity method	33	46
Interest income from financial receivables	122	90
Income from investments	71	9
Other finance income	1,127	931
Finance income	1,320	1,030
Interest expense from financial debt	(452)	(378)
Net interest cost of pensions and similar obligations	(183)	(182)
Expense from investments	0	(1)
Other finance expenses	(1,176)	(1,066)
Finance expense	(1,811)	(1,627)
Total	(458)	(552)

For the investments accounted for using the equity method of accounting cf. also Note 07.

The line item “other finance income” includes interest income from financial assets that are not measured at fair value through profit or loss of €17 million (prior year: €20 million) and the line item “other finance expenses” include interest expense from financial liabilities that are not measured at fair value through profit or loss of €29 million (prior year: €26 million).

Borrowing costs in the amount of €11 million (prior year: €10 million) were capitalized during the period which reduced interest expense from financial debt. If financing is directly allocable to a certain investment, the actual borrowing costs are capitalized. If no direct allocation is possible, the Group's average borrowing interest rate of the current period is taken into account to calculate the borrowing costs; it amounts to 4.2% for fiscal year 2015 / 2016 (prior year: 4.9%).

32 Income taxes

Income tax expense/(benefit) for the year ended September 30, 2016 and the previous year consists of the following:

BREAKDOWN OF INCOME TAX EXPENSE/(BENEFIT)

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Current income tax expense/(benefit) for the reporting period	391	351
Deferred income tax expense/(benefit) for the reporting period	(117)	115
Current income tax expense/(benefit) for prior periods	(64)	(43)
Deferred income tax expense/(benefit) for prior periods	7	(32)
Total	217	391

The German corporate income tax law applicable for 2015 / 2016 sets a statutory income tax rate of 15.0% (prior year: 15.0%) plus a solidarity surcharge of 5.5% (prior year: 5.5%). On average, the Group's German companies are subject to a municipal tax rate of 15.9% (prior year: 15.8%). Therefore, at year-end September 30, 2016, deferred taxes of German companies are calculated with a combined income tax rate of 31.7% (prior year: 31.6%). The applicable tax rates for companies outside Germany range from 10.0% to 39.0% (prior year: 5.7% to 38.0%). In fiscal year 2015 / 2016, changes in foreign tax rates resulted in deferred tax expense in the amount of €5 million (prior year: €3 million).

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

INCOME TAXES RECOGNIZED IN TOTAL EQUITY

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Income tax expense/(benefit) as presented on the statement of income	217	391
Income non-effective tax effect on other comprehensive income	(96)	(395)
Other income non-effective changes	0	0
Total	121	(4)

As of September 30, 2016, domestic corporate tax losses carried forward amount to €1,900 million (prior year: €1,658 million), domestic municipal tax losses carried forward amount to €859 million (prior year: €697 million), and interest carried forward amount to €960 million (prior year: €840 million). In addition, foreign tax losses carried forward amount to €8,228 million (prior year: €7,247 million), in particular €4,057 million (prior year: €2,974 million) in Brazil, €1,853 million (prior year: €2,078 million) in the USA, and €928 million (prior year: €891 million) in Italy, and foreign tax credits amount to €66 million (prior year: €65 million). In fiscal year 2015 / 2016, deferred tax expense in the amount of €17 million (prior year: €48 million deferred tax expense) is attributable to tax losses carried forward, interest carried forward and foreign tax credits.

As of September 30, 2016, the following deferred tax assets are recognized because these assets are supported by substantial evidence for sufficient future taxable income: thyssenkrupp North America,

Inc. (USA): €727 million (prior year: €824 million) und thyssenkrupp AG (Germany) €465 million (prior year: €377 million).

As of September 30, 2016, tax losses carried forward for which no deferred tax asset is recognized amount to €7,337 million (prior year: €6,022 million). According to tax legislation as of September 30, 2016, an amount of €7,189 million (prior year: €5,893 million) of these tax losses may be carried forward indefinitely and in unlimited amounts whereas an amount of €148 million (prior year: €129 million) of these tax losses carried forward will expire over the next 20 years if not utilized.

As of September 30, 2016, unrecognized deferred tax assets for tax losses carried forward amount of €1,976 million (prior year: €1,611 million). In addition, as of September 30, 2016, no deferred tax assets are recognized for foreign tax credits in the amount of €1 million (prior year: €4 million) and for deductible temporary differences in the amount of €1,566 million (prior year: €2,016 million).

In fiscal year 2015/2016, the benefit arising from previously unrecognized tax losses, foreign tax credits and temporary differences that are used to reduce the Group's tax expense amounts to €11 million (prior year: €18 million).

As of September 30, 2016, taxable temporary differences from undistributed profits of subsidiaries in the Group for which no deferred tax liability is recognized, as such profits are not to be distributed in the foreseeable future, amount to €439 million (prior year: €500 million).

Significant components of the deferred tax assets and liabilities are as follows:

INVENTORY OF DEFERRED TAX ASSETS AND LIABILITIES

million €	Deferred tax assets		Deferred tax liabilities	
	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016
Intangible assets	87	91	476	500
Property, plant and equipment	696	696	521	452
Financial assets	48	70	8	31
Inventories	673	451	60	39
Other assets	547	621	609	923
Accrued pension and similar obligations	636	1,265	9	1
Other provisions	628	284	295	328
Other liabilities	854	1,297	887	1,027
Tax loss carried forward	2,670	2,982	–	–
Interest carried forward	233	266	–	–
Foreign tax credits	65	66	–	–
Gross amount	7,137	8,089	2,865	3,301
Valuation allowance	(2,294)	(2,498)	–	–
Offsetting	(2,812)	(3,269)	(2,812)	(3,269)
Balance sheet amount	2,031	2,322	53	33

For fiscal year 2015/2016, the income tax expense of €391 million (prior year: €217 million) presented in the financial statements is €184 million (prior year: €60 million) higher than the expected income tax expense of €207 million (prior year: €157 million) which would result if the German combined income tax rate of 31.7% (prior year: 31.6%) were applied to the Group's income before taxes. The following table reconciles the expected income tax expense/(benefit) to the income tax expense/(benefit) presented in the statement of income.

TAX RATE RECONCILIATION

million €	Year ended Sept. 30, 2015	in %	Year ended Sept. 30, 2016	in %
Expected income tax expense/(benefit)	157	31.6	207	31.7
Tax rate differentials to the German combined income tax rate	(19)	(3.8)	(9)	(1.4)
Changes in tax rates or laws	3	0.6	3	0.5
Change in valuation allowance	99	20.0	219	33.6
Permanent items	24	4.8	49	7.5
Tax impacts of de-consolidation of businesses	(92)	(18.6)		
Tax consequences of disposal of businesses	(14)	(2.8)	(1)	(0.2)
Income/(loss) from companies accounted for using the equity method	(10)	(2.0)	(15)	(2.3)
Non-tax effective result from foreign currency translation	76	15.3	(31)	(4.8)
Non-creditable withholding taxes	54	10.9	42	6.4
Tax benefit not related to the reporting period	(57)	(11.5)	(75)	(11.5)
Others	(4)	(0.7)	2	0.3
Income tax expense/(benefit) as presented on the statement of income	217	43.8	391	59.8

33 Earnings per share

Basic earnings per share is calculated as follows:

EARNINGS PER SHARE

	Year ended Sept. 30, 2015		Year ended Sept. 30, 2016	
	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 stockholders)	320	0.57	296	0.52
Income/(loss) from discontinued operations (net of tax) (attributable to thyssenkrupp AG's stockholders)	(11)	(0.02)	0	0.00
Net income/(loss) (attributable to thyssenkrupp AG's stockholders)	309	0.55	296	0.52
Weighted average shares	565,937,947		565,937,947	

There were no dilutive securities in the periods presented.

34 Additional disclosures on the consolidated statement of income

Personnel expenses included in the consolidated statement of income are comprised of:

PERSONNEL EXPENSES

million €	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Wages and salaries	6,576	6,829
Social security taxes	1,180	1,253
Net periodic pension cost – defined benefit ¹⁾	145	177
Net periodic pension costs – defined contribution	143	161
Other expenses for pensions and retirements	157	154
Related fringe benefits	335	368
Total	8,536	8,942

¹⁾ Excluding net interest that is recognized as part of financial expenses.

The annual average number of employees is as follows:

ANNUAL AVERAGE NUMBER OF EMPLOYEES

	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Components Technology	29,421	30,128
Elevator Technology	51,093	51,609
Industrial Solutions	18,949	19,528
Materials Services	23,257	19,843
Steel Europe	27,527	27,385
Steel Americas	3,584	3,773
Corporate	2,977	3,318
Total	156,808	155,584
Thereof:		
Wage earners	84,942	82,519
Salary earners	68,222	69,553
Trainees	3,644	3,512

Auditors' fees and services

For the services performed by the Group auditors PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and the companies of the worldwide PricewaterhouseCoopers association the following fees (including expenses) were recognized as expenses:

FEES OF GROUP AUDITOR

million €	Year ended Sept. 30, 2015		Year ended Sept. 30, 2016	
	Total	thereof Germany	Total	thereof Germany
Audit fees	14	6	14	6
Audit-related fees	3	2	3	2
Tax fees	1	0	1	0
Fees for other services	1	1	0	0
Total	19	9	18	8

The audit fees include mainly fees for the year-end audit of the consolidated financial statements, and the statutory auditing of thyssenkrupp AG and the subsidiaries included in the consolidated financial statements. The audit-related fees essentially comprise the auditors' review of the interim consolidated financial statements and the fees for due diligence services in connection with acquisitions and disposals. The tax fees include in particular fees for tax consulting services for current and planned transactions, for the preparation of tax returns, for tax due diligence services as well as for tax advice in connection with projects and Group-internal reorganizations. The fees for other services are mainly fees for project-related consulting services.

Notes to the consolidated statement of cash flows

35 Additional information on the consolidated statement of cash flows

The liquid funds considered in the consolidated statement of cash flows correspond to the "Cash and cash equivalents" line item in the consolidated statement of financial position. As of September 30, 2016 cash and cash equivalents of €146 million (prior year: €59 million) result from the joint operation HKM.

Non-cash investing activities

In fiscal year 2015/2016, the acquisition and first-time consolidation of companies created an increase in non-current assets of €3 million (prior year: €214 million).

The non-cash addition of assets under capital leases in fiscal year 2015/2016 amounted to €1 million (prior year: €3 million).

Non-cash financing activities

In fiscal year 2015/2016, the acquisition and first-time consolidation of companies resulted in an increase in gross financial debt of €0 million (prior year: €19 million).

Subsequent events

36 Subsequent events

No reportable events occurred.

Other information

37 Declarations of conformity with the German Corporate Governance Code in accordance with Art. 161 of the German Stock Corporation Act (AktG)

The Executive Board and the Supervisory Board of thyssenkrupp AG issued the declaration of conformity in accordance with Art. 161 of the Stock Corporation Act (AktG) and made it publicly available to the shareholders on the company's website on October 1, 2016.

The declaration of conformity of our exchange-listed subsidiary Eisen- und Hüttenwerke AG was issued on October 1, 2016 and is now publicly available to the shareholders on the company's website.

38 Application of Art. 264 Par. 3 and Art. 264b of German Commercial Code (HGB)

The following domestic subsidiaries in the legal form of a capital corporation or a commercial partnership as defined in Art. 264a partly made use of the exemption clause included in Art. 264 Par. 3 and Art. 264b of German Commercial Code:

A		
AWG Industrieanlagen und Wassertechnik GmbH Berlin	Berlin	
B		
Becker & Co. GmbH	Neuwied	
BERCO Deutschland GmbH	Ennepetal	
Blohm + Voss Shipyards & Services GmbH	Hamburg	
Brüninghaus Schmiede GmbH	Grünwald	
Buckau-Walther GmbH	Grünwald	
D		
DWR - Deutsche Gesellschaft für Weißblechrecycling mbH	Andernach	
E		
EH Güterverkehr GmbH	Duisburg	
ELEG Europäische Lift + Escalator GmbH	Düsseldorf	
G		
German Marine Systems GmbH	Hamburg	
GND German Naval and Dockyards GmbH	Emden	
H		
Hellweg Liegenschaften GmbH	Bochum	
I		
IKL Ingenieurkonto Lübeck GmbH	Kiel	
J		
Jacob Bek GmbH	Ulm	
K		
KBS Kokereibetriebsgesellschaft Schwelgern GmbH	Duisburg	
Krupp Hoesch Stahl GmbH	Dortmund	
Krupp Industrietechnik Gesellschaft mit beschränkter Haftung	Grünwald	
L		
LiftEquip GmbH Elevator Components	Neuhausen a.d.F.	
M		
Max Cochius GmbH	Berlin	
MgF Magnesium Flachprodukte GmbH	Freiberg	
P		
Peiniger International GmbH	Grünwald	
PSL Wälzlager GmbH	Dietzenbach	
R		
Rasselstein Verwaltungs GmbH	Neuwied	
Reisebüro Dr. Tigges GmbH	Essen	
S		
Springs and Stabilizers Holding GmbH	Essen	
SVG Steinwerder Verwaltungsgesellschaft mbH	Hamburg	
T		
Tepper Aufzüge GmbH	Münster	
Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co. KG Industrie	Essen	
Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co. KG Stahl	Essen	
Thyssen Stahl GmbH	Düsseldorf	
thyssenkrupp Academy GmbH	Düsseldorf	
thyssenkrupp Access Solutions GmbH	Essen	
thyssenkrupp Aerospace Germany GmbH	Rodgau	
thyssenkrupp Aufzüge GmbH	Neuhausen a.d.F.	
thyssenkrupp Aufzugswerke GmbH	Neuhausen a.d.F.	
thyssenkrupp Automotive Systems GmbH	Essen	
thyssenkrupp Bilstein GmbH	Ennepetal	
thyssenkrupp Business Services GmbH	Essen	
thyssenkrupp DeliCate GmbH	Düsseldorf	
thyssenkrupp Edelstahl-Service-Center GmbH	Willich	
thyssenkrupp Electrical Steel GmbH	Gelsenkirchen	

thyssenkrupp Electrical Steel Verwaltungsgesellschaft mbH	Gelsenkirchen
thyssenkrupp Elevator Europe Africa GmbH	Essen
thyssenkrupp Elevator Europe Africa Services GmbH	Essen
thyssenkrupp Elevator AG	Düsseldorf
thyssenkrupp Elevator Innovation GmbH	Essen
thyssenkrupp Facilities Services GmbH	Düsseldorf
thyssenkrupp Fahrtreppen GmbH	Hamburg
thyssenkrupp Federn GmbH	Hagen
thyssenkrupp Federn und Stabilisatoren GmbH	Hagen
thyssenkrupp Gerlach GmbH	Homburg/Saar
thyssenkrupp GFT Gleistechnik GmbH	Essen
thyssenkrupp Group Services Ruhr GmbH	Bochum
thyssenkrupp Grundbesitz Verwaltungs GmbH	Essen
thyssenkrupp Grundbesitz-Vermietungs GmbH & Co. KG	Essen
thyssenkrupp Hohenlimburg GmbH	Hagen
thyssenkrupp Immobilien Verwaltungs GmbH & Co. KG Krupp Hoesch Stahl	Essen
thyssenkrupp Immobilien Verwaltungs GmbH & Co. KG Stahl	Essen
thyssenkrupp Immobilienentwicklungs Concordiahütte GmbH	Oberhausen
thyssenkrupp Immobilienentwicklungs Krefeld GmbH	Oberhausen
thyssenkrupp Industrial Services Holding GmbH	Düsseldorf
thyssenkrupp Industrial Solutions AG	Hamburg
thyssenkrupp Information Services GmbH	Düsseldorf
thyssenkrupp Infrastructure GmbH	Essen
thyssenkrupp Management Consulting GmbH	Düsseldorf
thyssenkrupp Marine Systems GmbH	Kiel
thyssenkrupp Materials Processing Europe GmbH	Krefeld
thyssenkrupp Materials Services GmbH	Essen
thyssenkrupp Materials Trading EMEA GmbH	Essen
thyssenkrupp Plastics GmbH	Essen
thyssenkrupp Presta Chemnitz GmbH	Chemnitz
thyssenkrupp Presta Esslingen GmbH	Esslingen
thyssenkrupp Presta Ilseburg GmbH	Ilseburg
thyssenkrupp Presta Mülheim GmbH	Mülheim
thyssenkrupp Presta Schönebeck GmbH	Schönebeck
thyssenkrupp Rasselstein GmbH	Andernach
thyssenkrupp Raw Materials GmbH	Essen
thyssenkrupp Regional Services Germany GmbH	Essen
thyssenkrupp Risk and Insurance Services GmbH	Essen
thyssenkrupp Rothe Erde GmbH	Dortmund

thyssenkrupp Schulte GmbH	Essen
thyssenkrupp Stainless GmbH	Essen
thyssenkrupp Steel Europe AG	Duisburg
thyssenkrupp Steel Zweite Beteiligungsgesellschaft mbH	Duisburg
thyssenkrupp System Engineering GmbH	Essen
thyssenkrupp Technologies Beteiligungen GmbH	Essen
thyssenkrupp Transrapid GmbH	Kassel
thyssenkrupp Uhde Engineering Services GmbH	Haltern am See
thyssenkrupp Valvetrain GmbH	Ilseburg
thyssenkrupp Vermietungs GmbH	Duisburg

U

Uhde High Pressure Technologies GmbH	Hagen
Uhde Inventa-Fischer GmbH	Berlin
Uhde Services and Consulting GmbH	Dortmund

V

Vermögensverwaltungsgesellschaft EZM mbH	Grünwald
Vermögensverwaltungsgesellschaft TAUS mbH	Grünwald
Vermögensverwaltungsgesellschaft TKAS mbH	Grünwald
Vermögensverwaltungsgesellschaft TKW mbH	Grünwald

X

Xtend new media Holding GmbH	Grünwald
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The following Dutch subsidiaries made use of the exemption clause included in Art. 2:403 of the Civil Code of the Netherlands:

T

thyssenkrupp Liften B.V.	Krimpen an den IJssel
thyssenkrupp Nederland Holding B.V.	Roermond
thyssenkrupp Nederland Intermediate B.V.	Roermond
thyssenkrupp Slab International B.V.	Brielle
thyssenkrupp Veerhaven B.V.	Rotterdam

U

Uhde Fertilizer Technology B.V.	Amsterdam
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39 List of the Group's subsidiaries and equity interests

A complete listing of the Group's subsidiaries and equity interests is published in the German Federal Gazette and is available on the thyssenkrupp website at www.thyssenkrupp.com.

Independent Auditors' Report

To thyssenkrupp AG, Duisburg and Essen

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of thyssenkrupp AG, Duisburg and Essen, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and notes to the consolidated financial statements for the business year from October 1, 2015 to September 30, 2016.

Board of Managing Directors' Responsibility for the Consolidated Financial Statements

The Board of Managing Directors of thyssenkrupp AG is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the supplementary requirements of German law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code), to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at September 30, 2016 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report of thyssenkrupp AG which is combined with the management report of the company for the business year from October 1, 2015 to September 30, 2016. The Board of Managing Directors of thyssenkrupp AG is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the combined management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, November 21, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Norbert Winkeljohann
Auditor

Michael Preiß
Auditor

Responsibility statement

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

Essen, November 15, 2016

thyssenkrupp AG
The Executive Board

Hiesinger

Burkhard

Kaufmann

Kerkhoff

04

Additional information

234	Multi-year overview
236	Other directorships held by Executive Board members
237	Other directorships held by Supervisory Board members
239	Glossary
241	Contact and 2017 / 2018 financial calendar

Multi-year overview

THYSSENKRUPP GROUP

		Full Group							Continuing operations			
		2015 / 2016 vs. 2014 / 2015							2015 / 2016 vs. 2014 / 2015			
		2011 / 2012	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	Change	in %	2014 / 2015	2015 / 2016	Change	in %
Results of operations												
Net sales	million €	47,045	39,782	41,212	42,778	39,263	(3,515)	(8)	42,778	39,263	(3,515)	(8)
Gross profit	million €	1,713	4,786	6,205	6,874	6,625	(249)	(4)	6,874	6,625	(249)	(4)
EBITDA	million €	1,544	1,212	2,330	2,445	2,441	(4)	0	2,456	2,441	(15)	(1)
EBIT	million €	(4,370)	(552)	1,145	1,050	1,189	139	13	1,061	1,189	128	12
EBT	million €	(5,067)	(1,648)	429	485	652	167	34	496	652	156	31
Net income/(loss)	million €	(5,042)	(1,576)	195	268	261	(6)	(2)				
Earnings per share (EPS)	€	(8.24)	(2.79)	0.38	0.55	0.52	0	(5)	0.57	0.52	0	(8)
Gross margin	%	3.6	12.0	15.1	16.1	16.9	1	5	16.1	16.9	1	5
EBITDA margin	%	3.3	3.0	5.7	5.6	6.2	1	11	5.7	6.2	0	8
EBIT margin	%	(9.3)	(1.4)	2.8	2.5	3.0	1	23	2.5	3.0	1	22
EBT margin	%	(10.8)	(4.1)	1.0	1.1	1.7	1	46	1.2	1.7	1	43
Return on equity (before taxes)	%	(112.0)	(65.6)	13.4	14.7	25.0	10	70				
Personnel expense per employee	€	53,132	53,972	53,351	54,436	57,476	3,039	6				
Sales per employee	€	275,193	252,631	257,069	272,805	252,356	(20,449)	(7)				
Assets/ liabilities situation												
Non-current assets	million €	18,301	16,817	15,992	16,220	16,604	383	2				
Current assets	million €	19,983	18,480	20,438	19,474	18,468	(1,006)	(5)				
Total assets	million €	38,284	35,297	36,430	35,694	35,072	(622)	(2)				
Total equity	million €	4,526	2,512	3,199	3,307	2,609	(698)	(21)				
Liabilities	million €	33,758	32,785	33,231	32,387	32,463	76	0				
Accrued pension and similar obligations	million €	8,086	7,376	7,122	7,654	8,754	1,101	14				
Financial debt non-current	million €	5,972	6,957	6,651	6,385	6,157	(229)	(4)				
Financial debt current	million €	2,181	1,914	1,071	1,570	1,455	(116)	(7)				
Financial debt non-current/current	million €	8,153	8,871	7,722	7,955	7,611	(343)	(4)				
Trade accounts payable	million €	5,234	3,819	4,945	4,985	5,119	134	3				
Equity ratio	%	11.8	7.1	8.8	9.3	7.4	(2)	(20)				
Gearing	%	128.1	200.6	114.9	103.2	134.2	31	30				
Inventory turnover	days	69.9	61.5	65.8	58.4	58.1	0	0				
Average collection period	days	46.5	46.4	50.4	42.7	45.9	3	8				

THYSSENKRUPP GROUP

		Full Group							Continuing operations			
						2015 / 2016 vs. 2014 / 2015				2015 / 2016 vs. 2014 / 2015		
		2011 / 2012	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	Change	in %	2014 / 2015	2015 / 2016	Change	in %
Value management												
Capital employed (average)	million €	21,488	14,591	15,853	16,106	15,933	(173)	(1)				
ROCE	%	(20.3)	(3.8)	7.2	6.5	7.5	1	15				
Weighted average cost of capital (WACC)	%	8.5	9.0	9.0	9.0	8.0	(1)	(11)				
Cash flow/ financing situation												
Operating cash flows	million €	(386)	786	903	1,300	1,387	87	7	1,311	1,387	76	6
Cash flow for investments	million €	(2,204)	(1,411)	(1,260)	(1,235)	(1,387)	(152)	(12)	(1,235)	(1,387)	(152)	(12)
Free cash flow before divestments	million €	(2,590)	(625)	(357)	65	–	–	–	76	–	–	–
Free cash flow before M & A		–	–	–	115	198	83	72	115	198	83	72
Cash flow from divestments	million €	854	1,221	1,054	597	191	(406)	(68)	597	191	(406)	(68)
Free cash flow	million €	(1,736)	596	697	662	191	(470)	(71)	673	191	(481)	(72)
Cash flows from financing activities	million €	498	1,051	(558)	(78)	(658)	(581)	--	(78)	(658)	(581)	--
Cash and cash equivalents	million €	2,353	3,833	4,045	4,541	4,111	(430)	(9)				
Net financial debt	million €	5,800	5,038	3,677	3,414	3,500	86	3				
Internal financing capability		(0.3)	4.1	4.4	2.0	1.2	(1)	(43)				
Debt to cash flow ratio		(15.0)	6.4	4.1	2.6	2.5	0	(4)				
thyssenkrupp AG												
Net income/(loss)	million €	(3,184)	772	1,535	(122)	161	283	++				
Dividend per share	€	–	–	0.11	0.15	0.15 ¹⁾	–	–				
Dividend payout	million €	–	–	62	85	85 ¹⁾	–	–				

¹⁾ Proposal to the Annual General Meeting

Other directorships held by Executive Board members

Dr. Heinrich Hiesinger

Chairman

Within the Group:

- thyssenkrupp Elevator AG (Chair)
- thyssenkrupp Steel Europe AG (Chair)
- ThyssenKrupp (China) Ltd./PR China (Chair)

Oliver Burkhard

- PEAG Holding GmbH (Chair)

Within the Group:

- thyssenkrupp Bilstein GmbH
- thyssenkrupp Elevator AG
- thyssenkrupp Industrial Solutions AG
- thyssenkrupp Materials Services GmbH
- thyssenkrupp Rothe Erde GmbH (Vice Chair)
- thyssenkrupp Steel Europe AG

Dr. Donatus Kaufmann

Within the Group:

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

Guido Kerkhoff

Within the Group:

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

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2016)

□ 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, 2016)

Other directorships held by Supervisory Board members

Prof. Dr. Ulrich Lehner, Düsseldorf

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

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

Markus Grolms, Frankfurt/Main

Vice Chairman // IG Metall trade union secretary

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 // Vice Chairwoman of the Group Works Council // Chairwoman of the Works Council Union thyssenkrupp Elevator Technology

Within the Group:

- thyssenkrupp Elevator AG

Tanja Jacquemin, Frankfurt/Main

(since March 30, 2016)

Dipl.-Betriebswirtin // 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

Vice President of the Federation of German Industries (Bundesverband der Deutschen Industrie e.V.)

- Airbus Defence and Space GmbH
- National-Bank AG
- RWE AG
- Voith GmbH (Chair)
- Airbus N.V./Netherlands (Board and Nomination Committee)

Ernst-August Kiel, Blumenthal

Fitter // Chairman of the General Works Council of thyssenkrupp Marine Systems // Chairman of the Works Council Union thyssenkrupp Industrial Solutions

Within the Group:

- thyssenkrupp Industrial Solutions AG

Dr. Norbert Kluge, Ratingen

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

Tekin Nasikkol, Ratingen

(since June 1, 2016)

Business Administration (Bachelor of Arts) // Vice Chairman of the Works Council of thyssenkrupp Steel Europe AG

Dr. Ralf Nentwig, Essen

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

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

René Obermann, Berlin

Partner at Warburg Pincus LLC

- CompuGroup Medical SE
- E.ON SE
- Spotify Technology S.A./Luxembourg

Prof. Dr. Bernhard Pellens, Bochum

Professor of Business Studies and International Accounting, Ruhr University Bochum

- LVM Versicherung a. G.

Peter Remmler, Wolfsburg

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

- thyssenkrupp Materials International GmbH

Carola Gräfin v. Schmettow, Düsseldorf

Chairwoman of the Management Board 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
- Air Berlin PLC
(Member of the Board of Directors)
- Diem Client Partner AG/Switzerland
(Member of the Management Board)

Jens Tischendorf, Zurich

Partner and Director of Cevian Capital AG

- Bilfinger S.E.

Fritz Weber, Schöndorf

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

Within the Group:

- thyssenkrupp Bilstein GmbH

Isolde Würz, Mülheim/Ruhr

Attorney, Head of Governance, Corporate Function Legal at thyssenkrupp AG

In the course of the fiscal year 2015/2016 the following members left the Supervisory Board:

Dr. Sabine Maaßen at the close of March 15, 2016 and Martin Dreher at the close of May 31, 2016. Where they held other directorships at the time of departure these are listed below:

Dr. Sabine Maaßen, Dinslaken

(until March 15, 2016)

Vice Chairwoman // Legal Counsel, IG Metall

- Daimler AG

Martin Dreher, Heilbronn

(until May 31, 2016)

Retail clerk // Chairman of the Works Council of

thyssenkrupp System Engineering GmbH (Heilbronn) //

Chairman of the Works Council Union

thyssenkrupp Industrial Solutions

Within the Group:

- thyssenkrupp System Engineering GmbH
- thyssenkrupp Industrial Solutions AG

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2016)

□ 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, 2016)

Glossary

List of definitions and abbreviations

Average collection period

Trade accounts receivable divided by sales, multiplied by 360 (the lower the ratio, the faster customers pay)

BME

Bundesverband Materialwirtschaft, Einkauf und Logistik e. V. (Materials Management, Purchasing and Logistics Association)

Capital employed

Interest-bearing invested capital

Cluster management

Joint strategic management of purchasing requirements
Clusters are groups of outsourced products and services that due to their similarity (e.g. comparable technical requirements or same suppliers) can be managed jointly

Commercial paper program

Program for raising short-term debt capital on the capital market

COSO

Committee of Sponsoring Organizations of the Treadway Commission

Cost of capital (WACC)

Minimum return required by capital providers (Weighted Average Cost of Capital)

daproh

Corporate data and process harmonization project

EBIT

Earnings before interest and taxes

EBITDA

Earnings before interest, taxes, depreciation and amortization

EBIT margin

Earning power in the period under review; ratio of EBIT to sales

EBT

Earnings before taxes

EMIR audit

European Market Infrastructure Regulation. Adopted in August 2012. Designed to make over-the-counter trading in derivatives more transparent and secure. Compliance is audited annually.

Equity ratio

Ratio of total equity to balance sheet total (the higher the ratio, the lower the indebtedness)

FCF before divestments

Free cash flow before divestments = Operating cash flows less cash flows from investing activities excluding cash inflows from divestments

FCF before M & A

Free cash flow before M & A = Operating cash flows less cash flows from investing activities excluding cash inflows or outflows from major M & A transactions

FFO/total debt

Basically, ratio of operating cash flow before changes in net working capital to total debt (the higher the ratio, the better a company's ability to pay its debts from operating activities). FFO stands for funds from operations.

Gearing

Ratio of net financial debt to total capital (the lower the ratio, the higher the share of total equity in capital employed)

Greater China

Mainland China, Hong Kong, Mongolia, Macau, Taiwan

IASB

International Accounting Standards Board

IFRIC

International Financial Reporting Interpretations Committee or interpretations of the IFRIC

impact

Corporate program to enhance performance and execute the corporate strategy

Internal financing strength

Ratio of operating cash flows to cash flows from investing activities

Inventory turnover

Inventories divided by sales, multiplied by 360 (the lower the ratio, the faster the inventory turnover)

Long-term incentive plan (LTI)

Long-term variable compensation for Executive Board members and other selected executives through stock rights

NAFTA

North American Free Trade Agreement

Net financial debt

Difference between the cash and cash equivalents shown in the statement of financial position plus current other financial assets available for sale, and non-current and current financial debt; the corresponding assets and liabilities of the disposal groups are also taken into account.

Operating cash flows

Inflow/outflow of cash and cash equivalents outside of investing, divesting or financing activities

Order intake

Sum of all amounts from customer orders to be executed in the future

Rating

Ratings are used to assess the future ability of a company to meet its payment obligations on time and in full. They are based on an analysis of quantitative and qualitative factors.

Redox flow battery

A type of accumulator that stores electrical energy in chemical compounds, with the reaction partners present in dissolved form in a solvent.

ROCE

Return on capital employed

STI

Short-term incentive plan

synergize+

Program for the Groupwide management of all purchasing activities. Part of the “impact” initiative.

thyssenkrupp Value Added (tkVA)

Central indicator for value-based management, comparing earnings before interest and taxes with cost of capital

Tons

As used in this annual report, the word tons refers to metric tons.

WACC

Weighted Average Cost of Capital

Contact and 2017/2018 financial calendar

For more information please contact: 2017/2018 financial calendar

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January 27, 2017

Annual General Meeting

February 9, 2017

Interim report 1st quarter 2016/2017 (October to December)
Conference call with analysts and investors

May 12, 2017

Interim report 1st half 2016/2017 (October to March)
Conference call with analysts and investors

August 10, 2017

Interim report 9 months 2016/2017 (October to June)
Conference call with analysts and investors

November 23, 2017

Annual report 2016/2017 (October to September)
Annual press conference
Analysts' and investors' conference

January 19, 2018

Annual General Meeting

This annual report was published on November 24, 2016.

Produced in-house using firesys.

Concept and design: 3st kommunikation, Mainz

Photo credits: Hans-Jürgen Burkard (p. 3, p. 10); Nils Röscher, thyssenkrupp (p. 7); Getty Images (cover, p. I.02); Shutterstock (p. I.06); all other photos: thyssenkrupp

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 ($\geq 500\%$ or $\leq (100)\%$) are indicated by ++ and -- respectively.

Variances for technical reasons

Due to statutory disclosure requirements the Company must submit this annual report electronically to the Federal Gazette (Bundesanzeiger). For technical reasons there may be variances in the accounting documents published in the Federal Gazette.

German and English versions of the annual report can be downloaded from the internet at www.thyssenkrupp.com. In the event of variances, the German version shall take precedence over the English translation.

