

# **ANNUAL REPORT 2012/2013**

**THYSSENKRUPP AG  
OCTOBER 01, 2012 – SEPTEMBER 30, 2013**

Developing the future.



**ThyssenKrupp**

# ThyssenKrupp in figures

## The Group in figures

	Group Total (incl. Steel Americas and Stainless Global)			Continuing Operations (after reclassification of Steel Americas) <sup>1)</sup>			Change in %		
	2011/2012	2012/2013	Change	2011/2012	2012/2013	Change			
Order intake	million €	48,742	39,774	(8,968)	(18)	43,842	38,636	(5,206)	(12)
Net sales total	million €	47,045	39,782	(7,263)	(15)	41,536	38,559	(2,977)	(7)
EBITDA	million €	1,544	1,222	(322)	(21)	1,723	1,163	(560)	(33)
EBIT	million €	(4,370)	(538)	3,832	88	(3,743)	(595)	3,148	84
EBIT margin	%	(9.3)	(1.4)	7.9	—	(9.0)	(1.5)	7.5	—
Adjusted EBIT	million €	318	531	213	67	399	599	200	50
Adjusted EBIT margin	%	0.7	1.3	0.6	—	1.0	1.6	0.6	—
EBT	million €	(5,067)	(1,590)	3,477	69	(4,414)	(1,648)	2,766	63
Net income/(loss) / Income/(loss) (net of tax)	million €	(5,042)	(1,536)	3,506	70	(4,335)	(1,589)	2,746	63
attributable to ThyssenKrupp AG's shareholders <sup>1)</sup>	million €	(4,241)	(1,396)	2,845	67	(3,541)	(1,450)	2,091	59
Basic earnings per share <sup>1)</sup>	€	(8.24)	(2.71)	5.53	67	(6.88)	(2.82)	4.06	59
Operating cash flows	million €	(386)	786	1,172	++	(290)	981	1,271	++
Cash flows from disposals	million €	854	1,221	367	43	852	1,221	369	43
Cash flows for investments	million €	(2,204)	(1,411)	793	36	(1,800)	(1,313)	487	27
Free cash flow	million €	(1,736)	596	2,332	++	(1,238)	889	2,127	++
Employees (September 30)		167,961	156,856	(11,105)	(7)	156,115	156,856	741	0
Germany		64,380	58,164	(6,216)	(10)	58,447	58,164	(283)	0
Abroad		103,581	98,692	(4,889)	(5)	97,668	98,692	1,024	1
Distribution	million €	—	— <sup>2)</sup>	—	—	—	—	—	—
Dividend per share	€	—	— <sup>2)</sup>	—	—	—	—	—	—
ROCE	%	(20.3)	(3.7)	16.6	—	—	—	—	—
ThyssenKrupp Value Added	million €	(6,197)	(1,852)	4,345	70	—	—	—	—
Net financial debt (September 30)	million €	5,800	5,038	(762)	(13)	—	—	—	—
Total equity (September 30)	million €	4,526	2,511	(2,015)	(45)	—	—	—	—
Gearing	%	128.1	200.6	72.5	—	—	—	—	—

<sup>1)</sup> Prior-year figures have been adjusted.

<sup>2)</sup> proposal to the Annual General Meeting

At September 30, 2011, the Stainless Global business area met the conditions for classification as a discontinued operation in accordance with IFRS. Its combination with the Finnish company Outokumpu was successfully completed on December 28, 2012. ThyssenKrupp now holds a 29.9% financial interest in Outokumpu which is accounted for by the equity method and whose income effects are not included in EBIT due to its non-operating nature. At January 01, 2013 the business areas Plant Technology and Marine Systems were combined into the new business area Industrial Solutions. The Steel Americas business area, having been classified as a discontinued operation in accordance with IFRS at September 30, 2012, was reclassified as a continuing operation at September 30, 2013; the prior-year figures have been adjusted accordingly. Within Steel Americas, ThyssenKrupp Steel USA is reported as a disposal group. Following the departure of the Stainless Global business area at the end of the 1st quarter 2012/2013, the Group now consists exclusively of continuing operations; they comprise six business areas and Corporate.

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

This annual report was published on November 29, 2013.



Prof. Dr. h.c. mult.  
Berthold Beitz  
Honorary Chairman  
of the Supervisory Board

With deep sorrow and sadness we bid farewell to Prof. Dr. h.c. mult. Berthold Beitz, the Honorary Chairman of our Company's Supervisory Board who died on July 30, 2013 at the age of 99.

Berthold Beitz was one of the last great figures of the 20th century. In 1953 he became the chief personal executive of Alfried Krupp von Bohlen und Halbach, the last sole proprietor of the firm of Krupp. He went on to shape the enterprise over almost six decades. In the spirit of Alfried Krupp von Bohlen und Halbach he always attached great importance to preserving the unity and independence of the company. To the end, the good of the firm was his overriding concern. He personally oversaw and supported momentous changes in the Group, and played an instrumental role in shaping the corporate culture and social relations at ThyssenKrupp. For him, social partnership was of great importance, the welfare of the employees was particularly close to his heart.

Inside and outside the Group his advice was sought to the last. We too consulted him frequently.

But in addition to his success as a leading business figure, he showed outstanding commitment to public service and society. Together with his wife Else he set an impressive example of courage and humanity during World War II by saving the lives of hundreds of persecuted Jews, risking his own life in the process. He played a key role in the post-war reconstruction of Germany. Berthold Beitz was highly regarded and esteemed in Germany and abroad. The large number of awards and honors he received are an impressive testimony to the authenticity of his actions. He was a role model for many people.

We will always remember Berthold Beitz and honor his memory.

Supervisory Board, Executive Board, employees and Group Works Council

## Letter to shareholders



**Dr.-Ing. Heinrich Hiesinger**  
Chairman of the Executive Board

*Dear Shareholders,  
Ladies and Gentlemen,*

ThyssenKrupp, your Company, is in the middle of its biggest restructuring since the merger in 1999. The reporting year was not an easy one for us. In particular, the operating losses and impairment charges at Steel Americas, the shareholding in Outokumpu as well as compliance issues represent significant risks for us and impacted our finances enormously in the past fiscal year. We, the Executive Board, know that there is still a lot to do. But we also know where we are going and have a clear plan for the strategic development of the Group. We are rebuilding ThyssenKrupp into a stronger, competitive company – and we have already achieved measurable success:

- We have made good progress on our path to becoming a diversified industrial group. Our capital goods and service businesses now account for more than 70 percent of our sales, our steelmaking businesses less than 30 percent.
- Our efficiency program “impact 2015” delivered savings of €600 million in the past fiscal year, exceeding our ambitious target by 20 percent.
- But the most important proof that our Strategic Way Forward is working can be seen in our free cash flow, which at around €600 million in fiscal 2012/2013 was positive again for the first time in six years. That represents a roughly €2.3 billion improvement on the prior year.
- Thanks to this, we reduced our net financial debt from €5.8 billion to €5.0 billion at September 30, 2013, around €1.5 billion lower than at its highest level in March 2012.
- Notwithstanding all our savings efforts, we also have our eye on the future: In the past fiscal year alone we made capital investments of €1.4 billion, and spending on research and development increased once again by a substantial 10 percent.

Many people outside the Company failed to appreciate this progress in the past year, because the headlines were dominated by the aforementioned risk issues. Foremost among them was Steel Americas: The major financial mishaps in this business area continue to weigh heavily on the Group. They are also the main reason why we reported a net loss of around 1.5 billion euros.

We are now pleased to have found a sustainable solution for Steel Americas: The rolling and coating plant in the USA will be sold to a consortium of ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation, and we have also concluded a value-preserving slab supply contract for ThyssenKrupp CSA in Brazil. We signed a purchase contract to this effect on November 29. The transaction is subject to the approval of the competent regulatory authorities in the USA and a number of other countries. We are now concentrating on the things we can influence ourselves, i.e. operating improvements to our plant in Brazil. We managed to roughly halve Steel Americas’ operating losses in the past fiscal year. This has already substantially improved our figures, and we are confident that we can continue this trend in the coming years.

A second risk area is the current situation at Outokumpu. This is partly due to the unfavorable market and price situation in the European stainless steel business. In addition, the conditions set by the EU Commission of divesting the AST stainless steel plant in Italy and a number of European service centers and sales subsidiaries are almost impossible to fulfill in the current climate without losing value.

Against this background, Outokumpu is restructuring its financial liabilities. In this connection we are transferring our financial receivable created as part of the Inoxum transaction to Outokumpu. In exchange, Outokumpu will transfer VDM and the companies covered by the EU Commission's divestment condition to us. ThyssenKrupp AG signed a corresponding agreement on November 29, 2013. With this exchange, we are building a bridge: Outokumpu will be able to fulfill the EU Commission's conditions in a way that preserves value. At the same time we are taking our responsibility to the employees seriously by creating the conditions for a sustainable refinancing of Outokumpu and thus improving the company's prospects. In connection with the transaction, we will also fully divest our 29.9% shareholding in Outokumpu and terminate all other financial links.

The transaction is subject to the approval of the competent regulatory authorities and to the cooperation and approval of shareholders, banks and creditors for the overall plan for a sustainable refinancing of Outokumpu. We will initially develop the companies VDM and AST further and take the time we need to find a good solution.

We have also made significant progress in the area of compliance and, following fines and damages claims, are now on the right track. This is also confirmed by the report on the voluntary special audit, which found the Compliance function to be professionally organized and appropriately staffed. We pursue compliance violations vigorously. Our motto in this is 'zero tolerance'.

These three areas – Steel Americas, Outokumpu and compliance – have weighed heavily on our capital structure and our finances. In all three areas we have identified risks, evaluated them and reduced them step by step. Despite dealing with all these problems from the past, we have also been working to secure our future. Here we made substantial progress in the reporting year:

#### **Major progress on our Strategic Way Forward**

We have been systematically implementing our Strategic Way Forward since May 2011. Continuous portfolio optimization, changes to our corporate culture, leadership and structures, and a stronger performance orientation are the pillars of our holistic program.

#### **Efficiency program to deliver €2.3 billion earnings effect by 2015**

To make the Group more efficient structurally, we have launched various performance initiatives which are already having an impact on our operating earnings. The aim of the "impact 2015" efficiency program was to achieve a positive EBIT effect from sustainable cost-cutting measures of €2 billion by the end of the 2014/2015 fiscal year. Our target for 2012/2013 was €500 million. We managed to exceed this ambitious target by €100 million, or 20 percent. Following the re-inclusion of the Brazilian steel mill, we have now raised our overall target to €2.3 billion.

#### **New Group structure promotes culture change and performance orientation**

Part of the efficiency program involves optimizing our leadership and business structures and the associated tasks and processes. We have given ourselves a modern and sustainable structure that supports our culture change and performance orientation. Our aim is to align our understanding of leadership and our corporate culture more strongly towards cooperation and integration. The first step was to streamline the duties and structure of the Executive Board. The entire Group leadership and the associated processes between corporate functions, business areas and the new, more efficient regional organization are being optimized. At the same time we have almost halved the number of business area board members from 32 to 18 and reduced the number of corporate functions from 26 to 17. More than 70 percent of the management positions below board level have been newly filled. Corporate headquarters and the business area managements started working in the new structure in October 2013. The rest of the organization will be adapted to the new model step by step.

### **Operating targets achieved**

The efficiency, earnings and cash flow targets we set at the start of the 2012/2013 fiscal year for the continuing operations excluding Steel Americas were met in full and in some cases exceeded. That is clear evidence of the effect our strategic development measures are having. At the same time we significantly reduced the losses at Steel Americas.

In the prior-year structure, adjusted EBIT at around €1.1 billion and free cash flow before disposals at around €260 million were higher than our guidance for the fiscal year. After the re-inclusion of Steel Americas, adjusted EBIT was €599 million. Free cash flow for the full Group improved year-on-year by around €2.3 billion to roughly €600 million – a turning point after six years of negative cash flow.

However, there were once again significant impacts on the Group's balance sheet in the past fiscal year. The net loss came to €1.5 billion. The main reasons were the operating losses and impairment charges at Steel Americas, expenses from our shareholding in Outokumpu, a fine and provisions for compliance violations, and restructuring measures as part of our Strategic Way Forward. As a result, our equity ratio decreased sharply in the past fiscal year and the ratio of net debt to equity increased temporarily. However, the Group's liquidity is secured. A total of €7.3 billion provides a solid financial basis from which to successfully continue the transformation of our Company into a value-creating diversified industrial group.

### **Outlook for 2013/2014: Adjusted EBIT to increase significantly to €1 billion**

Our clear objective is to become a profitable and stable industrial group: We want to be best in class in terms of growth, earning power and capital efficiency in an integrated group whose combined forces make us strong. We still have a long way to go, but I am convinced that we will make good progress in fiscal 2013/2014, further improve our operating earning power and free cash flow, and reduce our net financial debt.

The outlook for the 2013/2014 fiscal year targets further clear earnings improvements in a generally subdued economic environment. Based on the strength of our capital goods businesses and performance improvements from our efficiency program, our expectations from the current perspective after the re-inclusion of Steel Americas and excluding earnings effects from VDM and AST are as follows:

- Group sales will grow slightly year-on-year in the mid-single-digit percentage range,
- adjusted EBIT will increase significantly from 599 million euros to around 1 billion euros,
- losses at Steel Americas will decline further, and all other business areas will generate positive earnings contributions
- cost reductions of 850 million euros from our "impact 2015" efficiency program,
- a clear improvement towards break-even earnings,
- a further reduction in net financial debt, driven by the expected cash inflows from the sale of the US plant, other smaller portfolio measures and operating activities.

**Dividend payment not financially justifiable**

The Executive Board always strives to pay shareholders an appropriate dividend based on the Group's results for the year. Alongside the formal ability to distribute a dividend, a condition for this is that a dividend payment is financially justifiable for the Group.

Despite measurable operating improvements, we were not able to meet this condition in the past fiscal year. The aforementioned impairment charges, provisions and restructuring measures once again resulted in a high net loss for the year. For this reason the Executive Board and Supervisory Board will once again be proposing to the Annual General Meeting that no dividend be paid out this year.

We, the Executive Board, attach great priority to achieving the earning power that will make it possible to distribute a dependable dividend to our shareholders. All our employees are working hard to ensure we can return to paying attractive dividends as quickly as possible.

I know that we are asking a lot of you, our shareholders. Our Company's transformation process will take some time. The important thing is that we have a clear goal and are moving forward firmly and resolutely on our path.

Changes require courage, persistence and trust. You can have trust that we, the Executive Board, are fully aware of our responsibility for the Company, its shareholders and its employees – even if radical changes are unavoidable and there will always be individual setbacks.

The progress we made in the past year confirms that with our Strategic Way Forward we are on the right track to a successful future. We have more than 150,000 employees around the world working with great commitment and expertise to achieve this. In the end it will pay off for our Company, for our employees and for you, our shareholders.

We thank you for your trust and hope you will continue to give us your support.

Yours,



Dr.-Ing. Heinrich Hiesinger  
Chairman of the Executive Board

Essen, November 2013

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## Executive Board



Guido Kerkhoff

Dr.-Ing. Heinrich Hiesinger  
Chairman

Oliver Burkhard

**Dr.-Ing. Heinrich Hiesinger**

Chairman, born 1960, member of the Executive Board since October 01, 2010, Chairman since January 21, 2011, appointed until September 30, 2015, responsible for the Corporate Functions Communications, Compliance, Internal Auditing, Legal, Strategy, Markets & Development and Technology, Innovation & Sustainability. Responsible for the regions Asia-Pacific, China, India and Middle East/North Africa (MENA). The CEOs of the business areas report directly to the CEO of ThyssenKrupp AG.

**Oliver Burkhard**

born 1972, member of the Executive Board since February 01, 2013, CHRO since April 01, 2013, appointed until January 31, 2016, responsible for the Corporate Functions Human Resources Strategy, People Development & Executive Management, plus Regional Services Germany and Corporate Services. Responsible for the regions Germany, Western Europe and Sub-Saharan Africa. The CHROs of the business areas report directly to the CHRO of ThyssenKrupp AG

**Guido Kerkhoff**

born 1967, member of the Executive Board since April 01, 2011, appointed until March 31, 2016, responsible for the Corporate Functions Controlling, Accounting & Risk, Corporate Finance, Investor Relations, Information Technology Management, Mergers & Acquisitions, Procurement & Supply Management and Taxes & Customs plus Global Shared Services. Responsible for the regions Brazil, North America/USA, South America and Central and Eastern Europe. The CFOs of the business areas report directly to the CFO of ThyssenKrupp AG

In fiscal 2012/2013, the following persons stood down from the Executive Board: Dr. Olaf Berlien, Dr. Jürgen Claassen and Edwin Eichler at the close of December 31, 2012 and Ralph Labonte at the close of March 31, 2013.

## Supervisory Board

**Prof. Dr. h.c. mult. Berthold Beitz, Essen**

(died on July 30, 2013)

Honorary Chairman, Chairman of the Board of Trustees of the  
Alfried Krupp von Bohlen und Halbach Foundation**Prof. Dr. Günter Vogelsang, Düsseldorf**

(until September 30, 2013)

Honorary Chairman

**Dr. Gerhard Cromme, Essen**

(until March 31, 2013)

Chairman

former Chairman of the Executive Board of ThyssenKrupp AG

**Prof. Dr. Ulrich Lehner, Düsseldorf**

Chairman (since April 01, 2013)

Member of the Shareholders' Committee of  
Henkel AG & Co. KGaA**Bertin Eichler, Frankfurt/Main**

Vice Chairman

Member of the Executive Committee of the IG Metall trade union

**Martin Dreher, Heilbronn**Retail clerk, Chairman of the Works Council of  
ThyssenKrupp System Engineering GmbH (Heilbronn) and  
Chairman of the Works Council Union ThyssenKrupp  
Industrial Solutions**Markus Grolms, Frankfurt/Main**

IG Metall trade union secretary

**Susanne Herberger, Dresden**Engineer (FH) – information technology, Chairwoman of the  
General Works Council of ThyssenKrupp Aufzüge GmbH,  
Chairwoman of the Works Council Union ThyssenKrupp Elevator  
Technology and Deputy Chairwoman of the Group Works Council**Bernd Kalwa, Krefeld**

(until December 28, 2012)

Lathe operator, Chairman of the General Works Council of  
ThyssenKrupp Nirosta GmbH and Chairman of the Works Council  
Union ThyssenKrupp Inoxum**Prof. Dr. Hans-Peter Keitel, Essen**Vice President of the Federation of Germany Industries  
(Bundesverband der Deutschen Industrie e.V.)**Ernst-August Kiel, Blumenthal**Fitter, Chairman of the Works Council of ThyssenKrupp Marine  
Systems (Kiel), Chairman of the General Works Council of  
ThyssenKrupp Marine Systems and Deputy Chairman of the  
Works Council Union ThyssenKrupp Industrial Solutions**Sabine Maaßen, Dinslaken**

Legal counsel to IG Metall

**Dr. Ralf Nentwig, Essen**

(since January 01, 2013)

Member of the Executive Committee of the Alfried Krupp von  
Bohlen und Halbach Foundation**René Obermann, Bonn**

(since November 01, 2013)

Chief Executive of Deutsche Telekom AG

**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) and Chairman of  
the Works Council Union ThyssenKrupp Materials Services**Dr. Kersten v. Schenck, Bad Homburg**

(until April 19, 2013)

Attorney and notary public

## Supervisory Board Committees

### **Carola Gräfin v. Schmettow, Düsseldorf**

Member of the Management Board of HSBC Trinkaus & Burkhardt AG

### **Wilhelm Segerath, Duisburg**

Automotive bodymaker, Chairman of the Group Works Council of ThyssenKrupp AG

### **Carsten Spohr, Munich**

(since April 19, 2013)

Member of the Management Board of Deutsche Lufthansa AG and CEO Lufthansa German Airlines

### **Peer Steinbrück, Bonn**

(until December 31, 2012)

Member of the German Parliament, Federal Minister (retd.)

### **Dr. Lothar Steinebach, Leverkusen**

(since April 19, 2013)

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

### **Christian Streiff, Paris**

Vice President of SAFRAN S.A.

### **Jürgen R. Thumann, Düsseldorf**

Chairman of the Advisory Board of the Heitkamp & Thumann Group

### **Fritz Weber, Schöndorf**

(since January 15, 2013)

Machine setter, Chairman of the General Works Council of ThyssenKrupp Bilstein GmbH and Chairman of the Works Council Union ThyssenKrupp Components Technology

### **Prof. Dr. Beatrice Weder di Mauro, Frankfurt/Main**

(until October 31, 2013)

Professor of Economics, Economic Policy & International Macroeconomics, Johannes Gutenberg University of Mainz

### **Klaus Wiercimok, Düsseldorf**

Attorney, Head of Legal Materials Services

### **Executive Committee**

Prof. Dr. Ulrich Lehner (Chair)

Bertin Eichler

Wilhelm Segerath

Jürgen R. Thumann

### **Mediation Committee under Art. 27 par. 3 Codetermination Act**

Prof. Dr. Ulrich Lehner (Chair)

Bertin Eichler

Wilhelm Segerath

Jürgen R. Thumann

### **Personnel Committee**

Prof. Dr. Ulrich Lehner (Chair)

Bertin Eichler

Wilhelm Segerath

Jürgen R. Thumann

### **Audit Committee**

Prof. Dr. Bernhard Pellens (Chair)

Prof. Dr. Ulrich Lehner

Bertin Eichler

Susanne Herberger

Dr. Ralf Nentwig

Wilhelm Segerath

### **Strategy, Finance and Investment Committee**

Prof. Dr. Ulrich Lehner (Chair)

Bertin Eichler

Markus Grolms

Susanne Herberger

Prof. Dr. Hans-Peter Keitel

Peter Remmler

Carsten Spohr

Dr. Lothar Steinebach

### **Nomination Committee**

Prof. Dr. Ulrich Lehner (Chair)

Prof. Dr. Hans-Peter Keitel

Prof. Dr. Bernhard Pellens

Jürgen R. Thumann

## Report by the Supervisory Board



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

### **Cooperation between Supervisory Board and Executive Board**

In fiscal year 2012/2013 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 business 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 incidents and measures of relevance to the Company. This also included information on budget variances. 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 and the Articles of Association, the Supervisory Board provided its approval of individual business transactions.

In the periods between meetings, the Supervisory Board Chairman and the Chairman of the Audit 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 Chairman 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 items on the agendas. 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**

Seven Supervisory Board meetings – four regular and three extraordinary – were held in the reporting year. The average attendance rate was 95.7%. One Supervisory Board member took part in fewer than half the meetings.

On November 20, 2012 an extraordinary meeting of the Supervisory Board was convened to review the efficiency of the Supervisory Board's work and the board's decision-making in connection with the steel mill projects in Brazil and the USA. A detailed report on the results and measures introduced was provided in the last Annual Report.

The first regular meeting in the reporting year on November 21, 2012 focused on the current situation and strategic outlook for ThyssenKrupp's capital goods businesses. In this connection the combination of the Plant Technology and Marine Systems business areas into the new Industrial Solutions business area was resolved. Further, the corporate and investment planning for the 2012/2013 fiscal year was adopted. In connection with the compliance report we dealt in depth with the subject of Executive Board and press trips, and in response to repeated compliance infringements in the Group we passed a resolution emphasizing that the management has a corporate responsibility for compliance extending beyond the individual and organizational duties of an Executive Board member. The aim of this was to express unequivocally that personnel action can be taken in the event of serious or repeated compliance infringements in the area of responsibility of an Executive Board member. Also in this meeting the members of the Supervisory Board agreed to Ralph Labonte's request for the cancellation of his appointment as member of the Executive Board of ThyssenKrupp AG prematurely at March 31, 2013 for health reasons. At the same time we followed the recommendation of the Personnel Committee and appointed Oliver Burkhard as member of the Executive Board for an initial three-year period from February 01, 2013 and as Labor Director of ThyssenKrupp AG from April 01, 2013. Finally the Supervisory Board members discussed in detail the results of the annual efficiency review relating to the organizational procedures for Supervisory Board meetings and adopted measures to increase efficiency, e.g. regarding the degree of detail and scope of the documents to be made available.

In a further extraordinary meeting on December 10, 2012 the Supervisory Board members followed the recommendation of the Personnel Committee and prematurely terminated the appointments of the Executive Board members Dr. Olaf Berlien, Dr. Jürgen Claassen and Edwin Eichler. With this step we took account of the Executive Board's overall responsibility for the management of business and the leadership culture of the Company. A further item on the agenda dealt with the parent-company and consolidated financial statements for the year ended September 30, 2012 and in particular the further impairment charges in the Steel Americas business area. At the recommendation of the Audit Committee and after discussion with the auditors, we approved the consolidated and parent-company financial statements for the 2011/2012 fiscal year. Further we discussed and adopted the agenda for the Annual General Meeting on January 18, 2013 and resolved measures to guarantee the confidentiality of Supervisory Board documents.

Immediately before the Annual General Meeting on January 18, 2013 the Supervisory Board members convened for a full meeting, in which the Executive Board first reported in detail on the situation of the Group. The meeting focused on the findings of the expert report by the law firm Hengeler Mueller examining the possibility of liability-relevant breaches of duty by former and current Executive Board members in connection with the steel mill projects in Brazil and the USA, an updated version of which the Supervisory Board had requested in its meeting on November 20, 2012. This review found that the Supervisory Board had no legal obligation to assert claims for damages against current or former members of the Executive Board. In particular the authors of the report emphasized that there was not the slightest evidence that the damages incurred by ThyssenKrupp were the result of dishonesty by the Executive Board members or infringements of the law or the Articles of Association. The content of the report was also discussed at the ensuing Annual General Meeting.

Following the decision by Dr. Gerhard Cromme to step down from the Supervisory Board of ThyssenKrupp AG at the close of March 31, 2013, an extraordinary Supervisory Board meeting was held on March 19, 2013. As his successor, Prof. Dr. Ulrich Lehner was unanimously appointed Chairman of the Supervisory Board effective April 01, 2013.

In the Supervisory Board meeting on May 15, 2013 the Executive Board first reported on the current state of the Group and the status of the negotiations on the sale of the steel plants in Brazil and the USA. We focused our attention in particular on the corporate program ACT ("Achieve Change @ ThyssenKrupp"), with the help of which new structures and workflow processes are being defined and implemented in the Company. Its aim is to change the Group's leadership culture and increase the effectiveness, efficiency and performance of ThyssenKrupp. In this connection the Executive Board informed us about measures to reduce staff in administrative areas, which we discussed at length. Finally we dealt once again with the confidentiality of Supervisory Board documents, ways of increasing the efficiency of our monitoring and advising work, and the Executive Board and press trips.

Our meeting on September 03, 2013 focused again on the operating situation of the Group and current developments in the negotiations on the sale of the Steel Americas business area. A further topic concerned possible measures to strengthen equity. In connection with the Elevator Technology business area's strategic development program, we approved the acquisition of Eggert Aufzüge GmbH and Eggert Lift-Technik GmbH, which will enable the company to further expand its position in Germany. As in previous years, another topic of this year's September meeting were current developments in corporate governance, in particular the amendments to the German Corporate Governance Code adopted by the Government Commission on May 13, 2013. On this basis we and the Executive Board issued an updated Declaration of Conformity at October 01, 2013.

On the recommendation of the Strategy, Finance and Investment Committee and after detailed discussion, we approved the sale of the ThyssenKrupp Steel USA rolling and coating plant in Alabama to a consortium of ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation in an extraordinary meeting on November 29, 2013. Also in this meeting we approved the conclusion of an agreement with Outokumpu Oyj to transfer 100% of the shares of VDM and AST as well as other smaller activities in the stainless steel service center sector to ThyssenKrupp in return for the financial receivable created in connection with the Inoxum transaction.

### 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. Decision-making powers can be delegated to the committees where this is legally permissible. The chairmen of the committees provided the Supervisory Board with regular detailed reports on the work of the committees. With the exception of the Audit Committee, all committees were chaired by the Supervisory Board Chairman. The compositions of the committees are shown on page 5 of the Annual Report.

The **Executive Committee** (Praesidium) met eight times in the reporting 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, the progress of the disposal process for the Steel Americas business area, and the Groupwide projects to optimize effectiveness, efficiency and performance. In addition we prepared the Supervisory Board efficiency review, discussed compliance issues in detail, and deliberated on safeguarding the confidentiality of Supervisory Board documents. 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 nine meetings in the 2012/2013 fiscal year to prepare the personnel decisions of the Supervisory Board. Where required, resolutions were passed or recommendations for resolutions made to the Supervisory Board. In addition to discussing the new composition of the Executive Board of ThyssenKrupp AG, the meetings focused in particular on the compensation system and proposals for establishing the performance bonus and additional bonus for the members of the Executive Board. Details of Executive Board compensation are presented in the compensation report on pages 18–22. The Personnel Committee also gave its approval for the acceptance of directorships at external companies, establishments and institutions by members of the Executive Board.

Once again in the reporting year it was not necessary to convene the **Mediation Committee** formed in accordance with § 27 par. 3 German Codetermination Act (MitbestG).

The **Audit Committee** met six times in the 2012/2013 fiscal year. Alongside Executive Board members, the meetings were also attended by representatives of the auditors KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, and representatives of the new financial statement auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, following the tender process for the audit contract, election by the 2013 Annual General Meeting and subsequent engagement by the Audit Committee. The auditors declared to the Audit Committee that no circumstances exist which 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 audit focus.

In the reporting year the committee's work focused on examining the 2012/2013 parent-company and consolidated financial statements and interim reports, and preparing the Supervisory Board resolution on these items. The Audit Committee monitored the accounting process, the effectiveness of the internal control system, the risk management system and the internal auditing system. It also dealt with the legal disputes and compliance in the Group. We also received regular reports from the Executive Board on the daprox project. Aimed at harmonizing data and processes, the project is designed to help harness previously unused synergies across the Group and significantly increase the Group's efficiency by creating a common IT landscape and consolidating processes. We also discussed the additional services provided by the financial-statement auditors alongside the audit of the financial statements, and dealt with the internal audit results, the audit processes and audit planning. The Audit Committee adopted a new audit policy, which among other things defines the permissible non-audit services, the application processes and the approval framework for the engagement of the financial-statement auditors.

In an additional meeting in September 2013 the committee members were informed in detail about insurance management at ThyssenKrupp. The focus was on measures to help not only identify and assess risks typical for our business models, but above all to manage these risks so as to systematically reduce the potential for risk and limit the premiums for risk transfer requirements throughout the Group. Other subjects discussed were the enhancement of the risk management system, contract management in the Industrial Solutions business area, and the interplay between the compliance system and internal auditing.

The **Strategy, Finance and Investment Committee** held two meetings in the 2012/2013 fiscal year. Discussions focused on the strategic development of ThyssenKrupp's business model. This was mainly against the background of developments in the disposal process for the steel plants in Brazil and the USA and the resulting impact on the Group's financial situation. Further, the committee members discussed the Group's corporate and investment planning for the reporting year, taking into account the Group's current ratings and financial situation, and prepared corresponding Supervisory Board resolutions. In an extraordinary meeting on November 29, 2013 the Strategy, Finance and Investment Committee discussed the sale of the ThyssenKrupp Steel USA rolling and coating plant in Alabama to a consortium of ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation, and recommended the Supervisory Board to approve the sale. Also in this meeting we discussed the conclusion of an agreement with Outokumpu Oyj to transfer 100% of the shares of VDM and AST as well as other smaller activities in the stainless steel service center sector to ThyssenKrupp in return for the financial receivable created in connection with the Inoxum transaction. We recommended the Supervisory Board to approve the transfer.

The members of the **Nomination Committee** convened for three meetings in the past fiscal year. Discussions focused on the selection of successors for Dr. Gerhard Cromme, Dr. Kersten v. Schenck, and Prof. Dr. Beatrice Weder di Mauro on the Supervisory Board. The Alfried Krupp von Bohlen und Halbach Foundation accepted the proposal of the Nomination Committee and the shareholder representatives on the Supervisory Board and delegated Carsten Spohr and Dr. Lothar Steinebach to the Supervisory Board of ThyssenKrupp AG. René Obermann was proposed as successor to Prof. Dr. Beatrice Weder di Mauro. The candidates were selected by the Nomination Committee on the basis of their skills and experience, the recommendations of the German Corporate Governance Code, and the targets set by the Supervisory Board for its own composition.

#### **Discussion of the voluntary special audit**

The Supervisory Board provided positive support for the voluntary special audit initiated by the Executive Board, and made a detailed examination of the special audit report and discussed it with the Executive Board in the Supervisory Board meeting on November 20, 2013.

ThyssenKrupp entered uncharted corporate governance territory with the voluntary special audit, which was agreed in July 2013 by ThyssenKrupp with Deutsche Schutzvereinigung für Wertpapierbesitz e.V. and the shareholder Christian Strenger, after their motions for a special audit were rejected by the Annual General Meeting in January 2013. With the voluntary special audit ThyssenKrupp's aim is to create sustainable value for the Group and the shareholders. Not just one but two special auditors were therefore appointed to conduct a forward-looking focus audit to assess the appropriateness of structures and processes which have been or will be changed on account of experience with past significant incidents in the area of antitrust law and corruption, such as the appropriateness of the basic structure of the improved internal control system for preventing compliance infringements in the future and the appropriateness of the investment control process for future large investment projects.

The Supervisory Board asked the Executive Board to look into the recommendations of the special auditors and – where necessary or expedient – implement them in the ongoing corporate project ACT. Individual recommendations on optimizing the reporting requirements for the Executive Board were taken up by the Supervisory Board itself and incorporated in the planned updating of the rules of procedure for the Supervisory Board and its Committees.

### **Corporate governance and Declaration of Conformity**

In the year under review the Supervisory Board members continued to deal intensively with the German Corporate Governance Code. In the meeting on September 03, 2013 the Supervisory Board discussed this year's amendments. The Executive Board and Supervisory Board issued an updated Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG) at October 01, 2013, which is permanently available on the Company's website. In addition the Executive Board – also on behalf of the Supervisory Board – reports on corporate governance at ThyssenKrupp in the corporate governance report on pages 13–25.

### **Audit of the parent-company and consolidated financial statements**

Elected by the Annual General Meeting on January 18, 2013 to audit the financial statements for the 2012/2013 fiscal year, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the parent-company financial statements for the fiscal year October 01, 2012 to September 30, 2013 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 01, 2012 to September 30, 2013, 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. The auditors also confirmed that the Executive Board has installed an appropriate reporting and monitoring system which is suitable in its design and handling to identify at an early stage developments which could place the continued existence of the Company at risk.

The Audit Committee and the auditors had selected the following focus theme for the reporting year: "Management and control of currency and raw material price change risks". The financial-statement documents and audit reports were discussed in detail in the meetings of the Audit Committee on November 15, 2013 and November 29, 2013 and the Supervisory Board on November 20, 2013 and November 29, 2013. In these meetings the Audit Committee and the Supervisory Board also discussed the effects on the financial reporting of the sale of the ThyssenKrupp Steel USA rolling and coating plant in Alabama as well as the transfer of VDM and AST from Outokumpu to ThyssenKrupp in return for the financial receivable created in connection with the Inoxum transaction. 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 our own examination and discussion of the parent-company financial statements, the consolidated financial statements, and the combined management report, in line with the recommendation by the Audit Committee, the Supervisory Board accepted the result of the audit and approved the parent-company and consolidated financial statements. In view of the Group's improved but not yet adequate earning power and in particular its financial pressures, we support the Executive Board's opinion that – despite the formal availability of distributable profits – a dividend payment for the past fiscal year is not financially justifiable. Together with the Executive Board we will therefore propose to the Annual General Meeting that ThyssenKrupp AG's net income be allocated to other retained earnings so as to strengthen equity.

### **Personnel changes on the Supervisory Board and Executive Board**

In fiscal 2012/2013 there were five personnel changes on the Supervisory Board of ThyssenKrupp AG, four on the shareholder representatives' side and one on the employee representatives' side. On completion of the combination of the stainless steel business with the Finnish company Outokumpu, employee representative Bernd Kalwa stood down from the Supervisory Board on December 28, 2012. Fritz Weber, Chairman of the General Works Council of ThyssenKrupp Bilstein GmbH, was court-appointed as his successor effective January 15, 2013. Peer Steinbrück stood down from the Supervisory Board at the close of December 31, 2012. He was succeeded by Dr. Ralf Nentwig, who was delegated to our Company's Supervisory Board by the Alfried Krupp von Bohlen und Halbach Foundation at January 01, 2013. Dr. Gerhard Cromme stood down from the Supervisory Board at the close of March 31, 2013, after over eleven years' service as member and chairman of the board. Dr. Kersten v. Schenck stepped down from the Supervisory Board at the close of April 19, 2013.

To replace them, the Alfried Krupp von Bohlen und Halbach Foundation delegated Carsten Spohr and Dr. Lothar Steinebach to the Supervisory Board, in line with a proposal by the Nomination Committee and the shareholder representatives on the Supervisory Board. Prof. Dr. Beatrice Weder di Mauro also stepped down from the Supervisory Board at the close of October 31, 2013. René Obermann was court-appointed as her successor effective November 01, 2013. Prof. Dr. Ulrich Lehner was appointed Chairman of the Supervisory Board effective April 01, 2013. The members of the Supervisory Board expressed their thanks to Mr. Kalwa, Mr. Steinbrück, Dr. Cromme, Dr. v. Schenck, and Prof. Dr. Weder di Mauro for their support over many years.

With deep sadness and sorrow we said goodbye to Prof. Dr. h.c. mult. Berthold Beitz; the Honorary Chairman of our Company's Supervisory Board died on July 30, 2013 at the age of 99. His unique personality as well as his business achievements and commitment to society were highly valued by us all. We will honor the memory of Berthold Beitz. Prof. Dr. Günter Vogelsang, the second Honorary Chairman of the Supervisory Board, stepped down from office for age reasons at September 30, 2013. ThyssenKrupp is deeply indebted to Prof. Dr. Vogelsang. Together with Prof. Dr. Beitz he played a major role in the success of the merger of Thyssen und Krupp in 1999. We expressed our gratitude and appreciation to him for his successful work over many years.

At the close of December 31, 2012 Dr. Olaf Berlien, Dr. Jürgen Claassen and Edwin Eichler stepped down from the Executive Board. Ralph Labonte also left prematurely for health reasons at March 31, 2013. He was succeeded by Oliver Burkhard, who was appointed by the Supervisory Board as member of the Executive Board from February 01, 2013 and as Labor Director from April 01, 2013. The Supervisory Board thanked the departing Executive Board members for their many years of good work.

The Supervisory Board thanks the Executive Board members, all employees of the Group worldwide and the employee representatives of all Group companies for their work in the 2012/2013 fiscal year.

The Supervisory Board



Prof. Dr. Ulrich Lehner  
Chairman

Essen, November 29, 2013

## Corporate governance report

In this section and in the corporate governance declaration in accordance with § 289a German Commercial Code (HGB) the Executive Board – also on behalf of the Supervisory Board – reports on corporate governance at ThyssenKrupp in accordance with section 3.10 of the German Corporate Governance Code. This section also includes the compensation report.

### Corporate governance overview

#### **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, and especially the amendments adopted by the Government Commission on May 13, 2013. At October 01, 2013 the two boards issued a Declaration of Conformity pursuant to § 161 subsection 1 Stock Corporation Act (AktG).

ThyssenKrupp AG complies with all recommendations of the Government Commission on the German Corporate Governance Code as amended on May 13, 2013, published by the Federal Ministry of Justice in the official section of the Federal Gazette ("Bundesanzeiger"), and will continue to comply with these recommendations with one exception: Under the amended recommendation in section 5.4.6 paragraph 2 sentence 2 of the Code, if supervisory board members are promised performance-related compensation it should be oriented toward sustainable growth of the enterprise. In accordance with Art. 14 paragraph 1 of the Articles of Association of ThyssenKrupp AG, the members of the Supervisory Board of ThyssenKrupp AG receive both fixed and performance-based compensation. The performance-based compensation comprises compensation relating to the long-term performance of the Company as well as a bonus based on the annual dividend. Depending on the decision of the Annual General Meeting on the disposition of unappropriated net income and the development of the different assessment bases for the variable compensation elements, the short-term variable compensation may be higher than the long-term variable compensation. This would then not comply with the recommendation in section 5.4.6 paragraph 2 sentence 2 of the Code. The composition of the compensation for Supervisory Board members as set out in the Articles of Association was resolved by the Annual General Meeting on January 19, 2007 and complied with the German Corporate Governance Code until the amendments of May 15, 2012. The Supervisory Board and Executive Board of ThyssenKrupp AG have resolved to propose a change to Supervisory Board compensation and its adaptation in line with the Code recommendation to the Annual General Meeting on January 17, 2014. Insofar as the Annual General Meeting approves this proposal, ThyssenKrupp AG will comply with all recommendations of the Code as amended on May 13, 2013 following entry of the resolution of the Annual General Meeting in the Commercial Register.

Furthermore, since issuing its last declaration of conformity at October 01, 2012 ThyssenKrupp AG has complied with all recommendations of the Code as amended on May 15, 2012 and since its publication in the Federal Gazette as amended on May 13, 2013 with the exception of the aforesaid deviation from section 5.4.6 paragraph 2 sentence 2 of the Code and the following exception: The Code as amended on May 13, 2013 included the new recommendation that the compensation of management board members be capped both in total and with regard to its variable components (section 4.2.3 paragraph 2 sentence 6 of the Code). The service contracts for the sitting Executive Board members already provided for compensation caps, but these did not meet the requirements of the new Code recommendation in full. Amendment agreements including compensation caps complying fully with section 4.2.3 paragraph 2 sentence 6 of the Code were concluded with the sitting Executive Board members in September 2013. Since then ThyssenKrupp AG has complied with the new recommendation under section 4.2.3 paragraph 2 sentence 6 of the Code as amended on May 13, 2013.

We believe that these are well justified deviations from the recommendations of the Code as intended by the Government Commission and described in the Foreword to the Code.

ThyssenKrupp AG continues to comply with all suggestions of the German Corporate Governance Code. All declarations of conformity issued to date are permanently available on our website.

The Code is also implemented at our listed subsidiary Eisen- und Hüttenwerke AG, 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 01, 2013.

#### Three lines of defense model as framework for the internal oversight system

An integrated governance, risk management and compliance model 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 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 corporate governance model.

Three lines of defense model



The first line of defense involves preventing risks wherever they can occur, and where this is not possible identifying and managing the risks. To create a fail-safe system for this, highly automated internal controls are implemented in the business processes. As there are cases where this is not fully feasible, further control measures have to be performed by the management to ensure the effectiveness of the control system.

The second line of defense, which includes functions such as Groupwide risk management and compliance, provides the framework for the internal control system, the risk management system, and the compliance management system, for example via policies and standard operating procedures. At the same time these functions oversee 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 management system 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. Internal Auditing reports directly to the Executive Board Chairman and the Audit Committee. Internal Auditing itself is subject to an external quality audit every five years.

The 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.

### **Appropriate control and risk management 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 about the status of the main risks in the Group. The Audit Committee focuses on 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 can be found in the section "Opportunities and risks" on pages 76–88.

### **Voluntary special audit**

In July 2013 ThyssenKrupp agreed with Deutsche Schutzvereinigung für Wertpapierbesitz e.V. and the shareholder Christian Strenger, whose motions for a special audit were rejected by the Annual General Meeting in January 2013, to carry out a voluntary special audit – with the aim of creating sustainable value for ThyssenKrupp and its shareholders. The special audit looked into the basic structure of the improved internal control system with regard to its appropriateness in preventing compliance infringements in the future, the status of implementation of certain recommendations in the compliance management system, as well as the appropriateness of the investment control process for future large investment projects and the associated reporting to the Supervisory Board. ThyssenKrupp engaged two special auditors, BDO AG Wirtschaftsprüfungsgesellschaft and Prof. Dr. Hans-Joachim Böcking, Professor of Business Administration, Auditing and Corporate Governance at Goethe University Frankfurt am Main, to perform the special audit. The auditors carried out their audit up to the beginning of November 2013 and presented their report to the Executive Board. As agreed, the special audit report will be made available to the shareholders on the Company's website from the date of convening the 2014 Annual General Meeting of ThyssenKrupp AG.

Taking into account the dynamic change process at ThyssenKrupp, the special auditors conclude in their report that the systems and processes examined have been intensively enhanced, and the concepts and planned measures are constructive. The auditors confirm that the further development of the compliance-relevant internal control system in particular is well advanced, and find the compliance function to be professionally organized and appropriately staffed. The reporting to the Supervisory Board is considered appropriate. The auditors therefore endorse the implementation of the existing concepts and have submitted proposals for further improvement, which in part have already been taken into account.

The Executive Board and Supervisory Board have discussed the audit report and in particular addressed the recommendations.

### **Compliance: Inform, Identify, Report and Act**

Compliance in the sense of Groupwide measures to ensure adherence to statutory requirements and internal company policies is a key management and oversight duty at ThyssenKrupp.

The Executive Board of ThyssenKrupp AG has unequivocally expressed its rejection of antitrust violations and corruption in the ThyssenKrupp Compliance Commitment. The compliance commitment clearly states that violations, particularly antitrust violations and corruption, will not be tolerated in any way (zero tolerance). All information concerning misconduct is followed up. To implement the compliance commitment a transparent management culture based on the new Group mission statement is in place and subject to continuous improvement. Information on the mission statement is available on our website at [www.thyssenkrupp.com/en/nachhaltigkeit/unternehmenskultur.html](http://www.thyssenkrupp.com/en/nachhaltigkeit/unternehmenskultur.html).

In the past fiscal year our compliance work was marked by a series of major incidents, to which the Executive Board and Supervisory Board reacted by intensifying compliance activities and strengthening the compliance organization. In this connection Supervisory Board Chairman Prof. Dr. Ulrich Lehner also identified compliance as a key area of his work alongside corporate governance. In response to media reports an internal investigation into press and other trips involving individual Executive Board members was conducted at the end of 2012. In February 2013 business premises of ThyssenKrupp Steel Europe in Duisburg were searched by the German Federal Cartel Office on the basis of suspected price fixing in the delivery of certain steel products to the German automotive industry and its suppliers. In June 2013 a final fine of €88 million was imposed on ThyssenKrupp in the rail cartel case. From April to June 2013 the Group carried out an internal amnesty program.

In a resolution in its meeting on November 21, 2012 the Supervisory Board explicitly emphasized and clarified once again the Executive Board's corporate responsibility with regard to compliance. The basic understanding of compliance is that the management has a corporate responsibility for observing the law extending beyond the individual duties of an Executive Board member. The resolution clearly states that serious or repeated compliance infringements in the area of responsibility of an Executive Board member can have consequences involving the full range of personnel measures. Accordingly in its meeting on December 18, 2012 the Executive Board established that the executives in the Group together bear corporate responsibility for compliance in our Company; the business areas implemented the resolution in their units.

Our compliance program on corruption and antitrust law is built on the three pillars "inform", "identify," and "report and act". It is regularly updated internally and reviewed externally on the basis of the applicable legal requirements as well as by auditors. The appropriateness and effectiveness of the compliance system was confirmed in November 2011 by KPMG AG Wirtschaftsprüfungsgesellschaft in connection with certification to the new Auditing Standard 980 of the Institute of Public Auditors in Germany. The report by KPMG is available for downloading on our website. The compliance program was recently overhauled in connection with the corporate initiative ACT.

More information on compliance at ThyssenKrupp is provided in the section "Compliance" on pages 68 – 70.

#### **Supervisory Board targets for the composition of corporate bodies**

The Supervisory Board must be composed in such a way that overall its members have the knowledge, skills and professional experience needed to perform the tasks involved properly. Supervisory Board proposals for the election of shareholder representatives, for which the Nomination Committee submits recommendations, take into account not only the requirements under law, the Articles of Association and the German Corporate Governance Code, but also the targets the Supervisory Board sets itself for its composition.

In September 2010 the Supervisory Board adopted concrete targets for its composition in accordance with section 5.4.1 of the German Corporate Governance Code. These targets are explained in the corporate governance report on page 64 of the 2009/2010 annual report, and include criteria such as suitable specialist skills, knowledge of the company, independence, and international background. In its meeting on September 07, 2012 the Supervisory Board confirmed these targets and in particular added a new target regarding the number of independent Supervisory Board members. The amendments to the targets are detailed in the corporate governance report on page 20 of the 2011/2012 annual report. Both annual reports are available on the Company's website.

The Nomination Committee took the adopted targets into account in its proposals for the court appointment of René Obermann and the delegation of Carsten Spohr and Dr. Lothar Steinebach. Overall the Supervisory Board has a number of members with international business experience and other international connections. The target maximum age of 70 will not be exceeded by any of the Supervisory Board members at the time of the election. A female proportion of 20% was achieved up to the departure of Prof. Dr. Beatrice Weder di Mauro.

The Supervisory Board will strive to continue to meet these targets in the future, e.g. in preparing election proposals for the Annual General Meeting.

### 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 section "Additional information" on pages 197–199. Details of related party transactions are given in Note 23 to the Consolidated Financial Statements.

### Directors' dealings

According to § 15a Securities Trading Act (WpHG) the members of the Executive Board and Supervisory Board and persons close to them are required by law to disclose the purchase and sale of ThyssenKrupp AG shares 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 2012/2013 fiscal year.

At September 30, 2013 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. The Annual General Meeting takes place once a year. Each share confers one vote.

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 up to the end of the general debate. 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 available to shareholders in good time all documents and information on the Annual General Meeting. 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 informing all target groups fully, equally and quickly, and presenting rating-relevant facts in the highest quality. For example as part of our investor relations work we regularly meet up with analysts and institutional investors. The venues and dates of roadshows and investors' conferences are posted on our website. An intensive dialogue also takes place at analysts' and investors' conferences and in regular and ad hoc conference calls. The presentations for these events are freely accessible on the website, which also offers video or audio recordings of the main events. We provide information on recurring dates, such as the date of the Annual General Meeting or the publication dates of interim reports, in a financial calendar published in the annual report, the interim reports and on the Company's website.

Information about the latest developments in the Group is also provided on our website, where all press releases and stock exchange (ad hoc) announcements of ThyssenKrupp AG are published in German and English. The Company's Articles of Association and the rules of procedure for the Executive Board, Supervisory Board and Audit Committee can also be viewed on the website, as can the consolidated financial statements, interim reports and information on implementation of the recommendations and suggestions of the German Corporate Governance Code. All interested parties can subscribe to an electronic newsletter on the website 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 paragraph 2 sentence 3 Stock Corporation Act (AktG) (Executive Board members) and the German Corporate Governance Code (Supervisory Board members).

#### **Accounting and financial statement auditing by PricewaterhouseCoopers**

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 statutory 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 agreed with the new financial-statement auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, that the Chairman of the Audit Committee would again 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.

### **Corporate governance declaration**

The corporate governance declaration in accordance with § 289a German GAAP (HGB) contains a description of how the Executive Board and Supervisory Board operate, the composition and method of operation of the Committees, the declaration of conformity in accordance with § 161 Stock Corporation Act (AktG), and details of key governance practices. It is presented on our website at [www.thyssenkrupp.com/en/investor/unternehmensfuehrung\\_2012\\_2013.html](http://www.thyssenkrupp.com/en/investor/unternehmensfuehrung_2012_2013.html).

### **Compensation report**

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

#### **Performance-based compensation for the Executive Board**

The Supervisory Board is responsible for determining individual Executive Board compensation following preparation by the Personnel Committee. The compensation system was approved by the Annual General Meeting on January 21, 2011 with a majority of 94.91% of the capital represented.

The compensation for the Executive Board members comprises non-performance-related and performance-related components. The non-performance-related components are the fixed compensation, fringe benefits and pension plans, while the performance-related components are the performance bonus and the Long Term Incentive plan (LTI) as a component with a long-term incentive effect. On top of this there is if applicable an additional bonus representing a cash flow-based management incentive, on the award of which the Supervisory Board makes a new decision each year.

Criteria for the appropriateness of Executive Board 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 performance-related components contain elements that are measured over several years. They therefore set long-term incentives and focus the compensation structure on the sustainable development of the Company. As a general rule, up to 20% of variable compensation can be based on individual performance, and extraordinary events are not taken into account.

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 benefits (severance payment cap) and compensates no more than the remaining term of the employment agreement. A promise of payments in the event of early termination due to a change of control does not exist.

#### **Fixed compensation and fringe benefits**

Since the last review at October 01, 2010, the fixed compensation for an ordinary Executive Board member has been €670,000 per year, paid out as non-performance-related basic compensation in monthly installments as a salary. In view of the Group's business situation, the review planned for October 01, 2013 was postponed for a further year. The Executive Board members also receive fringe benefits, mainly comprising the use of a company car, telephone as well as insurance premiums. Individual Executive Board members have to pay tax on these fringe benefits as compensation components. The benefits apply in principle to all Executive Board members; the amount varies according to personal situation.

#### **Performance bonus**

The first element of the performance-related compensation is the performance bonus. In accordance with the performance bonus rules resolved by the Supervisory Board, the amount of the performance bonus is dependent on the Group's EBIT (earnings before interest and taxes) and ROCE (return on capital employed), each of which is considered equally as a criterion. The performance bonus is therefore aligned with the performance indicators used in the Group. For example, if EBIT is €1 billion and ROCE is 5%, the performance bonus is €1 million. If EBIT is €900 million and ROCE is 3%, it is €750,000, if EBIT is €1.6 billion and ROCE is 7%, it is €1.5 million. The performance bonus is paid out to the individual Executive Board members two weeks after its establishment by the Supervisory Board. With a view to the Act on the Appropriateness of Management Board Compensation (VorstAG) the Supervisory Board determined that from fiscal year 2009/2010 a quarter of the performance bonus must be converted into ThyssenKrupp AG stock rights to be paid out after a three-year lock-up period.

#### **Long Term Incentive plan**

A further compensation component is the LTI, a variable compensation component with a long-term incentive effect which has been granted since fiscal year 2010/2011 and replaced the former Mid Term Incentive plan (MTI). The LTI system is as follows:

Decisive factors for the development of the LTI are the value generated, measured on the basis of ThyssenKrupp Value Added (TKVA), and the share price development. For a specified initial value, which for an ordinary Executive Board member amounts to €500,000, notional shares are granted. These so-called stock rights are not stock options. The number of stock rights issued to an Executive Board member is calculated from the specified initial value divided by the average stock price in the 1st quarter of the performance period. These stock rights are recognized as part of compensation at their value at grant date, calculated in accordance with international accounting standards. The number of stock rights issued is adjusted at the end of the respective three-year performance period. The basis for this is a comparison of average TKVA in the three-year performance period – beginning October 01 of the fiscal year in which the stock rights were granted – with the average TKVA of the previous three fiscal years. This compensation component therefore covers in total a period of six years. An increase in TKVA by €200 million results in a 5% increase in stock rights; a decrease by the same amount results in a 10% reduction. More information on TKVA is provided in the section "Value-based management" on page 37. At the end of the performance period the granted stock rights are paid out on the basis of ThyssenKrupp's average share price in the first three months after the end of the performance period.

### **Additional bonus**

This system of performance bonus and LTI requires supplementation under certain constellations. For example, due to the negative TKVA in fiscal years 2009/2010 and 2011/2012 there will again be no payments under the MTI plan for the reporting period owing to the plan's long-term focus. In difficult economic years, which demand particular efforts of the Executive Board, the work of the Executive Board should not be rewarded only with the fixed compensation. In view of the tasks facing the Executive Board and its particular responsibility this would impair the competitiveness of our executive remuneration. It must also be considered that high financial discipline is essential in critical times. For this reason a performance-based compensation element based on a cash flow-related indicator has been established. This indicator is the ratio of funds from operations to total debt (FFO/TD), which makes it possible to balance out fluctuations in EBIT, net working capital and capital expenditures. The achievement of set targets by the Executive Board is to be rewarded with an additional bonus. The additional bonus is based 50% on the year-end values and 50% on the annual average values of FFO/TD; with a year-end value of 3.2% and an annual average value of 3.1% the additional bonus amounts to €450,000. To ensure the sustainability and multi-year assessment basis required by the VorstAG particularly in the ratio between short-term and long-term compensation, 55% of the additional bonus is converted into ThyssenKrupp stock rights and paid out after a three-year lock-up period (as with the performance bonus). Whether this additional bonus is granted again, and if so at what level, is decided each year.

### **Compensation caps**

Under the recommendation in section 4.2.3 paragraph 2 sentence 6 of the German Corporate Governance Code adopted by the Government Commission on May 13, 2013, the compensation of Executive Board members must be capped both in total and with regard to its variable components. While the service contracts for the Company's sitting Executive Board members already specified compensation caps, these did not fully meet the requirements of the new Code recommendation. Against this background in its meeting on September 03, 2013 the Supervisory Board limited the total compensation of an ordinary Executive Board member to €4 million per year. The performance bonus was capped at €3 million, the LTI at €1.5 million, and the additional bonus at €1.35 million per year; total compensation must not exceed the maximum of €4 million. For the Executive Board Chairman the caps are double these amounts. Corresponding amendment agreements were concluded with the sitting Executive Board members in September 2013.

### **Pensions**

Pensions are paid to former Executive Board members who have either reached pension age or become permanently incapacitated for work. Transitional allowances are no longer paid upon premature termination or non-renewal of service contracts.

The pension of an Executive Board member appointed before September 30, 2012 is a percentage of the final fixed salary they received before their employment contract ended. This percentage increases with the duration of the Executive Board member's appointment. In general it is 30% at the start of the first five-year period of appointment (as for Mr. Kerkhoff), 50% at the start of the second and 60% at the start of the third. Dr. Heinrich Hiesinger's pension is 50%. Current pensions are adjusted annually in line with the consumer price index. For Executive Board members appointed after September 30, 2012 (Mr. Burkhard), this 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.

Under the surviving dependants' benefits plan, a surviving partner receives 60% of the pension and each dependant child (generally up to the age of 18, maximum age 25 years, in justified exceptional cases up to the age of 27) 20%, up to a maximum of 100% of the pension amount.

### Total Executive Board compensation in 2012/2013

The following table shows details of compensation for individual Executive Board members in fiscal year 2012/2013. The prior-year figures are shown in square brackets:

Executive Board compensation 2012/2013

in €'000s	Annual income				Stock rights granted in fiscal year from 25% of performance bonus		Stock rights granted in fiscal year from 55% of additional bonus		LTI rights granted in fiscal year		Expense from share-based compensation in the fiscal year	Pensions				
	Fixed salary	Additional benefits	Performance bonus (75%)	Additional bonus (45%)	Number	Value <sup>1)</sup>	Number	Value <sup>1)</sup>	Number	Value <sup>1)</sup>		IFRS		HGB		
												Service costs <sup>4)</sup>	Present value of the obligation <sup>4)</sup>	Service costs <sup>4)</sup>	Present value of the obligation <sup>4)</sup>	
Dr.-Ing. Heinrich Hiesinger	1,340 [1,340]	28 [28]	1,133 [610]	433 [244]	23,076 [13,010]	408 [215]	32,302 [19,088]	571 [316]	57,972 [52,688]	995 [1,094]	4,908 [3,847]	1,607 [437]	1,238 [1,148]	3,810 [2,830]	867 [770]	2,700 [1,986]
Dr. Olaf Berlien <sup>2)</sup>	391 [670]	112 [40]	250 [244]	113 [98]	— [5,204]	— [86]	— [7,635]	— [126]	16,909 [26,344]	290 [547]	1,156 [1,811]	763 [524]	575 [305]	10,390 [6,214]	439 [141]	7,660 [4,461]
Oliver Burkhard	447 [0]	21 [0]	377 [0]	144 [0]	7,692 [0]	136 [0]	10,767 [0]	190 [0]	19,324 [26,344]	331 [547]	1,646 [1,938]	506 [201]	379 [546]	379 [2,534]	242 [458]	242 [1,918]
Dr. Jürgen Claassen <sup>2)</sup>	558 [670]	21 [28]	250 [305]	113 [122]	— [6,505]	— [108]	— [9,544]	— [158]	24,155 [26,344]	414 [547]	1,356 [1,816]	972 [524]	555 [441]	4,029 [7,808]	424 [206]	3,176 [5,840]
Edwin Eichler <sup>2)</sup>	391 [670]	18 [45]	250 [244]	113 [98]	— [5,204]	— [86]	— [7,635]	— [126]	16,909 [26,344]	290 [547]	1,062 [1,816]	763 [524]	340 [414]	11,661 [7,808]	249 [206]	8,970 [5,840]
Guido Kerkhoff	670 [670]	27 [26]	566 [305]	216 [122]	11,538 [6,505]	204 [108]	16,150 [9,544]	286 [158]	28,986 [26,344]	497 [547]	2,466 [1,936]	812 [314]	510 [417]	1,263 [888]	325 [347]	818 [584]
Ralph Labonte <sup>3)</sup>	670 [670]	27 [32]	284 [244]	108 [98]	5,769 [5,204]	102 [86]	8,075 [7,635]	143 [126]	28,986 [26,344]	497 [547]	1,831 [1,803]	1,170 [524]	452 [414]	12,294 [12,016]	344 [60]	9,905 [9,290]
<b>Total</b>	<b>4,467</b> <b>[4,690]</b>	<b>254</b> <b>[199]</b>	<b>3,110</b> <b>[1,952]</b>	<b>1,240</b> <b>[782]</b>	<b>48,075</b> <b>[41,632]</b>	<b>850</b> <b>[689]</b>	<b>67,294</b> <b>[61,081]</b>	<b>1,190</b> <b>[1,010]</b>	<b>193,241</b> <b>[184,408]</b>	<b>3,314</b> <b>[3,829]</b>	<b>14,425<sup>5)</sup></b> <b>[13,151<sup>5)</sup></b>	<b>6,593</b> <b>[2,524]</b>	<b>4,049</b> <b>[3,271]</b>	<b>43,826</b> <b>[32,290]</b>	<b>2,890</b> <b>[1,982]</b>	<b>33,471</b> <b>[24,079]</b>

<sup>1)</sup> at grant date

<sup>2)</sup> Appointment ended on December 31, 2012. Under § 622 BGB the service contracts of Dr. Berlien and Mr. Eichler ran until April 30, 2013, the service contract of Dr. Claassen until July 31, 2013. The monthly salary payments were offset against the severance payments. For the period of their appointment in the past fiscal year, each of the three departing Executive Board members received a prorated performance bonus of €250,000 and a prorated additional bonus of €112,500 calculated on the basis of their target performance bonus and target additional bonus.

<sup>3)</sup> Appointment ended on March 31, 2013. Service contract fulfilled in line with original appointment until September 30, 2013.

<sup>4)</sup> Service cost and present value prorated in line with Executive Board membership in the fiscal year. To take account of the vesting of contractual pension obligations for Executive Board members, further provisions were recognized in the fiscal year. Taking these provisions into account, the service costs shown in the table for Dr.-Ing. Hiesinger are increased by €7,696,000 (IFRS)/€ 4,703,000 (HGB), for Dr. Berlien by €3,409,000 (IFRS)/€2,334,000(HGB), for Dr. Claassen by €1,202,000 (IFRS)/€657,000 (HGB), for Mr. Eichler by €3,386,000 (IFRS)/€2,374,000 (HGB) and for Mr. Kerkhoff by €1,819,000 (IFRS)/€ 849,000 (HGB). The present values of the obligations are increased for Dr.-Ing. Hiesinger by €7,466,000 (IFRS)/€ 5,253,000 (HGB) and for Mr. Kerkhoff by €1,830,000 (IFRS)/€1,070,000 (HGB). Taking into account the agreement reached with Mr. Labonte regarding his pension benefits, the recognized provisions include €429,000 (IFRS)/€393,000 (HGB) lower service costs than the prorated amount shown in the table. The figures are presented net of interest and interest change effects; in addition, the IFRS figures do not include effects from so-called actuarial gains or losses.

<sup>5)</sup> In FY 2011/2012 the total compensation was increased by security measures including taxes borne by the Company for the residential properties of Dr.-Ing. Hiesinger (€587,000) and Dr. Berlien (€224,000). In FY 2012/2013 the total compensation was not increased by security measures.

In fiscal year 2012/2013 Dr. Berlien, Dr. Claassen, Mr. Eichler and Mr. Labonte resigned from the Executive Board. While Mr. Labonte's service contract was honored for the remaining 6 months of its original term up to September 30, 2013, Dr. Berlien, Dr. Claassen and Mr. Eichler received severance payments as their service contracts were due to run for several more years. As recommended by the German Corporate Governance Code and thus contractually agreed, a cap of two years' compensation was agreed for the severance payments. Accordingly the severance payment for Dr. Berlien amounted to €3.368 million, for Dr. Claassen €3.754 million, and for Mr. Eichler €3.372 million; the differences in the amounts reflect reductions in the variable compensation determined by the Supervisory Board in the previous fiscal year as well as contractually agreed severance payment deductions. The stock rights granted in previous years (25% of performance bonus and 55% of additional bonus) were paid out at the purchase price. In addition, for the period of their appointment in the past fiscal year from October 01 to December 31, 2012, the gentlemen each received a prorated performance bonus and a prorated additional bonus in the total amount of €362,500, calculated on the basis of the target performance bonus and target additional bonus. Existing rights under the 1st and 2nd installment of the LTI (payable in January 2014 and 2015) continue to apply, though the 1st installment has no recoverable value. For fiscal year 2012/2013 stock rights were awarded on a prorated basis under the 3rd installment.

Total compensation (including compensation payments to the Executive Board members who resigned in the fiscal year) for work in the reporting year amounted to €24.9 million (prior year: €14.0 million). The individual variable compensation was determined taking into account the requirement for appropriateness.

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 8th installment of the former MTI, which became due in the past fiscal year, resulted in no payment due to the sharp drop in average TKVA. In January 2013 the Executive Board members were granted new stock rights under the 3rd installment of the LTI. Under the 1st to 3rd installments of the LTI the Executive Board members have a total of 483,243 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 €15.1 million (prior year: €15.0 million). For pension obligations benefiting former Executive Board members and their surviving dependants an amount of €247.8 million (prior year: €214.4 million) was accrued in the financial statements under IFRS, and an amount of €197.8 million (prior year: €169.9 million) in the financial statements under German GAAP (HGB).

#### **Share-based compensation for further executives**

Alongside the Executive Board, further selected executives of the Group receive part of their remuneration in the form of share-based compensation, the LTI. In terms of structure and the way it functions, this is comparable with the LTI for the Executive Board, but the initial values and the increase in stock rights are measured differently.

In detail: For a certain initial value, notional shares are granted. These so-called stock rights are not stock options. The number of stock rights is calculated from the specified initial value divided by the average stock price in the 1st quarter of the three-year performance period. The number of stock rights issued is then adjusted at the end of the respective three-year performance period. The basis for this is a comparison of average TKVA in the three-year performance period with the average TKVA of the previous three years. An increase in TKVA by €200 million results in a 10% increase in stock rights; a decrease by the same amount results in a reduction of likewise 10%. At the end of the performance period the granted stock rights are paid out on the basis of ThyssenKrupp's average share price in the first three months after the end of the performance period. Payments under the LTI are limited to three times the respective initial value.

The LTI is therefore a Groupwide, global compensation instrument related to long-term performance. The aim of the LTI is to strengthen executives' identification with ThyssenKrupp and loyalty to the Group. Linked not only to the share price but also to TKVA, the LTI provides an additional incentive to create value through value-based management geared to achieving the Group's goals.

In the reporting year the MTI/LTI program resulted in expense of €20.6 million (prior year: income of €1.7 million).

In addition, selected executives receive a variable compensation component in such a way that 20% of the bonus awarded for each fiscal year is converted into ThyssenKrupp AG stock rights tied to the ThyssenKrupp share price and is only paid out in cash after the expiration of three fiscal years on the basis of the average ThyssenKrupp share price in the 4th quarter of the third fiscal year.

#### **Appropriate 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 fixed compensation of €50,000 plus performance-related compensation. The performance-related compensation consists of a bonus based on the annual dividend and a component related to the long-term performance of the Company. Supervisory Board members receive a performance bonus of €300 for each €0.01 by which the dividend paid out to shareholders for the past fiscal year exceeds €0.10 per share. The compensation related to the long-term performance of the Company is an annual compensation of €2,000 for each €100 million by which average consolidated earnings before taxes (EBT) in the last three fiscal years exceed €1 billion.

The Chairman receives three times the above fixed compensation, performance bonus and long-term performance-based component, and the Vice Chairman double these amounts. In accordance with the German Corporate Governance Code, chairmanship and membership of the Supervisory Board committees are compensated separately. Supervisory Board members who only serve on the Supervisory Board for part of the fiscal year receive a proportionally reduced compensation amount. If a Supervisory Board member does not attend a meeting of the full Supervisory Board or a committee meeting, one third of his/her compensation is reduced proportionally.

An amendment to Supervisory Board compensation in the form of an amendment to § 14 of the Articles of Association is to be proposed to the Annual General Meeting on January 17, 2014. Under the amendment the performance-based compensation components are to be eliminated and Supervisory Board compensation switched to fixed compensation.

Members of the Supervisory Board will receive total compensation, including meeting attendance fees, for the reporting year of €1.55 million. In the prior year, all Supervisory Board members agreed to waive half of their Supervisory Board compensation to express their concern and solidarity in connection with developments at Steel Americas, with the result that the total payout was €0.75 million. As the average consolidated EBT of the last three fiscal years is below the threshold of €1 billion – as in previous years – no payment will be made from the long-term compensation component for fiscal year 2012/2013. The individual members will receive the amounts listed in the following table:

**Supervisory Board compensation 2012/2013**

in €*	Fixed compensation	Bonus	Long-term component	Compensation for committee work	Meeting attendance fee	Total compensation
Prof. Dr. Ulrich Lehner (Chairman since April 01, 2013)	100,137	—	—	50,000	9,000	159,137
Dr. Gerhard Cromme (Chairman until March 31, 2013)	[50,000]	[—]	[—]	[12,500]	[5,000]	[67,500]
Bertin Eichler (Vice Chairman)	74,795	—	—	43,630	8,500	126,925
Martin Dreher (since August 10, 2012)	[150,000]	[—]	[—]	[50,000]	[10,500]	[210,500]
Markus Grolms	100,000	—	—	47,222	11,500	158,722
Susanne Herberger	[100,000]	[—]	[—]	[50,000]	[9,500]	[159,500]
Bernd Kalwa (until December 28, 2012)	50,000	—	—	—	3,500	53,500
Prof. Dr. Hans-Peter Keitel	[7,104]	[—]	[—]	[—]	[500]	[7,604]
Ernst-August Kiel	47,619	—	—	10,417	3,500	61,536
Dr. Sabine Maaßen	[46,666]	[—]	[—]	[10,417]	[2,500]	[59,583]
Dr. Ralf Nentwig (since January 01, 2013)	50,000	—	—	25,000	7,500	82,500
Prof. Dr. Bernhard Pellens	[50,000]	[—]	[—]	[13,320]	[3,500]	[66,820]
Peter Remmler	12,192	—	—	3,048	2,000	17,240
Dr. Kersten v. Schenck (until April 19, 2013)	[50,000]	[—]	[—]	[12,500]	[3,500]	[66,000]
Thomas Schlenz (until July 31, 2012)	47,619	—	—	12,500	4,000	64,119
Carola Gräfin v. Schmettow (since January 30, 2012)	[50,000]	[—]	[—]	[8,709]	[3,000]	[61,709]
Prof. Dr. Ekkehard D. Schulz (until December 31, 2011)	50,000	—	—	—	3,500	53,500
Wilhelm Segerath	[41,667]	[—]	[—]	[31,250]	[2,500]	[79,917]
Carsten Spohr (since April 19, 2013)	[33,470]	[—]	[—]	[—]	[1,500]	[34,970]
Peer Steinbrück (until December 31, 2012)	50,000	—	—	—	—	—
Dr. Lothar Steinebach (since April 19, 2013)	18,836	—	—	—	—	—
Fritz Weber (since January 15, 2013)	[46,667]	[—]	[—]	[—]	[—]	[—]
Prof. Dr. Beatrice Weder di Mauro	50,000	—	—	—	4,500	54,500
Klaus Wiercimok	[50,000]	[—]	[—]	[—]	[2,500]	[52,500]
Total	1,132,613	[1,131,475]	[—]	[—]	[277,505]	[86,000]
				[207,341]	[114,000]	[1,553,954]

\* Prior-year figures in square brackets. In their meeting on January 18, 2013 the members of the Supervisory Board resolved to forego payment of half the total compensation for fiscal 2011/2012 to which they were entitled under Article 14, par. 1 to 3 of the Articles of Association of ThyssenKrupp AG, so only half the amounts shown here for fixed compensation and compensation for committee work were paid out.

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.

Members of the Supervisory Board will additionally receive compensation of €79,069 [prior year: €81,953] for supervisory board directorships at Group companies in fiscal year 2012/2013. The individual members of the Supervisory Board will receive the amounts shown in the following table:

**Compensation from supervisory board directorships within the Group**

in €	2011/2012	2012/2013
Martin Dreher (since August 10, 2012)	1,066	15,399
Susanne Herberger	17,000	19,664
Bernd Kalwa (until December 28, 2012)	15,750	4,158
Ernst-August Kiel	19,350	19,350
Peter Remmler	8,820	16,500
Thomas Schlenz (until July 31, 2012)	9,950	—
Wilhelm Segerath (until May 07, 2012)	10,016	—
Fritz Weber (since January 15, 2013)	—	3,998
Total	81,952	79,069

In the reporting year Supervisory Board members received no further compensation or benefits for personal services rendered, in particular advisory and mediatory services. In the previous year the law firm Clifford Chance, for which Supervisory Board member Dr. v. Schenck worked as an of counsel until June 30, 2012, received a total of €483,146 from ThyssenKrupp companies for its consulting 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.

Related to the reporting year, former Supervisory Board members who left the Supervisory Board before October 01, 2012 will not receive any compensation from the long-term compensation component for the time they served on the Supervisory Board because – as in the prior years – average consolidated EBT in the last three fiscal years is below the threshold of €1 billion.

## ThyssenKrupp stock

The value potential of our Strategic Way Forward and our transformation into a diversified industrial group was once again the main incentive for investment in ThyssenKrupp's stock in fiscal 2012/2013. The stock outperformed the DAX index for much of the first half of the fiscal year, but subsequently the visible successes of our operating and strategic measures were overshadowed by the potential balance sheet risks resulting from the Company's past problems.

**Key data of ThyssenKrupp stock**

		2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Capital stock	million €	1,317	1,317	1,317	1,317	1,317
Number of shares (total)	million shares	515	515	515	515	515
Stock exchange value end September	million €	12,106	12,306	9,543	8,510	9,096
Closing price end September	€	23.53	23.92	18.55	16.54	17.68
High	€	25.05	28.07	35.84	22.86	19.05
Low	€	12.11	19.82	18.55	11.58	13.16
Dividend	€	0.30	0.45	0.45	— <sup>1)</sup>	— <sup>1)</sup>
Dividend total	million €	139	209	232	— <sup>1)</sup>	— <sup>1)</sup>
Dividend yield	%	1.3	1.9	2.4	— <sup>1)</sup>	— <sup>1)</sup>
Earnings per share <sup>2)</sup>	€	(4.01)	1.77	(2.71)	(8.24)	(2.71)
Number of shares (outstanding <sup>3)</sup>	million shares	463.5	464.0	476.2	515	515
Trading volume (daily average)	million shares	4.8	3.4	3.2	4.1	3.7

<sup>1)</sup> proposal to the Annual General Meeting

<sup>2)</sup> Prior-year figures have been adjusted (see Note 03).

<sup>3)</sup> weighted average

In the first few months of the reporting year, ThyssenKrupp's stock benefited from the visible progress of the strategic development program and clearly outperformed the DAX and DJ STOXX indices for long periods. In addition to the portfolio optimizations – in particular the sale of Inoxum – capital market interest centered mainly on the clear acceleration of the cultural change which is transforming ThyssenKrupp into a firmly performance-oriented company.

However, towards the middle of the fiscal year, the protracted and difficult sale negotiations in connection with the strategic review of Steel Americas and potential balance sheet risks from the Group's past problems came more to the fore. This development, which continued to the end of the fiscal year, reversed the stock's previous outperformance versus the benchmark indices.

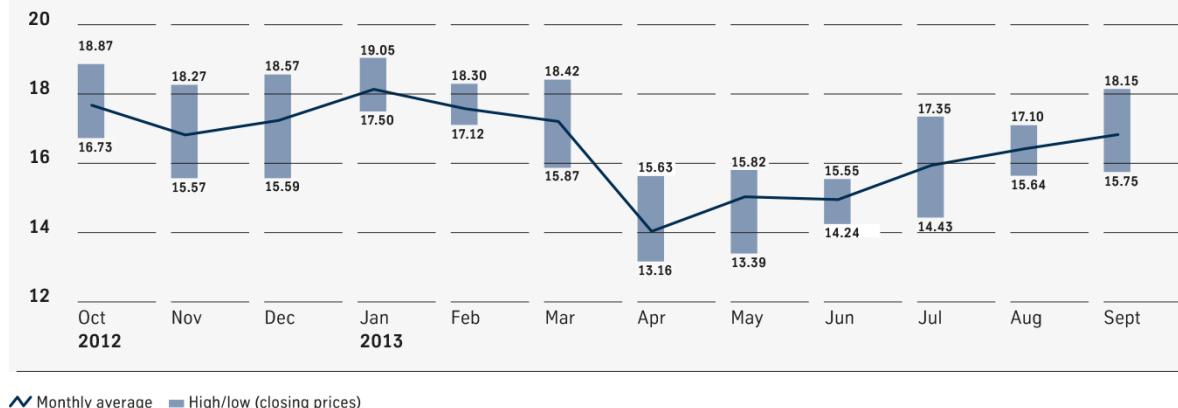
On September 30, 2013 ThyssenKrupp's stock price stood at €17.68, around 7% higher than a year earlier. In the same period, the DAX and DJ STOXX indices each gained around 19%.

**Performance of ThyssenKrupp stock relative to DAX and DJ STOXX, indexed**



#### Highs and lows of ThyssenKrupp stock in €

October 01, 2012 to September 30, 2013



▲ Monthly average ■ High/low (closing prices)

#### Return to dividend continuity remains the aim

ThyssenKrupp's policy of sharing its success with its shareholders is geared to continuity. Generally the aim is to distribute an appropriate dividend based on the Group's results for the year. This continuity of dividend policy also involves not suspending the dividend in bad years – where financially justifiable.

Against the background of the Group's improved but not yet adequate earning power and in particular the balance sheet impacts of necessary impairment charges, provisions and restructuring measures with another large loss, a decline in the equity ratio and a temporary increase in gearing, a dividend payment by the Group – though formally possible on the basis of the parent company financial statements of ThyssenKrupp AG – cannot be justified. The Executive Board and Supervisory Board will propose to the Annual General Meeting that the unappropriated net income of ThyssenKrupp AG be allocated in full to other retained earnings in order to strengthen the Company's total equity.

Overall, however, our aim remains to provide dividend continuity, and we regard a reliable and attractive dividend policy as an important element of our vision of a diversified industrial group. Based on the continuing implementation of our strategic development program and the associated improvement in our earnings and balance sheet ratios, it is our express intention to once again pay an appropriate dividend as soon as financially justifiable.

#### Strategic Way Forward attracting new shareholders

The largest shareholder is the Alfried Krupp von Bohlen und Halbach Foundation, Essen, which holds 25.33% of the Company's stock. Private investors own 12.5% of ThyssenKrupp AG. Shareholders with significant holdings at the end of September 2013 were Franklin Mutual Advisers and BlackRock from the USA and Cevian Capital from Sweden. Franklin Mutual and Cevian both reported that they had exceeded the 5% threshold. BlackRock reported that its holding had fallen below the 5% threshold. The rest of the stock is widely dispersed internationally. Institutional investors from the USA form the biggest group with a 15.2% share of the capital stock, followed by investors in Germany with 10.7%. ThyssenKrupp AG does not currently hold any treasury shares.

In the past fiscal year we were able to attract a number of investors who were drawn to ThyssenKrupp in particular by our extensive transformation program. There is also increasing interest in ThyssenKrupp's stock from investors in capital goods stocks.

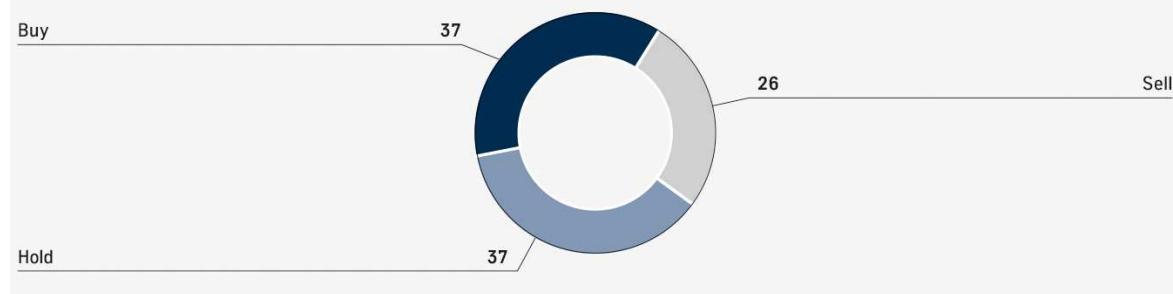
#### Analyst recommendations for ThyssenKrupp stock largely positive

There are currently 28 analysts from international investment banks and brokers regularly covering the strategic and operating development of ThyssenKrupp and making recommendations on the stock for investors around the world. Financial analysts are therefore important multipliers for our equity story. Our Investor Relations team provides convincing, valuation-relevant information and engages continuously with analysts to help attract investors' interest in our stock and gain new shareholders.

The value potential that analysts currently attach to ThyssenKrupp's stock is clearly reflected in their recommendations. At September 30, 2013, 74% of analysts recommended buying or holding the stock.

**Analyst recommendations for ThyssenKrupp stock**

at September 30, 2013



**Repositioning of ThyssenKrupp is a priority of IR work**

By providing tailored information and conducting a targeted dialogue with analysts and investors, Investor Relations is helping reposition ThyssenKrupp on the capital market as a diversified industrial group. Until recently, the capital markets regarded and valued ThyssenKrupp mainly as a steel company. In the past fiscal year, our Investor Relations team employed a variety of capital market-specific marketing measures aimed once again at convincing investors in the capital goods sector of the value potential created by our strategic development into a diversified industrial group and persuading them to invest in our stock.

In doing so we increased our efforts to involve not only Executive Board members but also business area board members in the dialogue with the capital market.

Some brokers have now started including capital goods analysts in their analysis and marketing of ThyssenKrupp stock.

**Your contact with Investor Relations**

The team at Investor Relations is at your disposal to provide further information on ThyssenKrupp's stock and the value potential of the Company. We also provide extensive facts and data on our website. If you would like to contact our Investor Relations team or find out about the dates planned in the 2013/2014 financial calendar, please refer to the contact information at the back of this annual report or visit the Investor Relations pages on our website at [www.thyssenkrupp.com](http://www.thyssenkrupp.com).

# Combined management report

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## Profile and strategy

### We are working on the future

ThyssenKrupp has over 150,000 employees in some 80 countries developing innovative products, high-quality materials and intelligent industrial processes and services for sustainable infrastructure and resource efficiency. We combine our engineering expertise and broad technology know-how with our traditional strength in materials to create value for our customers around the world and utilize the varied opportunities offered by the markets of the future. Competence and diversity, global reach, and tradition are distinguishing features of ThyssenKrupp. Entrepreneurship, courage and a passion to perform will lead us to our goal: to be best in class.

## Capability profile and organizational structure

### Capability profile

ThyssenKrupp is a diversified industrial group. For us, innovations and technical progress are key factors in managing global growth and the use of finite resources in a sustainable way. Together with our customers, our engineers develop sustainable solutions to the challenges of the future in the areas "Mechanical", "Plant" and "Material". Our engineering expertise enables our customers to gain an edge in the global market and manufacture innovative products in a cost- and resource-efficient way. In the Mechanical area we design and manufacture high-quality components for the automotive, machinery, energy and construction sectors. We also produce innovative technological goods such as modern elevator systems. The Plant area extends from the engineering and construction of complete industrial complexes to a global service network and advanced naval technology. Our capabilities in the Material area include custom materials solutions, efficient materials manufacturing and processing, and materials services.

### Organizational and management structure

Effective January 01, 2013 the business areas Plant Technology and Marine Systems were merged into a new Industrial Solutions business area. On November 29, 2013 a contract was signed on the sale of the US rolling and coating plant in Calvert/Alabama (ThyssenKrupp Steel USA) to a consortium of ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation. The agreement also includes a long-term slab supply contract for the Brazilian steel mill (ThyssenKrupp CSA). Consequently, at the end of the reporting year the full Steel Americas business area – which had been classified as a discontinued operation in accordance with IFRS – was reclassified as a continuing operation; within the Steel Americas business area, ThyssenKrupp Steel USA is reported as a disposal group. Our continuing operations are thus organized in six business areas: Components Technology, Elevator Technology, Industrial Solutions, Materials Services, Steel Europe and Steel Americas. The business areas are divided into operating units and Group companies operating independently on the market. Altogether around 630 companies and equity interests in 77 countries make up the ThyssenKrupp Group. The Stainless Global business area (Inoxum) has been reported as a discontinued operation since September 30, 2011; its combination with the Finnish company Outokumpu was completed on December 28, 2012.

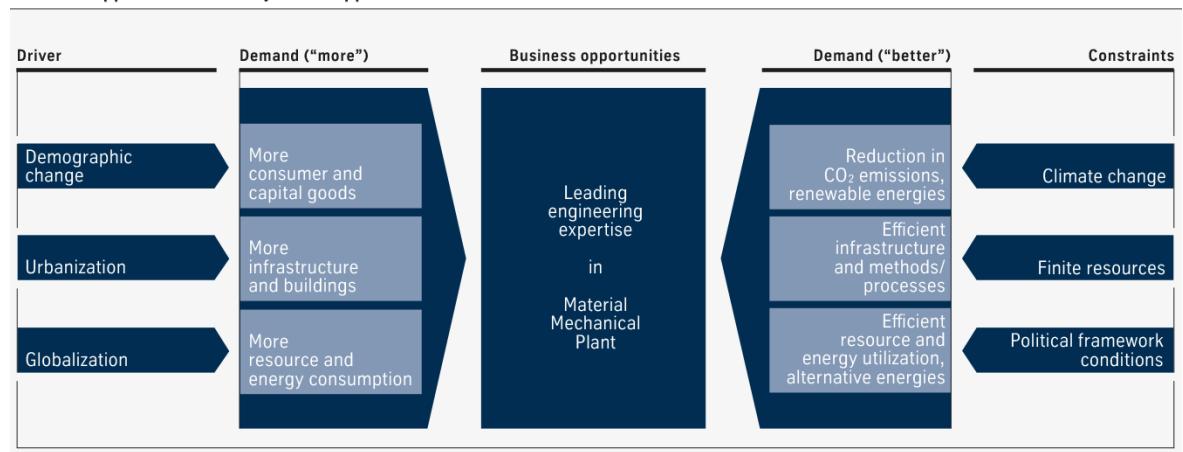
The Group is led strategically by ThyssenKrupp AG as corporate headquarters. Founded in 1999 as a stock corporation under German law, the Company has dual domiciles in Essen and Duisburg. Corporate headquarters is located in the ThyssenKrupp Quarter in Essen. The Executive Board of ThyssenKrupp AG sets the strategy for the Group's development and steers the business areas, the corporate functions, and the regions.

The future success of the Group will be based on greater global connectedness and cooperation. To this end, ThyssenKrupp operates in a matrix structure made up of operating businesses, corporate functions and regions. Within this structure, roles, processes and reporting lines have been redefined and administrative functions adapted to the new leadership model. Corporate headquarters and the managements of the business areas started working in the new structure on October 01, 2013. The structure of the full Group will be adapted step by step to the new organizational model.

## The Group's Strategic Way Forward

Demographic change, the globalization of goods flows and the rapid growth of mega cities mean that global demand is rising all the time. As a result, the world needs “more” consumer and capital goods, infrastructure, energy and raw materials. However, this growing demand is set against the finite nature of natural resources. At the same time, climate change is now a reality, and political conditions also call for “better” solutions. The world does not just need “more”, but above all “better”: We need to use resources more efficiently, reduce the environmental impact of producing consumer and capital goods, and build sustainable infrastructure.

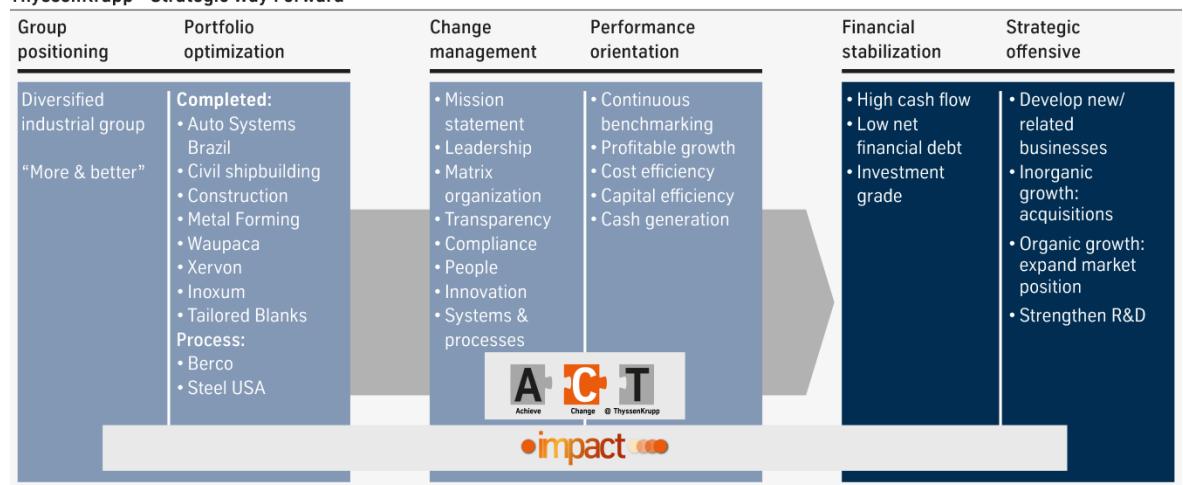
**Business opportunities for ThyssenKrupp**



With its engineering expertise, ThyssenKrupp offers solutions to these challenges and with its technologies, materials, industrial processes and services already meets requirements for “more” and “better” in many areas – both in industrialized countries and in emerging markets. This creates value for our customers and gives us a clear competitive edge.

To align the Group systematically with these growth trends we launched our Strategic Way Forward in May 2011. The pillars of this holistic program are continuous portfolio optimization, changes in our corporate culture, leadership and structure, and a stronger performance orientation. This will strengthen our financial base and give us the freedom to target our activities on high-growth markets and businesses.

**ThyssenKrupp - Strategic Way Forward**



ThyssenKrupp made significant progress in implementing its Strategic Way Forward in the reporting year.

### Portfolio further optimized

Systematic implementation of the portfolio measures announced in May 2011 and other divestment projects is helping secure the Group's long-term future: The share of highly volatile, capital-intensive materials businesses is being substantially reduced in favor of more profitable and less capital-intensive capital goods businesses. At the end of the reporting year, steelmaking operations accounted for less than 30% of the sales of our business areas, and capital goods and services for more than 70%. Our portfolio decisions are based on earnings, cash flow and value added benchmarked against competitors.

In fiscal 2012/2013 we completed the portfolio optimization programs resolved in May 2011, significantly changing the Group and making it more sustainable:

- The combination of Inoxum, the former Stainless Global business area, with the Finnish stainless steel manufacturer Outokumpu was completed on December 28, 2012. As a result of the transaction ThyssenKrupp received €1 billion cash and transferred external financial liabilities of Inoxum to Outokumpu. This led directly to a reduction in the Group's net financial debt. Outokumpu also took over the pension obligations of Inoxum. In addition, ThyssenKrupp received a 29.9% share in the new company and a financial receivable from Outokumpu.

The European merger control authorities only approved the combination subject to the divestment of the AST stainless steel plant in Terni and a number of European service centers and sales subsidiaries. Due to the pressure to sell and against the background of the difficult market situation in the stainless steel sector, it is currently proving difficult to make the sale at an appropriate price.

In the context of the necessary refinancing of Outokumpu, ThyssenKrupp therefore signed an agreement with Outokumpu on November 29, 2013 transferring 100% of the shares of VDM and AST as well as other smaller stainless steel service center activities to ThyssenKrupp. In return, the financial receivable created in connection with the Inoxum transaction will be transferred to Outokumpu. This transfer is designed to enable Outokumpu to fulfill the EU Commission's divestment condition within the set deadline in a way that preserves value. At the same time we are taking our responsibility to the employees seriously by providing Outokumpu with the opportunity for sustainable financing and thus offering better prospects for the future of the company.

To meet the requirements of the EU Commission, ThyssenKrupp will fully divest its 29.9% shareholding in Outokumpu and terminate all other financial links with the Outokumpu group. The commitment resulting from the sale of Inoxum to Outokumpu to offset any negative financial consequences for Outokumpu under merger control requirements up to an amount of €200 million therefore ceases to apply. With the transfer and the divestment of the shares, ThyssenKrupp will create the conditions for the refinancing of Outokumpu, including a capital increase.

The transaction is subject to the approval of the competent regulatory authorities and to the cooperation and approval of shareholders, banks and creditors for the overall plan for a sustainable refinancing of Outokumpu.

Please also refer to the section "Opportunities and risks" on page 82 and Note 36.

- The Steel Europe business area successfully completed the sale of ThyssenKrupp Tailored Blanks to the longstanding Chinese steel producer Wuhan Iron and Steel Corporation (WISCO). Following approval by the competent regulatory authorities, the main closing took place on July 31, 2013. The closing for two Chinese subsidiaries will follow after approval by the local regulatory authorities in Changchun.

Additional divestment projects:

- In the Components Technology business area we made good progress with restructuring the Berco group. In parallel, discussions are taking place with several potential buyers about the sale of the group. Berco is a leading global supplier of undercarriages, based mainly on forged components, for the construction machinery sector and offers a broad range of parts and services for both OEMs and the aftermarket.

- In January 2013 the Materials Services business area sold all shares in ThyssenKrupp Services Ltd., UK, to Voith Industrial Services Holding Ltd. ThyssenKrupp Services Ltd. was the last remaining European technical services company in the Industrial Services operating unit. We also sold the 10.6% minority share acquired as part of the sale of Safway in 2009/2010. The sale process for the Railway/Construction business initiated in May 2013 is proceeding to plan. This business comprises the ThyssenKrupp Bautechnik group, ThyssenKrupp Bauservice GmbH and ThyssenKrupp GfT Gleistechnik.
- The Steel Europe business area is currently preparing the disposal of its grain-oriented electrical steel production operations with plants in Gelsenkirchen/Germany and Isbergues/France as well as the electrical steel activities in Nashik/India.

### **Steel Americas**

In May 2012 we announced that we were examining strategic options for the two plants of the Steel Americas business area in Brazil and the USA. The background to this decision was that the economic conditions in Brazil and the USA had changed significantly and adversely since the integrated model with the steel mill in Brazil and the rolling and coating plant in the USA was developed. In September 2012 we therefore launched a bidding process for the business area and consequently classified it as a discontinued operation in accordance with IFRS.

On November 29, 2013 we signed a contract with a consortium of ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation (the consortium) on the sale of the ThyssenKrupp Steel USA rolling and coating plant in Calvert/Alabama. Upon closing, ThyssenKrupp will receive a purchase price of 1.55 billion US dollars for the plant in Alabama and a valuable slab supply contract. This means that a sustainable solution has also been found for the ThyssenKrupp CSA steel mill in Brazil. It was contractually agreed that the consortium will purchase 2 million metric tons of slabs per year from ThyssenKrupp CSA up to 2019. This long-term slab supply contract for ThyssenKrupp CSA is a first major step in the decoupling of the two plants and will also enable ThyssenKrupp to fulfill the commitment agreed with Vale to purchase slabs from ThyssenKrupp CSA. In this way the Group will be able to reduce the risks from the originally intended cross-currency-area tandem model as well as price risks in connection with market entry into the USA. The closing of the agreements is subject to the approval of the competent regulatory authorities. With the sale and the slab supply contract ThyssenKrupp is creating important conditions for further improvements to its cash flow profile and key financial ratios.

Based on the agreed transaction we are confident that in the coming years we can build on the operating improvements already achieved at Steel Americas in the past fiscal year and better exploit the market opportunities arising from the changed parameters. The measures to further optimize technical performance as well as our initiatives to enhance efficiency will contribute to this. In addition, higher capacity utilization of our Brazilian steel mill due to the slab supply contract and stronger penetration of the slab markets in South and North America will have a positive impact. We expect further positive effects from reduced exchange rate risks due to increasing slab supplies to the Brazilian market, and from the use of input tax credits. At the same time a weaker Brazilian real should aid the competitiveness and business performance of ThyssenKrupp CSA.

Against the background of the partial sale of the business area, with the Brazilian steel mill remaining part of the Group, the Steel Americas business area was reclassified from discontinued operations to continuing operations under IFRS at the end of the reporting year; within Steel Americas, ThyssenKrupp Steel USA is reported as a disposal group. More details are provided in Note 03.

### **Cultural change and performance orientation strengthen Strategic Way Forward**

Alongside continuous portfolio optimization, cultural change and performance orientation are key pillars of our Strategic Way Forward. Our aim is to change our corporate culture and the way we work together and significantly improve the Group's operating performance. The focus is on achieving operating excellence and generating cash in each area of business and each operating unit. The pillars of our new corporate culture are Groupwide cooperation, a stronger focus on customers and performance, clearly defined processes, and greater transparency, openness, honesty and mutual respect. The framework for this is our mission statement. As a kind of "corporate constitution" it creates a common roof for all employees in operating businesses, corporate functions and regions. In addition 1,500 managers have attended change

workshops to develop a joint understanding of cooperation and leadership. And for the first time, our important ground rules and principles have been brought together in a code of conduct, which sets standards for ourselves and represents a promise to our business partners and the public.

#### **ACT creates new Group leadership structure with competitive costs**

Under the corporate initiative ACT (“Achieve Change @ ThyssenKrupp”) ThyssenKrupp is optimizing its leadership and business structure and associated processes. ACT is therefore supporting our cultural change and performance orientation. The aim is to change our understanding of leadership and our corporate culture to achieve greater cooperation and connectedness, and to improve performance and efficiency and thus profitability throughout the Group. The functions and structure of the three-man Executive Board have been streamlined and aligned towards functional leadership of the operating businesses: The business area board members report in line with their function directly to the CEO, CFO or CHRO of ThyssenKrupp AG. This permits more direct cooperation between the operating businesses and Group management and a more efficient flow of information. The corporate functions and corporate service units have been reduced in number from 26 to 17 and reorganized. Each corporate function bears worldwide responsibility for standards and processes. The number of business area board members has been almost halved from 32 to 18; more than 70% of the remaining management positions have been newly filled. The reorganization of our shared services operations will enable us to utilize synergies worldwide. Accounting, HR, IT and real estate services are to be reorganized on a cross-Group basis. A detailed analysis carried out under ACT has identified total savings and optimization potential of around €250 million in connection with the new structures and processes in the Group. Most of the effects are to be realized by the end of fiscal 2014/2015. Overall the number of employees in administrative functions in the Group worldwide is to be reduced by around 3,000 from its current level of roughly 15,000.

Stronger integration of our global activities is also aided by the new organizational structure. Clear responsibilities have been defined worldwide for cooperation between business areas, corporate functions and regions, and processes have been harmonized. These three dimensions will be more closely connected in the future. Global operating responsibility will remain with the business areas, but the regions will be involved more strongly. In the foreign markets our Group companies will operate with a common market identity and efficient structures. This will enable us to strengthen our market presence and better exploit opportunities particularly on the growth markets. Regional headquarters are currently being established in Brazil, China, India and the Asia-Pacific region. The North American headquarters started work at the beginning of the reporting year.

Corporate headquarters and the business area managements have been working in the new structure since October 01, 2013. The regions, individual business units and shared services will follow. In addition, the Group's structure will be routinely reviewed in the future as part of the annual strategy process in order to ensure it is continuously enhanced and adapted in line with changing conditions. As part of the increasing integration and harmonization of the Group, the number of independent legal entities has been reduced from around 830 to 630; a further reduction to less than 400 will take place in subsequent steps.

#### **Corporate program impact making good progress**

The corporate program impact is supporting the Group's Strategic Way Forward. It brings together various complementary initiatives and measures to strengthen our focus on performance.

The “impact 2015” initiative, which aims to achieve a cumulative positive EBIT effect of €2 billion from sustainable cost-cutting measures by the end of fiscal 2014/2015, plays an important part in this. All business areas, regions and selected functions have made a clear commitment to reaching this target. For the reporting year we had targeted a sustainable EBIT contribution from savings measures of €500 million Groupwide. We exceeded this target, achieving around €600 million. With the re-inclusion of ThyssenKrupp CSA, we have raised our overall target to €2.3 billion.

Important contributions to our impact target of €2.3 billion by the end of fiscal 2014/2015 will be delivered in particular by the synergize+ initiative, a program aimed at optimizing our purchasing processes. All business areas will have specific programs to help achieve our savings target for the Group, such as the “Best-in-Class Reloaded” project at Steel Europe with a savings target of more than €500 million.

The goal of the synergize+ program is to sustainably reduce our materials costs by managing and consolidating our purchases centrally. A structured and strategic approach in all material areas and the use of professional methods and modern tools for purchasing and supply chain management will ensure savings opportunities are realized. Closer cooperation across businesses, functions and regions will also help cement the new structures in our purchasing organization. In the reporting year we already managed to consolidate 40% of our purchases and are looking to increase this rate further to as much as 90% in the next two fiscal years.

The aim of “Best-in-Class Reloaded” is to improve the position of the Group’s European steel operations in a difficult competitive environment and achieve the earnings, cash flow, value added and competitive profile demanded of all areas of the Group under the strategic development program. As part of this, Steel Europe’s workforce is to be reduced in a socially acceptable way by more than 2,000 employees. To concretize the personnel measures, the Executive Board and General Works Council of ThyssenKrupp Steel Europe AG negotiated a reconciliation of interests, the basis for which was confirmed in September 2013 by the collective bargaining committee of trade union IG Metall. In addition Steel Europe has reorganized its entire leadership structure and reduced the number of corporate functions from 28 to 23. It is also intended to sell the grain-oriented electrical steel business with plants in Gelsenkirchen/Germany, and Isbergues/France, as well as the electrical steel operation in Nashik/India, as part of a best-owner solution. This could reduce the workforce by a further 1,800 employees.

In all our businesses, our goal is to differentiate ourselves from our competitors through our engineering expertise to achieve leading market positions and generate strong profits. To support our performance orientation we once again conducted benchmarking projects in numerous businesses in the reporting year. These structured comparisons enable us to systematically pinpoint gaps with our competitors and identify and implement measures to enhance our business performance. A number of cross-cutting initiatives to improve systems and processes are also under way. For example, several projects have been launched to harmonize our IT infrastructure and reporting processes in order to make management of the Group more efficient and transparent.

#### **Investment in growth areas and innovation**

As part of our strategic push in the coming years we want to expand both in the emerging growth regions and in the industrialized countries. Further stabilizing our finances and significantly reducing our temporarily increased gearing are prerequisites for this. Through the structural and operating improvements we have already initiated we will return to sustainably positive net earnings and free cash flows and so strengthen our total equity and reduce our net financial debt.

Despite the current financial constraints we made a number of selective acquisitions in the 2012/2013 fiscal year:

- The Elevator Technology business area strengthened its business in Europe and the USA through various acquisitions. In Europe we acquired the operations of the Eggert group and 100% of the shares in MIE Acensorie S.r.l. in Brescia/Italy. In the USA we bought 100% of Edmonds Elevator Inc. in Cleveland/Ohio, and the business operations of AMCO Elevator Inc. in Indianapolis/Indiana.
- The Industrial Solutions business area acquired the Australian engineering firm Australian Marine Technologies Pty Ltd to expand its presence in the naval shipbuilding sector in Australia, New Zealand and Southeast Asia.
- The Materials Services business area significantly expanded its raw material trading business in North and South America as well as its product portfolio with the acquisition of the business operations of Benwell Metals LLC, New York, USA in July 2013. In the same month we also acquired the business operations of The Waterjet Group in Darton, South Yorkshire/UK, a leading supplier to the British aerospace industry.

In addition we invested particularly in organic growth (see Investments in the section “Group review” on pages 43-44) and increased our research and development spending to €647 million (see Innovations in the section “Non-financial performance indicators” on pages 89-91):

- The Components Technology business area is expanding its presence in Europe and above all in the growth regions of Brazil, China, India and the NAFTA region. For example, a new truck crankshaft factory was officially opened in the Chinese city of Nanjing in April 2013.
- June 2013 saw the opening of the TechCenter Carbon Composites and the production facility of ThyssenKrupp Carbon Components in Dresden. Our activities in carbon fiber reinforced plastics (CFRP) are now concentrated there.
- In July 2013 we inaugurated Europe’s first multi-purpose fermentation plant for the continuous production of bio-based chemicals in Leuna/Germany. Among other things, these biochemicals are used as starting materials for biodegradable plastics.
- In addition, we are collaborating with BASF and Linde on a research project aimed at developing a new process to utilize carbon dioxide as a raw material – another technology with positive implications for climate protection and significant market potential.

In November 2013, ThyssenKrupp Industrial Solutions agreed to set up a joint venture with Industrie De Nora, a supplier of electrochemical technologies. Combining their engineering, procurement and construction activities for electrolysis plants will enable the two partners to expand their technological platforms, move closer to customers and increase their global presence. The agreement is subject to approval by the supervisory bodies and the relevant antitrust authorities.

## Focus on governance and compliance

The new Supervisory Board Chairman Prof. Dr. Ulrich Lehner has selected corporate governance and compliance as key areas of his work. Dr. Gerhard Cromme and Dr. Kersten v. Schenck, both members delegated by the Alfried Krupp von Bohlen und Halbach Foundation, left the Supervisory Board. The shareholder representatives on the Supervisory Board of ThyssenKrupp AG accepted a proposal by the nomination committee and recommended Carsten Spohr and Dr. Lothar Steinebach as new Supervisory Board members. Both were delegated to the Supervisory Board by the Foundation; they are not members of the Foundation’s board of trustees.

### Compliance efforts further intensified

Against the background of repeated compliance violations and the suspicion of price fixing by ThyssenKrupp Steel Europe raised by the Federal Cartel Office at the end of February 2013, the Executive Board of ThyssenKrupp AG decided to intensify the Group’s compliance efforts still further, also with support from external law firms.

As well as establishing an ombudsman, the Company carried out an amnesty program from April 15 to June 15, 2013. ThyssenKrupp promised employees who disclosed compliance matters voluntarily and fully under this program that it would not assert/enforce damage claims against them and that it would not terminate their employment. The amnesty program led to more than twenty leads. However, no serious or structural compliance infringements were identified. The relevant information received under the amnesty program related mainly to individual misconduct in customer and supplier relationships in Germany and abroad. This conduct was stopped following internal measures. The amnesty program did not produce any leads regarding the ongoing investigations by the Federal Cartel Office into possible price fixing in the delivery of certain steel products to the German automotive industry and its suppliers. Acting on an anonymous tip, the Federal Cartel Office among other things searched the business premises of ThyssenKrupp Steel Europe AG at the end of February 2013. Our internal investigations launched in response to the investigations by the Federal Cartel Office are at an advanced stage but not yet completed. Based on the facts currently known to us, significant adverse consequences with regard to the Group’s asset, financial and earnings situation cannot be ruled out.

In July 2013 ThyssenKrupp agreed with Deutsche Schutzvereinigung für Wertpapierbesitz e.V. and the shareholder Christian Strenger, whose motions for a special audit were rejected by the Annual General Meeting in January 2013, to carry out a voluntary special audit. The special audit comprised a forward-looking system audit. Among other things the auditors were to examine the structure of the internal control system for its appropriateness in preventing compliance infringements in the future, and the process of investment control for future large investment projects. Taking into account the dynamic change process taking place at ThyssenKrupp, the report by the auditors concludes that the systems and processes examined have been intensively enhanced and that the concepts and planned measures are constructive. The auditors confirm that the further development in particular of the compliance-relevant internal control system is well advanced, and find the Compliance function to be professionally organized and appropriately staffed. Reporting to the Supervisory Board is seen as appropriate. The auditors therefore endorse the implementation of the existing concepts and the planned measures in the areas audited, and have submitted proposals for further improvement which in part have already been taken into account. ThyssenKrupp will make the special audit report available to all shareholders from the convening of the 2014 Annual General Meeting.

## Value-based management

ThyssenKrupp uses a value-based management system to manage the performance of the Group. An information brochure on this is available on our website under Investor Relations.

### **ThyssenKrupp Value Added as a value-based performance indicator**

Alongside a strong cash flow focus and EBIT/adjusted EBIT as well as the corresponding returns on sales and capital, ThyssenKrupp Value Added (TKVA) forms the basis for management processes and decision-making at strategic and operating level, e.g. in investment and portfolio decisions. We use TKVA for setting targets, measuring performance and determining compensation.

TKVA measures the value created in a period at all levels of the Group. It is calculated as earnings before interest and taxes (EBIT) minus the cost of capital employed in the business. To obtain the cost of capital, capital employed is multiplied by the weighted average cost of capital (WACC), which comprises equity, debt and the interest rate for pension provisions.

More information on the development of TKVA in the reporting year can be found in the section "Group review" on page 42.

### **Operating performance indicator adjusted EBIT**

We also use adjusted EBIT to manage the performance of our operations. As EBIT also has a major impact on TKVA, operational management and value management are closely interlinked.

EBIT contains only components of financial income/expense that are operational in nature. These include income and expense from investments. Financing income/expense is generally not operational in nature. Also, the receipt of advance payments, particularly in the business areas with long-term construction contracts, is an integral part of risk management and thus of operating business. To take appropriate account of these advance payments, and the interest and financing effects attainable with them, in our value management, the EBIT of the relevant business areas is increased by an imputed earnings contribution, which is then eliminated again in the consolidation.

Following the disposal of Stainless Global, the Group holds a financial interest of 29.9% in Outokumpu which is accounted for by the equity method. The shareholding is strategically and operationally unrelated to the continuing operations and is therefore reported under Corporate; by definition, its equity income is not attributable to financial income with an operating character and is therefore not included in EBIT.

The Group's EBIT, the EBIT of the business areas and adjustments for special items are explained in detail in the section "Group review" on pages 40-42. Additional information can be found in the section "Business area review" on pages 49-56.

## Group review

### Summarized assessment by the Executive Board

The quality of our operating earnings, the significant improvement in cash flow and the progress made in reducing net financial debt in fiscal 2012/2013 demonstrate clearly that the measures introduced under the Strategic Way Forward are taking effect. In a generally difficult business climate the operating targets for efficiency, earnings and cash flow formulated at the beginning of the fiscal year for the continuing operations in the structure of the prior year and the interim reporting – i.e. excluding the Stainless Global and Steel Americas business areas – were met in full or exceeded; the negative impacts stemming from Stainless Global and Steel Americas were significantly reduced. However, necessary impairment charges, provisions and restructuring measures in connection with the implementation of our integrated strategic development program had a significant impact on the Group's financial position in the past fiscal year. As a result the equity ratio declined, and there was a temporary increase in gearing. However, the Group's liquidity is secured; the transformation of ThyssenKrupp into an efficient, profitable and value-creating diversified industrial group is taking place on a currently stable financial basis.

#### **Operating milestones achieved**

Adjusted EBIT from continuing operations in the structure of the prior year (without Steel Americas) came to €1,094 million in 2012/2013, fully in line with the target for the fiscal year. Adjusted EBIT from continuing operations after the reclassification of Steel Americas came to €599 million, up from the corresponding prior-year figure of €399 million. With the exception of Steel Americas, which reduced its losses significantly year-on-year but still posted a large loss of €(495) million in the reporting year, all business areas made positive contributions both on a cumulative basis for the full year and in all four quarters. The positive earnings contributions of the capital goods operations came to €1,559 million, far outweighing the overall negative earnings contributions of the materials businesses of €(116) million due to the losses of Steel Americas, as well as the negative adjusted EBIT of Corporate of €(425) million and consolidation effects of €(419) million.

Free cash flow from continuing operations in the structure of the prior year (without Steel Americas) improved significantly year-on-year to €1,474 million, increased to €258 million before divestments and was therefore above target for the fiscal year. Free cash flow from continuing operations after the reclassification of Steel Americas improved year-on-year by over €2 billion to €889 million, and before divestments increased by around €1.8 billion to €(332) million. Free cash flow of the full Group – incl. Steel Americas and Stainless Global – improved by €2.3 billion to €596 million, making a substantial positive contribution to reducing net financial debt after six years of negative values. The significant improvements reflect our efforts to optimize the structure of our cash flow profile.

On this basis the net financial debt of the full Group decreased from €5.8 billion to €5.0 billion; in the prior year we recorded an increase of around €2.2 billion.

#### **Balance sheet ratios impacted by special items; liquidity secured**

In fiscal year 2012/2013 EBIT from continuing operations after the reclassification of Steel Americas was significantly impacted by net special items of €1,194 million. These related in large part to Steel Americas and resulted from impairment charges of €586 million and the changed valuation of a long-term freight agreement with an EBIT impact of €94 million. Details on the impairment charges and the effects of the reclassification are provided in Note 03. Further special items related in particular to provisions for recognizable risks associated with the rail cartel case and to restructuring charges. Overall, the special items and a €279 million writedown of a financial receivable from Outokumpu were the main reason for the net loss of €1,536 million for the full Group (net loss attributable to shareholders of ThyssenKrupp AG: €1,396 million), for the decline in the equity ratio to 7.1% and for the temporary increase in the gearing ratio (net debt to equity) to 200.6%. With cash, cash equivalents and committed undrawn credit lines totaling €7.3 billion at September 30, 2013 and with a balanced maturity structure, ThyssenKrupp is well financed. The expected cash inflows from the sale of the ThyssenKrupp Steel USA rolling and coating plant in Calvert/Alabama and further portfolio measures as well as from operating activities will significantly reduce our net financial debt and temporarily increased gearing; in addition, rigorous implementation of the

Strategic Way Forward and the efficiency measures under the impact program will significantly improve the Group's earnings and competitiveness.

Key performance indicators for the full Group and the continuing operations after the reclassification of Steel Americas in the reporting year versus the prior year are shown in the following table:

**The Group in figures**

	million €	Group Total (incl. Steel Americas and Stainless Global)			Continuing Operations (after reclassification of Steel Americas) <sup>1)</sup>			Change in %	
		2011/2012	2012/2013	Change	2011/2012	2012/2013	Change		
Order intake	million €	48,742	39,774	(8,968)	(18)	43,842	38,636	(5,206)	(12)
Net sales total	million €	47,045	39,782	(7,263)	(15)	41,536	38,559	(2,977)	(7)
EBITDA	million €	1,544	1,222	(322)	(21)	1,723	1,163	(560)	(33)
EBIT	million €	(4,370)	(538)	3,832	88	(3,743)	(595)	3,148	84
EBIT margin	%	(9.3)	(1.4)	7.9	—	(9.0)	(1.5)	7.5	—
Adjusted EBIT	million €	318	531	213	67	399	599	200	50
Adjusted EBIT margin	%	0.7	1.3	0.6	—	1.0	1.6	0.6	—
EBT	million €	(5,067)	(1,590)	3,477	69	(4,414)	(1,648)	2,766	63
Net income/(loss) / Income/(loss) (net of tax)	million €	(5,042)	(1,556)	3,506	70	(4,335)	(1,589)	2,746	63
attributable to ThyssenKrupp AG's shareholders <sup>1)</sup>	million €	(4,241)	(1,396)	2,845	67	(3,541)	(1,450)	2,091	59
Basic earnings per share <sup>1)</sup>	€	(8.24)	(2.71)	5.53	67	(6.88)	(2.82)	4.06	59
Operating cash flows	million €	(386)	786	1,172	++	(290)	981	1,271	++
Cash flows from disposals	million €	854	1,221	367	43	852	1,221	369	43
Cash flows for investments	million €	(2,204)	(1,411)	793	36	(1,800)	(1,313)	487	27
Free cash flow	million €	(1,736)	596	2,332	++	(1,238)	889	2,127	++
Employees (September 30)		167,961	156,856	(11,105)	(7)	156,115	156,856	741	0
Germany		64,380	58,164	(6,216)	(10)	58,447	58,164	(283)	0
Abroad		103,581	98,692	(4,889)	(5)	97,668	98,692	1,024	1
Distribution	million €	—	— <sup>2)</sup>	—	—	—	—	—	—
Dividend per share	€	—	— <sup>2)</sup>	—	—	—	—	—	—
ROCE	%	(20.3)	(3.7)	16.6	—	—	—	—	—
ThyssenKrupp Value Added	million €	(6,197)	(1,852)	4,345	70	—	—	—	—
Net financial debt (September 30)	million €	5,800	5,038	(762)	(13)	—	—	—	—
Total equity (September 30)	million €	4,526	2,511	(2,015)	(45)	—	—	—	—
Gearing	%	128.1	200.6	72.5	—	—	—	—	—

<sup>1)</sup> Prior-year figures have been adjusted.

<sup>2)</sup> proposal to the Annual General Meeting

## Business performance

### Growth in elevators and plant technology in a difficult environment

In a continuing difficult economic environment ThyssenKrupp held up well overall in fiscal year 2012/2013; key pillars were the solid positions at Elevator Technology and in the plant technology business of Industrial Solutions.

Order intake from continuing operations (incl. Steel Americas) came to €38.6 billion, down 12% year-on-year. On a comparable basis the decrease would have been only 8%. There were solid gains of 6% in the elevator business, which improved year-on-year in all four quarters and achieved a new record overall, and in the plant technology business of Industrial Solutions. The naval shipbuilding unit and hence the Industrial Solutions business area as a whole was unable to repeat the high order intake of the prior year, which included several major contracts. At more than €18 billion on September 30, 2013, orders in hand at Elevator Technology and Industrial Solutions were virtually unchanged from the high level of the prior year. Order intake at Components Technology was down overall year-on-year due to lower demand and disposals, but higher in the 4th fiscal quarter. Lower prices weighed down on the steel and materials businesses.

Including the discontinued Stainless Global, which contributed to order intake until December 28, 2012, the Group's order intake dropped by 18% to €39.8 billion.

**Order intake by business area**

million €	2011/2012	2012/2013	Change in %
Components Technology	6,933	5,715	(18)
Elevator Technology	6,149	6,520	6
Industrial Solutions	7,631	5,283	(31)
Materials Services	13,146	11,663	(11)
Steel Europe	10,455	9,515	(9)
Steel Americas	2,081	2,056	(1)
Corporate	158	190	20
Order intake of the business areas	46,553	40,942	(12)
Consolidation	(2,711)	(2,306)	—
Order intake of the continuing operations	43,842	38,636	(12)
Stainless Global	5,611	1,319	(76)
Consolidation	(711)	(181)	—
Order intake of the Group	48,742	39,774	(18)

Sales from continuing operations (incl. Steel Americas) decreased by 7% to €38.6 billion. On a comparable basis sales decreased by only 3%. The effects of disposals and declines in the components and materials businesses were partly offset by higher sales in the elevator, plant technology and shipbuilding businesses. Elevator Technology set a new sales record.

Group sales including the discontinued Stainless Global were down 15% year-on-year at €39.8 billion.

**Sales by business area**

million €	2011/2012	2012/2013	Change in %
Components Technology	7,011	5,712	(19)
Elevator Technology	5,705	6,155	8
Industrial Solutions	5,257	5,641	7
Materials Services	13,165	11,700	(11)
Steel Europe	10,992	9,620	(12)
Steel Americas	2,014	1,867	(7)
Corporate	158	190	20
Sales of the business areas	44,302	40,885	(8)
Consolidation	(2,766)	(2,326)	—
Sales of the continuing operations	41,536	38,559	(7)
Stainless Global	6,346	1,402	(78)
Consolidation	(837)	(179)	—
Sales of the Group	47,045	39,782	(15)

**Adjusted EBIT improved year-on-year; impact measures taking effect**

In a generally difficult business environment we improved our adjusted EBIT from continuing operations (incl. Steel Americas) year-on-year by €200 million to €599 million. A major factor in this were the extensive measures under the corporate program impact. With the exception of Steel Americas, which reduced its losses significantly year-on-year but still posted a large loss of €495 million, all business areas made positive contributions both on a cumulative basis for the full year and in all four quarters.

The positive earnings contributions of the capital goods operations came to €1,559 million, far outweighing the overall negative earnings contributions of the materials businesses of €(116) million due to the losses of Steel Americas, as well as the negative adjusted EBIT of Corporate of €(425) million and consolidation effects of €(419) million.

In the capital goods operations, earnings at Components Technology were down year-on-year due to disposals and lower demand; start-up costs for new plants and products also had an effect. Elevator Technology improved its margin year-on-year in all four quarters and increased its adjusted EBIT to a new record level; adjusted EBIT margin improved year-on-year from 10.3% to 11.0%. As expected, profits at Industrial Solutions were roughly level with the prior year, which benefited from the reversal of project-specific risk provisions at Marine Systems. Extensive performance measures under the impact program in the materials operations limited the price-related earnings declines at Materials Services and Steel Europe and supported the significant reduction of the losses at Steel Americas. With once again positive adjusted EBIT in all four quarters, Materials Services and Steel Europe demonstrated clearly the quality of their business models, also compared with international competitors.

Including the discontinued Stainless Global the Group's adjusted EBIT increased from €318 million to €531 million.

#### Adjusted EBIT by business area

million €	2011/2012	2012/2013	Change in %
Components Technology	453	244	(46)
Elevator Technology	587	675	15
Industrial Solutions	689	640	(7)
Materials Services	311	236	(24)
Steel Europe	247	143	(42)
Steel Americas	(1,010)	(495)	51
Corporate	(487)	(425)	13
Adjusted EBIT of the business areas	790	1,018	29
Consolidation	(391)	(419)	—
Adjusted EBIT of the continuing operations	399	599	50
Stainless Global	(80)	(68)	15
Consolidation	(1)	0	—
Adjusted EBIT of the Group	318	531	67

#### Earnings impacted by special items

EBIT from continuing operations (incl. Steel Americas) improved year-on-year from €(3,743) million to €(595) million but remained clearly negative. As in the prior year, the main reason for this was negative special items. These decreased year-on-year from €4,142 million to €1,194 million and mainly included necessary impairment charges, provisions for recognizable risks associated with the rail cartel case, and restructuring charges in connection with the implementation of our Strategic Way Forward.

At Components Technology net special items of €71 million were recognized mainly for restructuring and impairment charges in connection with structural optimizations in the construction equipment business at Berco and in the wind turbine component business. Elevator Technology carried out further restructurings at its European operations in the reporting year; these were responsible for special items of €64 million. Industrial Solutions recorded net positive special items of €18 million, mainly in its shipbuilding operations. Materials Services recorded special items of €242 million, including provisions for recognizable risks from compensation claims and a fine imposed in connection with the rail cartel. Steel Europe recognized special items of €81 million; negative items – mainly provisions in connection with the “Best in Class – reloaded” program – were only partly offset by a disposal gain on the sale of the tailored blanks operations. At Steel Americas negative special items came to €685 million; these were mainly impairment charges on property, plant and equipment as well as EBIT impacts due to the changed valuation of a long-term freight agreement. Earnings at Corporate were impacted by special items of €75 million, primarily for restructuring provisions in connection with the corporate initiative ACT.

**Special items from continuing operations**

million €	2011/2012	2012/2013	Change in %
EBIT	(3,743)	(595)	84
+/- Disposal losses/gains	(356)	(118)	67
+ Restructuring expense	92	284	209
+ Impairment	4,091	679	(83)
+ Other non-operating expense	353	378	7
- Other non-operating income	(38)	(29)	24
Adjusted EBIT	399	599	50

Including the discontinued Stainless Global the Group's EBIT came to €(538) million. It includes positive special items at Stainless Global of €125 million, mainly due to the provisional disposal gain.

Earnings from continuing operations (incl. Steel Americas) net of tax remained negative at €(1,589) million, mainly due to special items and the writedown of a financial receivable from Outokumpu. Earnings net of tax attributable to the shareholders of ThyssenKrupp AG amounted to €(1,450) million; earnings per share came to €(2.82). The net loss for the full Group improved year-on-year from €5,042 million to €1,536 million mainly due to the overall declines in impairment charges at Steel Americas and Stainless Global. The net loss attributable to the shareholders of ThyssenKrupp AG decreased year-on-year from €4,241 million to €1,396 million; earnings per share came to €(2.71).

**ThyssenKrupp Value Added**

In the past fiscal year the Group generated ThyssenKrupp Value Added (TKVA) of €(1,852) million, compared with €(6,197) million a year earlier. Despite declining interest rates we increased the imputed cost of equity, so WACC 2012/2013 for the Group is 0.5 percentage points higher. Similarly we reviewed the business area-specific cost of capital and adjusted it slightly in some cases. Details on TKVA and its main components are shown in the following table:

**ThyssenKrupp Value Added (TKVA) by business area**

	2011/2012				2012/2013				Change TKVA (million €)
	EBIT (million €)	Average capital employed (million €)	WACC (%)	TKVA (million €)	EBIT (million €)	Average capital employed (million €)	WACC (%)	TKVA (million €)	
Group	(4,370)	21,488	8.5	(6,197)	(538)	14,594	9.0	(1,852)	4,345
Thereof:									
Components Technology	681	3,112	9.0	401	173	2,980	9.0	(96)	(497)
Elevator Technology	387	2,427	8.0	193	611	2,353	8.0	423	230
Industrial Solutions	506	1,469	9.0	374	658	1,472	9.0	525	151
Materials Services	127	2,945	8.5	(123)	(6)	2,808	9.0	(258)	(135)
Steel Europe	188	5,773	9.0	(332)	62	5,198	9.5	(432)	(100)
Steel Americas	(4,747)	6,802	9.0	(5,359)	(1,180)	3,202	10.0	(1,500)	3,859
Stainless Global	(626)	2,523	9.0	(853)	57	996	9.5	(38)	815

More information on the importance of TKVA and EBIT for business management is contained in the section "Value-based management" on page 37.

## Capital expenditures

### Allocation of capital improved, share of capital goods operations in spending mix strengthened

In the reporting year ThyssenKrupp invested a total of €1,411 million, 36% or around €800 million less than in the prior year. More than 80% of the decrease was accounted for by the discontinued operation Stainless Global and by Steel Americas: With the completion of the disposal at the end of the 1st quarter 2012/2013 capital spending at Stainless Global was no longer recognized; it therefore declined year-on-year by around €300 million. In addition, capital spending at Steel Americas decreased further, falling by around €350 million to €170 million. Around €600 million was invested in our capital goods operations, particularly Components Technology.

**Investments by business area**

million €*	2011/2012	2012/2013	Change in %
Components Technology	420	389	(7)
Elevator Technology	178	143	(20)
Industrial Solutions	87	63	(28)
Materials Services	91	76	(16)
Steel Europe	505	408	(19)
Steel Americas	515	170	(67)
Corporate/Consolidation	4	64	—
Investments of the continuing operations	1,800	1,513	(27)
Stainless Global/Consolidation	404	98	—
Investments of the Group	2,204	1,411	(36)

\* including cash and cash equivalents acquired from acquisitions of consolidated companies

€75 million was used for the acquisition of businesses, shareholdings and other financial assets. The main acquisitions are presented in the section “The Group’s Strategic Way Forward” on pages 35-36.

### Capital expenditures in the continuing business areas

Expenditure for property, plant and equipment and intangible assets in the continuing operations (incl. Steel Americas) came to €1,236 million and was €132 million higher than depreciation at €1,104 million.

**Components Technology** – Components Technology spent a total of €389 million on property, plant and equipment and intangible assets; depreciation came to €264 million. The majority of the budget went on the growth regions BIC and NAFTA; for example we opened a new truck crankshaft factory in the Chinese metropolis of Nanjing in the 3rd quarter. We also invested substantially in Germany – among other things in the development and production of electromagnetic steering gears and in the further development of camshaft technology. In addition we opened a new factory to produce cylinder head covers. In our process the camshafts and other components are integrated in the closed cylinder head cover so we can supply our customers with a complete valvetrain module rather than individual drive components. This results in weight savings as well as faster and more efficient engine assembly at the car manufacturer’s plant. Two further factories are under construction in China and Brazil.

**Elevator Technology** – In addition to continuous acquisitions of established small and midsize elevator companies in Germany and worldwide, Elevator Technology spent €105 million on property, plant and equipment and intangible assets in the reporting period; depreciation came to €80 million. Elevator Technology focused its investment on increasing efficiency and on its growth strategy centered on China. In Germany the Neuhausen site is being expanded into a state-of-the-art technology park with significant improvements to delivery performance and production and material flows.

**Industrial Solutions** – The business Area spent €63 million on property, plant and equipment and intangible assets to strengthen its technology portfolio and expand its regional market positions. Further investment was made in service centers in South America to widen our service network and increase service sales. As part of its growth strategy Industrial Solutions also invested in industrial biotechnology and opened Europe's first multi-purpose fermentation plant for the continuous production of bio-based chemicals in the reporting year, further strengthening its research and development efforts in the area of biochemicals based on renewable raw materials. Among other things these chemicals are used as starting materials for biodegradable plastics such as polylactic acid (PLA) and polybutylene succinate (PBS), which in turn are ideal for processing into eco-friendly packaging materials, films and textiles. Depreciation came to €60 million.

**Materials Services** – Spending by Materials Services on property, plant and equipment and intangible assets came to €77 million, with depreciation at €90 million. The investment was used to modernize and expand plant and equipment in our materials business as well as to strengthen the growing aerospace business, including the establishment of new sites.

**Steel Europe** – Spending on property, plant and equipment and intangible assets at Steel Europe came to €372 million in the reporting year; depreciation was €441 million. The focus of investment with two modernization shutdowns was the extensive upgrade of hot strip mill 1 in Duisburg-Bruckhausen to secure the technological basis for our differentiation strategy. At the same time a converter was replaced at oxygen steelmaking plant 1 in Duisburg-Bruckhausen. In addition, substantial funds were invested in replacing the drive equipment on continuous furnace 3 at our packaging steel specialist Rasselstein in Andernach, in the extensive modernization of the medium-wide strip mill of our hot-rolled strip specialist in Hagen-Hohenlimburg and in raw materials logistics.

**Steel Americas** – Spending by the Steel Americas business area on property, plant and equipment and intangible assets came to €170 million in the reporting year compared with €515 million a year earlier. Investment in the Brazilian steel mill centered on environmental measures and repair and optimization work on the coke plant. The focus in the USA was on final investments in production facilities and infrastructure. Depreciation came to €136 million.

**Corporate** – At Corporate, investment in property, plant and equipment and intangible assets came to €60 million in the reporting year and mainly included spending on IT infrastructure and data and process harmonization. We also invested in consolidating our activities in carbon fiber reinforced plastic (CFRP) and in June 2013 opened the TechCenter Carbon Composites and the production site of ThyssenKrupp Carbon Components.

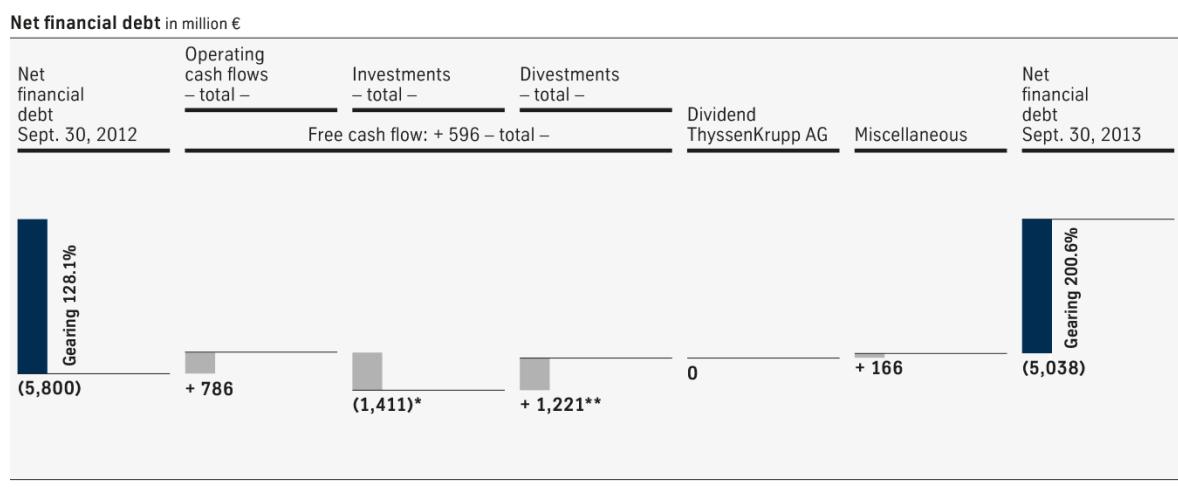
#### **Capital expenditures in the discontinued operations**

**Stainless Global** – Up to the completion of the disposal at the end of the 1st quarter 2012/2013 the discontinued business area spent €99 million on property, plant and equipment and intangible assets; due to the classification as a discontinued operation depreciation of €52 million was not recognized. One focus of the spending was the further development of the new production site in Calvert, USA.

## Cash flow and net financial debt

We made clear progress with our goal of improving the cash flow profile and reducing net financial debt. The free cash flow of the full Group increased year-on-year by €2.3 billion to €596 million in 2012/2013; free cash flow from continuing operations (incl. Steel Americas) improved by over €2 billion to €889 million; before disposals it came to €(332) million. This year-on-year improvement of around €1.8 billion reflects our efforts to optimize the structure of our cash flow profile.

There was a cash inflow of €1,221 million from divestments – mainly the sale of the stainless steel operations – while investment in the Group came to €1,411 million. Operating cash flows came to €786 million. The impact of individual factors on our net financial debt in the reporting year is shown in the following graphic:



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

The full Group's net financial debt at September 30, 2013 stood at €5,038 million, down significantly from the level at September 30, 2012 (€5,800 million). Taking into account cash, cash equivalents, committed undrawn credit lines and the balanced maturity structure, ThyssenKrupp is solidly financed.

ThyssenKrupp AG has agreements with banks which contain certain covenants in the event that the gearing ratio (net financial debt to equity) in the consolidated financial statements exceeds 150% at the closing date (September 30).

At September 30, 2013 the gearing ratio was temporarily increased, primarily as a result of impairment charges, and stood at 200.6%. The gearing limit of 150% agreed in some credit agreements was therefore exceeded at September 30, 2013. However, agreements had previously been reached with the financial partners involved to waive the gearing covenant test at September 30, 2013 so these financial instruments remain available after September 30, 2013 despite the gearing limit being temporarily exceeded.

At September 30, 2013 the Group's available liquidity amounted to €7.3 billion, consisting of €3.8 billion cash and cash equivalents and €3.5 billion committed undrawn credit lines. The available liquidity offers enough scope to cover debt maturities. The gross financial liabilities repayable in fiscal year 2013/2014 amount to €1.9 billion.

## Bond issue

In February 2013 ThyssenKrupp AG issued a €1.25 billion 5½-year bond under its €10 billion debt issuance program. With an order book of over €4 billion the bond was very well received by the capital market. In view of the good response we increased the bond by €0.35 billion to a total of €1.6 billion in March 2013. It pays a coupon of 4.0% p.a. at an issue price of 99.681% / 100.625%. The issue was timed to benefit from the advantageous market climate and extended the maturity profile of our financial debt.

## Rating

### Issuer ratings since 2001

We have been rated by Moody's and Standard & Poor's since 2001 and by Fitch since 2003. In January 2013 Moody's lowered ThyssenKrupp's rating from Baa3 to Ba1. At S&P and Moody's our rating is therefore below investment grade. Our rating at S&P has been below investment grade since November 2009; Fitch confirmed our investment grade rating in December 2012 with a negative outlook. A negative outlook means that the rating agency monitors the rating more closely and then reviews it, normally within a period of 12 to 18 months. As a result of the downgrading of our rating the Group's contractually fixed financing costs, mainly in connection with the 2009/2014 bond, have increased by a low two-digit million euro amount since June 2013.

	Long-term rating	Short-term rating	Outlook
Standard & Poor's	BB	B	negative
Moody's	Ba1	Not Prime	negative
Fitch	BBB-	F3	negative

## Expected developments

### Fiscal year 2013/2014

The following forecast relates to the continuing operations of the Group after the reclassification of Steel Americas (incl. the disposal group ThyssenKrupp Steel USA); not included are the sales and earnings effects from the planned transfer of the shares in the VDM and AST groups from Outokumpu to ThyssenKrupp in return for the transfer to Outokumpu of the financial receivable created in connection with the sale of Inoxum.

**Sales and earnings** – From the present perspective, the Group's business performance in the 2013/2014 fiscal year will be characterized by a moderate recovery of the global economy. The apparent trends – the end of the economic downturn in the euro zone and stabilization of the pace of growth outside Europe – cannot yet be regarded as certain.

Based on the assumptions of

- generally slow growth in the core markets for our more cyclical materials and components businesses in the developed world regions and continuing growth in the emerging economies
- no major dislocations on the raw materials markets
- visibility not extending much beyond a quarter for large parts of our materials and components businesses in the current economic environment

our expectations for ThyssenKrupp in fiscal 2013/2014 are as follows:

- **The Group's sales** before portfolio adjustments are expected to grow year-on-year (sales 2012/2013: €38.6 billion) by a mid single-digit percentage rate.
- **Capital goods businesses:** The high order backlogs at Elevator Technology and Industrial Solutions secure the expected sales growth well into the fiscal year. At Components Technology the new plants in China and India will deliver increasing sales contributions.
- **Materials businesses:** Selective growth initiatives at Materials Services are expected to result in a slight increase in sales, while sales at Steel Europe will be slightly lower due to portfolio measures. At Steel Americas, we anticipate higher sales as a result of continuing technical optimization and increasing market penetration.
- **Adjusted EBIT for the Group** before portfolio adjustments is expected to improve year-on-year (adjusted EBIT 2012/2013: €599 million) to around €1 billion. Apart from Steel Americas all business areas will make positive contributions. As a result of operating progress, Steel Americas' loss will decline further. In addition, the expected growth in our highly profitable capital goods businesses and our Groupwide efforts to enhance performance under the impact program will contribute to improving the Group's earnings. Elevator Technology in particular will further improve its earnings and margin. An earnings improvement is likewise expected at Industrial Solutions. In our materials businesses we expect Steel Europe – despite continuing strong competition – to deliver a higher earnings contribution due to efficiency gains from the "Best-in-Class Reloaded" project.

Our goal in the subsequent years continues to be to strengthen our equity through a return to net profit; for fiscal 2013/2014, excluding earnings effects from VDM and AST, we expect a significant improvement towards break-even. We will also work hard to improve cash generation from operating activities on a sustainable basis and further reduce net financial debt.

Despite the temporary increase in gearing, our financing and liquidity will remain on a secure basis in fiscal 2013/2014 and able to cushion fluctuations resulting from sudden economic changes. The expected cash inflows from the sale of the ThyssenKrupp Steel USA rolling and coating plant in Calvert/Alabama and further portfolio measures as well as from operating activities will significantly reduce our net financial debt and temporarily increased gearing; in addition, the stringent implementation of our Strategic Way Forward and the efficiency measures under impact will substantially improve the earnings and competitive profile of the Group. Capital spending in the Group as a whole is expected to be at the prior-year level.

## Fiscal year 2014/2015

In the 2014/2015 fiscal year we will continue to work on the structural improvement of the Group and rigorously implement our integrated strategic development plan. This may include among other things targeted growth stimulus and further portfolio optimization. Assuming the global economy continues its moderate recovery, the economic downturn in the euro zone is over and the pace of growth outside Germany stabilizes, we expect our sales to increase further in line with the general growth of the economy. Rising sales and structural improvements should have a correspondingly positive impact on earnings. In 2014/2015 we additionally expect further significant improvements on the earnings side as a result of the corporate programs initiated, in particular "impact 2015", and the continuous stimulus to efficiency provided by benchmarking. We therefore also expect an improvement in the equity and financing situation in 2014/2015. More information on our corporate programs can be found in the section "Profile and strategy" on pages 34-35.

## Business area review

The Group's operations are organized in business areas. In a generally difficult business environment all continuing operations generated positive adjusted EBIT both on a cumulative basis over the fiscal year and in each quarter. The only exception was the Steel Americas business area, which significantly reduced its losses year-on-year but continued to post clearly negative earnings overall.

### Components Technology

**Components Technology in figures**

		2011/2012	2012/2013	Change in %
Order intake	million €	6,933	5,715	(18)
Sales	million €	7,011	5,712	(19)
EBIT	million €	681	173	(75)
EBIT margin	%	9.7	3.0	—
Adjusted EBIT	million €	453	244	(46)
Adjusted EBIT margin	%	6.5	4.3	—
Employees (September 30)		28,011	27,737	(1)

The Components Technology business area supplies a range of high-tech components for general engineering, construction equipment and wind turbines. In the auto sector our activities are focused on crankshafts, camshafts, steering systems, dampers, springs, stabilizers and the assembly of axle modules.

#### **Order intake and sales down due to structural reasons and lower demand**

At Components Technology the disposals of the prior year, mainly the sale of the US foundry group Waupaca, resulted in a structurally lower volume of business in the 2012/2013 fiscal year. Accordingly order intake was 18% lower year-on-year at €5.7 billion. Excluding the disposals order intake was around 3% down from the year before. In the wind turbine components sector, business activity was weaker overall in the reporting year despite a slight upturn in the final two quarters. In addition, the uncertain investment climate in the construction and infrastructure sectors in western Europe resulted in lower orders for construction equipment components. There was also no turnaround on the US truck market; orders were down sharply against the prior year. By contrast there were positive developments on the car markets in the USA and China; continuous progress is being made with our new plants in China. In western Europe demand for car and truck components remained subdued, but year-on-year gains were achieved in the premium car segment. Following the trend in orders, sales declined steeply year-on-year particularly as a result of the disposals. Excluding the disposals, sales were around 4% lower at €5.7 billion.

#### **Adjusted EBIT down year-on-year – restructuring measures initiated under impact program**

At €244 million, adjusted EBIT was down from the comparable prior-year figure. Key factors were the absence of the operating profits of Waupaca, the slowdown in the western European market for car and truck components, continuing weak demand in the construction machinery and infrastructure sectors, and increasing competitive and price pressure in the wind turbine sector. In addition the figure contains startup costs for new plants, mainly in Asia and South America, and new products. On the other hand there were positive effects on earnings from the implementation of the restructuring program at ThyssenKrupp Federn und Stabilisatoren. Adjusted EBIT margin at 4.3% was below the prior-year level of 6.5%.

At €173 million, EBIT at Components Technology was likewise down sharply from the year-earlier figure, which included high positive special items from the sale of Waupaca. In addition, asset impairment charges of €36 million in the wind turbine component business and restructuring expenses of €35 million in construction machinery components at Berco weighed on earnings. A restructuring program with extensive personnel measures became necessary at Berco. The results achieved in negotiations with employee and government representatives are an important step on the path towards a radical reorganization and rapid restructuring of the company. This will create the basis to secure and increase the company's profitability and viability and support the disposal process.

## Elevator Technology

### Elevator Technology in figures

		2011/2012	2012/2013	Change in %
Orders in hand (September 30)	million €	3,588	3,586	0
Order intake	million €	6,149	6,520	6
Sales	million €	5,705	6,155	8
EBIT	million €	387	611	58
EBIT margin	%	6.8	9.9	—
Adjusted EBIT	million €	587	675	15
Adjusted EBIT margin	%	10.3	11.0	—
Employees (September 30)		47,561	49,112	3

The Elevator Technology business area supplies passenger and freight elevators, escalators and moving walks, passenger boarding bridges, stair and platform lifts as well as service for the entire product range. Over 900 locations worldwide form a tight-knit sales and service network that keeps us close to customers.

### Order intake and sales reach new record levels

Elevator Technology continued its record-breaking run in 2012/2013. Year-on-year order intake increased by around 6% to over €6.5 billion. This growth mainly reflects the extremely pleasing performance of the new installations business in China. There were also in some cases significant improvements on the North and South American markets, with successful infrastructure projects on the Brazilian market playing a key role. By comparison, order intake in Europe showed only weak growth. One exception was Turkey, where order intake increased sharply due to our involvement in major infrastructure projects, e.g. Metro Marmaray.

The positive trend in orders was mirrored in sales, which at €6.2 billion were 8% higher year-on-year. Service sales also increased worldwide thanks to innovative service processes and the expansion of our global network of branches.

Further progress was made on the construction of our new production sites in Asia. To strengthen our ability to serve the new installations business in Europe, work began on the modernization and expansion of our production site in Neuhausen under the Fit-for-Future project; here too progress is on schedule.

### Significant increase in adjusted EBIT – impact measures taking effect

Elevator Technology achieved adjusted EBIT of €675 million, up 15% from the prior year. Adjusted EBIT margin came to 11.0%, compared with 10.3% a year earlier. This encouraging earnings and margin trend was due to the restructurings and performance measures initiated the year before, such as the consolidation of purchasing volumes and optimization of service processes.

Elevator Technology also reported a significant increase in EBIT to €611 million from €387 million in the previous year. The prior-year earnings contained special items in the amount of €200 million, mainly nonrecurring expenses for the site closures on the US market for accessibility products and further restructuring measures. Special items in the reporting year came to €64 million and were mainly due to further restructuring programs in Europe.

## Industrial Solutions

### Industrial Solutions in figures

		2011/2012	2012/2013	Change in %
Orders in hand (September 30)	million €	15,634	14,641	(6)
Order intake	million €	7,631	5,283	(31)
thereof Marine Systems*	million €	3,605	364	(90)
Sales	million €	5,257	5,641	7
thereof Marine Systems*	million €	1,188	1,334	12
EBIT	million €	506	658	30
EBIT margin	%	9.6	11.7	—
Adjusted EBIT	million €	689	640	(7)
Adjusted EBIT margin	%	13.1	11.3	—
Employees (September 30)		18,111	18,841	4

\* including other shareholdings and consolidation

Effective January 01, 2013 the former Plant Technology and Marine Systems business areas were combined into the new Industrial Solutions business area. Industrial Solutions comprises the operating units Process Technologies (Uhde), Resource Technologies (Polysius/Fördertechnik), Marine Systems (HDW/Blohm+Voss Naval) and System Engineering.

The product portfolio encompasses chemical plants and refineries (Process Technologies), equipment for the cement industry and innovative solutions for the mining and processing of raw materials (Resource Technologies), naval shipbuilding (Marine Systems), and production systems for the auto industry (System Engineering). A range of services rounds out the portfolio. Tailored engineering expertise for patented processes and mechanical applications, global project management, system integration, reliable procurement and supplier management, and high-quality services for customers are the basis for our success.

**Orders significantly higher in core plant engineering, but down from high prior-year level in naval shipbuilding**  
The markets of Industrial Solutions performed positively overall in 2012/2013. However at €5.3 billion order intake was down from the high year-earlier level. This mainly reflected delays in the awarding of naval shipbuilding projects.

The situation was particularly encouraging in chemical plant construction at Process Technologies, where order intake increased by almost 70%. Due to low gas prices as a result of the shale gas boom in North America, demand for petrochemical plants remains high; we won orders in the USA to design and deliver fertilizer plants worth around €1.2 billion. In addition we are planning to expand our electrolysis activities to further strengthen our core plant engineering business. For this purpose in November 2013 we signed an agreement to establish a joint venture with Industrie De Nora, a supplier of electrochemical technologies. By combining their engineering, procurement and construction activities for electrolysis plants under the name ThyssenKrupp Uhde Chlorine Engineers, the two partners will expand their technology platforms, move closer to their customers, and enhance their global presence. The agreement is subject to the approval of the supervisory bodies and the competent cartel authorities.

The Resource Technologies business also achieved higher order intake year-on-year, benefiting in particular from the strong infrastructure investment climate in Southeast Asia. We won a €150 million contract to build a cement plant in Thailand as well as a €200 million follow-up order to expand a cement plant for a long-standing customer in Indonesia. Following a period of high demand over the past few years, the market for mining equipment is now marked by slow new project business and correspondingly intense competition; however, our high order backlog and balanced portfolio with an increasing share of repair and service business ensures a stable workload and business situation.

Demand for production systems for the automotive industry remained high. System Engineering won among other things an order in the high double-digit million euro region to build a body-in-white facility for a European auto manufacturer as well as an order for a production line for the aerospace industry – an activity of growing importance.

Order intake in naval shipbuilding was down from the very high prior-year level due to the deferral of a submarine export project. There are a number of promising projects worldwide, in particular in the Asia/Pacific region. To strengthen our market presence in the Southeast Asian region (including Australia and New Zealand) we acquired the Australian engineering firm Australian Marine Technologies in the reporting year.

The business area's high order backlog of €14.6 billion at September 30, 2013 continues to secure a good workload, provides planning certainty and contributes to the prospects for growth.

Industrial Solutions operates globally. Of total orders received, 42% came from America, 29% from Europe, 25% from Asia/Pacific, and 4% from Africa. We have begun implementing a regionalization plan to concentrate our strengths in the markets and intensify our efforts in the area of strategic market and customer development.

Industrial Solutions' sales were 7% higher than a year earlier at €5.6 billion, confirming the sustained upward trend.

#### **Adjusted EBIT with continued double-digit margins; EBIT significantly higher**

Aided by numerous impact measures, Industrial Solutions achieved adjusted EBIT of €640 million, largely level with the prior-year figure which profited in particular from the reversal of project-related risk provisions at Marine Systems. At 11.3% adjusted EBIT margin remained firmly within the double-digit target corridor. At €658 million EBIT significantly exceeded the year-earlier figure, which was impacted by impairment charges in connection with the sale of the civil shipbuilding operations; EBIT margin at 11.7% likewise showed a significant increase from 9.6% the year before.

## Materials Services

### Materials Services in figures

		2011/2012	2012/2013	Change in %
Order intake	million €	13,146	11,663	(11)
Sales	million €	13,165	11,700	(11)
EBIT	million €	127	(6)	--
EBIT margin	%	1.0	(0.1)	—
Adjusted EBIT	million €	311	236	(24)
Adjusted EBIT margin	%	2.4	2.0	—
Employees (September 30)		27,595	26,978	(2)

With 500 locations in 34 countries, the Materials Services business area specializes in materials distribution including technical services.

#### **Holding up well in weak market environment**

With demand weak and material prices sharply down from the prior year, Materials Services held up well in the reporting year – also in comparison with many other market players. This reflects the positive effects of the business area's extensive portfolio of products and services, broad mix of customers and sectors, and balanced international positioning.

In view of the persistent market weakness, the focus was on numerous performance programs in connection with impact in 2012/2013. These included primarily the systematic and sustainable initiatives to optimize our logistics network concentrating on warehousing, processing, transportation and locations. We also included in the measures the entire inventory management system. The harmonization of our global IT network was continued, and by the end of the fiscal year 7,000 users were already working in a common IT environment. The business area's operating structure and administration in Germany and abroad were further optimized. With the broad range of personnel tools available, it was possible to adapt the number of employees to the sales and workload situation.

The figures for the reporting year reflect the generally weak economic environment and associated strong competitive pressure. Both order intake and sales slipped 11% to €11.7 billion. With the exception of further growth achieved in the aerospace business, orders and sales were lower year-on-year in all areas. Due partly to new sites opened in the fiscal year, the aerospace business will be able to continue to expand in the future. Overall there was no notable business recovery from the already relatively weak prior year; price and competitive pressure remained exceptionally high for nearly all products and in all regions.

Alongside the cost-reduction measures, numerous sales initiatives were introduced. As a result warehouse sales of materials were level year-on-year at 5.5 million tons. While sales volumes in Germany decreased disproportionately, some growth was reported in eastern Europe and North America. A sharp decline in international direct-to-customer and project business meant that the few projects available were fiercely contested.

Numerous production cutbacks and stoppages in the steel industry impacted demand for metallurgical raw materials throughout the fiscal year. As a result of both this and the absence of follow-up and special projects in Brazil, operating levels and sales of our steel mill services decreased year-on-year; the number of employees was adjusted in good time.

The sale process initiated in the middle of the fiscal year for the "Railway/Construction" operations is being implemented and proceeding on schedule.

#### **Adjusted EBIT clearly positive, but lower year-on-year**

Despite all the performance measures under impact, the general market weakness still affected earnings. Adjusted EBIT in fiscal 2012/2013 decreased by €75 million or 24% year-on-year to €236 million. Adjusted EBIT margin was down from 2.4% to 2.0%. EBIT came to €(6) million, mainly on account of the fine and provisions in connection with the rail cartel case.

## Steel Europe

### Steel Europe in figures

		2011/2012	2012/2013	Change in %
Order intake	million €	10,455	9,515	(9)
Sales	million €	10,992	9,620	(12)
EBIT	million €	188	62	(67)
EBIT margin	%	1.7	0.6	—
Adjusted EBIT	million €	247	143	(42)
Adjusted EBIT margin	%	2.2	1.5	—
Employees (September 30)		27,761	26,961	(3)

The Steel Europe business area brings together the Group's flat carbon steel activities, mainly in the European market. Its premium flat products are supplied to customers in the auto industry and other steel-using sectors. The range also includes products for attractive specialist markets such as the packaging industry.

#### **Orders and sales down due to lower prices**

Steel Europe experienced a drop in business in 2012/2013, mainly due to lower prices. The market weakness in Europe with the existing supply surplus put pressure on steel prices. Also, the scope of consolidation was smaller than the year before, mainly on account of the disposal of the construction elements business in September 2012 and the sale of ThyssenKrupp Tailored Blanks which was completed in July 2013.

Order intake came to €9.5 billion, 9% down from the prior year. While order volumes were slightly higher year-on-year at 11.6 million tons, lower average selling prices weighed on the value of orders. The negative trend in European spot market prices over long stretches of the 2012 calendar year, which gave way to a temporary recovery but resumed again from April 2013 into the summer, affected our deals with customers from the 2nd quarter of 2012/2013.

Sales were 12% lower at €9.6 billion; this too was mainly due to an 8% drop in average selling prices against the prior year. While overall volumes fell 4% to 11.5 million tons, the trend in the sectors was mixed. Shipments to automotive manufacturers and suppliers, the engineering sector and electrical steel customers declined. However we achieved higher volumes in business with the construction sector, the packaging industry and manufacturers of other metal products. Shipments to distributors, steel service centers and cold-rollers were level with the prior year. The negative market price trend led to lower revenues on a broad front.

#### **Operating levels and capacities further adjusted in line with market conditions**

Crude steel production was slightly lower year-on-year at 11.6 million tons. While the output of the Group's own mills was increased by 1%, supplies from Hüttenwerke Krupp Mannesmann decreased by 8%. A smaller volume of slabs was purchased from CSA. Rolled steel production for customers was 6% lower at 11.9 million tons, and the downstream rolling and coating operations operated largely below capacity on account of the weak demand. With the exception of two electrical steel production locations which have been working short hours since the 2nd quarter of the reporting year, the short-time working arrangements introduced in some of the processing operations at the end of the previous year ceased at Steel Europe as of January 2013. With blast furnace 2 due to be taken out of service for relining in the course of the new fiscal year, blast furnace 9 was fired up again at the end of October 2013.

#### **EBIT down sharply but still positive**

Adjusted EBIT came to €143 million, compared with €247 million the year before. Adjusted EBIT margin fell from 2.2% to 1.5%. The main reason was the weak economy in Europe coupled with inadequate selling prices. The efficiency measures already implemented made a major contribution to reducing costs but could not fully offset the market-related declines. Against the background of the inadequate earnings situation, we are working intensively on detailing and implementing the measures under the "Best-in-Class Reloaded" program; among other things the hot-dip coating lines in Spain (ThyssenKrupp Galmed) and Neuwied/Germany ceased production in the 4th quarter 2012/2013. The cost-reduction measures are being supported by intensified sales efforts and differentiation initiatives. EBIT slipped €126 million to €62 million and was impacted by special items in the amount of €81 million. Charges – mainly restructuring provisions in connection with "Best-in-Class Reloaded" – were partly offset by a disposal gain from the sale of the Tailored Blanks operations.

## Steel Americas

#### **Steel Americas in figures**

		2011/2012	2012/2013	Change in %
Order intake	million €	2,081	2,056	(1)
Sales	million €	2,014	1,867	(7)
EBIT	million €	(4,747)	(1,180)	75
EBIT margin	%	—	—	—
Adjusted EBIT	million €	(1,010)	(495)	51
Adjusted EBIT margin	%	—	—	—
Employees (September 30)		3,992	4,112	3

With its steel mill in Brazil and rolling and coating plant in the USA the Steel Americas business area supplies the American market with high-quality slabs and flat steel products. As part of the Strategic Way Forward ThyssenKrupp has decided to sell the ThyssenKrupp Steel USA rolling and coating plant in Calvert/Alabama; a contract on the sale was signed with a consortium of ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation on November 29, 2013. The agreement also includes a long-term slab supply contract for the Brazilian steel mill (ThyssenKrupp CSA). Consequently, at the end of the reporting year the full Steel Americas business area – which had been classified as a discontinued operation in accordance with IFRS – was reclassified as a continuing operation; within the Steel Americas business area, ThyssenKrupp Steel USA is reported as a disposal group.

#### **Price-related decrease in sales; order and shipment volumes higher**

In a generally difficult business environment order intake was level with the year before at €2.1 billion, though order volumes were higher. Sales were down by 7% at €1.9 billion as a result of lower selling prices, while production and shipments increased. The Brazilian steel mill raised slab production by 5% to 3.6 million tons. 0.6 million tons of slabs was sold to customers outside the Group. Despite reduced deliveries to Steel Europe and a slight year-on-year decline in the US plant's flat steel sales to 2.5 million tons, the significant increase in slabs supplied to customers in Brazil and North America meant that overall shipments were slightly higher.

Steel Americas further enhanced its market position with strategic customers, in particular in the automotive market segment. Several orders were received from major automotive customers and deliveries to the pipe steel industry increased.

#### **EBIT improved from year earlier**

Adjusted EBIT improved from €(1,010) million the year before to €(495) million. The main reasons for this were cost reductions, efficiency measures, an increased focus on customer segments with stronger margin potential, slightly higher operating levels at our Brazilian steel mill, and the use of input tax credits following our entry into the Brazilian slab market, which led to a positive non-period tax effect of €102 million in the 2nd quarter. In addition, following the impairment charges at September 30, 2012 and as a result of the classification of ThyssenKrupp Steel USA as a disposal group, depreciation of non-current assets decreased year-on-year from €373 million to €127 million.

However, the difficult business environment on the North American market meant that earnings remained negative, mainly as a result of unsatisfactory price levels in the service center business, which remains particularly important. Also, an unscheduled several week-long stoppage of blast furnace 2 in Brazil caused production losses which led to supply bottlenecks and negatively impacted the delivery performance of our US rolling mill. In addition, the temporary outage of a power plant turbine and the overall inefficient utilization of capacities weighed on earnings.

EBIT came to €(1,180) million and was impacted by special items of €685 million, mainly resulting from impairment charges of €586 million and the changed valuation of a long-term freight agreement.

## **Corporate at ThyssenKrupp AG**

Corporate comprises the Group's head office and the shared services activities. The Group is managed centrally by ThyssenKrupp AG as corporate headquarters. To achieve greater global integration, we are currently overhauling the way the Group is organized, moving towards a three-dimensional management structure made up of operating businesses, functions and regions. As part of this new management model, regional headquarters are being set up in Brazil, India, China and the Asia/Pacific region. The regional headquarters in North America has been fully operational since the beginning of the reporting year.

The shared services comprise Business Services (finance and human resources), IT and Real Estate including non-operating real estate. Sales of services by Corporate companies to Group companies and external customers in the reporting period came to €190 million, €32 million more than the year before.

Adjusted EBIT at Corporate came to €(425) million, a year-on-year improvement of €62 million. Administrative costs increased among other things on account of consulting expenses for Groupwide projects such as the introduction of standardized data acquisition systems and the efficiency and restructuring program ACT. However, this was more than offset by savings and increased activity-based allocation of costs to the business areas. Reflecting special items, mainly due to restructuring provisions in connection with ACT, EBIT came to €(500) million, compared with €(495) million a year earlier.

### Stainless Global (discontinued operation)

The merger of the Stainless Global business area with the Finnish company Outokumpu was completed on December 28, 2012. In the 1st quarter 2012/2013 up to its exit from the Group, Stainless Global achieved order intake of €1.3 billion (1st quarter 2011/2012: €1.4 billion), sales of €1.4 billion (1st quarter 2011/2012: €1.4 billion) and EBIT of €72 million (1st quarter 2011/2012: €(321) million). After the exit, income and expenses arose up to September 30, 2013 which were directly associated with the sale of Stainless Global and impacted EBIT in the amount of €15 million.

## Results of operations and financial position

Improved operating earnings, tightly controlled net working capital, improved capital allocation, and significant cash inflows from disposals characterized the structural improvements in our cash flow profile in 2012/2013; they led to an appreciable reduction in our net financial debt. Necessary restructuring measures, provisions and impairment charges weighed on the Group's equity in the reporting year. Nevertheless the Group's financing and liquidity remain on a solid basis for the 2013/2014 fiscal year.

### Components of earnings

At €38,559 million, net sales from continuing operations (incl. Steel Americas) in 2012/2013 were €2,977 million or 7% lower than a year earlier. Cost of sales from continuing operations decreased at a much higher rate by €6,263 million or 16%. A key reason for this was a significant year-on-year reduction in impairment charges for non-current assets at Steel Americas. In addition there was a sales-related decline in material expense. Accordingly, gross profit from continuing operations increased significantly by €3,286 million to €4,750 million, while gross profit margin improved by 9 percentage points to 12%.

The main contributors to the €42 million rise in research and development cost from continuing operations were the Elevator Technology and Steel Europe business areas.

Selling expenses from continuing operations decreased by €135 million, mainly due to lower impairment charges at Steel Americas and reduced expenses for sales-related freight, insurance charges and customs duties. General and administrative expenses from continuing operations were €89 million lower; increased restructuring expenses were offset in particular by lower depreciation, reduced impairment charges at Steel Americas, and a decrease in travel expenses.

Other expenses from continuing operations increased by €43 million. Higher expenses were recognized in the fiscal year in connection with the rail cartel case, relating to provisions for recognizable risks from claims for damages and to a fine. In addition there were increased expenses in connection with the recognition of a freight agreement as a derivative at Steel Americas. These increases were partly offset by the absence of goodwill impairment charges recognized in the prior year in connection with the sale of the civil operations of Blohm + Voss.

Other gains and losses attributable to continuing operations were €243 million lower than a year earlier. This was mainly due to the absence of the gain on the deconsolidation of Waupaca recognized in the prior year, which was partly offset by the gain on the disposal of the ThyssenKrupp Tailored Blanks group recognized in the 4th quarter 2012/2013.

The €154 million deterioration in income attributable to the continuing operations from companies accounted for using the equity method was mainly due to the valuation of the shares in Outokumpu in the reporting year. The €167 million reduction in financing income from continuing operations was mainly caused by lower exchange rate gains in connection with finance transactions; this was offset mainly by increased income in connection with the securing of a loan at Steel Americas. The €66 million increase in financing expense from continuing operations mainly reflected the writedown of the financial receivable from Outokumpu in the reporting year and increased expenses from the securing of a loan at Steel Americas; this was offset mainly by reduced exchange rate losses in connection with finance transactions and lower interest expense for accrued pension and similar obligations.

The loss from continuing operations (before taxes) of €1,648 million resulted in a tax benefit from continuing operations of €59 million, which accrued in Germany and abroad and is mainly in connection with valuation allowances for deferred tax assets. In the prior year the effective tax charge was influenced by valuation allowances for deferred income tax assets at Steel Americas.

After taking into account income taxes, the loss from continuing operations came to €1,589 million.

The discontinued operations achieved a profit of €53 million in the reporting year, compared with a loss of €707 million the year before. The €760 million improvement was mainly due to lower current losses, a €400 million year-on-year reduction in losses from writedowns for Stainless Global, and a gain of €146 million on the disposal of the stainless steel business to Outokumpu provisionally recognized in the reporting year pending completion of the purchase price allocation in connection with the 29.9% share in Outokumpu.

Including the after-tax loss from discontinued operations, a net loss of €1,536 million was posted in the reporting year, compared with a net loss of €5,042 million the year before.

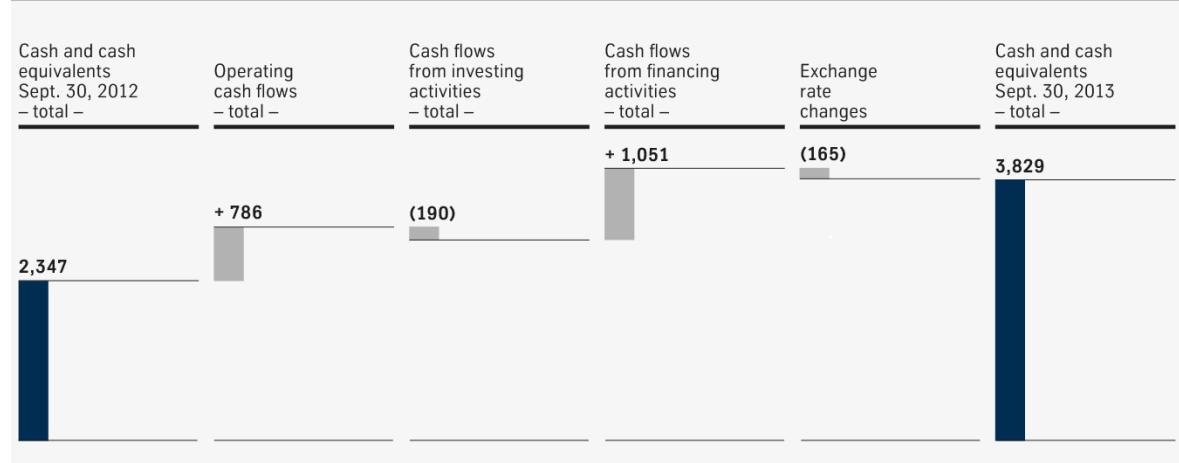
Loss per share based on the net loss attributable to the shareholders of ThyssenKrupp AG decreased year-on-year by €5.53 to €2.71. Loss per share from continuing operations came to €2.82, compared with a loss of €6.88 in the prior year.

## 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 and also include the cash and cash equivalents relating to the disposal groups including the discontinued operations until the time of their actual sale. For the 2012/2013 fiscal year and the prior year the discontinued operations comprise the activities of Stainless Global.

In 2012/2013 there was a net cash inflow from operating activities of €786 million, compared with a cash outflow of €386 million a year earlier. Cash inflow from continuing operations came to €981 million, a strong improvement of €1,271 million from the year before. This was mainly due to a strong improvement in funds tied up in inventories and trade accounts receivable and payable by altogether €1,320 million. In the discontinued operations, negative operating cash flow increased by €99 million to €(195) million, mainly due to the funds tied up in inventories up to the end of December 2012.

Change in cash and cash equivalents in million €



For technical reasons in part not to scale

Investing activities resulted in a net cash outflow of €190 million, compared with a cash outflow of €1,350 million in the prior year. Cash outflow from continuing operations came to €92 million, compared with €948 million a year earlier. The main reasons for the €856 million improvement were the disposal of the stainless steel business to Outokumpu, which after taking into account the divested cash and cash equivalents resulted in proceeds of €916 million, income of €242 million from the sale of the ThyssenKrupp Tailored Blanks group in the Steel Europe business area in July 2013, and sharply reduced capital expenditure for property, plant and equipment at Steel Americas. This was partly offset by the absence of the proceeds from the sale of the US foundry Waupaca, the Xervon group and the Brazilian Automotive Systems operations recognized a year earlier. In the discontinued operations cash outflow from investing activities was €304 million lower, which was mainly due to a decline in capital expenditure for property, plant and equipment as a result of the sale of the stainless steel business to Outokumpu at the end of 2012.

Free cash flow, i.e. the sum of operating cash flows and cash flows from investing activities, in the continuing operations improved significantly year-on-year by €2,127 million to a positive €889 million. This was mainly the result of higher cash inflow from operating activities and the disposal of the stainless steel business. In the discontinued operations negative free cash flow was reduced to €(293) million thanks to lower cash outflows for investing activities. Overall, free cash flow thus came to €596 million.

At the continuing operations there was a cash inflow from financing activities of €812 million, compared with €11 million in the prior year. Of the €801 million increase in cash inflow, €232 million resulted from lower cash outflows in connection with the financing of the discontinued operations. In addition, profit distributions were €254 million lower mainly as a result of the absence of dividend payments by ThyssenKrupp AG in the reporting year and a €120 million increase in net borrowings. Cash inflow from financing activities of discontinued operations decreased by €248 million, mainly due to reduced use of the Group financing system by the discontinued operations. Overall, cash inflow from financing activities increased by €553 million to €1,051 million.

## Central financing and maintenance of liquidity

The financing of the Group is managed 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 one 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 from other company units to cover their own financial requirements. This reduces the volume of external financing requirements and thus our interest expense. External financing requirements are covered using money and equity market instruments such as bonds, bonded loans 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.

Our centralized financing system enables us to project a uniform image to the capital markets. This strengthens our negotiating position vis-à-vis banks and other market participants and makes it easier for us to procure and invest capital on optimum terms.

At September 30, 2013 ThyssenKrupp had €3.8 billion in cash and cash equivalents and €3.5 billion in available credit facilities. Together this provided available liquidity of €7.3 billion. Additional financing of up to €1.5 billion was available under a commercial paper program. Commercial papers are debt instruments which can be issued under our program with a term of up to 364 days depending on investor demand. At September 30, 2013 €100 million had been drawn under the program.

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

## Analysis of the statement of financial position

Compared with September 30, 2012 total assets decreased altogether by €2,980 million to €35,304 million. This includes a currency translation-related decrease of €1,098 million, mainly due to movements in the US dollar exchange rate.

Taking into account a €373 million exchange rate-related reduction, non-current assets increased overall by €2,888 million. Of this sharp rise, €1,911 million was due to assets of Steel Americas, which at September 30, 2013 were no longer classified as held for sale; including the €249 million impairment charges recorded in 2012/2013, €1,720 million of this related to property, plant and equipment. Further factors mainly included two transactions resulting from the combination of Stainless Global and the Finnish stainless steel manufacturer Outokumpu implemented at the end of 2012. In this connection ThyssenKrupp holds a financial receivable from Outokumpu; this was the main reason for the €934 million increase in other non-current financial assets. In addition, ThyssenKrupp received a 29.9% share in the new company; this resulted in €302 million higher investments accounted for using the equity method. Deferred tax assets were €186 million higher, largely as a result of the increase in tax-deductible losses in Germany and abroad. Based on our earnings expectations and tax planning, the tax deductibility of losses is secured.

Current assets decreased by a significant €5,868 million mainly due to the sale of the stainless steel operations to Outokumpu and the portion of Steel Americas assets no longer classified as held for sale at September 30, 2013. Currency translation effects caused a €724 million decrease.

At €6,351 million, inventories at September 30, 2013 were level with the prior year. Increases of €387 million relating to inventories of Steel Americas no longer classified as held for sale were offset in particular by currency translation effects, volume- and price-related reductions, and reductions resulting from lower manufacturing costs in the Steel Europe business area.

Trade accounts receivable showed a net decrease by €170 million to €4,956 million. Declines reflecting above all exchange rate effects and reduced receivables in connection with long-term construction contracts were partly offset by a €59 million increase resulting from trade accounts receivable of Steel Americas no longer classified as held for sale at September 30, 2013.

The €211 million increase in other current financial assets was mainly due to receivables from investee company Outokumpu.

Of the €413 million increase in other current non-financial assets, €189 million was due to other current non-financial assets of Steel Americas no longer classified as held for sale at September 30, 2013. Another key factor were increased advance payments made in connection with the procurement of inventories and other advance payments.

The large increase in cash and cash equivalents by €1,592 million was connected with the positive free cash flow of €889 million generated in the reporting year, which included the €1,000 million payment by Outokumpu for the stainless steel business at the end of December 2012, and with net borrowings of €1,081 million. This was partly offset by cash outflows of €279 million in connection with the financing of the discontinued operations as well as exchange rate effects.

Assets held for sale decreased significantly by €7,920 million to €1,547 million. Of this decrease, €3,247 million was due to assets of Steel Americas no longer classified as held for sale, and €4,383 million to the completed disposal of Stainless Global to Outokumpu. The sale of the ThyssenKrupp Tailored Blanks group in July 2013 contributed €282 million to the reduction.

Total equity at September 30, 2013 was €2,511 million, down €2,015 million from a year earlier. The main factors were the net loss of €1,536 million in the reporting year and the currency translation losses of €382 million recognized in other comprehensive income. The equity ratio fell from 11.8% to 7.1%.

Non-current liabilities increased altogether by €1,516 million. The main reason was the €1,699 million increase in non-current financial debt, mostly due to the issue of a bond with a total volume of €1,600 million in the 2nd quarter 2012/2013. In addition, liabilities to financial institutions increased by €1,213 million, of which €501 million was due to liabilities to financial institutions of Steel Americas no longer classified as liabilities associated with assets held for sale at September 30, 2013. In addition non-current financial debt decreased by €995 million as a result of the reclassification of a bond due in June 2014 to current financial debt. The €352 million decrease in accrued pensions and similar obligations mainly reflected outpayments for pensions and healthcare as well as a decrease due to the updated interest rates used for the revaluation of pension and healthcare obligations at September 30, 2013. The main reason for the €119 million increase in other non-current provisions were restructuring measures, particularly in the Steel Europe business area.

Current liabilities decreased altogether by €2,481 million, of which €428 million was due to currency translation effects.

The €331 million increase in other current provisions mainly reflected the allocations made in the 1st half 2012/2013 due to recognizable risks from claims for damages in connection with the rail cartel case. In addition provisions were recognized for possible effects from requirements under merger-control law in connection with the disposal of the stainless steel business to Outokumpu. Current financial debt was virtually unchanged at €1,911 million at September 30, 2013; the above mentioned reclassification of a bond from non-current financial debt in June 2013 was offset by the repayment of a bond in February 2013.

Trade accounts payable increased by €199 million altogether; of this €133 million was due to trade accounts payable of Steel Americas no longer classified as liabilities associated with assets held for sale at September 30, 2013. The €393 million rise in other current financial liabilities mainly reflected increased liabilities to investee companies and the recognition of derivatives. The €356 million rise in other current non-financial liabilities was mostly caused by higher advance payments and obligations for subsequent manufacturing costs.

Liabilities associated with assets held for sale decreased by €3,649 million to €265 million. Of this decrease, €2,323 million was due to the above mentioned sale of Stainless Global to Outokumpu in December 2012, and €1,230 million to liabilities of Steel Americas no longer classified as liabilities associated with assets held for sale. The sale of the ThyssenKrupp Tailored Blanks group contributed a further €104 million to this reduction.

## Assets not recognized and off-balance financing instruments

In addition to the assets recognized in 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. The main off-balance financing instruments we use are 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 around €1 billion at the closing date; in the prior year the amount was also around €1 billion.

## Annual financial statements of ThyssenKrupp AG

ThyssenKrupp AG is the parent company and corporate headquarters of the ThyssenKrupp Group. The Executive Board of the holding company is responsible for the key management functions of the Company as a whole. These include above all defining corporate strategy, allocating resources, as well as executive and financial management. The performance of ThyssenKrupp AG is mainly determined by the business success of the Group.

### Capital expenditures

ThyssenKrupp AG invested €5,009 million internally in fixed assets in the 2012/2013 fiscal year. Of this €14 million was for software licenses as intangible assets, mainly in connection with the reorganization of the SAP systems used for accounting and payroll. The €26 million additions to property, plant and equipment mainly related to the ThyssenKrupp Quarter in Essen, with €15 million attributable to property, plant and equipment under construction to provide secure zones against cyber attacks.

Of the €4,970 million additions to financial assets, €3,180 million related to shares in affiliated companies. This mainly reflected €2,016 million contributions in kind of shares in ThyssenKrupp Canada Inc., Krupp Canada Inc. and ThyssenKrupp France S.A. to ThyssenKrupp Nederland Holding B.V. as well as a €770 million allocation to additional paid-in capital at ThyssenKrupp North America Inc. A further €1,289 million related to loans to affiliated companies on the basis of long-term loan agreements, mainly to ThyssenKrupp Nederland Holding B.V.

The €3,943 million net book value of disposals of shares and loans to affiliated companies included €859 million from the transfer of shares to other subsidiaries of ThyssenKrupp AG and from mergers of direct subsidiaries, as well as €3,084 million from the repayment of expiring loan agreements by various Group companies, mainly ThyssenKrupp Technologies Beteiligungen GmbH and ThyssenKrupp Finance Nederland B.V.

### Results of operations

The net income of ThyssenKrupp AG in the reporting year was €772 million, compared with a net loss of €3,184 million in the prior year.

Net income from investments increased by €417 million to €833 million. Income from profit and loss transfer agreements was up by €465 million to €952 million. In particular, income from ThyssenKrupp Technologies Beteiligungen GmbH rose by €320 million to €625 million (prior year €305 million). In addition, profit transfers from ThyssenKrupp Elevator AG (€124 million; prior year €13 million) and Thyssen Stahl GmbH (€184 million; prior year €136 million) in the reporting year were overall €159 million higher than a year earlier. This was partially offset by a €46 million net increase in expenses from loss transfers, including €91 million from ThyssenKrupp Materials International GmbH. Income from investments was down €2 million from the prior year, relating in particular to the €2 million dividend payout by TGHM GmbH & Co. KG a year earlier.

The €1,353 million increase in other operating income was mainly due to €1,258 million income from the disposal of financial assets. Of this, €1,176 million related to contributions in kind of shares in affiliated companies to ThyssenKrupp Nederland Holding B.V. and €80 million to contributions in kind to ThyssenKrupp Technologies Beteiligungen GmbH. In addition, income from reversals of provisions increased by €228 million to €237 million (prior year €9 million), mainly from the €200 million adjustment to the risk valuation of a former equity interest and the €27 million reversal of provisions for outstanding invoices (thereof €22 million from indirect utilization). This was partly offset by a €156 million decrease in income from intercompany tax allocations in connection with the transfer of income from subsidiaries.

Writedowns of financial assets at investee companies in the fiscal year included €460 million on the shares in Outokumpu Oyj, Finland and the €300 million writedown of a loan due to the transfer of the credit risk from ThyssenKrupp Nederland B.V. vis-à-vis Outokumpu Oyj. There was also a €95 million writedown on the shares in ThyssenKrupp Italia S.r.l.

General administrative expenses increased by €43 million, mainly due to the recognition of provisions for HR restructuring measures (€18 million), a €17 million increase in allocations to pension provisions, and other material costs.

The €21 million increase in other operating expenses to €160 million mainly reflected €44 million higher expenses from intercompany tax allocations to Group companies in connection with the transfer of income from subsidiaries. This was partly offset by a €21 million reduction in the allocation to provisions for adjustment measures in connection with employee transfers.

Net interest includes interest expense and income both from intra-Group and external financing; net interest improved in the reporting year by €90 million to €(377) million.

Income from ordinary activities came to €689 million, compared with a loss of €488 million in the prior year.

Income taxes include an €85 million benefit from the reassessment of tax issues and an expense for foreign withholding taxes. 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 €772 million (prior year: net loss of €3,184 million).

## Analysis of the statement of financial position

Total assets increased year-on-year by €346 million to €37,320 million.

Fixed assets rose by €159 million to €25,872 million. The increase related mainly to shares in affiliated companies and to investments; it was partly offset in particular by a decrease in loans to affiliated companies.

In total, shares in affiliated companies increased by €2,223 million to €19,231 million. This was mainly due to contributions in kind of €2,016 million to ThyssenKrupp Nederland Holding B.V., a €770 million allocation to additional paid-in capital at ThyssenKrupp North America, Inc., as well as the €216 million purchase of new shares in Krupp Canada Inc. This was partially offset by €859 million disposals, mainly relating to the contributions in kind to ThyssenKrupp Nederland Holding B.V. by ThyssenKrupp France S.A.S. (€338 million), ThyssenKrupp Canada Inc. (€286 million) and Krupp Canada Inc. (€216 million).

New long-term loan agreements were concluded between ThyssenKrupp AG and individual Group companies and existing loan agreements were increased in fiscal 2012/2013. The resultant additions came to €1,289 million. This mainly reflected a €1,269 million intra-group loan to ThyssenKrupp Nederland Holding B.V. This was partly offset by €3,084 million in expired loan agreements and a €300 million writedown, so ThyssenKrupp AG's net loans decreased by €2,095 million to €6,007 million.

At September 30, 2013, fixed assets as a percentage of total assets remained unchanged at 69%.

Receivables and liabilities from/to affiliated companies are significant items in the balance sheet of ThyssenKrupp AG. They reflect the central importance of ThyssenKrupp AG in the Group's cash management system. At September 30, 2013 receivables from affiliated companies were down by €803 million from the prior year to €8,545 million, mainly due to lower intercompany account balances (€1,108 million) and receivables from affiliated companies in connection with intercompany tax allocations (€156 million). This was partly offset by a €462 million decrease in other receivables, mainly relating to profit transfers.

ThyssenKrupp AG bears liability from the internal transfer of pension obligations. In the past fiscal year, these obligations under miscellaneous assets decreased by €54 million to €669 million. Correspondingly they were recognized under pension obligations. In addition, other receivables and other assets decreased by €49 million due to lower receivables from the transfer of sales tax balances from companies in the tax group.

Securities classed as operating assets decreased by €453 million – due to the exchange of the shares in ThyssenKrupp Nirosta GmbH and Inoxum GmbH for 621,042,572 shares in Outokumpu Oyj. As a result of this transaction, gross investments reported under financial assets increased by the same amount.

At September 30, 2013, cash in hand and cash at banks was €1,544 million higher year-on-year at €2,151 million. The increase in liquidity is mainly due to receipt of the selling price from the sale of the stainless steel activities.

In February 2013 ThyssenKrupp AG issued a €1.25 billion 5½-year bond under its €10 billion debt issuance program. The bond was increased by €0.35 billion to a total of €1.6 billion in March 2013. It pays a coupon of 4.0% p.a. at an issue price of 99.681% / 100.625%. The issue benefited from the advantageous market climate and extended the maturity profile of our financial debt. Liabilities to affiliated companies are mainly deposits by subsidiaries in the Group's central financial clearing system. Liabilities to affiliated companies were €2,296 million lower year-on-year at €25,129 million. The decrease was mainly due to the expiry of loans by subsidiaries to ThyssenKrupp AG and a €1,587 million reduction in intercompany liabilities. Other liabilities to affiliated companies were also €757 million lower, mainly due to loss transfers in connection with profit-and-loss transfer agreements; this was partly offset by a €44 million increase in liabilities to affiliated companies from intercompany tax allocations.

Total equity increased by €772 million to €3,534 million at September 30, 2013. This increase resulted from the net income generated in fiscal 2012/2013. The equity ratio remained at the prior-year level of around 10%.

The reduction in pension provisions includes the aforementioned €54 million internal transfer of pension obligations and €24 million pension payments. This was partly offset by €21 million accrued interest on pension provisions and a €36 million allocation to pension provisions.

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 distribution of a dividend is the unappropriated income of ThyssenKrupp AG calculated in accordance with commercial law accounting principles. This is determined by the €772 million net income of ThyssenKrupp AG, calculated in accordance with HGB, less the €405 million transfer to other retained earnings resolved by the Executive Board and Supervisory Board in accordance with Art. 58 par. 2, 2a Stock Corporation Act (AktG). The annual financial statements therefore report unappropriated income of €367 million.

ThyssenKrupp AG's dividend policy is geared to continuity. Generally the aim is to distribute an appropriate dividend based on the results for the year of the Group led by ThyssenKrupp AG. Continuity also involves not suspending the dividend completely in bad years – where financially justifiable.

Against the background of the Group's improved but not yet adequate earning power and in particular the balance sheet impacts of necessary impairment charges, provisions and restructuring measures with another large loss, a decline in the equity ratio and a temporary increase in gearing, a dividend payment by the Group – though formally possible on the basis of the parent company financial statements of ThyssenKrupp AG – cannot be justified. The Executive Board and Supervisory Board will propose to the Annual General Meeting that the unappropriated net income of ThyssenKrupp AG be allocated in full to other retained earnings in order to strengthen the Company's total equity.

Overall, however, our aim remains to provide dividend continuity, and we regard a reliable and attractive dividend policy as an important element of our vision of a diversified industrial group. Based on the continuing implementation of our strategic development program and the associated improvement in our earnings and balance sheet ratios, it is our express intention to once again pay an appropriate dividend as soon as financially justifiable.

As the parent company of the Group, ThyssenKrupp AG receives income in particular from its investee companies. The major operating subsidiaries in Germany transfer their earnings directly to ThyssenKrupp AG under profit and loss transfer agreements. The aforementioned positive expectations for the Group's business performance should also have an impact on the income of ThyssenKrupp AG.

## Condensed statements of financial position and income

**Statement of financial position of ThyssenKrupp AG**

Assets in million €	Sept. 30, 2012	Sept. 30, 2013
<b>Fixed assets</b>		
Purchased intangible assets	15	22
Property, plant and equipment	380	387
Financial assets	25,318	25,463
	25,713	25,872
<b>Operating assets</b>		
Receivables and other assets	10,176	9,268
Shares in affiliated companies	453	0
Cash on hand and cash at banks	607	2,151
	11,236	11,419
<b>Prepaid expenses and deferred charges</b>		
Total assets	36,974	37,320

Equity and liabilities in million €	Sept. 30, 2012	Sept. 30, 2013
<b>Total equity</b>		
Capital stock	1,317	1,317
Additional paid-in capital	723	723
Other retained earnings	722	1,127
Unappropriated net income/loss	0	367
	2,762	3,534
<b>Provisions</b>		
Accrued pension and similar obligations	1,164	1,137
Other provisions	585	342
	1,749	1,479
<b>Liabilities</b>		
Bonds	3,000	4,600
Liabilities to financial institutions	1,721	2,086
Liabilities to affiliated companies	27,425	25,129
Other liabilities	309	488
	32,455	32,303
<b>Deferred income</b>		
Total equity and liabilities	8	4

**Statement of income of ThyssenKrupp AG**

million €	2011/2012	2012/2013
Net income from investments	416	833
Other operating income	464	1,817
Writedowns of financial assets and securities classed as operating assets	(238)	(857)
General administrative costs	(524)	(567)
Other operating expense	(139)	(160)
Net interest	(467)	(377)
Income from ordinary activities	(488)	689
Extraordinary expense/extraordinary income	(2,678)	0
Income taxes	(18)	83
<b>Net loss/Net income</b>	<b>(3,184)</b>	<b>772</b>
Profit appropriation		
Net income/Net loss	(3,184)	772
Profit carried forward	285	0
Withdrawal from additional paid-in capital	2,279	0
Withdrawal from other retained earnings	620	0
Allocation to other retained earnings	0	405
<b>Unappropriated net income/loss</b>	<b>0</b>	<b>367</b>

## Subsequent events

Reportable events between the end of the reporting year (September 30, 2013) and the date of authorization for issuance (November 29, 2013) are presented in Note 36 to the consolidated financial statements.

## Compliance

The compliance program focusing on anti-corruption policies and antitrust law with its three pillars "inform", "identify" and "report and act" was rigorously continued in the 2012/2013 fiscal year. Compliance work was marked by a series of major incidents to which the Executive Board and Supervisory Board of ThyssenKrupp AG reacted by intensifying compliance activities and strengthening the compliance organization. In response to media reports an internal investigation into press and other trips involving individual Executive Board members was conducted at the end of 2012. In February 2013 the business premises of ThyssenKrupp Steel Europe in Duisburg were searched by the German Federal Cartel Office on the basis of suspected price fixing in the delivery of certain steel products to the German automotive industry and its suppliers. In July 2013 a final fine of €88 million was imposed on ThyssenKrupp in the rail cartel case. From April to June 2013 the Group carried out an internal amnesty program.

### **Final fine imposed on ThyssenKrupp in rail cartel case**

On July 23, 2013 the German Federal Cartel Office imposed a second fine on ThyssenKrupp GfT Gleistechnik GmbH in the rail cartel case. This fine in the amount of €88 million relates to the private market and turnouts sections of the proceedings. ThyssenKrupp accepted the fine, for which it had already recognized a corresponding provision. In July 2012 the authority imposed a first fine of €103 million for illegal agreements on rail deliveries to Deutsche Bahn. With the latest fine the allegations against ThyssenKrupp in connection with the rail cartel have now been fully and finally settled.

From the outset ThyssenKrupp strongly supported the investigation of the rail cartel with its own compliance department and external assistance. The Federal Cartel Office explicitly acknowledged the Group's own compliance work. The company's full cooperation with the investigating authorities throughout the proceedings was taken into account as a significant extenuating factor in the calculation of the fine.

In mid-2011 the Group acted firmly in the spirit of zero tolerance and took personnel action. Several sales managers, a managing director and the responsible business area CEO had to leave the company. The public prosecutor's office is continuing its criminal investigations into the individuals involved in the cartel.

At the end of 2012 various companies of Deutsche Bahn filed claims for damages against several defendants – including ThyssenKrupp GfT Gleistechnik and ThyssenKrupp Materials International – in connection with the rail cartel. More information is provided in the consolidated financial statements under Notes 16 and 21.

### **Cartel investigation at Steel Europe and results of the amnesty program**

Despite considerable compliance efforts in recent years, significant damage has been caused to the company particularly by the rail cartel. Against this background and in view of the suspicion of price fixing by ThyssenKrupp Steel Europe asserted by the Federal Cartel Office at the end of February 2013, the Executive Board of ThyssenKrupp AG decided to intensify the Group's compliance efforts still further, also with support from external law firms. As well as establishing an ombudsman, the Company carried out an amnesty program from April 15 to June 15, 2013. Employees who disclosed compliance matters voluntarily and fully were promised that damage claims would not be asserted/enforced against them and that their employment would not be terminated.

The amnesty program led to more than twenty leads. However, no serious or structural compliance infringements were identified. The review of the leads instigated by us has now been completed with external counsel support. The relevant information received related mainly to individual misconduct in dealings with customers and suppliers in Germany and abroad. This conduct was stopped following internal measures. In addition the Executive Board decided to carry out a Groupwide review of employees' activities in trade associations and to give employees extra certainty on how to conduct themselves in dealings with competitors. Around a third of the reports under the amnesty program led to no findings. Among other things they related to questions from employees wanting to make sure that their conduct was in line with the Group policies on combating corruption. We will integrate this subject into the existing compliance training programs because, particularly abroad, further support is needed on dealing with invitations and gifts.

The amnesty program revealed no leads regarding the ongoing investigations by the Federal Cartel Office into possible price fixing in the delivery of certain steel products to the German automotive industry and its suppliers. More information on the economic risks from the proceedings is provided in the section "Opportunities and risks" on page 84.

#### **Internal investigation into press trips**

In response to press inquiries and press reports in November 2012 concerning trips by members of the Executive Board of ThyssenKrupp AG with press representatives and other third parties, the compliance team, with the support of two law firms, conducted an extensive internal investigation into trips in the period 2007 to 2012 by the Executive Board members in office at that time. The review of the trips found that no laws or internal compliance regulations were violated. However, it was found that some of the trips were only just within acceptable limits and that the existing internal regulations on trips with third parties were in some cases unclear or inadequate. The Executive Board reacted to this by issuing its own policy for press trips and initiating an annual review of its travel expenses by Internal Auditing, starting immediately.

#### **Further development of the compliance program**

Our compliance program is continuously optimized to take into account current compliance developments, including the findings from our internal compliance work. In the reporting period the compliance organization was adjusted in line with the new Group structure resulting from the ACT project. Both centrally at ThyssenKrupp AG and in the business areas and regions, the chief compliance officer will be supported in the future by around 60 full-time compliance officers worldwide. They will advise, inform and educate employees around the world about important legal requirements and internal policies; their work will also include performing proactive compliance audits and investigating suspected cases of non-compliance. The compliance officers in turn are supported in the business areas and Group companies by a network of some 320 compliance managers – generally managing directors of Group companies – who ensure that the compliance program is implemented at operating level in their areas of responsibility.

We are continuing to intensify our compliance efforts after the ending of the amnesty program. A key aspect of this are the training programs carried out by the compliance officers, in which our employees learn about compliance requirements and risks as well as possible sanctions. This training is the central component of the "Inform" pillar of our compliance program. In the reporting year more than 2,400 employees worldwide took part in extensive face-to-face training on cartel law and corruption prevention. In particular with the new regional compliance officers and the compliance departments in the business areas, we will significantly increase these local training activities in the coming year. In the third cycle of the e-learning program initiated in August 2012, 41,883 employees (anticorruption) and 36,089 employees (antitrust) had successfully completed the training courses as of the end of the reporting period. That means that based on a cut-off point of eight weeks after registration, the program has currently been completed by 98.5% of those registered. Our subsidiaries in the USA and Canada have their own programs. Also, in September 2013 a global e-learning program for compliance managers was launched, aimed at informing them about their role in implementing the compliance program in the operating units. In addition, we carry out regular webinars on current issues and keep employees informed with internal newsletters.

We also provide compliance advice on key business transactions, e.g. in connection with major projects or on the engagement of intermediaries. For this the employees can contact their compliance officers in the business areas, regions and at Corporate or call our central hotline. The compliance officers advise the operating units on integrating compliance into their business processes.

The "identify" pillar of the compliance program focuses on regularly reviewing critical business operations based on a risk-oriented, structured, audit process. An additional element in the identification of compliance risks is our whistleblower system. Alongside the options of directly contacting a supervisor or the compliance department, this provides employees with a further channel for reporting possible infringements of laws or policies without revealing their identity. Here too the focus is on antitrust and anticorruption compliance. Information submitted via an online form or the hotline – which can be contacted from anywhere in the world and is toll-free – is forwarded for further internal review. In addition ThyssenKrupp has established an ombudsman as a further contact for employees wishing to report information. The ombudsman works on behalf of ThyssenKrupp but is authorized to pass on information without naming the informant. Regardless of the source, all information concerning misconduct is systematically followed up in an internal review. It is ensured that no employee suffers disadvantages as a result of reporting information in good faith to the ombudsman or whistleblower system. Third parties (customers, suppliers, etc.) can also contact the whistleblower hotline or the ombudsman.

The third pillar "report and act" signifies intensive compliance reporting in all three dimensions of the ThyssenKrupp matrix. In the event of proven cartel law infringements or corruption, we systematically impose sanctions on the employees concerned.

Our experience shows that the basis for successfully implementing the compliance program is a corporate culture that stands for values such as openness, transparency and credibility. The actions of the company and its employees are guided by these values – as part of the corporate responsibility of managers for compliance. ThyssenKrupp has a clear commitment to ensuring compliance with the law and internal policies: violations, particularly of antitrust and anticorruption rules, will not be tolerated under any circumstances.

## Macro and sector environment

### Economic environment

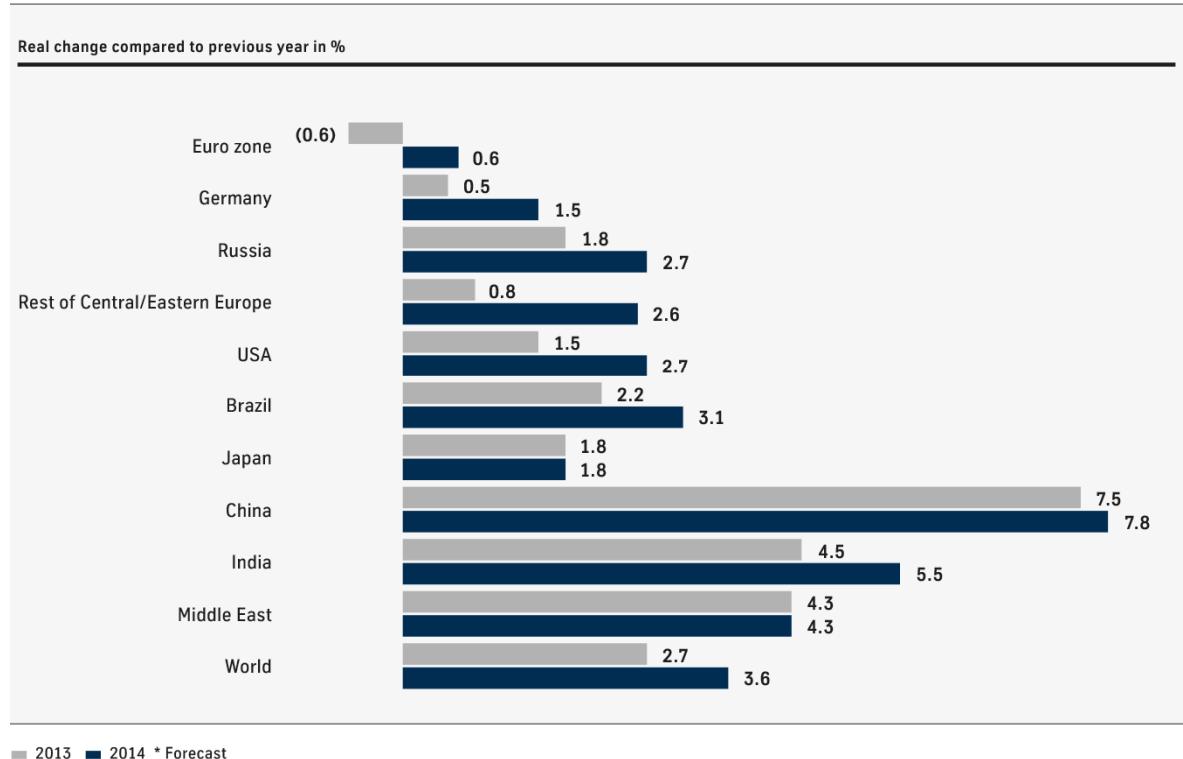
#### Only moderate economic growth

The global economy has grown very slowly in 2013. Weak economic activity in some euro zone countries, the slow pace of growth in North America, and the relatively slow growth of the emerging economies suggest global GDP growth of only 2.7% in 2013. Thanks mainly to better prospects in the euro zone and North America, global GDP is expected to increase by 3.6% in 2014.

GDP in the industrialized nations is forecast to grow by only 1.1% in 2013. This low rate of expansion is mainly due to declining growth in the euro zone. Many euro zone countries only came out of recession in the 2nd quarter 2013. Fiscal consolidation, weaker consumer spending and cautious business spending were the main contributory factors. Despite the economic stabilization in the 2nd half of the year, euro zone GDP is expected to fall by 0.6% in 2013 as a whole. With consumer and business spending higher again, 2014 should see GDP growth of 0.6%. The German economy showed a marked improvement. Consumer spending in particular, as well as higher government spending, is expected to result in GDP growth of 0.5% in 2013. With consumer spending remaining high and business spending increasing again, German GDP growth should accelerate to 1.5% in 2014.

Growth in the US economy in 2013 has been very subdued, mainly due to public spending cuts. Nevertheless, GDP is expected to grow by 1.5% in 2013 thanks to higher consumer and business spending. Further increases in consumer and business spending will also make the biggest contributions to expected GDP growth of 2.7% in 2014.

Gross domestic product 2013\*, 2014\*



The weak economic situation in Europe and North America is also a factor in the slightly slower pace of growth in some emerging countries. Overall these countries are expected to grow by 4.7% in 2013; growth of 5.3% is expected in 2014 in the wake of the global economic recovery. India and China remain regional growth centers, even if the previously high pace of expansion in these countries is slowing. Chinese GDP is expected to grow by 7.5% in 2013 and 7.8% in 2014, while the Indian economy should grow by 4.5% and 5.5%, respectively.

### Situation in the sectors remains mixed

**Automotive** – The global auto market has grown slowly in 2013, with worldwide production of cars and light trucks increasing by almost 3% year-on-year to over 81 million units. However there have been pronounced regional differences. Output in Western Europe is expected to decline by more than 1% to 13.5 million vehicles due to falling demand in the southern countries. With new registrations and exports lower, the German auto industry will produce 5.6 million vehicles, 1% fewer than in 2012. In the USA, strong pent-up demand will lead to an 8% production increase to 11.0 million vehicles in 2013. China is expected to produce 19.4 million vehicles, 12% more than a year earlier. Thanks to government stimulus measures, production in Brazil is expected to increase sharply by 9% to 3.4 million vehicles.

The auto market looks set to pick up speed in 2014. Global production of cars and light trucks is expected to increase by 4.4% to 84.9 million units. Western Europe should show gains; with demand improving, auto production is expected to increase by almost 5% to 14.2 million units. A slight increase of less than 1% to 5.6 million vehicles is forecast for German auto manufacturers. Production in the USA is expected to rise by 1% to 11.1 million vehicles. Stronger gains are expected in China, where production could increase by more than 5% to 20.5 million vehicles. After the scaling back of government stimulus measures, Brazilian auto production will grow by only 2% to 3.5 million units.

### Important sales markets

	2013*	2014*
<b>Vehicle production, million cars and light trucks</b>		
World	81.3	84.9
Western Europe/Turkey	13.5	14.2
Germany	5.6	5.6
USA	11.0	11.1
Japan	9.1	8.9
China	19.4	20.5
Brazil	3.4	3.5
<b>Machinery production, real, in % versus prior year</b>		
Germany	(1.0)	3.0
USA	6.0	2.5
Japan	2.0	7.0
China	6.0	9.5
<b>Construction output, real, in % versus prior year</b>		
Germany	(0.5)	1.5
USA	3.6	7.6
China	9.0	8.4
India	5.3	8.1
<b>Demand for finished steel, million tons</b>		
World	1,475.0	1,523.0
Germany	37.6	38.8
USA	96.9	99.8
China	699.7	720.7

\* Forecast

**Machinery** – The machinery industry also shows a mixed regional picture. The situation in the European machinery industry is relatively subdued. In many EU countries machinery output declined again in 2013. With the economic climate improving, some countries should report positive growth rates in 2014. The order situation in the German machinery industry has not improved in 2013 to date; orders from abroad have stagnated while domestic orders have declined. However, orders for elevators and escalators have been higher year-on-year thanks mainly to higher foreign demand. Demand in the German engineering and construction sector has improved since the end of 2012. Chemical engineering contractors in particular have profited from several major contracts in connection with shale gas production in the USA. In view of generally subdued investment activity in many countries, production levels in Germany's exported-oriented machinery sector in 2013 will be down slightly year-on-year. In 2014 German machinery output is expected to rise by 3% due to the anticipated improvement in the general economic climate.

The US machinery sector continues to profit from higher business spending and the positive stimulus of low gas prices. Machinery production is therefore expected to increase by 6% in 2013; further growth of 2.5% is possible in 2014. Japanese machinery manufacturers expect roughly 2% production growth in 2013 and should gain another 7% in 2014. In China production growth will slow to 6% in 2013 but accelerate to 9.5% in 2014.

**Construction** – The construction industry is showing signs of weakness, particularly in Europe. Construction output declined again in most western and eastern European countries in 2013. Construction activity in eastern Europe is expected to decrease by 1% in 2013 but increase by 3% in 2014. Construction output in western Europe will probably decline by 2% in 2013 due to the overall economic situation. Larger declines have taken place in the countries of southern Europe. A slight improvement in construction activity in Western Europe is expected for 2014, with growth of 1%. German construction industry output fell initially in 2013 mainly due to unfavorable weather conditions. Despite higher housing and public sector construction orders it is very questionable whether the order backlog can be discharged and have an impact on output in 2013. German construction output will therefore probably fall slightly in 2013 before growing at a rate of 1.5% in 2014.

In the USA the real estate market has stabilized further. Demand for housing and house prices are showing a steady upward trend. Against this background construction output is expected to grow by roughly 4% in 2013 and more than 7% in 2014. The construction sector remains strong in India and China, with output in these countries expected to grow by 5% and 9% respectively in 2013 and by 8% in both countries in 2014.

**Flat carbon steel** – The European market for flat carbon steel remained difficult in 2013. With production in major steel-using sectors declining, demand for steel remained very weak. While demand in the first few months of the year increased moderately due to restocking, this effect was largely absent in the months thereafter. Steel prices on the European spot markets, which recovered slightly in the 1st quarter of 2013, came under heavy pressure again afterwards; however, there were signs of stabilization in the course of the 3rd calendar quarter, not least due to rising raw material prices. Over the full year demand for finished steel in the EU will probably fall by around 3%. Steel demand on the US market was lower year-on-year in the 1st half of 2013, partly due to destocking, but over the full year will probably be slightly higher. Steel prices slipped initially but recovered markedly in early summer. Temporary plant shutdowns by some North American steel producers supported this trend.

With the world economy expected to improve moderately, the global steel market is set for growth. Global finished steel demand is expected to rise by over 3% to 1.52 billion metric tons in 2014, compared with 2% in 2013. In the EU the economic prospects have brightened slightly, despite continuing risks and a still difficult market environment. Coming from a low level, steel demand is expected to increase by roughly 3% next year. German steel demand is also forecast to increase by at least the same rate to roughly 39 million metric tons. In the USA steel demand will climb by 3%. Demand growth in many emerging countries could continue to accelerate slightly in 2014, but growth in China is forecast to slow to 3%, compared with 6% in 2013.

## Sales regions and customer groups

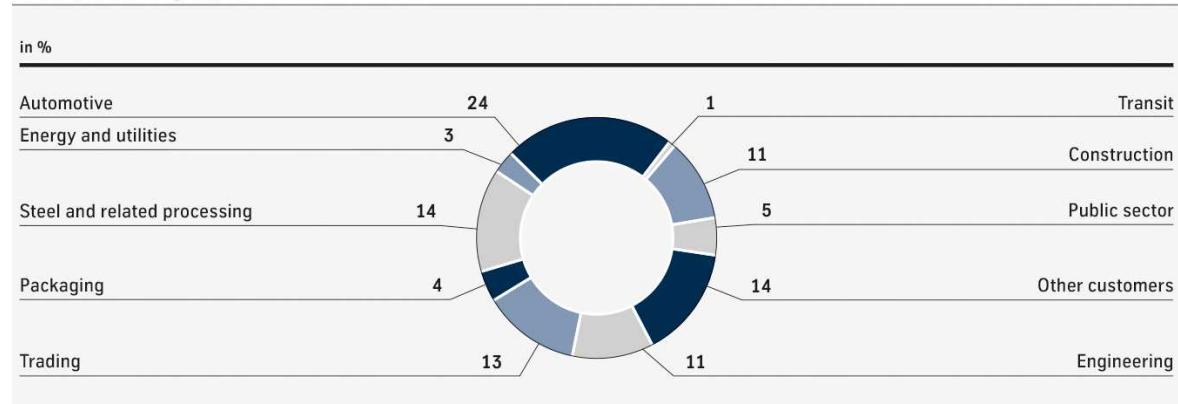
The most important sales market for ThyssenKrupp in 2012/2013 was again Germany; as in the previous year 31% of our products and services went to customers there. The share of sales to the rest of Europe decreased slightly to 28% due to the sale of our stainless steel business. Sales to customers in North and Central America accounted for 21%, slightly less than a year earlier due mainly to the sale of Waupaca. The share of sales to South America increased to over 5%, primarily thanks to higher sales at Elevator Technology and Steel Americas. Asia/Pacific's share of sales increased slightly to just under 13% due to strong sales growth at Elevator Technology. The share of sales to customers in Africa was relatively low at just over 2% but slightly higher than a year earlier due to sales increases at Industrial Solutions..

#### Sales by region

million €	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	Change in %
Germany	13,031	13,933	16,153	14,413	12,168	(16)
Europe (excl. Germany)	13,636	13,928	15,868	13,816	11,275	(18)
North and Central America	6,480	6,535	8,154	10,048	8,364	(17)
South America	1,377	1,731	2,322	2,169	2,052	(5)
Asia/Pacific	4,342	5,013	5,618	5,695	5,061	(11)
Africa	1,697	1,481	977	904	862	(5)
Worldwide	40,563	42,621	49,092	47,045	39,782	(15)

The auto industry remained ThyssenKrupp's most important customer group, accounting for 24% of sales. The share of sales to the trading and particularly the steel and related processing sectors decreased year-on-year, mainly due to the disposal of our stainless steel operations.

#### Sales by customer group 2012/2013



## Procurement markets

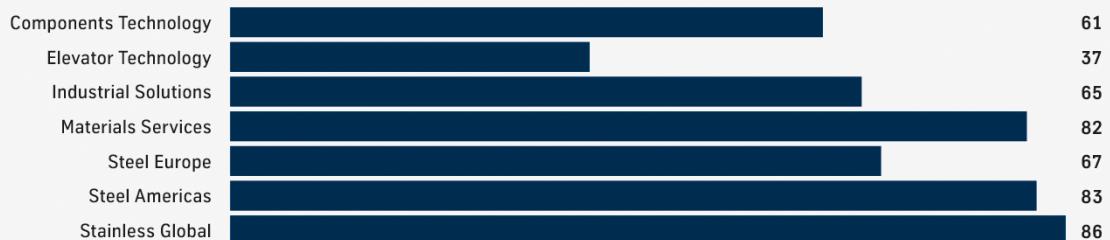
#### Materials expense by business area

million €	2011/2012	2012/2013	Change in %
Components Technology	4,252	3,473	(18)
Elevator Technology	2,074	2,289	10
Industrial Solutions	3,295	3,672	11
Materials Services	10,919	9,613	(12)
Steel Europe	7,542	6,464	(14)
Steel Americas	1,753	1,555	(11)
Corporate	63	81	29
Materials expense of the business areas	29,898	27,147	(9)
Consolidation	(2,698)	(2,242)	—
Materials expense of the continuing operations	27,200	24,905	(8)
Stainless Global	5,372	1,208	(78)
Consolidation	(829)	(178)	—
Materials expense of the Group	31,743	25,935	(18)

The Group's materials expense decreased year-on-year by 18% to €25.9 billion. In the continuing operations it fell by 9% to €24.9 billion. At the same time materials expense as a percentage of sales decreased slightly from 67% to 65%. The percentages of the business areas ranged between 37% at Elevator and 83% at Steel Americas, as shown by the graphic below. Together with the Group companies our global purchasing organization secured the supply of materials to our plants without delivery bottlenecks in the reporting year.

**Materials expense of business areas**

as % of sales 2012/2013



**Natural gas and electricity**

Spot market prices for natural gas in Germany in 2012/2013 were on average 12% higher than a year earlier, mainly due to the long winter. However, ThyssenKrupp profited from favorable price guarantees for its German plants. German and international gas prices remained at a high level. The only exception was the USA, where gas prices were considerably lower due to increased production of shale gas. Globally the market is split three ways, with the highest natural gas prices in Asia, the lowest in the USA and Europe in the middle.

Electricity prices on the forward and spot markets continued to fall. However, the increase in the renewable energy levy from 2012 to 2013 was roughly twice as big as the decline in prices on the forward market. Electricity costs in Germany are still at the top end of the European scale. This is due to politically imposed burdens such as the renewable energy levy, increased electricity taxes, subsidies for cogeneration, compensation for network charge exemptions, liability for the delayed grid connection of offshore wind turbines and rising network charges. These costs and the likewise regulated network charges now account for almost half of electricity procurement costs.

**Emissions trading**

Due to the relining of blast furnace 9, actual CO<sub>2</sub> emissions in calendar 2012 were only 17.4 million tons, so the emission allowances allocated under applicable law at the beginning of 2012 of 21.4 million tons CO<sub>2</sub> were enough. The emission allowances not required are to be used in the third trading period of the EU Emissions Trading System (2013 – 2020). We have already bought EU emissions allowances to hedge ourselves for this third trading period.

## Opportunities and risks

### Opportunity report

Opportunity management at ThyssenKrupp comprises the systematic management of opportunities in the Group. Strategy and Controlling departments work closely together to ensure integrated management processes. The Strategic Dialogue is the structured process in which each year in all business areas opportunities arising from relevant market and technology trends are systematically addressed and discussed. This standardized Groupwide procedure is also the basis for the Group's Strategic Way Forward.

Following on from the Strategic Dialogue, all business areas record opportunities and risks in operational plans and monthly reports to allow better assessment of the current earnings and liquidity situation of the individual businesses.

In addition, in a region profile we systematically analyze the regions in which we see the biggest opportunities for ThyssenKrupp in the future. We step up our cross-business regional activities in these regions accordingly. 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.

#### Strategic opportunities for the Group

In the Group's Strategic Way Forward we focus on current global growth drivers. We continuously evolve our company in a constantly changing environment in order to meet the global challenges of the future with innovative solutions. In deciding on the future of our businesses in the Group we look at where the Group can profit from the global trends of demographic change, urbanization and globalization, but without neglecting constraints such as the finite nature of natural resources.

With our engineering expertise in "Mechanical", "Plant" and "Material" we enable our customers to serve the need for "more" with better solutions and so gain a competitive edge. This in turn impacts positively on our own performance.

In the event of unfavorable economic conditions and a lack of financial latitude it would take us longer to utilize existing opportunities. The associated risks are detailed in the risk report on pages 78-88.

Our corporate program impact creates the framework for our Strategic Way Forward and plays a major role, together with business-specific programs, in increasing the efficiency of the Group and reducing costs across all business areas and corporate functions. For instance the future Group model is currently being defined in a large-scale project and our organizational structure is being evolved to support the strategic expansion of our activities.

Details of our corporate strategy including impact are contained in the section "The Group's Strategic Way Forward" on pages 31-36.

#### Operating opportunities of the continuing business areas

**Components Technology** – Growing global demand for personal mobility and freight transportation is a key business driver for the Components Technology business area. For us as one of the major engineering partners and component and module suppliers to the auto industry, further growth opportunities are arising in these sectors. This applies particularly to the emerging markets in North and South America as well as Asia. With new production sites in Mexico, China, India and Brazil we have positioned ourselves well in these markets. At the same time our products can support the strong trend towards efficient and environmentally friendly mobility. Challenging political targets worldwide to reduce greenhouse gases in the auto sector add to this need. In the relevant areas of weight reduction, optimization of internal combustion engines and electrification of drive technology, we offer our customers state-of-the-art solutions and are working to extend our lead. Already our customers include almost all the major car and truck manufacturers.

In the wind industry, considerable growth potential lies in offshore installations. The targeted share of renewable energies in Europe's energy supply cannot be achieved without the expansion of offshore wind power. The trend towards ever bigger and more efficient turbines reinforces the need for high-performance components. In the area of onshore turbines we see new growth impetus coming from wind farm repowering – the replacement and upgrading of older and smaller wind turbines.

**Elevator Technology** – The business area has for years been one of the world's leading suppliers of elevators, escalators, moving walks, passenger boarding bridges and stair and platform lifts. These markets offer attractive growth and profit opportunities as a result of increasing globalization and urbanization. Our broad product range, which includes standard systems, custom solutions as well as full service and modernization packages, can open up new market opportunities. Rigorous implementation of the measures to improve efficiency under the impact program will additionally increase the competitiveness of Elevator Technology.

**Industrial Solutions** – For Industrial Solutions we see good growth opportunities on the relevant markets despite growing competition. Shale gas in North America is one such opportunity for our Process Technologies unit. We expect the full integration of our core plant technology operations planned for early 2014 in the form of the merger of Resource Technologies, Process Technologies and ThyssenKrupp Industrial Solutions to increase our competitiveness and create the basis to exploit global growth opportunities in our markets even more effectively.

In the marine sector too we see good opportunities for sustainable growth in our target markets for conventional submarines and naval surface ships. Our high order backlog gives us a strong workload and the opportunity to further develop our core products. The project outlook for the coming years is good – particularly on the export side. To increase operating efficiency the activities of Blohm + Voss Naval and Howaldtswerke Deutsche Werft were combined into ThyssenKrupp Marine Systems in the reporting year.

**Materials Services** – Services are gaining further importance for Materials Services as producers and processors focus more strongly on their core business. The opportunities for the business area arise from customer orientation, specific market and sector know-how, global connections and broad expertise in project management. Under the impact program Materials Services has defined extensive measures to further improve the cost situation. Operating opportunities will derive from the systematic and sustained implementation of the corresponding initiatives.

**Steel Europe** – The business area is focused on the market for premium flat carbon steel. However, the framework conditions for the entire European steel market have changed increasingly. To identify new opportunities for Steel Europe under these changed conditions, the optimization program "Best-in-Class Reloaded" was initiated in the reporting year. Opportunities derive from the rigorous implementation of the program's measures to increase customer focus, improve the cost position and strengthen our technological and logistical capabilities, as well as from the expansion of attractive customer segments. The goal is to significantly improve the earning power of the business area by 2014/2015 so it can earn more than its cost of capital on a sustainable basis.

Despite the changed conditions, the global trends of urbanization, increasing mobility and more efficient use of scarce resources continue to apply. In the coming years these trends offer opportunities for the use of intelligent steel products, which already feature in the product and service portfolio of the Steel Europe business area.

**Steel Americas** – Based on the agreed transaction we are confident that in the coming years we can build on the operating improvements already achieved at Steel Americas in the past fiscal year and better exploit the market opportunities arising from the changed parameters. The measures to further optimize technical performance as well as our initiatives to enhance efficiency will contribute to this. In addition, higher capacity utilization of our Brazilian steel mill due to the slab supply contract and stronger penetration of the slab markets in South and North America will have a positive impact. We expect further positive effects from reduced exchange rate risks due to increasing slab supplies to the Brazilian market and from the use of input tax credits. At the same time a weaker Brazilian real should aid the competitiveness and business performance of ThyssenKrupp CSA.

## Risk report

Risk management at ThyssenKrupp embraces all measures for the systematic and transparent management of risks and through its integration with controlling processes is an integral part of value-based corporate governance. Thanks to continuous further development, the risk management system now goes far beyond the early identification of risks required by law. All requirements placed on the system by the Executive Board and the Supervisory Board Audit Committee are implemented promptly.

We continuously improve our methods and tools to identify, assess, manage and report risks. 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. 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.

### Risk policy

The Group's risk policy guidelines set the framework for meeting the requirements of proper, consistent and forward-looking risk management and its integration into corporate strategy. The organizational anchoring of risk management in operational and strategic controlling facilitates active and holistic Group risk management integrated with planning and reporting processes. Risk management also includes challenging and systematically analyzing the business models, strategies and concrete measures of the operating entities.

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. Responsible risk management also involves shifting risks outside our core processes and competencies, reducing them or avoiding them completely, which however does not rule out the occurrence of individual risks. Various risk management measures and appropriate balance sheet provisions for risks ensure that the risks taken in the Group are covered and monitored.

### Risk management system

Corporate 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 current 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.

A global IT risk management tool used in all Group companies for preparing an integrated risk map ensures that earnings and cash risks are recorded and reported through a series of approval and aggregation processes via the business area management boards to Group level. The requirements in the risk mapping process include formulating risk management measures for the individual identified and assessed risks and systematically monitoring their implementation.

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. As part of the planning process and also on an ad hoc basis we analyze earnings and cash corridors on the basis of various scenarios as well as macroeconomic concentration risks based on Groupwide risk scenarios. Ad hoc risks are communicated immediately to the risk management officers and are also documented via the established reporting channels.

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

The material Group risks identified in the risk maps as well as the results of the analyses of risk scenarios and risk provisions are discussed and validated in meetings of the interdisciplinary risk committee held once every quarter and chaired by the CFO. In this way we systematically prepare subsequent risk reporting to the Executive Board and Audit Committee. The risk committee 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 Group's risk management system is summarized in the following graphic:

Opportunity and risk reporting at ThyssenKrupp

Opportunities and risks in estimation	Opportunities and risks in budget	Risk mapping	Risk scenarios	Provisions for risks
<b>Goal/content</b> Identification and assessment of opportunities and risks not included in current estimation	<b>Goal/content</b> Identification and assessment of opportunities and risks not included in budget	<b>Goal/content</b> Identification and assessment of risks in all operating units not included in estimation and budget planning	<b>Goal/content</b> Analysis of concentration risks based on defined common scenarios	<b>Goal/content</b> Analysis of main provisions for risks/measures monitoring
Time horizon current fiscal year	Time horizon following fiscal year	Time horizon Planning period	Time horizon scenario-dependent	Time horizon current fiscal year
Interval monthly	Interval yearly	Interval twice yearly	Interval at least yearly	Interval four times yearly
Standard reporting			Risk committee and audit committee	
Monthly reporting	Budget reporting	Interval four meetings yearly		

We regularly train our employees on individual risk management elements and 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 as a whole.

#### Control and risk management in the Group accounting process

The internal control system at ThyssenKrupp comprises all the principles, processes and measures introduced with the aim of ensuring the security and efficiency of business management, the reliability of financial reporting and compliance with laws and policies. Under the corporate project daproh for data and process harmonization we are continuously developing the internal control system using a standardized risk control matrix.

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

A standard, regularly updated accounting policy for the consolidated financial statements is available to all involved employees 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 possible risks 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 of assets and liabilities. Group-owned shared service centers support the local units in preparing local financial statements. Regular training takes place for all employees involved in the accounting process.

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 to prevent misuse of finance systems.

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

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

#### **Risk transfer through central service provider**

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 structure of insurance cover are determined on the basis of risk assessments in which insurable risks at the Group companies are identified, evaluated and reduced or removed through specific protection plans. Depending on the Group's risk-bearing ability we agree appropriate deductibles for individual classes of insurance.

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.

To limit the risk of insurer insolvency, we spread the risk over numerous insurers taking into account the ratings given to these insurers by recognized agencies.

#### **Financial risks**

Central responsibilities of ThyssenKrupp AG as parent company include the coordination and management of financial requirements within the Group and securing the financial independence of the company as a whole. To this end we optimize Group financing and limit the financial risks.

**Default risk** – We enter into financial instrument transactions in the financing area only with counterparties who 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 financing companies. We use the cash pooling system to allocate resources to Group companies internally according to requirements.

**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. To manage these risks, regular interest rate risk analyses are prepared, the results of which feed into our risk management system.

ThyssenKrupp AG has entered into agreements with banks which require that the ratio of net financial debt to equity (gearing) in the consolidated financial statements must not exceed 150% at the closing date (September 30).

At September 30, 2013 the Group's gearing was temporarily increased, primarily as a result of impairment charges, and stood at 200.6%. The gearing limit of 150% agreed in some credit agreements was therefore exceeded as of September 30, 2013. However, agreements had previously been reached with the financial partners involved to waive the gearing covenant test at September 30, 2013, so these financial instruments remain available after September 30, 2013 despite the gearing limit being temporarily exceeded.

At September 30, 2013 the Group's available liquidity amounted to €7.3 billion, consisting of €3.8 billion cash and cash equivalents and €3.5 billion undrawn committed credit lines. The available liquidity offers enough scope to cover debt maturities. The gross financial liabilities repayable in fiscal year 2013/2014 amount to €1.9 billion.

#### **Risks associated with disposals, acquisitions and restructurings**

Continuous optimization of the Group portfolio is one of the key pillars of our Strategic Way Forward. Active portfolio management in connection with the disposal or acquisition of businesses is associated with risks. The same applies to restructurings within our existing businesses. We monitor the associated risks continuously and recognize provisions where required.

On November 29, 2013 ThyssenKrupp entered into an agreement with a consortium of ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation on the sale of the ThyssenKrupp Steel USA rolling and coating plant in Calvert/Alabama. In addition it was contractually agreed that the consortium will purchase 2 million tons of slabs per year from ThyssenKrupp CSA up to 2019. This long-term slab supply contract for ThyssenKrupp CSA is a first major step in the decoupling of the two plants and will also enable ThyssenKrupp to fulfill the commitment agreed with Vale to purchase slabs from ThyssenKrupp CSA. In this way the Group will be able to reduce the risks from the originally intended cross-currency-area tandem model as well as price risks in connection with market entry into the USA. The closing of the agreements is subject to approval by the competent regulatory authorities.

Following the disposal of Stainless Global ThyssenKrupp is exposed to risks from the 29.9% shareholding in Outokumpu as well as from the financial receivable (vendor loan) created in the transaction, a 364-day credit line, a supplier finance backup facility and contingencies. More information on this is provided in Note 23. These are value risks and default risks depending on Outokumpu's financial situation.

In the context of the necessary refinancing of Outokumpu ThyssenKrupp AG signed a contract with Outokumpu Oyj on November 29, 2013 transferring 100% of the shares of VDM and AST and of other smaller activities in the stainless steel service center sector to ThyssenKrupp. In return ThyssenKrupp's financial receivable from Outokumpu Oyj in the nominal amount including capitalized interest of €1,269 million, which had a book value of €969 million at September 30, 2013, was transferred to Outokumpu. The commitment resulting from the sale of Inoxum to Outokumpu to offset any negative financial consequences for Outokumpu under merger control requirements up to an amount of €200 million therefore ceases to apply.

To meet the requirements of the EU Commission ThyssenKrupp AG will fully divest its 29.9% interest in Outokumpu Oyj. In expectation of a capital increase at Outokumpu the sale of the shares in Outokumpu Oyj is likely to lead to a loss of over €270 million on the investment's book value at September 30, 2013. This will be offset by cost reductions from the elimination of recognized risks. With the closing of the transaction all financial links with the Outokumpu group will be ended.

The transaction is subject to the approval of the competent regulatory authorities and to the cooperation and approval of the shareholders, banks and creditors for the overall plan for a sustainable refinancing of Outokumpu. If the transaction is not completed, the value risks and default risks mentioned above will continue to apply.

#### **Order risks**

We frequently execute major orders involving a high degree of complexity and long project lead times; costs overruns and/or delays in individual project phases cannot be ruled out. To minimize these risks we continuously improve our management systems so that we are aware of current order status at all times and able to take necessary 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.

#### **Sales risks**

As a diversified industrial group with leading engineering expertise, ThyssenKrupp operates globally and is therefore dependent on the international economic situation. With little positive impetus coming from the global economy and with the debt crises in some euro zone countries and the uncertainties on the financial markets continuing, we see risks for our sales markets. We monitor and evaluate these framework conditions continuously so as to be able to react quickly to new developments. For this we have various measures at our disposal, for example a market-oriented adjustment or relocation of capacities.

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. In addition we operate a professional receivables management system to counter the risk of bad debt.

More details on sales risks are provided in the section “Specific risks for our operations” on pages 85-88.

#### Risks in countries with trade restrictions

Due to the global nature of its business ThyssenKrupp also has business relationships in countries subject to trade restrictions. Since 2010 the Federal Republic of Germany, the EU and the USA, acting on the basis of UN Resolution 1929, have been expanding existing trade restrictions on the Islamic Republic of Iran to include the oil, gas and petrochemical sector, and adding further individuals and banks to the sanctions lists to prohibit business with them.

Violations of these trade restrictions are subject to severe penalties and could damage the Group's reputation. We have always sought to comply with export control regulations and in particular trade restrictions. In addition, in September 2010 we decided that ThyssenKrupp will not enter into any new transactions with Iranian customers. These measures significantly reduce the risk of a potential violation of trade restrictions.

#### Procurement risks

To manufacture our high-quality products we require raw materials and energy as well as freight capacities which we source on the relevant procurement markets. Depending on market situation, procurement prices can vary considerably and impact on our cost structures. We counteract these risks where possible through adjusted selling prices and alternative procurement sources to secure our competitiveness. To hedge against raw material price swings, in particular for nickel and copper, 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.

The aim of the energy transition in Germany is to significantly increase use of renewable energies and expand the electricity grid. The financing of the energy transition exposes us to the risk of permanently rising electricity prices and a further increase in the renewable energy surcharge, which would jeopardize the international competitiveness of energy-intensive industries like the German steel industry. Regulatory requirements placed on the electricity and gas networks of our major production sites involve further costs. We counter the risk of rising energy prices on the commodity markets through structured energy procurement. We operate sustainably and are working across the Group to save energy and recycle waste. This helps avoid greenhouse gas emissions and conserve natural resources.

#### 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. To contain these risks we maintain close working contacts with the relevant institutions to prevent distortion of competition. We participate directly and via industry associations in the discussion process on politically desired energy price surcharges.

We may face substantial costs for emission allowances in the third trading period of the EU Emissions Trading System. As an energy-intensive industrial and services group we face earnings risks if we are unable to pass on the additional costs to our customers. These risks are mitigated by emissions allowances held and hedging transactions.

#### Environmental risks

In our production plants there are in some cases process-related risks of air and water pollution. We invest continuously in environmental protection in these areas in order to conserve resources and minimize environmental impact. Many Group companies have had their environmental management systems certified and thus put in place structures and processes to reduce the risk of environmental damage.

Some of the Group's real estate no longer used for operations is subject to risks from past pollution and mining subsidence. We counter these risks with preventive measures and scheduled remediation work, and recognize adequate provisions in our real estate business.

#### **Legal risks associated with third-party claims**

Claims against our Group companies can result in legal risks. ThyssenKrupp supports relevant legal proceedings with its own experienced corporate counsel, if necessary with additional support from external attorneys. We minimize product liability claims through the high quality of our products.

When contractual partners assert claims against ThyssenKrupp we examine the individual claims carefully and recognize provisions where payment obligations are considered likely and can be reliably estimated.

Information on pending litigation and claims for damages is provided in Note 21.

#### **Compliance risks**

We operate a strict compliance program focused on reducing the risk of antitrust and corruption violations. This focus is justified due to the enormous potential for damage with these offenses – both financial and in terms of reputation.

This is illustrated by the so-called rail cartel case. On July 23, 2013 the German Federal Cartel Office imposed a second fine on ThyssenKrupp GfT Gleistechnik GmbH. This €88 million fine relates to the private market and turnouts sections of the proceedings. ThyssenKrupp accepted the fine and had already recognized a provision for it. Previously in July 2012 the authority had imposed a €103 million fine for price fixing in connection with rail deliveries to Deutsche Bahn. With the latest fine for the private market and turnouts sections of the case fines have now been established and settled for all the allegations relating to ThyssenKrupp in the rail cartel case. However, various Deutsche Bahn companies have filed claims for damages against several companies – including ThyssenKrupp GfT Gleistechnik and ThyssenKrupp Materials International – in connection with the rail cartel. In the meantime other companies have also asserted out-of-court claims against ThyssenKrupp in connection with the private market and turnouts sections of the proceedings. More details are provided in Notes 16 and 21 to the consolidated financial statements.

Acting on an anonymous tip, the German Federal Cartel Office has been investigating ThyssenKrupp Steel Europe and other companies since the end of February 2013 based on an initial suspicion of price fixing in the delivery of certain steel products to the German auto industry and its suppliers over a period dating back to 1998. ThyssenKrupp has launched its own investigation into the allegations with the support of external lawyers. The amnesty program we carried out from April 15 to June 15, 2013 produced no leads regarding the ongoing investigations. The investigations by the Federal Cartel Office are ongoing. The internal investigations launched in response to the investigations of the Federal Cartel Office are at an advanced stage but not yet complete. Based on the facts currently known to us, significant adverse consequences with regard to the Group's asset, financial and earnings situation cannot be ruled out.

#### **Risks associated with information security**

Our IT-based business processes are exposed to risks associated with information security. 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 information technologies and update the systems 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 minimized.

In the reporting year we again carried out extensive measures to further improve our information security management and technologies. The Computer Emergency Response Team (CERT) set up for the Group supports the early identification of these risks.

To enhance the sustainability of all current and future measures the Group companies are required to regularly demonstrate the maturity levels of their established information security management systems (ISMS, to ISO/IEC27001). It continues to be important to us to ensure that our employees are sufficiently aware of the risks and have maximum technical support in dealing with information relevant to business. Regular information security congresses are held at which information and experience with proactive measures to improve information security and manage risk are exchanged at international level.

Furthermore, business processes and data centers at selected Group companies have achieved security certification, documenting the standards achieved above all to our customers. In addition, vulnerability analyses are carried out with the support of our IT Compliance team and external experts to verify the security of the infrastructure and if necessary increase protection.

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 associates and employees, and to respond appropriately to potential new risks.

#### **Risks associated with pension and healthcare 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 associated pension obligations can be permanently fulfilled in respect of the current and future income from the investments. 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, the cost of healthcare obligations in the USA may increase. Furthermore, in some countries there is a risk of significantly higher payments having to be made to pension funds in the future due to stricter statutory requirements. In individual cases, the premature cancellation of a pension plan may necessitate an additional allocation.

#### **Personnel risks**

To remain successful as a diversified industrial group with leading engineering expertise we need dedicated and highly qualified employees and managers. There is a risk of not being able to find key personnel to fill vacancies or losing competent employees. To prevent this, 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 for managers and providing targeted support for employees. We 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 for our workforce.

#### **General economic risks**

A detailed report on the general economic risks is proved in the section "Macro and Sector Environment" on pages 71-73.

#### **Specific risks for our operations**

**Components Technology** – The business area is exposed to various general risks due to its global activities in different fields of business. In its core markets the expected economic recovery should lead to steady growth in all product segments. However this is subject to major uncertainties. In view of the continuing high budget deficits in Western Europe and the USA there are continued risks to global recovery.

To lessen the risk of dependency on individual markets the business area is expanding its customer base and further strengthening its international presence, especially in Asia. In addition, extensive early warning indicators have been put in place to allow a fast response to a possible economic slowdown.

In the area of wind energy opportunities lie above all in the offshore sector. However there are uncertainties, particularly in Germany, regarding grid connection and the financing of further projects. Risks also lie in the possible reduction of support for offshore wind turbines in the individual core markets. At the same time pressure on selling prices is growing as a result of intense competition. This price pressure is also increasingly evident in the automotive sector and is being countered by the business area with extensive programs to reduce costs and increase productivity.

In addition to the risks on the selling side there is a risk on the procurement side that steeply rising raw material prices cannot be passed on in full to customers or only with delays. The business area is countering this risk by framing contracts with customers accordingly.

Further risks for Components Technology concern the impact of changes in exchange rates on sales and earnings. In addition, risks with unplanned impacts on earnings 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 Elevator Technology operates.

The service and modernization business is comparatively independent of the general economic situation. To secure the maintenance portfolio and 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, 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. Rising material prices cannot be passed on to customers in all regions. This risk is offset by efficiency improvements in production and optimized procurement activities.

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. Accidents involving users carry a major risk of loss of reputation. The selection and training of our installation and service employees ensures maximum safety and quality of the products we install and service. Our goal is to rule out accidents involving users as far as possible.

Despite its increasing business activities in China, Elevator Technology manages to balance risks internally as it operates on both the established markets in Europe and America and the growth markets in Asia. Potential economic risks in the emerging nations are countered by expanding the modernization and service business and improving efficiency, and the high personnel turnover in China is countered by professional personnel management. The business area's regional diversification and associated international nature gives rise to exchange rate risks which are mitigated by matching sales and costs and using corresponding financial instruments.

The challenging global economic situation carries further risk potential, mainly the risk of increasing bad debt and project delays. In addition, competition could intensify on all markets and increase price pressure. Elevator Technology counters these risks with professional project management in association with extensive checks of customers' credit standing. Customer retention management, high service quality and efficiency programs help contain the risk of increasing price pressure.

**Industrial Solutions** – In addition to raw material prices, political developments in important sales regions, particularly in the MENA region, could negatively impact the project situation at Industrial Solutions in the areas of naval shipbuilding and plant construction, leading to project deferrals or cancellations. Specific risks in the execution of long-term 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.

Continuing subdued investment activity in some markets such as mining, as well as increasing price competition from Asian competitors in the plant construction business could have an impact on margin quality in future projects. The restructuring of the Marine Systems operating unit, which was largely completed with the disposal of the civil shipbuilding activities in Germany last year, has significantly reduced risks in the Industrial Solutions business area. The remaining risks from the yacht-building business are essentially limited to the handling of warranty claims. This risk was significantly further reduced in the reporting year by the successful conclusion of a close out agreement for a yacht handed over in 2010.

**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. Cost-reduction measures under the impact program increase efficiency and profitability. Systematic improvements to net working capital management help us effectively optimize inventories and minimize the risks of bad debt.

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. Alongside our core markets in Europe and North America, we are also successful in growth markets such as Eastern Europe, Asia and Brazil and will continue to participate in their growth in the future.

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

With the optimization program "Best-in-Class – Reloaded" the business area is countering the risks to sales volumes and prices and making a key contribution to achieving the earnings, cash flow, value-added and competitive profile demanded of all Group businesses as part of the Strategic Way Forward.

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 intensified monitoring, using commercial credit insurance facilities, and adjusting payment conditions. Constant optimization of supply chains reduces risks to quality and delivery performance.

The European steel industry is exposed to import pressure and overcapacities on the market, as well as rising environmental requirements. Steel Europe minimizes the risks posed by intense competition on the market for carbon steel flat products by using the systematic strengths of its technology expertise to differentiate itself from competitors. Should raw material prices continue to rise, the business area would respond by seeking alternative procurement sources and/or passing the price increases on to customers.

Steel Europe 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.

Details on risks arising from the emissions trading system and the Renewable Energies Act are provided in the sections "Procurement risks" and "Regulatory risks" on page 83.

**Steel Americas** – Following the ramp-up of the steel mill in Brazil, technical problems, related in particular to a gas turbine in the power plant and a blast furnace, resulted in considerable extra costs in the reporting year. How far these extra costs are covered by warranty or insurance is being examined.

The current developments on the world commodity markets, movements in steel prices, and fluctuations in the exchange rate of the Brazilian real in recent months pose risks for the steel mill in Brazil. We can only counter these in part, e.g. by hedging.

Effective monitoring and risk management as well as regular risk meetings and reports are aimed at remedying identified problems in the facilities step by step and responding to new challenges through prompt identification and communication.

Our efficient claims management system ensures that all claims of our contractual partners are properly handled and managed. ThyssenKrupp is involved in legal, arbitral and out-of-court disputes in connection with the construction of the steel mill in Brazil which could lead to compensation payments. In the past fiscal year settlement was reached in almost all such disputes.

In the past fiscal year ThyssenKrupp CSA increased its sales of slabs on the Brazilian market. The growing shift towards the domestic market, the reduced vulnerability to exchange rate fluctuations and the use of input tax credits will reduce sales risks at ThyssenKrupp CSA. The value-preserving slab supply contract agreed with a consortium of ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation and increased sales initiatives in Brazil will also contribute to minimizing potential capacity utilization risks.

#### **No threat to existence of Group**

In the past fiscal year we once again assessed the risk situation of the Group continuously and transparently, and with our established Groupwide risk management system contributed to the efficient control of risks in the Group. From the current perspective there are no risks that could threaten the ability of the Group to continue as a going concern.

## Non-financial performance indicators

Sustainability is firmly anchored in the Group's strategy. With our engineering expertise we enable our customers to gain an edge in the global market and manufacture innovative products in a cost- and resource-efficient way. The basis for this is responsible corporate governance geared to long-term value creation.

### Sustainability

ThyssenKrupp regards sustainability as a key driver of innovation and a continuous process to improve the economic, ecological and social performance of the Company. Accordingly, sustainability is an integral part of our mission statement and strategy. Furthermore, ThyssenKrupp has committed to the United Nations Global Compact. Systematic sustainability management with regard to both our own processes and the value chain enables us to play an active part in shaping the future. For example, energy efficiency, recyclability, and product safety play a key part in the development of innovative materials, components, systems and plants. In this way ThyssenKrupp contributes to the sustained success of its customers. We also expect our suppliers to comply with social and ecological standards. We communicate our sustainability performance transparently to our stakeholders. For example, ThyssenKrupp was once again included in the Leadership Index of the Carbon Disclosure Project (CDP) for Germany, Austria and Switzerland in 2013, which lists the most transparent companies with regard to climate protection. Further information and our sustainability reporting based on the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC) can be found on our website.

#### **Targeted improvements in the past fiscal year**

Despite the difficult economic environment, we further stepped up our innovation, employee development, environmental protection and corporate citizenship activities in the 2012/2013 fiscal year. Read more about this in the following sections.

### Innovations

With its innovative technologies and materials, ThyssenKrupp offers its customers solutions for sustainable success. We develop custom materials and components, organize end-to-end production logistics processes, and build turnkey plants. Our research and development teams give priority to improving energy efficiency over the entire product life cycle and to closed, resource-conserving materials cycles – in line with our customers' requirements.

Our innovative materials and process expertise is combined in interdisciplinary teams. A cross-company network develops new solutions for markets of the future. We see particular challenges and opportunities for our Company in adapting energy-intensive production processes to fluctuating capacities from renewable energy sources, using new processes to extract raw materials, and recovering raw materials at the end of the product life cycle.

#### **InCar®plus: Solutions for automotive efficiency**

Under the InCar®plus project ThyssenKrupp is developing more than 40 forward-looking solutions for automotive efficiency. These innovations for body, powertrain, chassis and steering are superior to current high-quality comparable products in terms of sustainability, cost-efficiency, weight or functionality. InCar®plus unites technological, ecological and economic progress with regard in particular to fuel efficiency, cost-efficient production and the integration of additional functions into existing components. The solutions allow weight savings of up to 40% and cost reductions of up to 20%. Prototypes were produced for most of the sub-projects in the reporting year; the first pre-production components are being tested in customer vehicles. Though the project is focused on reducing CO<sub>2</sub> emissions during driving, the underlying holistic approach takes account of the entire vehicle life cycle.

InCar®plus is a continuation of the successful InCar® project presented in 2009 and is representative of ThyssenKrupp's Strategic Way Forward. The Group is applying its engineering expertise for sustainable progress – also with a view to steadily rising mobility requirements. The trends in the automotive sector are towards weight reduction, electrification, energy efficiency, safety and comfort. InCar®plus offers customized solutions to these requirements. As a diversified industrial group we possess expertise in the areas of materials development, engineering, component manufacture, assembly lines, tooling and prototyping. By integrating these disciplines we create unique synergies for cost- and production-validated innovations.

#### **Holistic approach to lowering costs for elevators and escalators**

To ensure our elevator and escalator business remains competitive in the high-volume, low-price segments around the world, it is vital that we optimize the cost of each and every component. For this we analyze not only manufacturing costs but also the subsequent life cycle costs such as service and running costs. Our elevator and escalator experts develop innovations on the basis of design-to-cost aspects: This has resulted in successful developments such as the new 'synergy element' machine room-less elevator for residential and commercial buildings, and the Low Cost Commercial Escalator which is particularly intended for the Chinese market.

#### **Going up: Integrated skip conveying and crushing system**

Open-pit hard rock mines for iron ore and other materials use heavy trucks weighing up to 260 metric tons and carrying payloads of up to 400 tons. Large numbers of these trucks are used in mines around the world. Investment and personnel costs, fuel consumption and associated CO<sub>2</sub> emissions are very high. With its "Integrated skip conveying and crushing system", ThyssenKrupp offers a sustainable and cost-effective alternative: The rope-driven steep-incline conveyor transports complete truck loads on rails from the loading station to the crusher at the top of the mine, using the shortest possible route over gradients of up to 75 degrees. The system incorporates the steep-incline conveyor with deadweight balance system, the crusher station for overburden or ore, and the onward conveyors to the processing or tipping areas.

Unlike in truck haulage, where not only the payload but also the deadweight of the truck has to be moved, the integrated skip conveying and crushing system only uses energy to transport the payload. This reduces transportation costs by up to 50% and significantly lowers CO<sub>2</sub> emissions. Noise and dust pollution are also reduced, and the operations can continue even in bad weather conditions.

#### **PREPOL® SC: Fuel transported by blasts of air**

The production of cement clinker in rotary kilns is a key step in the cement manufacturing process. The raw materials – generally limestone, clay and marl – are heated to 2,000°C in the kiln and sintered. Modern kiln systems consume around 3,200 kilojoules per kilogram of cement clinker. Previously, typical fuels included coal, lignite, heating oil and natural gas, but these are increasingly being replaced by alternative fuels such as shredder and household waste, industrial waste and scrap tires. Substitution rates of well over 50% are already being achieved in Europe, but on a global scale there is still considerable potential for improvement.

PREPOL® SC is an innovative combustion chamber developed by ThyssenKrupp for the thermal processing of coarse industrial waste materials and has virtually no moving parts. While the mechanical transportation mechanisms of conventional systems make them susceptible to breakdowns, PREPOL® SC transports the alternative fuel by blasts of air. The new system can also be retrofitted into existing cement plants. The first industrial-scale pilot plant is expected to start operation by the end of 2013.

#### **Virtual commissioning reduces risks**

Virtual production is an increasingly important method in the planning and realization of production systems. Simulating various aspects of production systems, such as material flow, robot kinematics and data exchange, improves planning and avoids errors during realization. One very effective method of virtual production being used and developed in the Group is virtual commissioning (VCOM). In VCOM, the plant defined in the form of digital 3D models is assembled into a virtual production line and its functions simulated on the computer. This shortens commissioning time on site, enables faults to be identified at an early stage, and reduces the risks involved in complex projects.

Another important development is hybrid commissioning for body-in-white lines, in which virtual and real system components can be connected. For this, the real line components are scanned using 3D technology. This further development of VCOM makes it easier to master the complexity of converting or extending existing lines. At the same time it allows the typically very short timeframes available for commissioning to be used more effectively.

#### **Hot stamping for lighter parts**

Reconciling the need to reduce weight with rising crash safety requirements for the passenger cell is resulting in the increased use of hot-stamped parts in the auto industry. The steel grade MBW-K®1900 – now production ready – marks a further milestone in the systematic development of manganese-boron steels. The higher strength of this steel (2,000 megapascals - MPa) allows structural parts to be made up to 15% lighter than with the hot-forming steels commonly used today with tensile strengths of 1,500 MPa. The tailored tempering process patented by ThyssenKrupp for hot stamping processes is now being used in production by our customers. This innovative and cost-efficient technology is increasingly in demand and is being extended to further parts and OEMs.

We supply not only the materials for hot stamping, but also the production technology. A high-capacity, energy-efficient press has been specially designed for use in hot stamping lines, and we have also succeeded in validating the forming simulation method for hot-stamped materials, allowing it to be used as a reliable aid to simulate the individual phases of product and process development.

#### **Spending on research and development higher again**

Due to the disposal of the discontinued operation Stainless Global, total spending on research and development increased by only €3 million to €647 million in the reporting year. However, on a like-for-like basis excluding Stainless Global, spending was up €20 million or 3%.

Research and development costs in the Group once again rose significantly by 10%; related to the continuing operations (incl. Steel Americas) the increase was 19%. This underlines the importance of innovations and new technologies for the Company. There was a decrease in the amortization of capitalized development costs (by 18%) and in order-related development costs (by 3%).

#### **Research and development**

million €	2011/2012	2012/2013	Change in %
Research and development costs	244	269	10
Amortization of capitalized development costs	57	47	(18)
Order-related development costs	343	331	(3)
Expenditure on research and development of the Group	644	647	0

#### **Employees**

On September 30, 2013 ThyssenKrupp employed 156,856 people. In the continuing operations (incl. Steel Americas) there was a year-on-year increase of 741 or 0.5%. For the full Group, the headcount fell by 11,105 or 6.6% due to the disposal of the discontinued operation Stainless Global. Compared with September 30, 2012, employee numbers in Germany decreased by 6,216 or 9.7% to 58,164, accounting for 37% of the total workforce. At the end of September 2013, 19% of all employees had their place of work in the rest of Europe, 13% in North and Central America, 14% in South America, 16% in Asia/Pacific – in particular China and India – and 1% in Africa.

At €8.5 billion, personnel expense in the Group was 7% lower year-on-year.

**Employees by region (September 30)**

	2009	2010	2011	2012	2013	Change in %
Germany	81,229	71,072	69,122	64,380	58,164	(10)
Europe (excluding Germany)	42,291	39,712	36,319	34,701	29,921	(14)
North and Central America	27,431	22,788	24,518	22,116	20,564	(7)
South America	15,466	19,629	22,568	21,320	22,078	4
Asia/Pacific	18,481	21,544	24,742	24,170	24,907	3
Africa	2,597	2,601	2,781	1,274	1,222	(4)
Worldwide	187,495	177,346	180,050	167,961	156,856	(7)

**Employees by business area (September 30)**

	2009	2010	2011	2012	2013	Change in %
Components Technology	27,973	29,144	31,270	28,011	27,737	(1)
Elevator Technology	42,698	44,024	46,243	47,561	49,112	3
Industrial Solutions	20,813	18,460	18,773	18,111	18,841	4
Materials Services	44,316	33,856	36,568	27,595	26,978	(2)
Steel Europe	36,416	34,711	28,843	27,761	26,961	(3)
Steel Americas	1,659	3,319	4,060	3,992	4,112	3
Corporate	1,865	2,597	2,803	3,084	3,115	1
Employees of the continuing operations	175,740	166,111	168,560	156,115	156,856	1
Stainless Global	11,755	11,235	11,490	11,846	0	--
Employees of the Group	187,495	177,346	180,050	167,961	156,856	(7)

**Diversity as a goal of personnel policy**

ThyssenKrupp is continuing its efforts to gradually achieve and sustain greater diversity among the workforce as a whole and at upper management levels in particular. To this end we are steadily expanding our existing initiatives and HR policy instruments in the various ThyssenKrupp company units that make a direct or indirect contribution to increasing, appreciating and utilizing diversity in the Group.

For example, to further improve the work-life balance of our employees we opened the 'Stahlsternchen' children's day care center at the Steel Europe site in Duisburg in May 2013. Based on the didactic methods of the so-called "Berlin model", the center looks after 40 employee children in three groups between the extended opening hours of 7 a.m. to 6 p.m., giving their parents greater flexibility.

**Apprentice training rate in Germany 5.6%**

In many countries around the world we offer young people attractive apprenticeships and study opportunities. In Germany alone, around 3,250 young people were aiming to graduate from an apprenticeship in one of nearly 50 different occupations or an integrated degree program in 2013. The majority of these programs are in industrial or technical areas. Our 133 full-time trainers and numerous training officers teach not only technical skills but also methodological and social competencies. As a result, 94% of apprentices passed their final exams in the reporting year. At the same time, 940 young people started an apprenticeship at ThyssenKrupp. The apprentice training rate was 5.6%.

**Additional Group HR indicators (September 30)**

		2011/2012	2012/2013
Personnel expense	million €	9,083	8,491
Female representation	%	13.8	14.4
Sickness absence rate	%	3.1	3.2
Accidents (per 1 million hours worked)		7.2	5.9

### **Health and safety: “Zero accidents” initiative showing results**

Accident frequency fell by over 18% year-on-year from 7.2 to 5.9 accidents per 1 million hours worked. Over the past five years accident frequency has fallen by 48% and over the past six years by nearly 60%. Management training in the area of health and safety continued in Germany and abroad as part of the “zero accidents” initiative. In addition, an executive development program was launched for top managers to strengthen their understanding of their role and responsibility in further developing our safety culture. ThyssenKrupp is targeting a further significant reduction in accident numbers. This will include a more systematic analysis of the main accident areas and the development of programs to eliminate them.

### **Health management better connected**

Health at ThyssenKrupp is based on three pillars: individual health, working conditions, and leadership conduct/social interaction. These areas are being gradually integrated into existing management systems and further reinforced. In the future this will be accompanied by extended controlling. Sickness absence rates will be supplemented by early indicators covering the aforementioned action areas. To ensure a uniform understanding and approach to health management, we are looking among other things to strengthen the links among all concerned in the business areas and regions. This began with the first national ThyssenKrupp Health Congress for health professionals, managers and employee representatives in Essen in September 2013.

### **ThyssenKrupp PerspActive – differentiated management development and assessment**

In order to promote a strong performance and feedback culture, we further enhanced our management development and assessment systems. Based on our new mission statement we developed the ThyssenKrupp Leadership Competencies and introduced a modified assessment system which permits differentiated feedback and improves the quality of development discussions.

### **Potential programs and talent management project**

Managers with the potential to take on higher-level functions are systematically prepared for the strategic challenges and future requirements this involves in our Groupwide potential programs. The programs make an important contribution to developing the skills of these managers and tying them to the Group long-term, which in turn allows vacant management and other key positions to be filled with the best internal candidates.

In order to identify talents below the top three management levels even earlier we launched a worldwide systematic talent management project in the reporting year. The aim is to improve transparency into talents at ThyssenKrupp and tie them more strongly to the Group – including rotating positions across business areas.

### **ThyssenKrupp Academy – shaping the transformation process together**

The programs of the ThyssenKrupp Academy are tailored to the business needs of our managers and prepare them for the strategic and operational challenges ahead. One priority in the reporting year was to align these programs to the new ThyssenKrupp Leadership Competencies and redesign the program structure. In addition to the established programs, core and deep dive programs were created to address current challenges. In the reporting year, the ThyssenKrupp Academy had a fixed portfolio of around 25 programs plus 15 formats developed on behalf of individual business units – so-called client solutions. A total of 125 such programs were conducted, attended by 1,225 managers – including 480 in client solutions. In addition, numerous activities were carried out to assist the business areas manage the cultural change, for example by helping organize change workshops for top level managers. As part of the reorganization, the Academy's future scope and target group will be expanded. Alongside the establishment of the Project Management Campus, further functional schools – a format that promotes excellence in strategic core functions and the Groupwide implementation of functional standards – are being developed.

### **Focus on graduate recruitment**

It is becoming more and more important to have a presence at universities so as to attract talented graduates. We present ourselves as an attractive employer and establish contacts with students at an early stage. We have maintained close relationships for many years with German universities in Aachen, Berlin, Bochum, Dortmund und Dresden, and also with universities in Brazil, China, Japan and Russia. In addition we have activities at other institutes and higher education establishments such as the Karlsruhe Institute of Technology, and Südwestfalen and Dortmund technical universities, for example through support groups and business management games.

Our entry programs are tailored to the specific needs of the different target groups. The best of our interns are included in our “Next Generation” intern program. They study subjects that will be of particular interest to ThyssenKrupp in the future. Hence 61% of the members are engineering students, followed by economics and related studies. 16 new participants were admitted to the program in the past fiscal year, making a total of 31 members at fiscal year end, 39% female and 61% male. In selected seminars – on subjects such as presenting, moderating and conflict resolution – they are systematically prepared for their future career in the Group. A further key aim of the program is to build and strengthen contacts in the Group. Visits were paid to several Group companies in the reporting year.

For graduates with an interest in research, the doctoral student program “Your Innovation” provides an opportunity to work on the latest technologies in the Group. In the “Create (y)our future” program, graduate trainees get to know the Group strategically and operationally by taking on diverse tasks and rotating through various departments/locations. Preparations for taking on key positions in the Group are rounded out by foreign project assignments (e.g. in the USA, Brazil, India, China, Indonesia, South Africa, Chile, Italy and Spain). In fiscal 2012/2013 a total of 20 Group trainees were hired in Germany.

Our online careers portal is now firmly established as a central medium for gathering information and submitting job applications. Almost all applicants visit the website beforehand to find out more about our Company. The Swedish consultancy Potentialpark once again ranked ThyssenKrupp’s careers website the best in Germany in 2013. A mobile version of the career pages was introduced two years ago and immediately topped the rankings. This successful careers portal and associated applicant management system is currently being rolled out internationally.

To allow the new structural organization and cooperation created as part of ACT to also be developed further in the area of HR marketing and recruiting, we launched the Group project Global Sourcing & Recruiting @ ThyssenKrupp at the end of the 2012/2013 fiscal year. This project develops and establishes generally accepted standards and best practices throughout the Group.

## Environment, climate and energy

Responsible environmental and climate protection is a particularly important corporate objective. The Group’s environmental policy and associated guidelines set out the binding requirements for all Group companies. They are implemented under our Groupwide environmental and climate management system. The operation or introduction of an ISO 14001 environmental management system is a binding requirement for Group companies with a major environmental impact. Almost 60% of our workforce is covered by such certified environmental management systems. In addition, systematic energy management is routinely practiced in all production and service processes. The challenges to be met differ from business to business. While production locations concentrate on plant and process efficiency, the service activities focus mainly on reducing fleet fuel consumption, optimizing route planning and introducing alternative logistics solutions. Major Group companies with energy-intensive processes are already successfully operating certified energy management systems. Around 70% of total net energy consumption is now covered by ISO 50001 energy management systems.

### Systematic investment in environmental and climate protection

To minimize the environmental impact of our operations, our sites around the world utilize state-of-the-art environmental protection technologies. We make continuous investments in equipment such as dust filters, wastewater treatment facilities and oil separators, and to optimize vehicle fleets in our service activities. The environmental and climate protection systems operated by our Group companies are tailored to their specific requirements. Spending on environmental protection facilities in the reporting year fell to €36 million, while ongoing expenditure on environmental equipment was comparable with the prior year at €542 million.

#### Ongoing expenditure on environmental protection

million €	2011/2012	2012/2013*	Change in %
Air pollution control	201	193	(4)
Water protection	222	210	(5)
Noise control/nature conservation	23	23	0
Recycling	101	116	15
Ongoing expenditure on environmental protection of the Group	547	542	(1)

\* excl. Stainless Global

### Corporate citizenship

Supporting the people in the communities in which we operate, creating a positive environment and promoting enthusiasm for technology are second nature to ThyssenKrupp. We see ourselves as a constructive partner to our neighbors at international, national, regional and local level. This commitment creates value for both sides, company and community, and strengthens our social environment.

ThyssenKrupp supports numerous initiatives around the world through donations, sponsorships and other means, focusing in particular on the areas defined by the Executive Board of ThyssenKrupp AG such as promoting young engineering talent, supporting innovation, local social involvement, and aid in the event of major emergencies and disasters such as earthquakes and floods.

In Germany we have been supporting 'Jugend forscht', the country's biggest and most successful competition for young engineers and scientists, for many decades. ThyssenKrupp is also committed to meeting high standards of compliance. Donations to political parties are not permitted.

## Legal information

The following section mainly contains information and explanations in accordance with Arts 289, par. 4, 315 par. 4 of the German Commercial Code (HGB). This information relates to company law structures and other legal relationships; it is intended to provide a better overview of the Company and any barriers to takeover.

### Corporate governance declaration

The corporate governance statement issued in accordance with Art. 289a HGB is published on our website at [www.thyssenkrupp.com/en/investor/unternehmensfuehrung\\_2012\\_2013.html](http://www.thyssenkrupp.com/en/investor/unternehmensfuehrung_2012_2013.html). It contains a description of how the Executive Board and Supervisory Board operate, the declaration of conformity in accordance with Art. 161 Stock Corporation Act (AktG) and information on key corporate governance practices.

### Compensation report

The compensation report is included in the corporate governance report and forms part of the combined management report on the Group.

### Disclosure of takeover provisions

The following information, valid September 30, 2013, is presented in accordance with Arts 289, par. 4, 315 par. 4 of the German Commercial Code (HGB).

#### **Composition of capital stock**

The capital stock of ThyssenKrupp AG remains unchanged at €1,317,091,952.64 and consists of 514,489,044 no-par value bearer shares. Each share carries the same rights and grants one vote at the Annual General Meeting.

#### **Shareholdings exceeding 10% of the voting rights**

There is one direct shareholding in the Company which exceeds 10% of the voting rights: The Alfried Krupp von Bohlen und Halbach Foundation, Essen has informed us that effective September 30, 2013 it holds around 25.33% 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 Arts 84, 85 German Stock Corporation Act (AktG) and Art. 31 Codetermination Act (MitbestG) in conjunction with Art. 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; Arts 179 ff. AktG apply. Under Art. 11 par. 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 has not been used or has been only partly used by January 19, 2017, the Supervisory Board may also amend the wording of Art. 5.

#### **Authorization of the Executive Board to issue shares**

Under Art. 5 par. 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 19, 2017 by up to €500 million by issuing up to 195,312,500 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 compensate for fractional amounts;
- where necessary to grant subscription rights for new shares to the holders of conversion and/or option rights or conversion obligations outstanding at the time the authorized capital is utilized in respect of convertible bonds and/or options already issued or to be issued in the future by the Company or its subsidiaries to the extent to which they would be eligible as shareholders after exercising the conversion and/or option rights or after fulfillment of the conversion obligations;
- in the event of capital increases against cash contributions, if the issue price of the new shares is not significantly lower than the stock market price of shares already quoted on the stock market at the time the final issue price is determined and the shares issued do not exceed altogether 10% of the capital stock either at the time this authorization becomes effective or at the time it is exercised. Counted against this limit are shares which, during the term of this authorization up to the time of their utilization, were sold or issued or are to be issued on the basis of other authorizations to the exclusion of subscription rights by direct or analogous application of Art. 186 par. 3 sentence 4 AktG;
- in the event of capital increases in exchange for contributions in kind.

The total number of shares issued in connection with capital increases against cash contributions/contributions in kind on the basis of the aforementioned authorizations may not exceed 20% of the capital stock either at the time the authorization becomes effective or at the time it is utilized.

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

#### **Authorization of the Executive Board to repurchase stock**

By resolution of the Annual General Meeting of January 21, 2010 the Company was authorized until January 20, 2015 to repurchase treasury shares up to a total of 10% of the capital stock at the time of the resolution of €1,317,091,952.64. The authorization may be exercised in whole or in installments, once or several times, in pursuit of one or several purposes by the Company or by third parties for the account of the Company. At the discretion of the Executive Board, the buy-back may be effected on the open market or by means of a public offer or a public invitation to tender or by means of equity derivatives (put or call options or a combination of both). The counter value 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 repurchased by means of a public offer or invitation to tender, 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 public announcement of the offer or invitation to tender.

If, after announcement of a public offer or invitation to tender, the relevant price is subject to significant changes, the offer or invitation may be amended. In this case the price is based on the average price over the three days of trading before the public announcement of an amendment. The public offer or invitation to tender may specify further conditions. If the offer is over-subscribed or, in the case of an invitation to tender, not all of several equal offers can be accepted, they must be accepted on a quota basis. Priority may be given to small lots of up to 100 shares per shareholder.

If the shares are repurchased by means of equity derivatives, the options may only be honored with shares purchased under observance of the principle of equal treatment. The term of the options must end on January 20, 2015 at the latest. Each purchase of treasury shares by means of equity derivatives is limited to a maximum of 5% of the capital stock of the Company at the time of the resolution by the Annual General Meeting. Any right of shareholders to conclude such option transactions with the Company shall be excluded, applying Art. 186 par. 3 sentence 4 AktG.

The Executive Board is authorized to use the repurchased shares for all legally permissible purposes. In particular it may cancel the shares, sell them by means other than on the open market or by offer to shareholders or sell them in exchange for a contribution in kind, use them to discharge conversion rights in respect of convertible bonds issued by the Company or the Company's subsidiaries, and issue them to employees of the Company and affiliated companies as well as members of the management boards of affiliated companies to satisfy rights or obligations to acquire Company shares granted to the aforementioned group of people. The Supervisory Board is authorized to use the repurchased stock to satisfy rights or obligations to acquire Company shares granted to members of the Executive Board of the Company. In the latter five cases, the shareholders' subscription rights are excluded. The Supervisory Board may determine that measures of the Executive Board regarding the purchase and use of treasury shares under this authorization are subject to its approval.

By resolution of the Annual General Meeting of January 23, 2009, the Executive Board was authorized up to January 22, 2014 to carry out the following measures with the approval of the Supervisory Board:

- to issue bearer bonds in the total par value of up to €2 billion and to grant the bond holders the right to convert the bonds into a total of up to 50 million no-par-value bearer shares of ThyssenKrupp AG with an arithmetical share in the Company's capital stock of up to €128 million (convertible bonds);
- to exclude the shareholders' subscription rights to convertible bonds if this is necessary (1) for fractional amounts occurring as a result of the subscription ratio, (2) insofar as the convertible bonds are issued against cash payment and the issue price for the convertible bonds is not significantly lower than the theoretical fair value calculated according to recognized financial calculation methods, or (3) to grant holders of conversion rights from previous bond issues subscription rights in the amount to which they would be entitled upon exercising their conversion rights. The conversion price for treasury shares must not be lower than 80% of the average closing price in the XETRA trading system over the three days of trading before the date of the public announcement of the offer or acceptance of a tender. The Executive Board determines the conditions for conversion bonds.

#### **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 €2.5 billion. This agreement can be terminated with immediate effect and outstanding loans declared due if the Company becomes a subsidiary of another legal entity or natural person and this is requested by a group of banks representing more than 50% of the credit facility. Outstanding loans would then have to be repaid immediately; the credit facility would no longer be available for new loans.

- The Company has concluded an agreement with the European Investment Bank, Luxembourg, for a promotional loan in the amount of €210 million. This agreement can be terminated with immediate effect if one or several entities (excluding the Alfried Krupp von Bohlen und Halbach Foundation) acting in concert gain indirect or direct control of the Company (change of control). Control is understood to mean the right to direct the management and policies of the Company through ownership of voting capital, by contract or otherwise. In the event of termination due to change of control, the loan must be repaid at a date set by the European Investment Bank, but no earlier than 30 days after termination.
- In the fiscal years 2008/2009, 2011/2012 and 2012/2013 the Company issued bonds and a private placement in the total amount of €3.95 billion. It is also guarantor of the further bond issued in 2008/2009 by its subsidiary ThyssenKrupp Finance Nederland B.V. in the total amount of €1 billion. A change of control, i.e. the acquisition by a third party of more than 50% of the capital stock or more than 50% of the voting shares of ThyssenKrupp AG, may under certain conditions lead to early redemption of the bonds including interest.
- The Company is party to a shareholders' agreement in respect of Atlas Elektronik GmbH (joint venture) under which the co-shareholder EADS Deutschland 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.

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## ThyssenKrupp AG — Consolidated statement of financial position

### Assets

million €	Note	Sept. 30, 2012	Sept. 30, 2013
Intangible assets	04	4,291	4,206
Property, plant and equipment	05, 29	6,053	7,484
Investment property	06	283	287
Investments accounted for using the equity method	07	647	949
Other financial assets	11	85	1,019
Other non-financial assets	12	219	335
Deferred tax assets	32	1,479	1,665
Total non-current assets		13,057	15,945
Inventories	09	6,367	6,351
Trade accounts receivable	10	5,126	4,956
Other financial assets	11	289	500
Other non-financial assets	12	1,656	2,069
Current income tax assets		101	123
Cash and cash equivalents		2,221	3,813
Assets held for sale	03	9,467	1,547
Total current assets		25,227	19,359
Total assets		38,284	35,304

### Equity and liabilities

million €	Note	Sept. 30, 2012	Sept. 30, 2013
Capital stock		1,317	1,317
Additional paid in capital		4,684	4,684
Retained earnings*		(2,485)	(4,087)
Cumulative other comprehensive income		470	328
thereof relating to disposal groups/discontinued operations (Sept. 30, 2012: 190; Sept. 30, 2013: 2)			
Equity attributable to ThyssenKrupp AG's stockholders*		3,986	2,242
Non-controlling interest*		540	269
Total equity	13	4,526	2,511
Accrued pension and similar obligations	15	7,708	7,356
Provisions for other employee benefits	16	235	270
Other provisions	16	557	676
Deferred tax liabilities	32	32	52
Financial debt	17	5,256	6,955
Other financial liabilities	19	1	3
Other non-financial liabilities	20	8	1
Total non-current liabilities		13,797	15,313
Provisions for employee benefits	16	276	298
Other provisions	16	1,032	1,363
Current income tax liabilities		349	234
Financial debt	17	1,929	1,911
Trade accounts payable	18	3,514	3,713
Other financial liabilities	19	848	1,241
Other non-financial liabilities	20	8,099	8,455
Liabilities associated with assets held for sale	03	3,914	265
Total current liabilities		19,961	17,480
Total liabilities		33,758	32,793
Total equity and liabilities		38,284	35,304

See accompanying notes to the consolidated financial statements.

\* Prior-year figures have been adjusted (see Note 03).

## ThyssenKrupp AG — Consolidated statement of income

million €, earnings per share in €	Note	Year ended Sept. 30, 2012*	Year ended Sept. 30, 2013
Net sales	24, 26	41,536	38,559
Cost of sales	04, 05	(40,072)	(33,809)
Gross margin		1,464	4,750
Research and development cost		(222)	(264)
Selling expenses		(2,893)	(2,758)
General and administrative expenses		(2,239)	(2,150)
Other income	27	254	225
Other expenses	04, 28	(529)	(572)
Other gains/(losses), net	29	316	73
Income/(loss) from operations		(3,849)	(696)
Income from companies accounted for using the equity method		42	(112)
Finance income		785	618
Finance expenses		(1,392)	(1,458)
Financial income/(expense), net	31	(565)	(952)
Income/(loss) from continuing operations before income taxes		(4,414)	(1,648)
Income tax (expense)/income	32	79	59
Income/(loss) from continuing operations (net of tax)		(4,335)	(1,589)
Discontinued operations (net of tax)	03	(707)	53
Net income/(loss)		(5,042)	(1,536)
Thereof:			
ThyssenKrupp AG's stockholders		(4,241)	(1,396)
Non-controlling interest		(801)	(140)
Net income/(loss)		(5,042)	(1,536)
<b>Basic and diluted earnings per share based on</b>	<b>33</b>		
Income/(loss) from continuing operations (attributable to ThyssenKrupp AG's stockholders)		(6.88)	(2.82)
Net income/(loss) (attributable to ThyssenKrupp AG's stockholders)		(8.24)	(2.71)

See accompanying notes to the consolidated financial statements.

\* Figures have been adjusted (see Note 03).

## ThyssenKrupp AG — Consolidated statement of comprehensive income

million €	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
Net income/(loss)	(5,042)	(1,536)
<b>Items of other comprehensive income that will not be reclassified to profit or loss in future periods:</b>		
Actuarial gains/(losses) from pensions and similar obligations		
Change in actuarial gains/(losses), net	(1,198)	116
Tax effect	362	(43)
Net actuarial gains/(losses) from pensions and similar obligations	(836)	73
Gains/(losses) resulting from asset ceiling		
Change in gains/(losses), net	2	6
Tax effect	0	(2)
Net gains/(losses) resulting from asset ceiling	2	4
Share of unrealized gains/(losses) of investments accounted for using the equity-method	(2)	(16)
Subtotal of items of other comprehensive income that will not be reclassified to profit or loss in future periods:	(836)	61
<b>Items of other comprehensive income that will be reclassified to profit or loss in future periods:</b>		
Foreign currency translation adjustment		
Change in unrealized gains/(losses), net	323	(389)
Net realized (gains)/losses	12	7
Net unrealized gains/(losses)	335	(382)
Unrealized gains/(losses) from available-for-sale financial assets		
Change in unrealized gains/(losses), net	9	(7)
Net realized (gains)/losses	0	0
Tax effect	(4)	3
Net unrealized gains/(losses)	5	(4)
Unrealized (losses)/gains on derivative financial instruments (cash flow hedges)		
Change in unrealized gains/(losses), net	18	(43)
Net realized (gains)/losses	(62)	(10)
Tax effect	26	17
Net unrealized gains/(losses)	(18)	(36)
Share of unrealized gains/(losses) of investments accounted for using the equity-method	4	(19)
Subtotal of items of other comprehensive income that will be reclassified to profit or loss in future periods:	326	(441)
Other comprehensive income	(510)	(380)
Total comprehensive income	(5,552)	(1,916)
Attributable to:		
ThyssenKrupp AG's stockholders*	(4,782)	(1,747)
Non-controlling interest*	(770)	(169)
<b>Total comprehensive income attributable to ThyssenKrupp AG's stockholders refers to:</b>		
Continuing operations	(4,068)	(1,789)
Discontinued operations	(714)	42

See accompanying notes to the consolidated financial statements.

\* Prior year figures have been adjusted regarding the appropriation of equity attributable to ThyssenKrupp AG's stockholders and non-controlling interest (see Note 03).

## ThyssenKrupp AG — Consolidated statement of changes in equity

million € (except number of shares)	Equity attributable to ThyssenKrupp AG's stockholders									Non-controlling interest	Total equity		
	Number of shares outstanding	Capital stock	Additional paid in capital	Retained earnings	Cumulative other comprehensive income								
					Foreign currency translation adjustment	Available- for-sale financial assets	Derivative financial instruments (cash flow hedges)	Share of investments accounted for using the equity method	Total				
<b>Balance as of Sept. 30, 2011</b>	514,489,044	1,317	4,684	2,833	170	2	(22)	28	9,012	1,370	10,382		
Net income/(loss)*				(4,241)						(4,241)	(801)	(5,042)	
Other comprehensive income				(833)	293	5	(10)	4	(541)	31	(510)		
<b>Total comprehensive income</b>				(5,074)	293	5	(10)	4	(4,782)	(770)	(5,552)		
Profit attributable to non- controlling interest									0	(61)	(61)		
Dividend payment				(232)					(232)	0	(232)		
Other changes				(12)					(12)	1	(11)		
<b>Balance as of Sept. 30, 2012*</b>	514,489,044	1,317	4,684	(2,485)	463	7	(32)	32	3,986	540	4,526		
Net income/(loss)				(1,396)					(1,396)	(140)	(1,536)		
Other comprehensive income				61	(356)	(4)	(33)	(19)	(351)	(29)	(380)		
<b>Total comprehensive income</b>				(1,335)	(356)	(4)	(33)	(19)	(1,747)	(169)	(1,916)		
Profit attributable to non- controlling interest									0	(39)	(39)		
Other changes				3					3	(63)	(60)		
<b>Balance as of Sept. 30, 2013</b>	514,489,044	1,317	4,684	(3,817)	107	3	(65)	13	2,242	269	2,511		

See accompanying notes to the consolidated financial statements.

\* Figures have been adjusted regarding the appropriation of equity attributable to ThyssenKrupp AG's stockholders and non-controlling interest (see Note 03).

## ThyssenKrupp AG — Consolidated statement of cash flows

million €	Year ended Sept. 30, 2012*	Year ended Sept. 30, 2013
Net income/(loss)	(5,042)	(1,536)
Adjustments to reconcile net income/(loss) to operating cash flows:		
Discontinued operations (net of tax)	707	(53)
Deferred income taxes, net	(452)	(262)
Depreciation, amortization and impairment of non-current assets	5,509	2,065
Reversals of impairment losses of non-current assets	(4)	(7)
(Income)/loss from companies accounted for using the equity method, net of dividends received	(38)	113
(Gain)/loss on disposal of non-current assets	(387)	(147)
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
- inventories	644	434
- trade accounts receivable	(517)	146
- accrued pension and similar obligations	(174)	(195)
- other provisions	(23)	355
- trade accounts payable	(876)	(9)
- other assets/liabilities not related to investing or financing activities	363	77
Operating cash flows - continuing operations	(290)	981
Operating cash flows - discontinued operations	(96)	(195)
Operating cash flows - total	(386)	786
Purchase of investments accounted for using the equity method and non-current financial assets	(44)	(40)
Expenditures for acquisitions of consolidated companies net of cash acquired	(53)	(35)
Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property	(1,559)	(1,120)
Capital expenditures for intangible assets (inclusive of advance payments)	(144)	(118)
Proceeds from disposals of investments accounted for using the equity method and non-current financial assets	6	30
Proceeds from disposals of previously consolidated companies net of cash disposed	787	1,098
Proceeds from disposals of property, plant and equipment and investment property	50	88
Proceeds from disposals of intangible assets	9	5
Cash flows from investing activities - continuing operations	(948)	(92)
Cash flows from investing activities - discontinued operations	(402)	(98)
Cash flows from investing activities - total	(1,350)	(190)
Proceeds from issuance of bonds	1,250	1,600
Repayment of bonds	0	(1,000)
Proceeds from liabilities to financial institutions	3,322	3,156
Repayments of liabilities to financial institutions	(3,704)	(2,658)
(Repayments on)/proceeds from notes payable and other loans	94	(11)
Decrease in bills of exchange	(1)	(6)
Decrease in current securities	0	2
Payment of ThyssenKrupp AG dividend	(232)	0
Profit attributable to non-controlling interest	(61)	(39)
Expenditures for acquisitions of shares of already consolidated companies	(17)	(7)
Financing of discontinued operations	(511)	(279)
Other financing activities	(129)	54
Cash flows from financing activities - continuing operations	11	812
Cash flows from financing activities - discontinued operations	487	239
Cash flows from financing activities - total	498	1,051
Net increase/(decrease) in cash and cash equivalents - total	(1,238)	1,647
Effect of exchange rate changes on cash and cash equivalents	17	(165)
Cash and cash equivalents at beginning of year	3,568	2,347
Cash and cash equivalents at end of year - total	2,347	3,829
[thereof cash and cash equivalents within the disposal groups]	[13]	[16]
[thereof cash and cash equivalents within the discontinued operations]	[113]	[0]
Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows of continuing operations:		
Interest received	145	120
Interest paid	(485)	(573)
Dividends received	45	63
Income taxes paid	(349)	(327)

See Note 35 to the consolidated financial statements.

\* Figures have been adjusted (see Note 03).

# ThyssenKrupp AG — Notes to the consolidated financial statements

## **Corporate Information**

ThyssenKrupp Aktiengesellschaft (“ThyssenKrupp AG” or “Company”) is a publicly traded corporation domiciled in Duisburg and Essen in Germany. The consolidated financial statements of ThyssenKrupp AG and its subsidiaries, collectively the “Group”, for the year ended September 30, 2013, were authorized for issuance in accordance with a resolution of the Executive Board on November 29, 2013.

## **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 have been prepared on a historical cost basis, except for certain financial instruments that are stated at fair value. 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. Control is achieved where ThyssenKrupp AG possesses more than half of the voting rights of a company or has in another way the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. 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 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.

Included in the Group consolidated financial statements are 149 (2011/2012: 167) domestic and 395 (2011/2012: 451) foreign-controlled entities that are consolidated. During the fiscal year 2012/2013, 21 entities were consolidated for the first time. During the same period, the scope of consolidation was reduced by 95 entities of which 27 resulted from the internal merging of Group entities.

12 (2011/2012: 18) 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 0.01%, their income/(loss) before tax amounts to 0.02% and their total equity amounts to 0.17% of the Group’s respective balances inclusive of discontinued operations. These non-consolidated subsidiaries 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.

Investments in associates are 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, 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.

The Group reports its interests in jointly-controlled entities (Joint Ventures) using the equity method of accounting. Where the Group transacts with its jointly-controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

The Group has 9 (2011/2012: 11) Associated Companies and 20 (2011/2012: 22) Joint Ventures that are accounted for using the equity method of accounting. Another 12 (2011/2012: 14) Associated Companies are measured at fair value or at cost when the fair value of unlisted equity instruments cannot be reliably measured because their combined influence on the Group's net assets, financial position and results of operations is not material.; they are presented under the "Other financial assets, non-current" line item. The income before tax of the immaterial Associated Companies amounts to 0.62% and their total equity to 1.60% of the Group's respective balances inclusive of discontinued operations.

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/en/investor/geschaeftsberichte.html](http://www.thyssenkrupp.com/en/investor/geschaeftsberichte.html).

Goodwill arising on consolidation 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, associate or jointly-controlled entity 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 an associate or a jointly-controlled entity is included within the carrying amount of the associate or the jointly-controlled entity, respectively. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly-controlled entity, 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	
	Sept. 30, 2012	Sept. 30, 2013	Sept. 30, 2012	Sept. 30, 2013
US Dollar	1.29	1.35	1.30	1.31
Brazilian Real	2.62	3.04	2.45	2.76
Chinese Renminbi Yuan	8.13	8.26	8.23	8.12

### 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. 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 accounted for as separate units and depreciated accordingly.

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 of property and equipment**

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. 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 pre-tax 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**

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 special purpose 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 impairment losses and foreign currency conversion effects. 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 equity, in which case the 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. Actuarial gains and losses 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.

All actuarial gains and losses as of October 01, 2004, the date of transition to IFRS, were recognized in equity. Actuarial gains and losses that arise subsequent to October 01, 2004, as well as gains and losses resulting from asset ceiling are recognized directly in equity and presented in the statement of comprehensive income.

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).

Service cost for pensions and other postretirement obligations are recognized as an expense in income from operations, while interest cost and the expected return on plan assets recognized as components of net periodic pension cost are included in net financial income/(expense) in the Group's consolidated statement of income. When benefits of a plan are improved, the portion of the increased benefit relating to past service is recognized as an expense in income from operations on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately.

The Group's obligations for contributions to defined contribution plans are recognized as expense in income from operations as incurred.

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 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 is granted as share appreciation rights to the Executive Board members of ThyssenKrupp AG and additional selected executive employees. 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. 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. There were no dilutive securities in the periods presented.

#### **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.

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

#### **Financial statement classification**

Certain line items on the consolidated balance sheet and in the consolidated statement of income have been combined. These items are disclosed separately in the Notes to the consolidated financial statements. Certain reclassifications have been made to the prior year presentation to conform to that of the current year.

In general the Group classifies assets and liabilities as current when they are expected to be realized or settled within twelve months after the balance sheet date. Group companies that have operating cycles longer than twelve months classify assets and liabilities as current if they are expected to be realized within the company's normal operating cycle.

#### **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 2012/2013, ThyssenKrupp adopted the following amended standard:

In June 2011 the IASB issued amendments to IAS 1 "Presentation of Financial Statements" under the title "Presentation of Items of Other Comprehensive Income". The amendments require a classification of items presented in other comprehensive income into items that might subsequently be reclassified to the income statement and items that will not. The amendments to IAS 1 are compulsory for fiscal years beginning on or after July 01, 2012. The adoption of the amendments did not have a material impact on the Group's consolidated financial statements.

#### **Issued accounting standards that have not been adopted in fiscal year 2012/2013**

In fiscal year 2012/2013, the following standards, interpretations and amendments have been issued. Their adoption has not been mandatory for 2012/2013 and must be endorsed partially by the EU:

In November 2009 the IASB issued the new standard IFRS 9 “Financial Instruments” on the classification and measurement of financial assets. This standard is the first part of the three-part project to replace completely IAS 39 “Financial Instruments: Recognition and Measurement”. In accordance with the approach of IFRS 9 financial assets are measured at amortized cost or fair value. The classification to one of the two measurement categories is based on how an entity manages its financial instruments (so called business model) and the contractual cash flow characteristics of the financial assets. In October 2010 the IASB issued requirements on the accounting for financial liabilities which amend IFRS 9 “Financial Instruments” and complete the classification and measurement phase of the IASB’s project to replace IAS 39 “Financial Instruments: Recognition and Measurement”. With the new requirements, an entity choosing to measure liability at fair value will recognize the portion of the change in its fair value due to changes in the entity’s own credit risk in other comprehensive income within equity and not in profit and loss. Issuing amendments to IFRS 9 “Financial Instruments” and to IFRS 7 “Financial Instruments: Disclosures” in December 2011, the IASB defers the mandatory effective date of IFRS 9 from January 01, 2013 to January 01, 2015. In addition the amendment provides relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9; earlier application is permitted. Instead, additional transition disclosures have been added to IFRS 7 to help users of the financial statements to understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The EU has not yet endorsed the standards. Currently, Management is not able to finally assess the impact of the adoption – if endorsed by the EU in the current version.

In December 2010 the IASB issued an amendment to IAS 12 “Income Taxes”. Under IAS 12, the measurement of deferred taxes depends on whether the carrying amount of an asset is recovered through use or sale. Such assessment is often difficult, in particular when the asset is measured using the fair value model in IAS 40 for investment property. The amendment introduces a presumption that in general an investment property is recovered through sale. The application of the amended standard is compulsory for fiscal years beginning on or after January 01, 2012. In the context of the endorsement, the IASB defers the mandatory effective date from January 01, 2012 to January 01, 2013. The amended standard will not have any impact on the Group’s consolidated financial statements because currently investment property is accounted for at cost less accumulated depreciation.

In May 2011 the IASB issued three new standards dealing with various aspects of interests in entities: IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”. At the same time it issued amended versions of IAS 27 “Separate Financial Statements” (2011) and IAS 28 “Investments in Associates and Joint Ventures” (2011). The new and amended standards are applicable for fiscal years beginning on or after January 01, 2013. In the context of the endorsement, the IASB defers the mandatory effective date for fiscal years beginning on or after January 01, 2014. Earlier application is permitted, but as well as disclosing the fact it has adopted early, an entity must early-adopt each of IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time. An exception to this requirement exists for IFRS 12; its disclosure requirements may be early-adopted either in full or in part.

IFRS 10 introduces a single definition for the concept of control for all entities, thus creating a standard basis for determining whether a parent-subsidiary relationship exists and should be included in the scope of consolidation. The standard contains comprehensive guidance for determining whether control exists. It completely replaces SIC-12 “Consolidation – Special Purpose Entities” and partly replaces IAS 27 “Consolidated and Separate Financial Statements”. The effects of the adoption of IFRS 10 are still analyzed.

IFRS 11 prescribes the accounting for circumstances in which an entity exercises joint control of a joint venture or joint operation. The new standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". The adoption of IFRS 11 will imply that the joint arrangement Hüttenwerke Krupp Mannesmann GmbH currently accounted for using the equity method of accounting is no longer considered to be a joint venture but a joint operation. This results in including the assets and liabilities on a pro rata basis in the Group's consolidated financial statements.

IFRS 12 combines in one standard all disclosure requirements for interests in other entities, including interests in subsidiaries, associates, joint arrangements and structured entities. The new standard replaces the previous disclosure requirements in IAS 27 "Consolidated and Separate Financial Statements", IAS 28 "Investments in Associates", IAS 31 "Interests in Joint Ventures" and SIC-12 "Consolidation – Special Purpose Entities". The adoption of IFRS 12 will extend significantly the Group's disclosures.

The amended IAS 27 now focuses solely on accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when separate financial statements according to IFRS are presented. This will have no impact on the Group's consolidated financial statements.

The amended IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This will have no material impact on the Group's consolidated financial statements.

In May 2011 the IASB issued the new standard IFRS 13 "Fair Value Measurement". IFRS 13 contains a definition of fair value and rules on how to determine it if other IFRS standards require fair value measurement; the standard itself does not prescribe in which cases fair value is to be used. With the exception of the standards explicitly excluded in IFRS 13, IFRS 13 defines standard disclosure requirements for all assets and liabilities that are measured at fair value and for all assets and liabilities for which disclosure of fair value in the notes to the consolidated financial statements is required; in particular it widens the disclosure requirements for non-financial assets. The new standard is compulsory for fiscal years beginning on or after January 01, 2013 and shall be applied prospectively. In the first year of application comparative information is not required. The adoption of the new standard will not have a material impact on the Group's consolidated financial statements, but result in additional disclosures.

In June 2011 the IASB issued amendments to IAS 19 "Employee Benefits". The amendments mainly concern the elimination of deferred recognition of actuarial gains and losses (corridor method) in favour of immediate recognition in other comprehensive income in equity and the recognition of a net interest expense or income resulting from net liabilities or assets of a pension plan which is determined by using the discount rate. Furthermore an immediate recognition of the total past service costs is required, the exposure of other administration costs as part of net periodic pension cost as well as the distribution of costs resulting from top-up payments to employees under early retirement over the period in which they are earned. Furthermore additional disclosure regarding the characteristics of pension plans and the associated risks for the entity is required. The amendments to IAS 19 are compulsory for fiscal years beginning on or after January 01, 2013. Using the discount rate for calculating the net interest expense or income would have increased net interest expenses of approximately €44 million in fiscal year 2012/2013. In 2013/2014 this effect will amount to approximately €39 million. The immediate recognition of not yet recognized past service costs required by the amendments would have reduced equity approximately by €3 million. In fiscal year 2013/2014 this effect will amount to approximately €2 million. The exposure of other administration costs in net periodic pension cost would have led to an effect of approximately €6 million. The corresponding amount in fiscal year 2013/2014 will be approximately €5 million. The elimination of deferred recognition of actuarial gains and losses (corridor method) will not have any impacts on ThyssenKrupp as actuarial gains and losses have already been recognized in other comprehensive income in equity so far. Moreover the provisions for early retirement would have declined by approximately €14 million. The corresponding expenses would have increased by approximately €2 million. In fiscal year 2013/2014 this effect will amount to approximately €4 million. The adoption of the amended standard will result in additional disclosures.

In October 2011 the IASB issued the IFRIC interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine”. The interpretation regulates the accounting for stripping costs in the production phase of a surface mine. The interpretation clarifies under which conditions an asset must be recognized for the relating stripping measures and how initial and subsequent measurement of this asset has to be determined. The interpretation is compulsory for fiscal years beginning on or after January 01, 2013. This interpretation will have no impact on the Group's consolidated financial statements.

In December 2011 the IASB issued an amendment to IAS 32 “Financial Instruments: Presentation” which clarifies the requirements for offsetting financial assets and financial liabilities to eliminate existing inconsistencies in current practice. The amendment is compulsory for fiscal years beginning on or after January 01, 2014 and shall be applied retrospectively; earlier application is permitted. Currently, Management does not expect the adoption of the amendment to have a material impact on the Group's consolidated financial statements.

In December 2011 the IASB issued an amendment to IFRS 7 “Financial Instruments: Disclosures” which requires disclosures in the context of certain offsetting arrangements. The obligation for disclosures has to be applied regardless of whether the offsetting arrangements result in any actual offsetting of the respective financial assets and financial liabilities. The new disclosure requirements shall simplify comparing financial statements prepared in accordance with IFRS and financial statements prepared in accordance with US GAAP. The amendment is compulsory for fiscal years beginning on or after January 01, 2013 and shall be applied retrospectively. First time adoption will imply extended disclosures.

In May 2012 the IASB issued the fourth omnibus standard “Improvements to IFRSs” as part of its annual improvement process project. This standard slightly adjusts five standards (IFRS 1 “First-time Adoption of IFRS”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation”, IAS 34 “Interim Financial Reporting”). The amendments are effective for fiscal years beginning on or after January 01, 2013. Currently, Management does not expect the adoption of the amendment to have a material impact on the Group's consolidated financial statements.

In June 2012 the IASB issued “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance” Amendments to IFRS 10, IFRS 11 and IFRS 12. The amendments clarify the transition guidance and provides transition reliefs for the before mentioned Standards. Such as IFRS 10, IFRS 11 and IFRS 12, the amendments are effective for fiscal years beginning on or after January 01, 2013. In the context of the endorsement, the IASB defers the mandatory effective date to fiscal years beginning on or after January 01, 2014; earlier application is permitted.

In October 2012 the IASB issued “Investment Entities” as amendments to IFRS 10, IFRS 12 and IAS 27 regarding the accounting of investment entities. The amendments define investment entities and provide an exception to the general consolidation requirements of subsidiaries in IFRS 10; instead of consolidating those subsidiaries are measured at fair value through profit or loss. In addition the amendments set out disclosure requirements for investment entities. The amendments are effective for fiscal years beginning on or after January 01, 2014, while earlier application is permitted. Currently, Management does not expect the amendments to have any relevance for the Group's consolidated financial statements.

In May 2013 the IASB issued IFRIC 21 “Levies”, an interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. The interpretation determines the accounting for levies imposed by governments, other than income taxes according to IAS 12, and clarifies in particular when an entity should recognize a liability to pay a levy. The interpretation is effective for fiscal years beginning on or after January 01, 2014, while earlier application is permitted. The EU has not yet endorsed the interpretation. Currently, Management does not expect the interpretation – if endorsed by the EU in the current version – to have a material impact on the Group’s consolidated financial statements.

In May 2013 the IASB issued “Recoverable Amount for Disclosures for Non-Financial Assets (Amendments to IAS 36)” that address changes of the disclosure requirements of IAS 36. The amendments realize the IASB’s original intention that the scope of the disclosures is limited to the recoverable amount of non-financial assets for which an impairment loss has been recognized or reversed during the period if that amount is based on fair value less costs of disposal. In addition the disclosure requirements have been amended when the recoverable amount is based on fair value less costs of disposal. The amendments are effective retrospectively for fiscal years beginning on or after January 01, 2014, while earlier application is permitted in so far as IFRS 13 has already been applied. The EU has not yet endorsed the amendments. Currently, Management does not expect the amendments – if endorsed by the EU in the current version – to have a material impact on the Group’s consolidated financial statements.

In June 2013 the IASB issued “Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)” that amends IAS 39 Financial Instruments. The amendments allow hedge accounting to continue in a situation where a derivative, which has been designed as a hedging instrument, is novated to effect clearing with a central counterparty as a result of law or regulation, if specific conditions are met. The amendments are effective retrospectively for fiscal years beginning on or after January 01, 2014, while earlier application is permitted. The EU has not yet endorsed the amendments. Currently, Management does not expect the amendments – if endorsed by the EU in the current version – to have a material impact on the Group’s consolidated financial statements.

In November 2013 the IASB issued amendments to IFRS 9 “Financial Instruments” (Hedge Accounting and Amendments to IFRS 9; IFRS 7 and IAS 39). The amendments to IFRS 9 establish a new model that represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. In addition extensive disclosures are required. Moreover recognizing fair value changes of liabilities due to credit rating within equity will be possible to be earlier adopted without applying the complete regulations of IFRS 9. Furthermore the IASB decided to abandon the mandatory date of January 01, 2015; a new date should be decided upon when the entire IFRS 9 project is closer to completion. The EU has not yet endorsed the standard including the amendments. Currently, Management is not able to finally assess the impact of the adoption of the standard including the amendments – if endorsed by the EU in the current version.

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 01, 2014; earlier application is permitted. The EU has not yet endorsed the amendments. Currently, Management does not expect the amendments – if endorsed by the EU in the current version – to have a material impact on the Group’s consolidated financial statements.

## 02 Acquisitions and disposals

### Year ended September 30, 2013

In the year ended September 30, 2013 the Group acquired 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 year ended Sept. 30, 2013

million €	Year ended Sept. 30, 2013
Goodwill	43
Other intangible assets	38
Property, plant and equipment	3
Investments accounted for using the equity method	(5)
Deferred tax assets	1
Inventories	13
Trade accounts receivable	8
Other current non-financial assets	3
Cash and cash equivalents	7
Total assets acquired	111
Accrued pension and similar obligations	1
Deferred tax liabilities	7
Non-current financial debt	1
Other current provisions	7
Trade accounts payable	2
Other current financial liabilities	2
Other current non-financial liabilities	10
Total liabilities assumed	30
Net assets acquired	81
Non-controlling interest	0
Purchase prices	81
thereof: paid in cash and cash equivalents	62

After the disposal of the Stainless Global business area had been initiated as part of the strategic development program as of September 30, 2011, the transaction was completed with the combination with the Finnish company Outokumpu on December 28, 2012. In addition, as part of the portfolio optimization, the ThyssenKrupp Tailored Blanks group excluding the Chinese operations in the Steel Europe business area was sold in fiscal year 2012/2013. The ThyssenKrupp Tailored Blanks group was classified as a disposal group as of September 30, 2012 because the disposal had been initiated; the disposal, excluding the Chinese operations, was completed at the end of July 2013. These two disposals as well as further smaller disposals that were, on an individual basis, immaterial, affected in total the Group's consolidated financial statements as presented below based on the values as of the disposal date:

**Disposals year ended Sept. 30, 2013**

	<b>Year ended Sept. 30, 2013</b>
<b>million €</b>	
Goodwill	9
Other intangible assets	30
Property, plant and equipment	1,911
Investment property	12
Investments accounted for using the equity method	22
Other non-current financial assets	2
Other non-current non-financial assets	29
Deferred tax assets	90
Inventories	1,850
Trade accounts receivable	655
Other current financial assets	62
Other current non-financial assets	97
Current income tax assets	19
Cash and cash equivalents	168
Total assets disposed of	4,956
Accrued pension and similar obligations	361
Provisions for other non-current employee benefits	26
Other non-current provisions	106
Deferred tax liabilities	93
Non-current financial debt	39
Other non-current financial liabilities	76
Other non-current non-financial liabilities	1
Provisions for current employee benefits	4
Other current provisions	64
Current income tax liabilities	6
Current financial debt	153
Trade accounts payable	1,282
Other current financial liabilities	2,346
Other current non-financial liabilities	134
Total liabilities disposed of	4,691
Net assets disposed of	265
Cumulative other comprehensive income	1
Non-controlling interest	(57)
Gain/(loss) resulting from the disposals	265
Selling prices	474
thereof: received in cash and cash equivalents	250

**Year ended September 30, 2012**

In the year ended September 30, 2012 the Group acquired 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 year ended Sept. 30, 2012**

million €	Year ended Sept. 30, 2012
Goodwill	115
Other intangible assets	36
Property, plant and equipment	3
Inventories	1
Trade accounts receivable	24
Other current financial assets	3
Other current non-financial assets	2
Cash and cash equivalents	15
Total assets acquired	199
Accrued pension and similar obligations	1
Deferred tax liabilities	3
Non-current financial debt	2
Other current provisions	1
Current financial debt	1
Trade accounts payable	21
Other current financial liabilities	7
Other current non-financial liabilities	30
Total liabilities assumed	66
Net assets acquired	133
Non-controlling interest	0
Gain resulting in the context of purchase accounting	(10)
Purchase prices	123
thereof: paid in cash and cash equivalents	97

In addition, in fiscal year 2011/2012 as part of the portfolio optimization, the Group sold the ThyssenKrupp Xervon Group in the Materials Services business area and the Chinese activities of the Metal Forming Group in the Steel Europe business area in November 2011 as well as parts of the Marine Systems business area in January 2012. These disposals were classified as disposal groups as of September 30, 2011 because the disposals had been initiated. Furthermore in fiscal year 2011/2012 in the Components Technology business area ThyssenKrupp Automotive Systems Industrial do Brasil Ltda. and the US foundry Waupaca were sold and in the Steel Europe business area the Bauelemente Group was sold. These disposals as well as the disposals of companies that were, on an individual basis, immaterial, affected in total the Group's consolidated financial statements as presented below based on the values as of the disposal date:

**Disposals year ended Sept. 30, 2012**

million €	Year ended Sept. 30, 2012
Goodwill	19
Other intangible assets	10
Property, plant and equipment	419
Other non-current financial assets	1
Other non-current non-financial assets	1
Deferred tax assets	8
Inventories	275
Trade accounts receivable	555
Other current financial assets	65
Other current non-financial assets	34
Current income tax assets	1
Cash and cash equivalents	148
Total assets disposed of	1,536
Accrued pension and similar obligations	321
Other non-current provisions	6
Deferred tax liabilities	13
Non-current financial debt	2
Other non-current financial liabilities	3
Other current provisions	63
Current income tax liabilities	9
Current financial debt	76
Trade accounts payable	275
Other current financial liabilities	175
Other current non-financial liabilities	257
Total liabilities disposed of	1,200
Net assets disposed of	336
Cumulative other comprehensive income	4
Non-controlling interest	7
Gain/(loss) resulting from the disposals	371
Selling prices	704
thereof: received in cash and cash equivalents	697

### 03 Discontinued operations and disposal groups

As part of the portfolio optimization program and the concept for the further strategic development the Group has initiated the sale of several businesses. With the exception of the Stainless Global business area these transactions have not met the requirements of IFRS 5 for a presentation as a discontinued operation. Therefore, revenues and expenses will continue to be presented as income from continuing operations until the date of the disposal. For entities for which the disposal has not been completed as of September 30 of the respective fiscal year, the assets and liabilities of the disposal groups and of the discontinued operations have been disclosed separately in the consolidated balance sheet as of September 30 of this fiscal year as "assets held for sale" and "liabilities associated with assets held for sale".

Although the disposal of the entire Steel Americas business area initiated in September 2012 met the criteria for presentation as a discontinued operation as of September 30, 2012, the change to the plan of sale as of September 30, 2013 meant that the Steel Americas business no longer meets the criteria for presentation as a discontinued operation and instead is classified as a continuing operation again. The prior-year presentation of the Steel Americas business area in the consolidated statement of income and consolidated statement of cash flows has been adjusted accordingly, while the assets and liabilities of the Steel Americas business area continue to be presented separately in the consolidated statement of financial position in the line items "Assets held for sale" and "Liabilities associated with assets held for sale" as of September 30, 2012.

The Stainless Global business area met the criteria for presentation as a discontinued operation from September 30, 2011 until completion of the combination with the Finnish company Outokumpu on December 28, 2012. Therefore, for the Stainless Global business area all income and expenses for the prior year and all income and expenses for the reporting period until December 28, 2012 as well as income and expenses incurred after the disposal but directly related to the disposal of Stainless Global are presented separately in the consolidated statement of income in the line item "Discontinued operations (net of tax)".

**Disposal groups of the year ended September 30, 2013**

In September 2012 the disposal of the ThyssenKrupp Tailored Blanks group has been initiated in the Steel Europe business area. Tailored Blanks is supplier of body systems to the auto industry which produces tailored steel blanks. After the approval has been given the responsible regulatory authorities, with the exemption of the Chinese activities the sale to the Chinese steel producer Wuhan Iron and Steel Corporation (WISCO) was completed as of July 31, 2013. The Chinese activities are still subject to approval by the local authorities. The completion is expected in December 2013. The assets and liabilities of the Chinese activities which are still part of the disposal group as of September 30, 2013 are presented in the following table:

**Disposal group Tailored Blanks China**

million €	Sept. 30, 2013
Property, plant and equipment	8
Inventories	5
Trade accounts receivable	8
Other current non-financial assets	1
Cash and cash equivalents	4
Assets held for sale	26
Trade accounts payable	2
Liabilities associated with assets held for sale	2

In addition in September 2012 the disposal of the Berco group has been initiated in the Components Technology business area. Berco is a leading global supplier of undercarriages, based mainly on forged components, for the construction machinery sector and offers a broad range of parts and services for both OEMs and the aftermarket. Its products are used in machinery from large mining equipment to mini excavators. In the context of the initiated disposal an impairment loss of €4 million on intangible assets and of €131 million on property, plant and equipment was recognized in cost of sales in the 4th quarter of 2011/2012 resulting from the write-down of the assets to fair value less costs to sell. At the same time a deferred tax asset of €1 million was recognized. As a result of unforeseen restructuring requirements, which could only be implemented with the cooperation of employee and government representatives, the one-year period required by IFRS 5 extended beyond September 30, 2013 without disadvantage to existing sale opportunities. The assets and liabilities of the disposal group as of September 30, 2013 are presented in the following table:

**Disposal group Berco group**

million €	Sept. 30, 2013
Other intangible assets	2
Property, plant and equipment	37
Deferred assets	14
Inventories	193
Trade accounts receivable	47
Other current financial assets	1
Other current non-financial assets	23
Current income tax assets	1
Cash and cash equivalents	4
Assets held for sale	322
Accrued pension and similar obligations	29
Other non-current provisions	1
Other current provisions	19
Current financial debt	1
Trade accounts payable	82
Other current financial liabilities	2
Other current non-financial liabilities	44
Liabilities associated with assets held for sale	178

As of September 30, 2012 the entire Steel Americas business area was classified as a discontinued operation and disposal group, respectively, while as of September 30, 2013 only the ThyssenKrupp Steel USA portion met the conditions for presentation as a disposal group (see also the information under Steel Americas business area disposal group as of September 30, 2012). The ThyssenKrupp Steel USA disposal group comprises the ThyssenKrupp Steel USA rolling and coating plant in Calvert/Alabama.

In connection with the initiated sale, measurement at fair value less costs to sell resulted as of September 30, 2013 in impairment losses of €2 million on intangible assets and €335 million on property, plant and equipment, which are reported in the amount of €328 million in cost of sales, €3 million in selling expenses, and €6 million in general and administrative expenses. As a result of circumstances beyond the company's control, the one-year period required by IFRS 5 extended beyond September 30, 2013 without disadvantage to existing sale opportunities. The assets and liabilities of the disposal group as of September 30, 2013 are shown in the following table:

**Disposal group ThyssenKrupp Steel USA**

million €	Sept. 30, 2013
Other intangible assets	7
Property, plant and equipment	811
Inventories	251
Trade accounts receivable	118
Other current financial assets	1
Other current non-financial assets	3
Cash and cash equivalents	8
Assets held for sale	1,199
Non-current financial debt	2
Current financial debt	2
Trade accounts payable	22
Other current financial liabilities	17
Other current non-financial liabilities	42
Liabilities associated with assets held for sale	85

As of November 29, 2013, ThyssenKrupp entered into an agreement with a consortium of ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation on the sale of the disposal group. The closing is subject to the approval of the competent regulatory authorities. In this context it was contractually agreed that the consortium will purchase 2 million metric tons of slabs per year from ThyssenKrupp CSA up to 2019.

#### **Disposal groups in the year ended September 30, 2012**

In September 2012 the disposal of the ThyssenKrupp Tailored Blanks group has been initiated in the Steel Europe business area. Tailored Blanks is supplier of body systems to the auto industry which produces tailored steel blanks. The sale was subject to approval by the supervisory bodies and the responsible regulatory authorities. The assets and liabilities of the disposal group as of September 30, 2012 are presented in the following table:

**Disposal group Tailored Blanks group**

million €	Sept. 30, 2012
Goodwill	8
Other intangible assets	2
Property, plant and equipment	97
Investments accounted for using the equity method	1
Deferred assets	3
Inventories	47
Trade accounts receivable	125
Other current financial assets	5
Other current non-financial assets	6
Current income tax assets	4
Cash and cash equivalents	10
Assets held for sale	308
Accrued pension and similar obligations	10
Provisions for other non-current employee benefits	1
Deferred tax liabilities	4
Provisions for current employee benefits	1
Other current provisions	1
Current income tax liabilities	4
Current financial debt	4
Trade accounts payable	63
Other current financial liabilities	4
Other current non-financial liabilities	14
Liabilities associated with assets held for sale	106

With the exemption of the Chinese activities the transaction has been consummated.

Also in September 2012 the disposal of the Berco group has been initiated in the Components Technology business area. Berco is a leading global supplier of undercarriages, based mainly on forged components, for the construction machinery sector and offers a broad range of parts and services for both OEMs and the aftermarket. Its products are used in machinery from large mining equipment to mini excavators. In the context of the initiated disposal an impairment loss of €4 million on intangible assets and of €131 million on property, plant and equipment was recognized in cost of sales resulting from the write-down of the assets to fair value less costs to sell. At the same time a deferred tax asset of €1 million was recognized. The assets and liabilities of the disposal group as of September 30, 2012 are presented in the following table:

**Disposal group Berco group**

million €	Sept. 30, 2012
Other intangible assets	1
Property, plant and equipment	29
Deferred assets	16
Inventories	200
Trade accounts receivable	57
Other current financial assets	1
Other current non-financial assets	21
Current income tax assets	2
Cash and cash equivalents	3
Assets held for sale	330
Accrued pension and similar obligations	31
Other non-current provisions	1
Other current provisions	7
Current income tax liabilities	3
Current financial debt	3
Trade accounts payable	86
Other current financial liabilities	5
Other current non-financial liabilities	34
Liabilities associated with assets held for sale	170

In the 1st quarter of 2011/2012, the valuation of the disposal group at fair value less cost to sell led to an impairment of €125 million on goodwill which was recognized in other expenses and impairment losses of €6 million on other intangible assets and of €24 million on property, plant and equipment which were recognized in cost of sales. End of January 2012, the disposal of the disposal group has been consummated.

#### **Disposal group Steel Americas in the year ended September 30, 2012**

Originally the Steel Americas business area was presented as a discontinued operation in 2011/2012 after the Supervisory Board noted with assent in September 2012 the Executive Board's decision to open a bidding process for the Steel Americas business area. The transaction was to be consummated in the 2012/2013 fiscal year.

The €3,645 million impairment which became necessary as of September 30, 2012 due to the intention to sell. The impairment was based on the expected fair value less costs to sell. Non-binding offers had been received for each plant separately and both together. These were pursued by the shortlisted bidders and ThyssenKrupp. The valuation also included internal calculations, made in part with support from auditors and management consultants, which took into account all knowledge available to ThyssenKrupp from the ongoing sale process and overall represented a best possible estimate.

Due to the change to the plan of sale as of September 30, 2013, only a partial disposal of the Steel Americas business area can now be realized. The Steel Americas business area therefore no longer meets the criteria for presentation as a discontinued operation. The reason for the change of plan was that currently it is not possible to realize a financially acceptable solution for the sale of the ThyssenKrupp CSA steel mill in Brazil in line with our value-based approach. Against this background the Brazilian mill is to remain in the Group and its competitiveness is to be significantly strengthened. The measures to further optimize technical performance as well as our initiatives to enhance efficiency will contribute to this. In addition, higher capacity utilization of our Brazilian steel mill due to the slab supply contract and stronger penetration of the slab markets in South and North America will have a positive impact. We expect further positive effects from reduced exchange rate risks due to increasing slab supplies to the Brazilian market, and from the use of input tax credits. At the same time a weaker Brazilian real should aid the competitiveness and business performance of ThyssenKrupp CSA. On November 29, 2013 ThyssenKrupp signed a contract with a consortium of ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation on the sale of the ThyssenKrupp Steel USA rolling and coating plant in Calvert/Alabama. The closing of the agreements is subject to approval by the competent regulatory authorities.

In the reporting year the consolidated statement of income for the year ended September 30, 2012 has been adjusted so that the income and expenses of the Steel Americas business area are re-included in income from continuing operations. Analogously in the consolidated statement of cash flows, the cash inflows and outflows of the Steel Americas business area have been reclassified to continuing operations. However, the assets and liabilities of the Steel Americas business area continue to be presented separately in the consolidated statement of financial position in the line items "Assets held for sale" and "Liabilities associated with assets held for sale" as of September 30, 2012 in accordance with IFRS 5. As of September 30, 2013 due to the change to the plan of sale only the ThyssenKrupp Steel USA portion meets the criteria for separate presentation as a disposal group in the consolidated statement of financial position, while the assets and liabilities of the ThyssenKrupp CSA portion have been re-included in the individual line items.

In addition, with this report the allocation of equity as of September 30, 2012 has been adjusted so that equity is allocated proportionately to "Equity attributable to ThyssenKrupp AG's stockholders" and "Non-controlling interest" in the Brazilian plant CSA. In the prior-year report, in the context of the IFRS 5 presentation, equity was allocated on the basis of the expected sale structure, in which ThyssenKrupp AG's stockholders would have had to assume certain Group-internal financings. This meant that the equity amounts allocated to "Equity attributable to ThyssenKrupp AG's stockholders" and "Non-controlling interest" differed from the shareholding ratios. This led to an increase in "Equity attributable to ThyssenKrupp AG's stockholders" and a decrease in "Non-controlling interest" of €427 million. With this report, a corresponding adjustment has been made for the year ended September 30, 2012 for the allocation of net loss to "ThyssenKrupp AG's stockholders" and "Non-controlling interest" in the consolidated statement of income; this also led to an improvement in earnings per share.

The change to the classification of the Steel Americas business area in this report led to a €4,223 million improvement in loss from discontinued operations (net of tax) in the year ended September 30, 2012 together with a decrease in income from continuing operations (before and after tax) in the same amount and had no impact on the net loss for the year.

In the year ended September 30, 2013, due to the change to the plan of sale, the ThyssenKrupp CSA portion of the Steel Americas business area is no longer part of the disposal group. The necessary reclassification had the following impacts on income/(loss):

**Pre-tax income/(loss) impacts of the reclassification of ThyssenKrupp CSA**

	Year ended Sept. 30, 2013
million €	
Elimination of total impairment in accordance with IFRS 5 as of March 30, 2013	683
Impairment in accordance with IFRS 5 of TKS USA in 2012/2013	(337)
Catch up of amortization and depreciation of TK CSA in 2012/2013	(136)
Impairment in accordance with IFRS 5/IAS 36 of TK CSA as of Sept. 30, 2013	(249)

For an explanation of the impairment losses in accordance with IFRS 5/IAS 36 in connection with the ThyssenKrupp CSA reclassification, see Note 05.

The assets and liabilities of the disposal group Steel Americas business area as of September 30, 2012 are presented in the following table:

**Disposal group Steel Americas**

	Sept. 30, 2012
Other intangible assets	22
Property, plant and equipment	2,957
Other non-financial assets	192
Inventories	849
Trade accounts receivable	180
Other current financial assets	67
Other current non-financial assets	121
Current income tax assets	1
Cash and cash equivalents	57
Assets held for sale	4,446
Non-current financial debt	669
Other current provisions	16
Current income tax liabilities	3
Current financial debt	93
Trade accounts payable	307
Other current financial liabilities	124
Other current non-financial liabilities	103
Liabilities associated with assets held for sale	1,315

**Discontinued operation Stainless Global business area in the years ended September 30, 2012 and 2013, respectively**

As of September 2011 as part of its program for the further strategic development, the corporate, organizational and contractual conditions for creating a separate Stainless Global and consequently the conditions for the presentation as a discontinued operation were established.

In the context with the initiated disposal, as of September 30, 2011 the measurement of discontinued operations at fair value less cost to sell based on internal calculations and market observations resulted in an impairment loss of €510 million. Thereof, €45 million applied to goodwill and the remaining impairment loss was allocated to property, plant and equipment. The expense is recognized in income/(loss) of discontinued operations of the year ended September 30, 2011.

On January 31, 2012, the agreement to combine the Finnish stainless steel producer Outokumpu and Stainless Global was signed. The EU Commission approved the combination in November 2012. Based on the contract with Outokumpu about the intended sale, in 2011/2012 the measurement resulted in an additional impairment loss of €400 million that was allocated to property, plant and equipment. The expense is recognized in income/(loss) of discontinued operations of the year ended September 30, 2012.

Furthermore, due to the shut down of the Krefeld melt shop by the end of 2013, an impairment loss of €42 million on property, plant and equipment was recognized in income/(loss) of discontinued operations of the year ended September 30, 2012. In May 2012, Stainless Global agreed with the relevant works council on a social plan in connection with the consolidation measures regarding the relocation of the Düsseldorf-Benrath facility and the connected personnel reduction. The social plan includes early retirement models and compensations for employees leaving Stainless Global. Further, it includes compensations for employees being relocated. The social plan will apply accordingly to the planned closure of the Krefeld melt shop in the event the transaction is completed. As of September 30, 2012 the overall costs in connection with that social plan have been recognized as a restructuring provision of €58 million in the aggregate for Düsseldorf-Benrath and Krefeld.

On December 28, 2012 the combination of the Stainless Global business area with the Finnish company Outokumpu was completed. With the closing of this transaction ThyssenKrupp received €1 billion in cash from Outokumpu for the contribution of Inoxum. In addition Outokumpu took on the external net financial debt and pension obligations. ThyssenKrupp holds a share of 29.9% in Outokumpu and a financial receivable outstanding against Outokumpu with a current value of €969 million and an original maximum term of 9 years. Under the purchase agreement, this financial receivable can be adjusted by a maximum of €200 million in the event of negative financial consequences arising for Outokumpu from conditions imposed under merger control law. See also subsequent events in Note 36. Regarding Outokumpu see also the reporting about related parties in Note 23.

The results of the Stainless Global business area that classified as a discontinued operation until December 28, 2012 are presented in the following table. In addition in the column of the year ended September 30, 2013 the table includes income and expense incurred after the disposal but directly related to the disposal of Stainless Global. These items result in a net expense of €6 million and mainly comprise transaction-related interest income, transaction costs and expenses for staff transfers.

The results of the Stainless Global business area that classifies as a discontinued operation are as follows:

**Discontinued operation Stainless Global**

	Year ended million €	Sept. 30, 2012	Year ended Sept. 30, 2013
Net sales	5,739		1,268
Other income	32		18
Expenses	(6,024)		(1,375)
Ordinary income/(loss) from discontinued operations (before taxes)	(253)		(89)
Income tax (expense)/income	(54)		(4)
Ordinary income/(loss) from discontinued operations (net of tax)	(307)		(93)
Gain/(loss) recognized on measurement adjustments of discontinued operations (before taxes)	(400)		146
Income tax (expense)/income	—		—
Gain/(loss) recognized on measurement adjustments of discontinued operations (net of tax)	(400)		146
Discontinued operations (net of tax) thereof:			53
ThyssenKrupp AG's stockholders	(707)		53
Non-controlling interest	(7)		(1)
	(700)		54

On the classification as a discontinued operation, non-current assets are no longer amortized and depreciated, therefore in the year ended September 30, 2012, amortization and depreciation of €192 million were suspended and in the year ended September 30, 2013 until the date of disposal on December 28, 2012 amortization and depreciation of €52 million were suspended.

The assets and liabilities of the discontinued operation Stainless Global as of September 30, 2012 and December 28, 2012, respectively, are presented in the following table:

**Discontinued operation Stainless Global**

million €	Sept. 30, 2012	Dec. 28, 2012
Other intangible assets	26	27
Property, plant and equipment	1,761	1,812
Investment property	12	12
Investments accounted for using the equity method	18	19
Other financial assets	2	2
Other non-financial assets	7	25
Deferred assets	90	87
Inventories	1,675	1,798
Trade accounts receivable*	582	549
Other current financial assets*	40	57
Other current non-financial assets	98	88
Current income tax assets	16	16
Cash and cash equivalents	56	84
Assets held for sale	4,383	4,576
Accrued pension and similar obligations	337	351
Provisions for other non-current employee benefits*	25	25
Other non-current provisions*	110	106
Deferred tax liabilities	90	87
Non-current financial debt	47	39
Other non-current non-financial liabilities	1	1
Provisions for current employee benefits*	5	3
Other current provisions*	61	62
Current income tax liabilities	6	3
Current financial debt	152	136
Trade accounts payable*	1,264	1,220
Other current financial liabilities*	104	2,345
Other current non-financial liabilities	121	122
Liabilities associated with assets held for sale	2,323	4,500

The 29.9% shareholding in Outokumpu obtained after the disposal of the Stainless Global business area is accounted for in the consolidated financial statements according to the equity method. As of December 31, 2012 this shareholding is initially reported with a value of €491 million, based on the share price at the time of the transaction (€0.79) multiplied by the number of Outokumpu shares received. As of September 30, 2013, the adjustment of the carrying amount of the investment resulted in a reduction of €186 million to €305 million.

The fair value of the shares acquired at the time of the transaction is currently being determined in connection with the respective purchase price allocation. Any difference will impact the carrying amount of the investment.

## 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
<b>Gross amounts</b>				
Balance as of Sept. 30, 2011	1,323	557	3,956	5,836
Currency differences	19	2	76	97
Acquisitions/divestitures of businesses	8	(1)	68	75
Additions	74	20	23	117
Transfers	14	12	0	26
Disposals	(5)	(12)	0	(17)
Reclassification due to the presentation as assets held for sale	(70)	0	46	(24)
Balance as of Sept. 30, 2012	1,363	578	4,169	6,110
Currency differences	(27)	(4)	(111)	(142)
Acquisitions/divestitures of businesses	31	0	4	35
Additions	47	19	12	78
Transfers	14	1	0	15
Disposals	(14)	(13)	0	(27)
Reclassification due to the presentation as assets held for sale	20	0	0	20
Balance as of Sept. 30, 2013	1,434	581	4,074	6,089
<b>Accumulated amortization and impairment losses</b>				
Balance as of Sept. 30, 2011	787	305	578	1,670
Currency differences	10	1	14	25
Acquisitions/divestitures of businesses	(10)	(1)	(17)	(28)
Amortization expense	88	46	0	134
Impairment losses	10	11	45	66
Reversals of impairment losses	0	0	-	0
Transfers	4	0	0	4
Disposals	(5)	(5)	0	(10)
Reclassification due to the presentation as assets held for sale	(41)	0	(1)	(42)
Balance as of Sept. 30, 2012	843	357	619	1,819
Currency differences	(20)	(2)	(18)	(40)
Acquisitions/divestitures of businesses	3	0	(20)	(17)
Amortization expense	80	44	0	124
Impairment losses	7	3	0	10
Reversals of impairment losses	0	(1)	-	(1)
Transfers	2	(1)	0	1
Disposals	(10)	(12)	0	(22)
Reclassification due to the presentation as assets held for sale	9	0	0	9
Balance as of Sept. 30, 2013	914	388	581	1,883
<b>Net amounts</b>				
as of Sept. 30, 2011	536	252	3,378	4,166
as of Sept. 30, 2012	520	221	3,550	4,291
as of Sept. 30, 2013	520	193	3,493	4,206

### **Impairment of goodwill**

Goodwill impairment losses are included in other expenses.

In 2011/2012, beyond the annual goodwill impairment test impairment losses of €45 million were recognized in the Elevator Technology business area as a result of an abandonment.

### **Impairment of other intangible assets**

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

### **Goodwill**

Goodwill (excluding goodwill of equity method investments) has been allocated to cash generating units within 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 four-year period. The budgeted last year is generally used to determine the cash flows beyond the budgeted period and modified to calculate the perpetuity having regard to additional assumptions. A business specific, sustained growth rate is taken into account to extrapolate the budgeted last year. The weighted average cost of capital discount rate is based on a risk-free interest rate of 2.5% and a market risk premium of 6.5%. Moreover for each CGU an individual beta derived from the relevant peer group, a debt capital spread and an individual capital structure is used. In addition CGU specific tax rates and country risk premiums are used. The following after-tax discount rate ranges have been applied to the cash flow projections by business area:

#### **After tax discount rates**

%	<b>Ranges</b>	
	<b>Year ended Sept. 30, 2012</b>	<b>Year ended Sept. 30, 2013</b>
Components Technology	8.1 - 9.1	8.7 - 11.5
Elevator Technology	7.3 - 10.2	7.6 - 11.3
Industrial Solutions	6.0 - 9.0	8.5 - 10.6
Materials Services	6.7 - 8.3	6.3 - 10.0
Steel Europe	7.4	8.6
Corporate	6.0	9.4

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.

24 CGUs were identified in the ThyssenKrupp Group, of which 18 report goodwill. Total goodwill, e.g. including goodwill of disposal groups, amounts to €3,493 million as of September 30, 2013. 67% of this goodwill relates to the CGUs Steel Europe, Americas, Process Technologies and Marine Systems, as shown in the following table:

**Significant goodwill**

CGU (Business Area)	Carrying amount of goodwill allocated to CGU (million €)	Proportion of total goodwill (in %)	Discount rate (in %)	Description of key assumptions of budgeting	Procedure used to determine key assumptions
Steel Europe (Steel Europe)	299	9%	8.6%	- 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)	846	24%	7.9%	- Procurement prices - Exchange rates and interest rates	Consideration of economic assumptions set by ThyssenKrupp AG and external market studies
Process Technologies (Industrial Solutions)	256	7%	10.5%	- 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)	945	27%	8.5%	- Market growth rates	Consideration of long-term budget plans of potential customers and if appropriate concrete negotiations with customers, tightened competitive situation and at the same time decreased budgets of the customer countries

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 CGUs Forging Group, Presta Camshafts and MetalsServices exceeded the carrying amount of the respective CGU by less than 10%.

**Critical goodwill**

CGU (Business Area)	Carrying amount of goodwill allocated to CGU (million €)	Carrying amount of CGU (million €)	Recoverable amount of CGU (million €)	Discount rate (in %)	Description of key assumptions of budgeting	Procedure used to determine key assumptions
Forging Group (Components Technology)	69	527	537	8.7%	- Selling prices - Procurement prices - Market growth rates - Business cycles	Consideration of expected economic development with the help of the expected business perspective of ThyssenKrupp AG
Presta Camshafts (Components Technology)	8	437	465	10.2%	- Selling prices - Procurement prices - Market growth rates - Business cycles	Consideration of expected economic development with the help of the expected business perspective of ThyssenKrupp AG
MetalsServices (Materials Services)	140	1,764	1,895	10.0%	- Selling prices - Procurement prices - Market growth rates - Business cycles	Consideration of expected economic development with the help of the expected business perspective of ThyssenKrupp AG

An one-percentage-point increase in the discount rate would result in a goodwill impairment in the Forging group CGU of €66 million, in the Presta Camshafts CGU of € 8 million and in the MetalsServices CGU of €101 million.

The change in the carrying amount of goodwill (excluding goodwill of investments accounted for using the equity method) is as follows:

**Net amounts of goodwill**

million €	Components Technology	Elevator Technology	Industrial Solutions	Materials Services	Steel Europe	Steel Americas	Corporate	Stainless Global	Total*
Balance as of Sept. 30, 2011	242	1,312	1,172	324	313	0	15	0	3,378
Currency differences	1	52	5	5	0	0	0	0	63
Acquisitions/(divestitures)	(1)	34	51	(2)	0	0	4	0	86
Additions	0	23	0	0	0	0	0	0	23
Reclassification due to the presentation as assets held for sale	0	0	53	0	(8)	0	0	0	45
Impairment	0	(45)	0	0	0	0	0	0	(45)
Balance as of Sept. 30, 2012	242	1,376	1,281	327	305	0	19	0	3,550
Currency differences	(7)	(56)	(15)	(14)	(2)	0	0	(1)	(95)
Acquisitions/(divestitures)	0	22	8	(1)	(4)	0	0	1	26
Additions	0	9	0	3	0	0	0	0	12
Reclassification due to the presentation as assets held for sale	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0
Balance as of Sept. 30, 2013	235	1,351	1,274	315	299	0	19	0	3,493

\* excluding goodwill of investments accounted for using the equity method

## 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
<b>Gross amounts</b>							
Balance as of Sept. 30, 2011	6,097	20,565	1,954	160	10	956	29,742
Currency differences	87	349	15	2	0	29	482
Acquisitions/divestitures of businesses	(206)	(492)	(55)	(5)	0	(6)	(764)
Additions	78	551	188	17	0	629	1,463
Transfers	80	791	19	0	(10)	(774)	106
Disposals	(41)	(254)	(62)	(15)	0	(7)	(379)
Reclassification due to the presentation as assets held for sale	(1,477)	(8,105)	(228)	(11)	0	(201)	(10,022)
Balance as of Sept. 30, 2012	4,618	13,405	1,831	148	0	626	20,628
Currency differences	(75)	(382)	(29)	(2)	0	(13)	(501)
Acquisitions/divestitures of businesses	7	(20)	(4)	0	0	1	(16)
Additions	75	441	105	11	0	363	995
Transfers	50	345	14	(12)	0	(280)	117
Disposals	(70)	(258)	(82)	(16)	0	(2)	(428)
Reclassification due to the presentation as assets held for sale	635	5,694	18	5	0	6	6,358
Balance as of Sept. 30, 2013	5,240	19,225	1,853	134	0	701	27,153
<b>Accumulated depreciation and impairment losses</b>							
Balance as of Sept. 30, 2011	2,769	12,712	1,412	94	1	105	17,093
Currency differences	24	113	9	1	0	4	151
Acquisitions/divestitures of businesses	(94)	(387)	(35)	(3)	0	0	(519)
Depreciation expense	156	985	160	12	0	0	1,313
Impairment losses	537	2,984	62	3	0	96	3,682
Reversals of impairment losses	(1)	(1)	0	0	0	0	(2)
Transfers	4	81	(3)	0	(1)	(74)	7
Disposals	(32)	(241)	(56)	(14)	0	0	(343)
Reclassification due to the presentation as assets held for sale	(909)	(5,610)	(155)	(8)	0	(125)	(6,807)
Balance as of Sept. 30, 2012	2,454	10,636	1,394	85	0	6	14,575
Currency differences	(33)	(270)	(19)	(1)	0	0	(323)
Acquisitions/divestitures of businesses	5	(20)	(4)	0	0	0	(19)
Depreciation expense	118	717	134	10	0	0	979
Impairment losses	38	271	0	0	0	1	310
Reversals of impairment losses	0	(3)	0	0	0	0	(3)
Transfers	(2)	3	0	(6)	0	(1)	(6)
Disposals	(47)	(239)	(79)	(11)	0	0	(376)
Reclassification due to the presentation as assets held for sale	444	4,048	15	4	0	21	4,532
Balance as of Sept. 30, 2013	2,977	15,143	1,441	81	0	27	19,669
<b>Net amounts</b>							
as of Sept. 30, 2011	3,328	7,853	542	66	9	851	12,649
as of Sept. 30, 2012	2,164	2,769	437	63	0	620	6,053
as of Sept. 30, 2013	2,263	4,082	412	53	0	674	7,484

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.

As of the balance sheet date September 30, 2012, the Steel Americas business area met the criteria for a presentation as a discontinued operation and according to this a remeasurement of the assets and liabilities was necessary. The remeasurement of property, plant and equipment resulted in an impairment loss of €3,645 million. €532 million of the total impairment relates to land and buildings, €2,959 million to technical machinery and equipment, €59 million to other equipment, €3 million to assets under finance lease and €92 million to construction in progress.

The impairment was based on the expected fair value less costs to sell. Non-binding offers had been received for each plant separately and both together. These were pursued by the shortlisted bidders and ThyssenKrupp. The valuation also included internal calculations, made in part with support from auditors and management consultants, which took into account all knowledge available to ThyssenKrupp from the ongoing sale process and overall represented a best possible estimate.

As of the reporting date September 30, 2013 the reclassification of the Steel Americas business area as a continuing operation and associated re-presentation of the business area's assets and liabilities relating to the ThyssenKrupp CSA portion in the statement of financial position in accordance with IFRS 5 made it necessary to measure the assets at the lower recoverable amounts in accordance with IAS 36 (see Note 03). This resulted in impairment losses of €249 million. €26 million of the total impairment relates to land and buildings and €223 million to technical machinery and equipment. The recoverable amounts used to calculate the impairment losses correspond in each case to the values in use. A discount rate of 11.1% was used to calculate the values in use.

In 2012/2013 impairment losses of €37 million were recorded in the Components Technology business area in the Rothe Erde operating unit due to structural changes in the US energy market. €11 million of the total impairment relates to land and buildings and € 26 million to technical machinery and equipment. The recoverable amounts used to calculate the impairment losses correspond in each case to the values in use. A discount rate of 10.0% was used to calculate the values in use.

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, 2012	Sept. 30, 2013	Sept. 30, 2012	Sept. 30, 2013	Sept. 30, 2012	Sept. 30, 2013
Land, leasehold rights and buildings including buildings on third-party land	73	59	34	30	39	29
Technical machinery and equipment	52	52	34	35	18	17
Other equipment, factory and office equipment	23	23	17	16	6	7
Total	148	134	85	81	63	53

Property, plant and equipment have been pledged as security for financial payables of €47 million (2012: €6 million).

## 06 Investment property

Changes in the Group's investment property were as follows:

Changes of investment property		2012	2013
<b>Gross amounts</b>			
Balance as of Sept. 30, 2011 and Sept. 30, 2012, respectively		457	421
Currency differences		0	0
Acquisitions/divestitures of businesses		0	0
Additions		0	1
Transfers		(2)	27
Disposals		(34)	(31)
Reclassification due to the presentation as assets held for sale		0	0
Balance as of Sept. 30, 2012 and 2013, respectively		421	418
<b>Accumulated depreciation and impairment losses</b>			
Balance as of Sept. 30, 2011 and Sept. 30, 2012, respectively		156	138
Currency differences		0	0
Acquisitions/divestitures of businesses		0	0
Depreciation expense		1	1
Impairment losses		5	3
Reversals of impairment losses		(1)	0
Transfers		(2)	7
Disposals		(21)	(18)
Reclassification due to the presentation as assets held for sale		0	0
Balance as of Sept. 30, 2012 and 2013, respectively		138	131
<b>Net amounts</b>			
as of Sept. 30, 2011		301	
Balance as of Sep. 30, 2012 and 2013, respectively		283	287

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, 2013, the total fair value of the Group's investment property is €348 million (2012: €353 million) of which €3 million (2012: €18 million) are based on valuations of external appraisers.

Additions which are disclosed in the gross amounts include subsequent expenditure of €0 million (2012: €0.2 million).

The lease of investment property resulted in rental income of €14 million (2011/2012: €18 million) and direct operating expense of €7 million (2011/2012: €9 million). Direct operating expense of €7 million (2011/2012: €9 million) resulted from investment property that does not generate rental income.

## 07 Investments accounted for using the equity method

### Investments in associates

As of September 30, 2013, the carrying amount of investments in associates accounted for using the equity method is €347 million (2012: €55 million). The income of investments in associates accounted for using the equity method is €(175) million (2011/2012: €(23) million). As of September 30, 2013, the fair value of an investment in an associate accounted for using the equity method for which there is a published price quotation was €303 million; the investment concerned is Outokumpu.

Summarized financial information of associates accounted for using the equity method is presented in the table below. The information given represents 100% and not the Group's interest in the associates:

**Financial information of associates**

million €	Sept. 30, 2012	Sept. 30, 2013
Total assets	871	9,803
Total liabilities	758	7,444
million €	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
Net sales	840	6,925
Net loss	(52)	(649)

In 2012/2013, the unrecognized share of losses of an associate accounted for using the equity method was €5 million (2011/2012: €6 million). There were cumulative unrecognized losses of €11 million (2011/2012: €6 million).

**Joint ventures**

The following table shows the summarized financial information of the Group's joint ventures. The information given represents the Group's interest in the joint ventures:

**Financial information of joint ventures**

million €	Sept. 30, 2012	Sept. 30, 2013
Current assets	936	1,112
Non-current assets	444	701
Current liabilities	525	499
Non-current liabilities	355	697
million €	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
Net sales	2,301	2,726
Net income	61	80

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/en/investor/geschaeftsberichte.html](http://www.thyssenkrupp.com/en/investor/geschaeftsberichte.html).

## 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, 2012	Sept. 30, 2013
Not later than one year	17	16
Between one and five years	32	31
Later than five years	19	28
Total	68	75

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 2012/2013 and in 2011/2012, respectively.

## 09 Inventories

### Inventories

	Sept. 30, 2012	Sept. 30, 2013
Raw materials	1,399	1,328
Supplies	316	423
Work in process	1,552	1,642
Finished products, merchandise	3,100	2,958
Total	6,367	6,351

Inventories of €4 million (2012: €4 million) have a remaining term of more than 1 year. Inventories of €33,809 million (2012: €40,072 million) are recognized as an expense during the period. Included in cost of sales are write-downs of inventories of €94 million (2012: €49 million).

## 10 Trade accounts receivable

### Trade accounts receivable

	Sept. 30, 2012	Sept. 30, 2013
Receivables from sales of goods and services	4,063	4,146
Amounts due from customers for construction work	1,063	810
Total	5,126	4,956

Receivables from the sales of goods and services in the amount of €221 million (2012: €353 million) have a remaining term of more than 1 year. As of September 30, 2013 cumulative impairment losses of €302 million (2012: €316 million) are recognized for doubtful accounts.

As of the reporting date trade accounts receivable were as follows:

### Analysis of structure

million €	Carrying amount  Trade accounts receivable	thereof:  neither impaired nor past due as of balance sheet date	thereof: not impaired but past due as of balance sheet date								thereof:  impaired 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	31 to 60 days	past due	61 to 90 days	past due	91 to 180 days	past due	181 to 360 days	past due
Sept. 30, 2012	5,126	4,172	316	96	62	83	64	38	295		
Sept. 30, 2013	4,956	4,094	296	113	86	111	84	36	136		

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

### Receivables for construction work

	Sept. 30, 2012	Sept. 30, 2013
Contract costs incurred and recognized contract profits (less recognized losses)	4,107	3,552
Less advance payments received	(3,044)	(2,742)
Total	1,063	810

Advanced payments received are collateralized by assets of €595 million (2012: €544 million). Sales from construction contracts of €8,145 million were recognized in the period (2011/2012: €7,337 million).



## 12 Other non-financial assets

### Other non-financial assets

	Sept. 30, 2012		Sept. 30, 2013	
million €	current	non-current	current	non-current
Advance payments on intangible assets	—	29	—	45
Advance payments on property, plant and equipment	—	184	—	144
Advance payments to suppliers of inventories and to other current non-financial assets	1,040	—	1,322	—
Prepayments	92	—	125	—
Others	524	6	622	146
Total	1,656	219	2,069	335

Other non-financial assets in the amount of €1,090 million (2012: €889 million) have a remaining term of more than 1 year. As of September 30, 2013 cumulative impairments amount to €25 million (2012: €29 million) regarding current other non-financial assets and €222 million (2012: €5 million) regarding non-current other non-financial assets. In 2013, impairments regarding non-current other non-financial assets mainly relate to the Steel Americas business area.

## 13 Total Equity

€10 million, €11 million and €1 million of the balance of cumulative other comprehensive income result from associates as of Sept. 30, 2011, Sept. 30, 2012 and Sept. 30, 2013, respectively. €(10) million (2011/2012: €1 million) of the changes of cumulative other comprehensive income result from associates.

The following table shows the changes of the foreign currency translation adjustment which is part of cumulative other comprehensive income:

### Foreign currency translation adjustment

million €	
Balance as of Sept. 30, 2011	191
Change in unrealized gains/(losses), net	293
Net realized (gains)/losses	12
Balance as of Sept. 30, 2012	496
Change in unrealized gains/(losses), net	(377)
Net realized (gains)/losses	7
Balance as of Sept. 30, 2013	126

### Capital stock

The capital stock of ThyssenKrupp AG consists of 514,489,044 no-par bearer shares of stock, all of which have been issued and are fully paid, with 514,489,044 outstanding as of September 30, 2012 and September 30, 2013, 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, actuarial gains and losses are included in this balance sheet item.

Regarding the reduction of the retained earnings by €427 million as of September 30, 2012 see the explanation to the Steel Americas business area in Note 03.

### **Treasury stock**

To reduce net financial debt as part of the Group's strategic development, on July 06, 2011 the Executive Board of ThyssenKrupp AG resolved to sell the 49,484,842 treasury shares; this corresponds to 9.6% of the capital stock. The shares were sold in an accelerated bookbuilding process at a price of €32.95 per share to mainly German and international institutional investors on July 07, 2011, leading to a cash inflow of approximately €1.6 billion; the related transaction costs of €7 million are accounted for as a deduction from equity.

The presented sale of the treasury sales is based on the authorization of the Annual General Meeting of January 23, 2009 and of January 21, 2010, respectively, resulting in the fact that ThyssenKrupp AG does not any longer hold treasury shares as of September 30, 2012 and September 30, 2013, respectively.

### **Management of capital**

As of September 30, 2013 the Group's equity ratio was 7.1% (2012: 11.8%) and as a result of impairment charges its gearing temporarily increased to 200.6% (2012: 128.1%). The gearing limit of 150% agreed in some credit agreements was therefore exceeded as of September 30, 2013 for the first time. In the 4th quarter of the fiscal year ThyssenKrupp reached precautionarily agreements with the banks involved to waive the gearing covenant test for all financial instruments concerned, so the financial instruments remain available to the Group. Our aim is to significantly reduce the Group's temporarily increased gearing within the next 12 months. 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	Lang-term-rating	Short-term rating	Outlook
Standard & Poor's	BB	B	negative
Moody's	Ba1	Not Prime	negative
Fitch	BBB-	F3	negative

In January 2013 Moody's lowered ThyssenKrupp's rating from Baa3 to Ba1. At Standard & Poor's and Moody's our rating is therefore below investment grade. Our rating at Standard & Poor's has been below investment grade since November 2009; Fitch confirmed our investment grade rating in December 2012 with a negative 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 demonstrated that it has access to a broad investor base with the issue of a €1.6 billion bond in February/March 2013 with a historically favorable coupon. 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**

According to Art. 5 Para. 5 of the Articles of Association of ThyssenKrupp AG, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions on or before January 19, 2017, by up to €500 million by issuing up to 195,312,500 new no-par shares in exchange for cash and/or contributions in kind (Authorized Capital). The shareholders are in principle entitled to subscription rights; the option of excluding subscription rights is limited to 20% of the capital stock.

By resolution of the Annual General Meeting on January 23, 2009, the Executive Board is authorized, subject to the approval of the Supervisory Board, to issue bearer bonds with a total par value up to €2 billion and to grant the bond holders the right to convert the bonds into a total of up to €50 million bearer shares of ThyssenKrupp with an arithmetical share in the Company's capital stock of up to €128 million (convertible bonds). The authorization is valid until January 22, 2014.

In addition, by resolution of the Annual General Meeting on January 21, 2010, ThyssenKrupp is authorized through January 20, 2015, to purchase treasury stock for certain defined purposes up to a total of 10% of the capital stock at the time of the resolution. Treasury stock can also be purchased by using equity derivatives (put or call options or a combination of both).

### **Dividend**

Although the annual financial statements of ThyssenKrupp AG drawn up in accordance with German GAAP (HGB) show a distributable income for fiscal 2012/2013, net income is to be allocated in full to other retained earnings to strengthen the company's equity. For this reason, there will be no dividend proposal to the Annual General Meeting by the Executive Board and Supervisory Board. No dividend was paid for fiscal year 2011/2012 (2010/2011: €0.45).

## **14 Share-based compensation**

### **Management incentive plans**

In 2003, ThyssenKrupp implemented a performance based mid-term incentive plan (MTI) which issues stock rights to eligible participants. All Executive Board members of ThyssenKrupp AG are eligible to participate. Starting with the second installment which was issued in 2004, the group of beneficiaries was expanded to include the former segment lead companies as well as several other selected executive employees. As of fiscal year 2010/2011 the previous MTI continues with modified parameters as long-term incentive plan LTI. Besides the Executive Board members of ThyssenKrupp AG and of the business areas, management board members and additional selected executives are plan participants. As of September 30, 2013, 1,067,269 stock rights were issued in the 1st installment, 1,651,187 stock rights in the 2nd installment and 1,764,193 stock rights in the 3rd installment of the LTI.

The number of stock rights issued will be adjusted at the end of each performance period based on the average economic value added (EVA) over the three-year performance period, beginning October 01 of the year the stock rights were granted, compared to the average EVA over the previous three fiscal year period. At the end of the performance period the stock rights will be settled in cash based on the average price of ThyssenKrupp stock during the three month period immediately following the performance period.

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 partial caps starting in the 3rd installment. 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, 2012 and as of September 30, 2013, respectively:

**Incentive plans - Year ended Sept. 30, 2012**

	<b>8th installment MTI</b>	<b>1st installment LTI</b>	<b>2nd installment LTI</b>
Maturity	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014
Averaging period	Oct. 01 to Dec. 31, 2012	Oct. 01 to Dec. 31, 2013	Oct. 01 to Dec. 31, 2014
ThyssenKrupp stock price as of balance sheet date	€16.54	€16.54	€16.54
Assumed dividend payment(s) per stock until maturity	—	€0.45 on Jan. 21, 2013	€0.45 on Jan. 21, 2013
Average dividend yield	—	2.51%	2.67%
Average interest rate (averaging period)	0.12%	0.42%	0.48%
<b>Fair value as of Sept. 30, 2012</b>			
- without caps	€16.53	€16.08	€15.63
- with caps	€16.53	€16.08	€15.63

**Incentive plans - Year ended Sept. 30, 2013**

	<b>1st installment LTI</b>	<b>2nd installment LTI</b>	<b>3rd installment LTI</b>
Maturity	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015
Averaging period	Oct. 01 to Dec. 31, 2013	Oct. 01 to Dec. 31, 2014	Oct. 01 to Dec. 31, 2015
ThyssenKrupp stock price as of balance sheet date	€17.68	€17.68	€17.68
Assumed dividend payment(s) per stock until maturity	—	—	€0.00 on Jan. 20, 2014 €0.45 on Feb. 02, 2015
Average dividend yield	—	—	1.22%
Average interest rate (averaging period)	0.18%	0.44%	0.59%
<b>Fair value as of Sept. 30, 2013</b>			
- without caps	€17.67	€17.66	€17.21
- with caps	€17.67	€17.66	€17.21

In the 2nd quarter of 2012/2013, the 8th installment of the MTI expired without any payment due to the strong decline of the average ThyssenKrupp EVA over the three-year performance period compared to the average ThyssenKrupp EVA over the previous three fiscal year period. In the 2nd quarter of 2011/2012, also the 7th installment of the mid-term incentive plan expired without any payment due to the decline of the average ThyssenKrupp EVA. In 2012/2013 the Group recorded an expense of €24.8 million from the obligations of the incentive plans (2011/2012: income of €2.2 million); thereof no expense (2011/2012: income of €0.6 million) is presented in income/(loss) of discontinued operations. The liability arising from the LTI amounts to €37.5 million as of September 30, 2013 (2012: €12.7 million).

In September 2010 the structure of the variable compensation for members of the Executive Board of ThyssenKrupp AG was modified. 25% of the performance bonus granted for each fiscal year will now be converted into ThyssenKrupp AG stock rights to be paid out after a three-year lock-up period. The number of stock rights is 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 is also paid out. Insofar as the Executive Board members of ThyssenKrupp AG are granted an additional bonus alongside the performance bonus, as in the previous fiscal years since 2009/2010, 55% of this additional bonus will also be converted into stock rights and treated in accordance with the performance bonus model. In the 3rd quarter ended June 30, 2011, the structure of the variable compensation for additional executive employees was 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. The Group recorded expenses of €5 million (2011/2012: €2 million) associated with this compensation component; the resultant obligation as of September 30, 2013 amounts to €11 million (2012: €8 million).

### Employee share purchase program

In fiscal year 2012/2013 the employee share purchase program was not offered with the exemption of Great Britain which resulted in a compensation expense of €0.4 million. In the 3rd quarter of 2011/2012, the Group primarily offered eligible members of its domestic workforce the right to purchase up to €270 in ThyssenKrupp shares at a 50% discount as part of an employee share purchase program. The program resulted in the Group recording compensation expense of €6.0 million; thereof €0.5 million are presented in income/(loss) of discontinued operations.

## 15 Accrued pension and similar obligations

### Accrued pension and similar obligations

million €	Sept. 30, 2012	Sept. 30, 2013
Accrued pension liability	6,922	6,424
Accrued postretirement obligations other than pensions	850	698
Other accrued pension-related obligations	314	263
Reclassification due to the presentation as liabilities associated with assets held for sale	(378)	(29)
<b>Total</b>	<b>7,708</b>	<b>7,356</b>

Accrued pension and similar obligations in the amount of €6,029 million (2012: €7,111 million) have a remaining term of more than 1 year.

The cumulative actuarial gains/(losses) from pensions and similar obligations amount to €(1,763) million (2012: €(1,959) million) as of the balance sheet date; this includes effects from acquisitions/divestitures of businesses of €74 million (2012: €107 million).

### Accrued pension liability

The Group maintains defined benefit pension plans and defined contribution plans that cover the majority of the employees in Germany, the USA and Great Britain. In some other countries, eligible employees receive benefits in accordance with the respective local requirements.

In Germany, benefits generally take the form of pension payments that are indexed to inflation. Benefits for some senior staff are based on years of service and salary during a reference period, which is generally three years prior to retirement. Other employees receive benefits based on years of service. In addition, ThyssenKrupp offers certain German employees the opportunity to participate in a defined benefit program which allows for the deferral of compensation which earns interest at a rate of 6.00% per year until calendar year 2012 and at a rate of 5.00% as of calendar year 2013.

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. In Great Britain, employee benefits are based on years of service and an employee's final salary before retirement.

### 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:

#### Defined benefit obligations and plan assets

million €	Sept. 30, 2012			Sept. 30, 2013		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
<b>Change in defined benefit obligations (DBO):</b>						
DBO at beginning of fiscal year	5,653	2,101	7,754	6,542	2,419	8,961
Service cost	78	33	111	97	34	131
Interest cost	268	92	360	219	78	297
Participant contributions	0	12	12	0	13	13
Past service cost	0	0	0	19	1	20
Actuarial (gains)/losses	1,044	248	1,292	70	(78)	(8)
Acquisitions/(divestitures)	(89)	(40)	(129)	(307)	(27)	(334)
Curtailments	(2)	(1)	(3)	2	(3)	(1)
Settlements	0	(1)	(1)	0	(11)	(11)
Currency differences	0	96	96	0	(81)	(81)
Benefit payments	(410)	(121)	(531)	(404)	(162)	(566)
Others	0	0	0	0	0	0
DBO at end of fiscal year	6,542	2,419	8,961	6,238	2,183	8,421
<b>Change in plan assets:</b>						
Fair value of plan assets at beginning of fiscal year	192	1,594	1,786	200	1,882	2,082
Expected return on plan assets	12	102	114	12	103	115
Actuarial gains/(losses)	6	115	121	2	(4)	(2)
Acquisitions/(divestitures)	3	(23)	(20)	(4)	1	(3)
Employer contributions	0	111	111	2	79	81
Participant contributions	0	12	12	0	13	13
Settlements	0	0	0	0	(1)	(1)
Currency differences	0	77	77	0	(67)	(67)
Benefit payments	(13)	(106)	(119)	(13)	(151)	(164)
Others	0	0	0	0	0	0
Fair value of plan assets at end of fiscal year	200	1,882	2,082	199	1,855	2,054

As of the balance sheet date, defined benefit obligations of €8,421 million (2012: €8,961 million) in total related to plans that are wholly unfunded in the amount of €5,773 million (2012: €6,131 million) and to plans that are wholly or partly funded in the amount of €2,648 million (2012: €2,830 million).

Actual return which amounts to €113 million (2012: €235 million) is calculated as the total of expected return on plan assets and actuarial gains and losses, respectively.

#### Funded status and net amount recognized

The following represents the funded status of these plans resulting from the difference of defined benefit obligations and fair value of plan assets including a reconciliation to the net amount recognized:

#### Funded status and amount recognized

million €	Sept. 30, 2012			Sept. 30, 2013		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
<b>Funded status at end of fiscal year</b>						
Funded status at end of fiscal year	(6,342)	(537)	(6,879)	(6,039)	(328)	(6,367)
Not recognized as an asset due to asset ceiling	0	3	3	0	2	2
Unrecognized past service cost	0	(35)	(35)	0	(29)	(29)
Net amount recognized	(6,342)	(569)	(6,911)	(6,039)	(355)	(6,394)
<b>Amounts recognized in the consolidated balance sheets consist of:</b>						
Other non-financial assets	0	11	11	0	30	30
Accrued pension liability	(6,342)	(580)	(6,922)	(6,039)	(385)	(6,424)
Net amount recognized	(6,342)	(569)	(6,911)	(6,039)	(355)	(6,394)

### 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, 2012			Year ended Sept. 30, 2013		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Service cost	78	33	111	97	34	131
Interest cost	268	92	360	219	78	297
Expected return on plan assets	(12)	(102)	(114)	(12)	(103)	(115)
Past service cost	0	0	0	19	1	20
Settlement and curtailment loss/(gain)	(2)	(1)	(3)	2	(14)	(12)
Net periodic pension cost	332	22	354	325	(4)	321

The above presented net periodic pension cost for defined benefit plans in the amount of €325 million (2011/2012: €332 million) in Germany and of €(4) million (2011/2012: €22 million) outside Germany include €5 million (2011/2012: €17 million) and €0 million (2011/2012: €1 million), respectively, attributable to discontinued operations. These costs are presented in income/(loss) from discontinued operations in the consolidated statement of income.

#### Assumptions

The assumptions for discount rates, the rates of compensation increase and the rates of pension progression on which the calculation of the obligations is based were derived in accordance with standard principles and established for each country as a function of their respective economic conditions. Discount rates are generally determined based on market yields of AA-rated corporate bonds of appropriate term and currency.

The expected return on plan assets is determined based on detailed studies conducted by the plans' third party investment and actuarial advisors. The studies take into consideration the long-term historical returns and the future estimates of long-term investment returns based on the target asset allocation.

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.

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

#### Weighted-average assumptions

	Sept. 30, 2012			Sept. 30, 2013		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Discount rate	3.60	3.44	3.56	3.50	3.88	3.60
Rate of compensation increase	2.50	1.99	2.36	2.50	2.30	2.45
Rate of pension progression	1.50	1.76	1.53	1.50	1.91	1.56
Expected return on plan assets	6.00	6.33	6.29	6.00	5.76	5.78

Alternative discount rates (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:

**Sensitivity analysis**

	Discount rate (%)	Change of the defined benefit obligation (€ million)
	3.00	563
	3.25	327
	3.50	120
	3.75	(137)
	4.00	(364)

**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 include national and international stocks, fixed income government and non-government securities and real estate. Plan assets do not include any direct investments in ThyssenKrupp debt securities, equity securities or real estate.

The Group uses professional investment managers to invest plan assets based on specific investment guidelines developed by the plans' Investment Committees. The Investment Committees consist of senior financial management especially from treasury and other appropriate executives. The Investment Committees meet regularly to approve the target asset allocations, and review the risks and performance of the major pension funds and approve the selection and retention of external managers.

The Group's target portfolio structure has been developed based on asset-liability studies that were performed for the major pension funds within the Group.

The pension plan asset allocation and target allocation are as follows:

**Allocation of plan assets**

	Plan assets as of		Target allocation
	Sept. 30, 2012	Sept. 30, 2013	Sept. 30, 2014
Equity securities	43%	44%	35-50%
Debt securities	49%	47%	40-55%
Real estate/other	8%	9%	0-10%
Total	100%	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 2013/2014 is €63 million related to its funded plans, all of which is expected to be as cash contributions.

### Pension benefit payments

In fiscal year 2012/2013, pension benefit payments to the Group's German and Non-German plans were €404 million (2011/2012: €410 million) and €162 million (2011/2012: €121 million) respectively. The estimated future pension benefits to be paid by the Group's defined benefit pension plans are as follows:

#### Estimated future pension benefit payments

million €	Germany	Outside Germany	Total
(for fiscal year)			
2013/2014	426	120	546
2014/2015	412	113	525
2015/2016	412	116	528
2016/2017	403	117	520
2017/2018	399	118	517
2018/2019-2022/2023	1,899	593	2,492
<b>Total</b>	<b>3,951</b>	<b>1,177</b>	<b>5,128</b>

#### Multi-year overview

Amounts recognized for the current and the previous years for defined benefit pension plans are as follows:

#### Keyfigures of defined benefit pension plans

million €	Sept. 30, 2009	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2013
Present value of defined benefit obligation	7,754	8,664	7,754	8,961	8,421
Fair value of plan assets	1,692	2,053	1,786	2,082	2,054
Surplus/(deficit) in the plans	(6,062)	(6,611)	(5,968)	(6,879)	(6,367)
Experience adjustments on plan liabilities	25	65	(1)	(36)	0
Experience adjustments on plan assets	(23)	60	(89)	123	(1)

#### Defined Contribution 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 €127 million (2011/2012: €128 million). In addition, contributions paid to public/state pension insurance institutions amounted to €578 million (2011/2012: €615 million).

#### Accrued postretirement obligations other than pensions

The Group provides certain postretirement health care and life insurance benefits to retired employees in the USA who meet certain minimum requirements regarding age and length of service. The plans primarily relate to the retained assets and liabilities of ThyssenKrupp Budd.

In December 2003, the US government signed into law the Medicare Prescription Drug, Improvement and Modernization Act. This law provides for a federal subsidy to sponsors of retiree health care benefit plans that provide benefit that is at least actuarially equivalent to the benefit established by the law. The Group accounts for these federal subsidies as reimbursement rights in accordance with IAS 19.

**Changes in accumulated postretirement benefit obligations and reimbursement rights**

The changes in accumulated postretirement benefit obligations and reimbursement rights are as follows:

**Change in accumulated postretirement benefit obligation and reimbursement rights**

million €	Sept. 30, 2012 USA	Sept. 30, 2013 USA
<b>Change in accumulated postretirement benefit obligation:</b>		
Accumulated postretirement benefit obligation at beginning of fiscal year	1,017	850
Service cost	4	1
Interest cost	42	29
Past service cost	(63)	(2)
Actuarial (gains)/losses	(63)	(111)
Acquisitions/(divestitures)	(89)	0
Curtailments	0	(1)
Settlements	0	0
Currency differences	43	(34)
Benefit payments	(41)	(34)
Accumulated postretirement benefit obligation at end of fiscal year	850	698
<b>Change in reimbursement rights relating to postretirement benefits:</b>		
Fair value of reimbursement rights at beginning of fiscal year	88	0
Expected return on reimbursement rights	3	0
Actuarial gains/(losses)	(90)	0
Currency differences	3	0
Benefit payments	(4)	0
Fair value of reimbursement rights at end of fiscal year	0	0

Actual return which amounts to €0 million (2012: €(87) million) is calculated as the total of expected return on reimbursement rights and actuarial gains and losses, respectively.

**Funded status and net amount recognized**

The following represents the funded status of these plans including the reconciliation to the net amount recognized:

**Funded status and amount recognized**

million €	Sept. 30, 2012 USA	Sept. 30, 2013 USA
Funded status at end of fiscal year	(850)	(698)
Unrecognized past service cost	0	0
Net amount recognized for postretirement obligations other than pensions	(850)	(698)

**Net periodic postretirement benefit cost**

The net periodic postretirement benefit cost for health care obligations is as follows:

**Net periodic postretirement benefit cost**

million €	Year ended Sept. 30, 2012 USA	Year ended Sept. 30, 2013 USA
Service cost	4	1
Interest cost	42	29
Expected return on reimbursement rights	(3)	0
Past service cost	(37)	(2)
Settlement and curtailment loss/(gain)	0	(1)
Net periodic postretirement benefit cost	6	27

### Assumptions

The determination of the accumulated postretirement benefit obligations is based on the following weighted average assumptions:

#### Weighted-average assumptions

%	Sept. 30, 2012 USA	Sept. 30, 2013 USA
Discount rate	3.50	4.25
Health care cost trend rate for the following year	9.36	9.09
Ultimate health care cost trend rate (expected in 2032)	5.00	4.98

The effects of a one-percentage-point increase or decrease in the assumed health care cost trend rates are as follows:

#### Sensitivity analysis

million €	one-percentage-point	
	Increase	Decrease
Effect on service and interest cost components	5	(4)
Effect on postretirement benefit obligation	111	(89)

#### Multi-year overview

Amounts recognized for the current and the previous years for postretirement obligations other than pensions are as follows:

#### Keyfigures of postretirement obligations

	Sept. 30, 2009	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2013
Present value of defined benefit obligation	1,040	1,188	1,017	850	698
Fair value of reimbursement rights	76	94	88	0	0
Surplus/(deficit)	(1,040)	(1,188)	(1,017)	(850)	(698)
Experience adjustments on plan liabilities	(1)	11	9	20	16
Experience adjustments on reimbursement rights	1	1	(2)	1	0

#### Other accrued pension related obligations

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. For these obligations, accruals in the amount of €226 million (2012: €267 million) 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	Restructurings	Decommissioning obligations	Environmental obligations	Litigation risks	Other obligations	Total
Balance as of Sept. 30, 2012	511	488	88	162	227	24	124	476	2,100
Currency differences	(14)	(21)	(4)	(1)	0	0	(7)	(8)	(55)
Acquisitions/(divestitures)	32	6	4	(2)	(1)	0	24	198	261
Additions	281	165	77	225	39	5	72	269	1,133
Accretion	10	1	0	1	(16)	0	0	5	1
Amounts utilized	(204)	(63)	(27)	(98)	(11)	(3)	(19)	(123)	(548)
Reversals	(48)	(87)	(42)	(14)	(3)	0	(23)	(83)	(300)
Reclassification due to the presentation as liabilities associated with assets held for sale	0	0	8	0	0	0	7	0	15
Balance as of Sept. 30, 2013	568	489	104	273	235	26	178	734	2,607

As of September 30, 2013, €1,661 million (2012: €1,308 million) of the total of provisions for employee benefits and other provisions are current, while €946 million (2012: €792 million) are non-current. Provisions of €1,029 million (2012: €945 million) have a remaining term of more than 1 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 €225 million in total consists of €123 million within the Steel Europe business area, €49 million within the Elevator Technology business area and €25 million within Corporate.

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.

Provisions for environmental obligations refer primarily to rehabilitating contaminated sites, redevelopment and water protection measures.

Provisions for litigation risks include an amount in the low three-digit millions for claims for compensation in connection with the rail cartel, as well as an amount in the low two-digit millions for the costs of defending claims in connection with the elevator cartel. For filed claims for damages, provisions for litigation risks are recognized insofar as individual claims meet the requirements of IAS 37 for probability of occurrence and can be reliably estimated.

## 17 Financial debt

### Financial debt

Carrying amounts in million €	Sept. 30, 2012	Sept. 30, 2013
Bonds	3,983	4,584
Notes payable	529	430
Liabilities to financial institutions	570	1,782
Finance lease liabilities	44	43
Other loans	130	116
Non-current financial debt	5,256	6,955
Bonds	1,001	998
Notes payable	250	150
Commercial paper	0	100
Liabilities to financial institutions	642	625
Acceptance payables	13	4
Finance lease liabilities	13	10
Other loans	10	24
Current financial debt	1,929	1,911
Financial debt	7,185	8,866

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 €47 million (2012: €6 million) is collateralized by real estate.

As of September 30, 2013, the financial debt reflects a total discount in the amount of €21 million (2012: €19 million), which is offset by a total premium in the amount of €1 million (2012: €1 million). Amortization of discounts and premiums of financial debt is included in "financial income/(expense), net".

In the context of the presentation of disposal groups and discontinued operations financial debt of €5 million (2012: €968 million) were reclassified to the balance sheet line item "liabilities associated with assets held for sale".

### Bonds and notes payable

	Carrying amount in million € Sept. 30, 2012	Carrying amount in million € Sept. 30, 2013	Notional amount in million € Sept. 30, 2013	Interest rate in %	Fair value in million € Sept. 30, 2013	Maturity Date
ThyssenKrupp Finance Nederland B.V. bond (€1,000 million) 2009/2013	1,001	—	—	—	—	02/25/2013
ThyssenKrupp Finance Nederland B.V. bond (€1,000 million) 2009/2016	994	996	1,000	8.500	1,128	02/25/2016
ThyssenKrupp AG bond (€1,000 million) 2009/2014	995	998	1,000	9.250	1,052	06/18/2014
ThyssenKrupp AG bond (€750 million) 2005/2015	750	750	750	4.375	775	03/18/2015
ThyssenKrupp AG bond (€1,250 million) 2012/2017	1,244	1,245	1,250	4.375	1,296	02/28/2017
ThyssenKrupp AG bond (€1,600 million) 2013/2018	—	1,593	1,600	4.000	1,635	08/27/2018
ThyssenKrupp AG note loan (€100 million) 2008/2013	100	—	—	—	—	04/15/2013
ThyssenKrupp AG note loan (€150 million) 2008/2013	150	—	—	—	—	04/25/2013
ThyssenKrupp AG note loan (€150 million) 2008/2014	150	150	150	5.375	156	05/21/2014
ThyssenKrupp AG note loan (€80 million) 2008/2016	80	80	80	5.710	87	09/15/2016
ThyssenKrupp AG note loan (€50 million) 2011/2016	50	50	50	4.750	54	03/11/2016
ThyssenKrupp AG note loan (€150 million) 2011/2016	150	150	150	4.900	163	03/11/2016
ThyssenKrupp AG note loan (€50 million) 2011/2016	50	50	50	4.750	54	03/29/2016
ThyssenKrupp AG note loan (€31 million) 2011/2016	49	31	31	4.750	33	04/12/2016
ThyssenKrupp AG note loan (€50 million) 2012/2017	—	69	70	3.550	74	10/02/2017
Total	5,763	6,162	6,181		6,507	

In February 2013 ThyssenKrupp AG issued a €1.25 billion bond that has a 5 1/2 year maturity. In March 2013 the bond was raised by €350 million to €1.6 billion in total.

ThyssenKrupp AG has assumed the unconditional and irrevocable guarantee for the payments pursuant to the terms and conditions of the bond of ThyssenKrupp Finance Nederland B.V.

As of September 30, 2013, the financing structure of liabilities to financial institutions, commercial papers and other loans comprise the following:

**Liabilities to financial institutions, commercial paper and other loans**

	Carrying amount in million € Sept. 30, 2012	Carrying amount in million € Sept. 30, 2013	Amount thereof in Euro	Weighted average interest rate % Sept. 30, 2013	Amount thereof in USD	Weighted average interest rate % Sept. 30, 2013	Amount thereof in other currencies	Fair value in million € Sept. 30, 2013
Bilateral credits (at variable interest rates)	—	921	305	1.37	616	1.45	0	921
Commercial paper	—	100	100	1.01	0	0.00	0	100
Other credits at variable interest rates	318	901	81	1.81	215	2.14	605	901
Credits at fixed interest rates	1,034	725	476	5.54	8	0.66	241	721
Total	1,352	2,647	962	3.75	839	1.97	846	2,643

As of September 30, 2013, ThyssenKrupp has available a €2.5 billion syndicated joint credit multi-currency-facility agreement. The agreement was fixed in July 2005 and has a term until July 01, 2014. The facility agreement 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 with banking institutions whereby ThyssenKrupp AG, ThyssenKrupp Finance USA, Inc. or ThyssenKrupp Finance Nederland B.V. can borrow in Euros, U.S. dollars or in British pounds Sterling. As of September 30, 2013, €1 billion was not drawn.

In total the Group has available unused, committed credit lines amounting to €3.5 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, 2013, the program was used in the amount of €100 million.

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, 2012			Sept. 30, 2013		
	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	17	4	13	13	3	10
Between one and five years	35	10	25	36	9	27
Later than five years	32	13	19	27	11	16
Total	84	27	57	76	23	53

Maturity of financial debt is as follows:

**Maturity of financial debt**

million € (for fiscal year)	Total financial debt	thereof: Liabilities to financial institutions
2013/2014	1,911	625
2014/2015	1,003	240
2015/2016	1,662	299
2016/2017	1,454	203
2017/2018	2,029	363
thereafter	807	677
<b>Total</b>	<b>8,866</b>	<b>2,407</b>

## 18 Trade accounts payable

Trade accounts payable in the amount of €230 million (2012: €73 million) have a remaining term of more than 1 year.

## 19 Other financial liabilities

**Other financial liabilities**

million €	Sept. 30, 2012		Sept. 30, 2013	
	current	non-current	current	non-current
Financial liabilities measured at amortized cost	681	1	1,007	2
Derivatives that do not qualify for hedge accounting	71	—	172	—
Derivatives that qualify for hedge accounting	96	—	62	—
<b>Total</b>	<b>848</b>	<b>1</b>	<b>1,241</b>	<b>2</b>

Other financial liabilities amounting to €33 million (2012: €28 million) have a remaining term of more than 1 year.

## 20 Other non-financial liabilities

**Other non-financial liabilities**

million €	Sept. 30, 2012		Sept. 30, 2013	
	current	non-current	current	non-current
Amounts due to customers for construction work	4,862	—	4,930	—
Advance payments	1,239	—	1,314	—
Selling and buying market related liabilities	699	—	794	—
Liabilities due to put options	18	—	12	—
Liabilities to the employees	706	—	733	—
Liabilities for social security	84	—	87	—
Deferred income	23	—	60	—
Tax liabilities (without income taxes)	157	—	218	—
Other	311	8	307	1
<b>Total</b>	<b>8,099</b>	<b>8</b>	<b>8,455</b>	<b>1</b>

Other non-financial liabilities amounting to €3,485 million (2012: €1,729 million) have a remaining term of more than 1 year.

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

**Liabilities for construction work**

million €	Sept. 30, 2012	Sept. 30, 2013
Contract costs incurred and recognized contract profits (less recognized losses)	8,313	9,353
Less advance payments received	(13,175)	(14,283)
Total	(4,862)	(4,930)

## 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, 2012	Sept. 30, 2013	Sept. 30, 2012	Sept. 30, 2013
Advance payment bonds	232	256	1	1
Performance bonds	161	117	1	1
Third party credit guarantee	53	89	0	0
Residual value guarantees	61	61	2	2
Other guarantees	35	74	0	1
Total	542	597	4	5

Guarantees include contingent liabilities of associates of €80 million (2012: €2 million) and contingent liabilities of joint ventures of €419 million (2012: €422 million) of. Contingent liabilities of joint ventures include €189 million (2012: €183 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.

Former stockholders of Thyssen and of Krupp have petitioned per Art. 305 UmwG (Reorganization Act) for a judicial review of the share exchange ratios used in the merger of Thyssen AG and Fried. Krupp AG Hoesch-Krupp to form ThyssenKrupp AG. The proceedings are pending with the Düsseldorf Regional Court. Should a ruling be made in favour of the petitioners, the Court would require settlement to be made via an additional cash payment plus interest. The additional payment also would be required to be made to all affected stockholders, even if they were not petitioners in the judicial proceedings. However, the Group expects no such payments to become due as the exchange ratios were duly determined, negotiated

between unrelated parties and audited and confirmed by the auditor that has been appointed by court, and differ only insignificantly from the value ratio determined by the expert appointed by the Düsseldorf Regional Court.

In connection with the rail cartel a claim from various companies of the Deutsche Bahn group (DB) is pending against ThyssenKrupp GfT Gleistechnik, ThyssenKrupp Materials International and further cartel participants. DB is seeking extensive information and in this connection estimates the total damages caused by all participants in the cartel at €550 million plus interest of approx. €300 million. The talks conducted with DB on this have resulted in an agreement in principle on a settlement to the action. The settlement is subject to approval by the responsible bodies and in the case of DB by the funding providers. In the meantime other companies apart from DB have also asserted or announced out-of-court claims against ThyssenKrupp in connection with the rail cartel, but these have not been substantiated. ThyssenKrupp has recognized provisions for risks in connection with the claims for damages. On July 23, 2013 the German Federal Cartel Office imposed a second and final fine of €88 million on ThyssenKrupp, which was paid in August.

Claims for damages have been filed against ThyssenKrupp AG and companies of the ThyssenKrupp Group in connection with the elevator cartel. ThyssenKrupp is answering claims for damages being pursued in court. Provisions for litigation risks are recognized where individual claims meet the requirements of IAS 37 for probability of occurrence and can be reliably estimated.

Acting on an anonymous tip, the German Federal Cartel Office has been investigating ThyssenKrupp Steel Europe and other companies since the end of February 2013 based on an initial suspicion of price fixing in the delivery of certain steel products to the German auto industry and its suppliers over a period dating back to 1998. ThyssenKrupp has launched its own investigation into the allegations with the support of external lawyers. The amnesty program we carried out from April 15 to June 15, 2013 produced no leads regarding the ongoing investigations. The investigations by the Federal Cartel Office are ongoing. The internal investigations launched in response to the investigations of the Federal Cartel Office are at an advanced stage but not yet complete. Based on the facts currently known to us, significant adverse consequences with regard to the Group's asset, financial and earnings situation cannot be ruled out.

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 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. 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 not disclosed separately could also individually or together with other legal disputes have a negative and also potentially major future impact on the Group's net assets, financial position and results of operations. However, at present ThyssenKrupp does not expect pending lawsuits 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 €324 million (2011/2012: €330 million) resulting from rental contracts, long-term leases and leasing contracts classified as operating leases was incurred in fiscal 2012/2013. It comprises as follows:

##### **Expense resulting from operating lease contracts**

million €	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
Minimum rental payments	329	324
Contingent rental payments	1	0
less income from sublease agreements	0	0
Total	330	324

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 rental payments**

million €	Sept. 30, 2012	Sept. 30, 2013
Not later than one year	225	237
Between one and five years	516	482
Later than five years	170	158
Total	911	877

The future minimum rental income from non-cancelable sublease contracts amounting to €1 million (2011/2012: €1 million) is not included in the total of future minimum rental payments.

The commitment to enter into investment projects amounts to €506 million (2012: €874 million) as of September 30, 2013 and relates mainly to property, plant and equipment of the Steel Europe and Components Technology business areas.

Payment commitments and obligations to make further contributions to corporations and cooperative associations exist in the total amount of €3 million (2012: €3 million). In addition, other financial commitments exist in the amount of €2,737 million (2012: €4,188 million), primarily from the commitments to purchase coking coal, coal and lime under long term supply contracts and obligations under ship-charter contracts in the Steel Europe and Steel Americas business areas 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 11 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 €14,770 million (2012: €15,569 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, 2012

million €	Carrying amount on balance sheet Sept. 30, 2012	Measurement in accordance with IAS 39			Measurement in accordance with IAS 17	
		(Amortized) cost	Fair value recognized in profit or loss	Fair value recognized in equity	Amortized cost	Fair value Sept. 30, 2012
Trade accounts receivable, net (excluding finance lease)	5,123	5,123				5,123
Loans and receivables		5,123				5,123
Finance lease receivables	3				3	3
Other financial assets	374	301	50	23		374
Loans and receivables		251				251
Available-for-sale financial assets		50		13		63
Derivatives that do not qualify for hedge accounting (Financial assets held for trading)			50			50
Derivatives that qualify for hedge accounting			0	10		10
Cash and cash equivalents	2,221	2,221				2,221
Loans and receivables		2,221				2,221
Total of financial assets	7,721					
thereof by measurement categories of IAS 39:						
Loans and receivables	7,595	7,595				7,595
Available-for-sale financial assets	63	50		13		63
Derivatives that do not qualify for hedge accounting (Financial assets held for trading)	50		50			50
Financial debt (excluding finance lease)	7,128	7,128				7,574
Financial liabilities measured at amortized cost		7,128				7,574
Finance lease liabilities	57				57	57
Trade accounts payable	3,514	3,514				3,514
Financial liabilities measured at amortized cost		3,514				3,514
Other financial liabilities	849	682	71	96		849
Financial liabilities measured at amortized cost		682				682
Derivatives that do not qualify for hedge accounting (Financial liabilities held for trading)			71			71
Derivatives that qualify for hedge accounting			0	96		96
Total of financial liabilities	11,548					
thereof by measurement categories of IAS 39:						
Financial liabilities measured at amortized cost	11,324	11,324				11,770
Derivatives that do not qualify for hedge accounting (Financial liabilities held for trading)	71		71			71

**Financial instruments as of Sept. 30, 2013**

	millions €	Measurement in accordance with IAS 39				Measurement in accordance with IAS 17 Fair value Sept. 30, 2013
		Carrying amount on balance sheet Sept. 30, 2013	(Amortized) cost	Fair value recognized in profit or loss	Fair value recognized in equity	
Trade accounts receivable, net (excluding finance lease)	4,905	4,905	4,905			4,905
Loans and receivables			4,905			4,905
Finance lease receivables	51					51
Other financial assets	1,519	1,454	48	17		1,519
Loans and receivables		1,436				1,436
Available-for-sale financial assets		18		10		28
Derivatives that do not qualify for hedge accounting (Financial assets held for trading)			48			48
Derivatives that qualify for hedge accounting			0	7		7
Cash and cash equivalents	3,813	3,813				3,813
Loans and receivables		3,813				3,813
Total of financial assets	10,288					
thereof by measurement categories of IAS 39:						
Loans and receivables	10,154	10,154				10,154
Available-for-sale financial assets	28	18		10		28
Derivatives that do not qualify for hedge accounting (Financial assets held for trading)	48		48			48
Financial debt (excluding finance lease)	8,813	8,813				9,154
Financial liabilities measured at amortized cost		8,813				9,154
Finance lease liabilities	53					53
Trade accounts payable	3,713	3,712				3,712
Financial liabilities measured at amortized cost		3,712				3,712
Other financial liabilities	1,244	1,009	172	62		1,243
Financial liabilities measured at amortized cost		1,009				1,009
Derivatives that do not qualify for hedge accounting (Financial liabilities held for trading)			172			172
Derivatives that qualify for hedge accounting			0	62		62
Total of financial liabilities	13,823					
thereof by measurement categories of IAS 39:						
Financial liabilities measured at amortized cost	13,534	13,534				13,875
Derivatives that do not qualify for hedge accounting (Financial liabilities held for trading)	172		172			172

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, 2012**

million €	Balance as of Sept. 30, 2012	Level 1	Level 2	Level 3
Financial assets at fair value				
Fair value recognized in profit or loss				
Derivatives that do not qualify for hedge accounting (Financial assets held for trading)	50	0	50	0
Derivatives that qualify for hedge accounting	0	0	0	0
Fair value recognized in equity				
Available-for-sale financial assets	13	11	2	0
Derivatives that qualify for hedge accounting	10	0	10	0
Total	73	11	62	0
Financial liabilities at fair value				
Fair value recognized in profit or loss				
Derivatives that do not qualify for hedge accounting (Financial assets held for trading)	71	0	71	0
Derivatives that qualify for hedge accounting	0	0	0	0
Fair value recognized in equity				
Derivatives that qualify for hedge accounting	96	0	96	0
Total	167	0	167	0

**Fair value hierarchy as of Sept. 30, 2013**

million €	Balance as of Sept. 30, 2013	Level 1	Level 2	Level 3
Financial assets at fair value				
Fair value recognized in profit or loss				
Derivatives that do not qualify for hedge accounting (Financial assets held for trading)	48	0	48	0
Derivatives that qualify for hedge accounting	0	0	0	0
Fair value recognized in equity				
Available-for-sale financial assets	10	8	2	0
Derivatives that qualify for hedge accounting	7	0	7	0
Total	65	8	57	0
Financial liabilities at fair value				
Fair value recognized in profit or loss				
Derivatives that do not qualify for hedge accounting (Financial assets held for trading)	172	0	80	92
Derivatives that qualify for hedge accounting	0	0	0	0
Fair value recognized in equity				
Derivatives that qualify for hedge accounting	62	0	62	0
Total	234	0	142	92

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, 2012	0
Changes recognized through profit or loss	(94)
Balance as of Sept. 30, 2013	(94)

The financial liability, which is based on individual valuation parameters and recognized at fair value, 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".

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	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
million €		
Loans and receivables	251	(404)
Available-for-sale financial assets	18	30
Derivatives that do not qualify for hedge accounting (Financial assets/liabilities held for trading)	(42)	(91)
Financial liabilities measured at amortized cost	(726)	(354)

Net gains under "loans and receivables" mainly comprises interest on financial receivables, gains and losses on foreign currency receivables and changes in valuation allowances.

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, gains and losses on foreign currency liabilities as well as income resulting from capitalized borrowing cost.

Included in net gains and losses are exchange differences of €5 million (2011/2012: €(17) 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 Sept. 30, 2012	Carrying amount Sept. 30, 2012	Notional amount Sept. 30, 2013	Carrying amount Sept. 30, 2013
<b>Assets</b>				
Foreign currency derivatives that do not qualify for hedge accounting	1,594	33	2,477	36
Foreign currency derivatives qualifying as cash flow hedges	50	1	106	2
Embedded derivatives	51	1	67	3
Interest rate derivatives qualifying as cash flow hedges*	172	5	224	2
Commodity derivatives that do not qualify for hedge accounting	189	16	213	9
Commodity derivatives qualifying as cash flow hedges	32	4	31	3
Total	2,088	60	3,118	55
<b>Liabilities</b>				
Foreign currency derivatives that do not qualify for hedge accounting	4,836	49	1,854	68
Foreign currency derivatives qualifying as cash flow hedges	189	5	179	6
Embedded derivatives	61	3	65	3
Interest rate derivatives qualifying as cash flow hedges*	1,122	70	1,095	21
Commodity derivatives that do not qualify for hedge accounting**	275	19	388	101
Commodity derivatives qualifying as cash flow hedges	176	21	157	35
Total	6,659	167	3,738	234

\* inclusive of cross currency swaps

\*\* 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 30 September 2013, hedging instruments with positive fair value totaled €7 million (2012: €10 million) and those with negative fair value totaled €62 million (2012: €96 million). For the 2012/2013 fiscal year, €(106) million (2011/2012: €(53) 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 60 months.

During the current fiscal year, €3 million (2012: €(6) 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. €1 million (2012: €0.1 million) thereof are included in discontinued operations. In addition, €2 million (2012: €125 million decreased cost of inventories), thereof €0 million (2012: €2 million decreased cost of inventories) in discontinued operations, 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 decreased expenses of €6 million, thereof €1 million in discontinued operations in 2012/2013; in the subsequent fiscal year an increase of expense of €8 million of that reclassified amount is expected to impact earnings. Furthermore, €2 million (2012: €19 million) of cumulative other comprehensive income were reclassified and increased cost of property, plant and equipment. This reclassification applies in total to discontinued operations. Thereof income of €0 million impacted earnings in 2012/2013. In addition, €0 million of that reclassified amount is expected to impact earnings in 2013/2014 and €2 million in subsequent fiscal years.

As of September 30, 2013, net income from the ineffective portions of derivatives classified as cash flow hedges totaled €(17) million (2011/2012: €7 million).

The cancellation of cash flow hedges during the current fiscal year resulted in earnings of €0 million (2011/2012: €0 million) due to reclassification from cumulative other comprehensive income. These fluctuations in fair value of derivatives originally recognized in equity were reclassified to profit or loss when the hedged underlying transaction was 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 income of €2 million. During the 2014/2015 fiscal year, earnings are expected to be impacted by expenses of €2 million, during the 2015/2016 fiscal year by expenses of €17 million and during the following fiscal years by expenses of €87 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, 2012 and 2013, respectively, these hedging instruments were not used.

#### **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. Despite the partially still difficult market environment as a consequence of the ongoing debt crisis of some countries, our financing is also secured for the next fiscal year.

The gearing limit of 150% agreed in some credit agreements was therefore exceeded as of September 30, 2013. However, agreements had previously been reached with the financial partners involved to waive the gearing covenant test at September 30, 2013, so the financial instruments remain available after September 30, 2013 despite the gearing limit being temporarily exceeded.

Cash pooling and external financing focus primarily on ThyssenKrupp AG and specific financing 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, 2012**

million €	Carrying amount Sept. 30, 2012	Cash flows in 2012/2013	Cash flows in 2013/2014	Cash flows between 2014/2015 and 2016/2017	Cash flows after 2016/2017
Bonds	4,984	1,320	1,253	3,367	0
Liabilities to financial institutions	1,212	712	485	110	1
Finance lease liabilities	57	17	10	25	32
Other financial debt	932	308	194	437	150
Trade accounts payable	3,514	3,441	66	6	1
Derivative financial liabilities that do not qualify for hedge accounting	71	60	5	6	0
Derivative financial liabilities that qualify for hedge accounting	96	17	28	58	0
Other financial liabilities	682	666	13	2	1

**Future undiscounted cash outflows as of Sept. 30, 2013**

million €	Carrying amount Sept. 30, 2013	Cash flows in 2013/2014	Cash flows in 2014/2015	Cash flows between 2015/2016 and 2017/2018	Cash flows after 2017/2018
Bonds	5,582	1,329	987	4,236	0
Liabilities to financial institutions	2,407	727	317	1,008	749
Finance lease liabilities	53	13	15	20	28
Other financial debt	824	306	26	476	145
Trade accounts payable	3,712	3,482	221	9	0
Derivative financial liabilities that do not qualify for hedge accounting	172	89	15	37	36
Derivative financial liabilities that qualify for hedge accounting	62	19	14	34	0
Other financial liabilities	1,009	984	22	3	0

Cash flows from derivatives are offset by cash flows from hedged underlying transactions, which have not been considered in the analysis of maturities. If cash flows from the hedged underlying transactions were also considered, the cash flows shown in the table would be accordingly lower.

**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 exposures**

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. When hedging anticipated production-related ore, coal and coke purchases, favorable developments in the Euro/US dollar exchange rate are also systematically exploited.

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 60 months in single exceptional cases. The hedging periods for forecasted ore, coal and coke purchases have been established on the basis of a theoretical fair exchange rate (based on purchasing power parity) and the margin of fluctuation between the US dollar and the Euro based on historical data. In accordance with a set pattern, purchases forecasted for a specific period are hedged whenever defined hedging rates are reached.

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, 2013 was as follows:

If the Euro had been 10% stronger against the US dollar as of September 30, 2013, the hedge reserve in equity and fair value of hedging transactions would have been €16 million (2012: €2 million) lower and earnings resulting from the measurement as of the balance sheet date €138 million (2011/2012: €68 million) higher. If the Euro had been 10% weaker against the US dollar as of September 30, 2013, the hedge reserve in equity and fair value of hedging transactions would have been €19 million (2012: €2 million) higher and earnings resulting from the measurement as of the balance sheet date €172 million (2011/2012: €81 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, 2012 and 2013, respectively, all interest derivatives are immediately and directly allocated to particular financings as cash flow hedges. Consequently, as of the balance sheet dates all interest derivatives qualify for hedge accounting.

Cross currency swaps have been contracted in connection with the US dollar financing activities.

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, 2013, a +100/(20) basis point parallel shift in yield curves is assumed for all currencies in interest analyses. In fiscal year 2008/2009 the parallel downward shift was reduced to (20) basis points to consider the reduced interest level as a result of the financial crisis and to avoid negative interest rates. Due to the still relatively low interest level this approach is also maintained for the current analysis. The analysis results in the opportunities (positive values) and risks (negative values) shown in the following table:

**Interest analysis as of Sept. 30, 2013**

million €	Changes in all yield curves as of Sept. 30, 2013 by	
	+ 100 basis points	(20) basis points
Cash flow risk	19	(4)
Opportunity effects	201	(42)
Interest rate risks resulting from interest rate derivatives affecting balance sheet	(3)	1
Interest rate risks resulting from interest rate derivatives affecting earnings	0	0

In the previous year the analysis resulted in the opportunities (positive values) and risks (negative values) shown in the following table:

**Interest analysis as of Sept. 30, 2012**

million €	Changes in all yield curves as of Sept. 30, 2012 by	
	+ 100 basis points	(20) basis points
Cash flow risk	7	(1)
Opportunity effects	179	(37)
Interest rate risks resulting from interest rate derivatives affecting balance sheet	1	0
Interest rate risks resulting from interest rate derivatives affecting earnings	0	0

If, as of September 30, 2013, 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 €3 million lower (2012: €1 million higher) and earnings resulting from the measurement as of the balance sheet date €19 million (2011/2012: €7 million) higher. If, as of September 30, 2013, 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 €1 million (2012: €0 million) higher and earnings resulting from the measurement as of the balance sheet date €4 million (2011/2012: €1 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 copper, tin and aluminium. 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, 2013 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 €13 million (2011/2012: €(2) million), and on equity €7 million (2012: €12 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 €(13) million (2011/2012: €31 million), and on equity €(2) million (2012: €(7) million).

## 23 Related parties

Based on the notification received in accordance with German Securities Trade Act (WpHG) Art. 21 as of December 21, 2006, the Alfried Krupp von Bohlen und Halbach Foundation holds an interest of 25.10% in ThyssenKrupp AG; based on a voluntary notification of the Foundation as of October 02, 2012, the interest in ThyssenKrupp AG amounts to 25.33% as of September 30, 2012. 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 2011/2012 and 2012/2013, 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		Payables	
	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013	Sept. 30, 2012	Sept. 30, 2013	Sept. 30, 2012	Sept. 30, 2013
Non-consolidated subsidiaries	0	1	0	0	1	1	1	1
Associates	53	20	41	245	0	1,282	2	23
Joint ventures	375	443	1,786	1,530	3	2	1	314

As of September 30, 2013 receivables from associated companies include a financial receivable from Outokumpu with a current value of €969 million and an original maximum term of nine years. Under the terms of the purchase agreement the financial receivable can be adjusted by a maximum €200 million to account for any negative financial consequences for Outokumpu under merger control requirements; for this purpose risk precaution exists. Receivables from associates also contain a €250 million receivable from Outokumpu under a credit line with a maximum term up to the end of December 2013. In addition ThyssenKrupp granted Outokumpu a supplier finance backup facility in the amount of €82 million, which was not drawn at September 30, 2013. In addition the Group has contingent liabilities for Outokumpu in the amount of €74 million which are contained in the contingent liabilities of associates disclosed in Note 21. See also in Note 36 (subsequent events).

### 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, 2012	Year ended Sept. 30, 2013
Short-term benefits (without share-based compensation)	8,434	9,071
Post-employment benefits	3,271	21,132
Severance payments in the context of termination	0	10,494
Share-based compensation	5,528	5,354
<b>Total</b>	<b>17,233</b>	<b>46,051</b>

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.

In addition, in fiscal year 2012/2013, the Executive Board members did not receive any payments from share-based compensation (2011/2012: €0 million) with the exemption of the Executive board members severance agreements had been fixed with.

As of September 30, 2012 and 2013, 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, 2012	Year ended Sept. 30, 2013
Short-term benefits	1,495	1,552
Long-term benefits	0	0

In addition, members of the Supervisory Board of ThyssenKrupp AG received compensation of €79 thousand in fiscal 2012/2013 (2011/2012: €82 thousand) for supervisory board mandates at Group subsidiaries.

As of September 30, 2012 and 2013, 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 presentation of the audited compensation report which is part of the "Corporate Governance" chapter of the annual report.

**Compensation of former Executive and Supervisory Board members**

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €15.1 million (2011/2012: €15.0 million). Under IFRS an amount of €248.7 million (2012: €214.4 million) is accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

Former Supervisory Board members who left the Supervisory Board prior to October 01, 2012 did not receive any payment from the long-term compensation component in 2012/2013 (2011/2012: €0 million).

## 24 Segment reporting

Following the combination of the former Plant Technology and Marine Systems business areas into the new Industrial Solutions business area effective January 01, 2013, ThyssenKrupp is organized in the following operating business areas that represent the Group's activities within capital goods and materials. Prior year figures have been adjusted accordingly. The business areas are in line with the internal organizational and reporting structure and represent the segments in accordance with IFRS 8. The Stainless Global business area is classified as discontinued operation.

### **Components Technology**

This business area offers efficient and innovative components for the automotive, construction and engineering sectors as well as for wind turbines.

### **Elevator Technology**

This business area is active in the construction, modernization and servicing of elevators, escalators, moving walks, stair and platform lifts as well as passenger boarding bridges. Alongside a full range of installations for the volume market, the business area also delivers customized solutions.

### **Industrial Solutions**

Industrial Solutions is a leading international supplier in special and large-scale plant construction as well as naval shipbuilding.

### **Materials Services**

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

### **Steel Europe**

This business area brings together the premium flat carbon steel activities, from intelligent material solutions to finished parts.

### **Steel Americas**

This business area includes the production, processing and marketing of high-quality steel products in North and South America. It contains mainly the steelmaking and processing plants in Brazil and USA.

### **Corporate**

Corporate comprises the Group's head office and the shared services activities that includes Business Services (finance and human resources), IT and Real Estate including non-operating real estate. In addition, part of Corporate are inactive companies that could not be assigned to an individual business area.

Corporate EBIT consists of:

#### **EBIT Corporate**

	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
million €		
Corporate administration	(377)	(354)
Pension expenses	(23)	(28)
R&D promotion	(7)	(6)
Risk and insurance services	6	6
Other items	(9)	(67)
Other Corporate companies	(2)	(10)
EBIT Corporate Headquarter	(412)	(459)
EBIT Business Services	(17)	(19)
EBIT IT-Services	(11)	(8)
EBIT Real Estate	(55)	(14)
EBIT Corporate	(495)	(500)

### **Stainless Global**

This business area is a supplier of flat stainless steel products and high performance materials such as nickel alloys and titanium. The business area also includes the new stainless steel mill in the USA. This segment was classified as a discontinued operation until its disposal as of December 28, 2012.

### **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.

ThyssenKrupp's key earnings performance indicator is EBIT. EBIT cannot be taken directly from the consolidated statement of income prepared in accordance with the IFRS rules. Factors that can only be optimized and assessed at Group level – in particular non-operating financial income/expense and income taxes – are disregarded in assessing operating units. EBIT contains only components of financial income/expense that are operational in nature. Finance income and finance expenses are in general non-operational in character; an exemption is income and expense from investments. The 29.9% interest in Outokumpu now held by ThyssenKrupp following the sale of Stainless Global, which is accounted for using the equity method, is reported under Corporate as a financial interest due to its non-operating nature and the income/(expense) is not included in EBIT. Furthermore in EBIT it's taken into account the fact that the receipt of advance payments, particularly in the segments with long-term construction contracts, is an integral part of risk management and of operation business. To recognize these advance payments, and the interest and financing effects attainable with them, in our value management, the EBIT of the relevant segment is increased by an inputted earnings contribution.

Inter-segment pricing is determined on an arm's length basis.

**Segment information for the year ending Sept. 30, 2012**

million €	Components Technology	Elevator Technology	Industrial Solutions	Materials Services	Steel Europe	Steel Americas	Corporate	Stainless Global*	Konsoli- dierung	Group
<u>For the fiscal year ended Sept. 30, 2012</u>										
External sales	6,998	5,704	5,239	12,707	9,077	1,513	68	5,739	0	47,045
Internal sales within the Group	13	1	18	458	1,915	501	90	607	(3,603)	0
Total sales	7,011	5,705	5,257	13,165	10,992	2,014	158	6,346	(3,603)	47,045
Income from companies accounted for using the equity method	(1)	1	10	(17)	49	0	0	4	0	46
Aggregate investment in investees accounted for using the equity method	14	3	178	48	392	0	12	19	0	666
Interest income	71	64	131	123	13	4	536	26	(714)	254
Interest expense	(81)	(29)	(54)	(120)	(84)	(187)	(968)	(113)	714	(922)
EBIT	681	387	506	127	188	(4,747)	(495)	(626)	(391)	(4,370)
Adjusted EBIT	453	587	689	311	247	(1,010)	(487)	(80)	(392)	318
Segment assets	5,659	6,318	10,736	9,052	8,014	5,443	16,550	4,552	(28,040)	38,284
Depreciation and amortization expense	297	81	60	95	478	404	41	0	(8)	1,448
Impairment losses of intangible assets, property, plant and equipment and investment property	152	72	157	12	0	3,645	5	450	0	4,493
Impairment losses of investments accounted for using the equity method and of financial assets	0	0	7	5	0	0	0	0	0	12
Reversals of impairment losses of intangible assets, property, plant and equipment and investment property	1	1	0	0	0	0	1	0	0	3
Reversals of impairment losses of investments accounted for using the equity method and of financial assets	0	0	0	0	0	0	0	0	0	0
Segment liabilities	3,606	3,580	8,616	5,266	4,570	6,038	24,809	5,248	(27,975)	33,758
Significant non-cash items	(86)	(215)	(60)	(67)	(52)	1	(67)	(93)	(13)	(652)
Capital expenditures (intangible assets, property, plant, equipment and investment property)	420	136	69	91	465	515	5	411	(5)	2,107

\* Discontinued operation

**Segment information for the year ending Sept. 30, 2013**

million €	Components Technology	Elevator Technology	Industrial Solutions	Materials Services	Steel Europe	Steel Americas	Corporate	Stainless Global*	Konsolidierung	Group
For the fiscal year ended Sept. 30, 2013										
External sales	5,702	6,151	5,626	11,385	7,911	1,673	66	1,268	0	39,782
Internal sales within the Group	10	4	15	315	1,709	194	124	134	(2,505)	0
Total sales	5,712	6,155	5,641	11,700	9,620	1,867	190	1,402	(2,505)	39,782
Income from companies accounted for using the equity method	0	1	4	5	53	0	(175)	1	0	(111)
Aggregate investment in investees accounted for using the equity method	14	4	163	46	404	0	318	0	0	949
Interest income	53	62	98	69	13	2	533	1	(552)	279
Interest expense	(76)	(31)	(47)	(100)	(63)	(216)	(829)	(46)	552	(856)
EBIT	173	611	658	(6)	62	(1,180)	(500)	57	(413)	(538)
Adjusted EBIT	244	675	640	236	143	(495)	(425)	(68)	(419)	531
Segment assets	5,552	6,864	11,124	8,960	7,589	3,998	18,045	52	(26,880)	35,304
Depreciation and amortization expense	264	80	60	90	441	136	40	0	(7)	1,104
Impairment losses of intangible assets, property, plant and equipment and investment property	44	9	0	0	18	586	3	2	0	662
Impairment losses of investments accounted for using the equity method and of financial assets	0	0	0	14	0	0	279	0	0	293
Reversals of impairment losses of intangible assets, property, plant and equipment and investment property	1	1	0	2	0	0	0	0	0	4
Segment liabilities	3,526	4,284	9,290	5,260	4,450	5,639	26,908	0	(26,564)	32,793
Significant non-cash items	(115)	(160)	(125)	(183)	(227)	3	(80)	(10)	0	(897)
Capital expenditures (intangible assets, property, plant, equipment and investment property)	389	105	63	77	372	170	60	99	0	1,335

\* Discontinued operation

The reconciliations of sales, income from companies accounted for using the equity method and of EBIT to EBT according to the statement of income as well as of interest income and interest expense to the corresponding amounts of continuing operations are presented below:

**Reconciliation of sales**

million €	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
Sales as presented in segment reporting	47,045	39,782
- Sales of Stainless Global	(6,346)	(1,402)
+ Sales of discontinued operation to Group companies	607	134
+ Sales of Group companies to discontinued operation	230	45
Sales as presented in the statement of income	41,536	38,559

Sales in the amount of €45 million (2011/2012: €230 million) result from sales of Group companies to Stainless Global. These business relationships shall also be continued after the disposal. They mainly relate to services provided by the Steel Europe business area to Stainless Global.

**Reconciliation of income from companies accounted for using the equity method**

million €	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
Income from companies accounted for using the equity method as presented in segment reporting	46	(111)
- Income from companies accounted for using the equity method of Stainless Global	(4)	(1)
Income from companies accounted for using the equity method as presented in the statement of income	42	(112)

**Reconciliation of interest income**

million €	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
Interest income as presented in segment reporting	254	279
- Interest income of Stainless Global	(26)	(1)
Consolidation	26	0
Interest income of continuing operations	254	278

**Reconciliation of interest expense**

million €	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
Interest expense as presented in segment reporting	(922)	(856)
- Interest expense of Stainless Global	113	46
Consolidation	(109)	(43)
Interest expense of continuing operations	(918)	(853)

**Reconciliation of EBIT to EBT**

million €	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
Adjusted EBIT as presented in segment reporting	318	531
Special items	(4,688)	(1,069)
EBIT as presented in segment reporting	(4,370)	(538)
- Depreciation of capitalized borrowing costs eliminated in EBIT	(41)	(20)
+ Non-operating income/(expense) from companies accounted for using the equity method	0	(175)
+ Finance income	792	628
- Finance expense	(1,429)	(1,470)
- Items of finance income assigned to EBIT based on economic classification	(46)	(22)
+ Items of finance expense assigned to EBIT based on economic classification	27	7
EBT - Group	(5,067)	(1,590)
- EBT Stainless Global	653	(58)
EBT as presented in the statement of income	(4,414)	(1,648)

The aggregate investment in investees accounted for using the equity method reconciles to the aggregate amount according to the statement of financial position as presented below:

**Reconciliation investment in investees accounted for using the equity method**

million €	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
Aggregate investment in investees accounted for using the equity method as presented in segment reporting	666	949
- aggregate investment in investees accounted for using the equity method that are held for sale	(19)	0
Aggregate investment in investees accounted for using the equity method as presented in the statement of financial position	647	949

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.

Due to the high volume of customers and the variety of business activities, 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	Other countries	Group
External sales (location of the customer)				
Year ended Sept. 30, 2012	14,413	7,861	24,771	47,045
Year ended Sept. 30, 2013	12,168	6,253	21,361	39,782

\* inclusive of discontinued operation

**Non-current assets by regions\***

million €	Germany	USA	Brasil	Other countries	Group
Non-current assets (intangible assets, property, plant and equipment, investment property and other non-financial assets) (location of the assets)					
Sept. 30, 2012	6,468	3,355	2,460	3,677	15,960
Sept. 30, 2013	6,160	2,289	2,013	2,715	13,177

\* 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. 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 (see 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, see 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. The assumptions used are described in Note 03.

### **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. See 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 return on plan assets, 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. (See 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 unfavourable 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 rendering of services of €6,203 million (2011/2012: €7,573 million) as well as sales from construction contracts of €8,145 million (2011/2012: €7,337 million).

### 27 Other income

#### Other income

million €	Year ended Sept. 30, 2012*	Year ended Sept. 30, 2013
Gains from premiums and from grants	19	11
Insurance compensation	20	30
Miscellaneous	215	184
Total	254	225

\* Figures have been adjusted (see Note 03).

Miscellaneous other income includes a multitude of minor single items resulting from the 538 (2011/2012: 572) consolidated entities.

### 28 Other expenses

#### Other expenses

million €	Year ended Sept. 30, 2012*	Year ended Sept. 30, 2013
Additions to /reversals of provisions	52	54
Goodwill impairment	170	0
Other taxes	39	42
Miscellaneous	268	476
Total	529	572

\* Figures have been adjusted (see Note 03).

In fiscal year 2012/2013 miscellaneous other expenses include €94 million resulting from changes in fair value measurement of a cargo derivative. In fiscal year 2011/2012 miscellaneous other expenses contain expenses of €103 in connection with the rail cartel. In addition miscellaneous other expenses include a multitude of minor single items resulting from the 538 (2011/2012: 572) consolidated entities.

### 29 Other gains/(losses), net

#### Other gains/(losses), net

million €	Year ended Sept. 30, 2012*	Year ended Sept. 30, 2013
Gains/(losses) on the disposal of intangible assets, net	1	(1)
Gains/(losses) on the disposal of property, plant and equipment, net	(12)	17
Gains/(losses) on the disposal of investment property, net	13	6
Gains/(losses) on the disposal of subsidiaries, net	375	118
Miscellaneous	(61)	(67)
Total	316	73

\* Figures have been adjusted (see Note 03).

In 2011/2012 the line item “gains/(losses) on the disposal of subsidiaries, net” includes €356 million resulting from the sale of the US foundry Waupaca and €40 million resulting from the sale of the Brazilian chassis components producer ThyssenKrupp Automotive Systems Industrial do Brasil, both attributable to the Components Technology business area.

## 30 Government grants

In the preceding fiscal year, government grants to compensate expenses of the Group were recognized in the amount of €12 million (2011/2012: €23 million); thereof €0 million (2011/2012: €3 million) apply to discontinued operations.

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, 2012*	Year ended Sept. 30, 2013
Income from companies accounted for using the equity method	42	(112)
Interest income from financial receivables	141	164
Expected return on accrued pension and similar obligations	113	114
Income from investments	10	15
Other finance income	521	325
Finance income	785	618
Interest expense from financial debt	(522)	(530)
Interest cost of accretion of pensions and similar obligations	(396)	(323)
Expenses from investments	(7)	0
Other finance expenses	(467)	(605)
Finance expenses	(1,392)	(1,458)
Financial income/(expense), net	(565)	(952)

\* Figures have been adjusted (see Note 03).

The line item “income from companies accounted for using the equity method” includes pro rata losses of Outokumpu of €175 million (2011/2012: €0 million).

The line item “other finance income” includes interest income from financial assets that are not measured at fair value through profit or loss of €0 million (2011/2012: €31 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 €28 million (2011/2012: €0 million). Furthermore in the year ended Sept. 30, 2013, “other finance expenses” include €279 million resulting from the impairment of the financial receivable outstanding against Outokumpu.

Borrowing costs in the amount of €23 million (2011/2012: €37 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 5.7% for fiscal year 2012/2013 (2011/2012: 6.2%).

## 32 Income taxes

Income tax expense/(benefit) for the year ended September 30, 2013 and the previous year consists of the following:

**Break-down of income tax expense**

million €	Year ended Sept. 30, 2012*	Year ended Sept. 30, 2013
Current income tax expense for the reporting period	375	310
Deferred income tax benefit for the reporting period	(440)	(231)
Current income tax benefit for prior periods	(2)	(107)
Deferred income tax benefit for prior periods	(12)	(31)
Total	(79)	(59)
This total breaks down to:		
Current income tax expense/(benefit) Germany	89	(46)
Current income tax expense foreign	284	249
Deferred income tax benefit Germany	(74)	(252)
Deferred income tax benefit foreign	(378)	(10)

\* Figures have been adjusted (see Note 03).

The German corporate income tax law applicable for 2012/2013 sets a statutory income tax rate of 15% (2011/2012: 15%) plus a solidarity surcharge of 5.5%. On average, the Group's German companies are subject to a trade tax rate of 15.7% (2011/2012: 15.7%). Therefore, at year-end September 30, 2013, deferred taxes of German companies are calculated with a combined income tax rate (including solidarity surcharge) of 31.5% (2011/2012: 31.5%). In fiscal year 2012/2013, no tax effects from domestic trade tax changes occurred. In fiscal year 2011/2012, changes in domestic trade tax rate resulted in deferred tax benefit in the amount of €1 million.

The applicable tax rates for companies outside Germany range from 5.7% to 38.0% (2011/2012: 5.7% to 42.3%). In fiscal year 2012/2013, changes in foreign tax rates resulted in deferred tax benefit in the amount of €36 million (2011/2012: €11 million deferred tax expense).

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

**Income taxes recognized in total equity**

million €	Year ended Sept. 30, 2012*	Year ended Sept. 30, 2013
Income tax expense as presented on the statement of income	(79)	(59)
Income tax benefit on discontinued operations	54	5
Income non-effective tax effect on other comprehensive income		
Continuing operations	(372)	28
Discontinued operations	(12)	(3)
Total	(409)	(29)

\* Figures have been adjusted (see Note 03).

As of September 30, 2013, domestic corporate tax losses carried forward amount to €1,302 million (2012: €702 million), domestic trade tax losses carried forward amount to €588 million (2012: €64 million), and interest carried forward amount to €657 million (2012: €370 million). In addition, foreign tax losses carried forward amount to €5,214 million (2012: €2,956 million), in particular €2,102 million (2012: €61 million) in Brazil, €1,962 million (2012: €1,699 million) in the USA, and €323 million (2012: €435 million) in Canada, and foreign tax credits amount to €50 million (2012: €51 million). In Brazil, tax losses carried forward in the amount of €2,033 million as of September 30, 2013, are attributable to activities presented as discontinued in the previous fiscal year. In fiscal year 2012/2013, deferred tax benefit in the amount of €261 million (2011/2012: €192 million deferred tax expense) is attributable to tax losses carried forward, interest carried forward and foreign tax credits.

Deferred tax assets are recognized only to the extent that the realization of such tax benefits is probable. In determining the related valuation allowance, all positive and negative factors, including prospective results, are taken into consideration in estimating whether sufficient taxable income will be generated to realize deferred tax assets. These estimates can change depending on the future course of events. As of September 30, 2013, the recognition of deferred tax assets for domestic tax losses carried forward and interest carried forward in the amount of €370 million is supported by substantial evidence for sufficient future taxable income. In addition, the recognition of deferred tax assets for tax losses carried forward in the USA in the amount of €523 million is supported by substantial evidence for sufficient future taxable income as well as tax planning opportunities which are available to generate future taxable income against which unused tax losses can be utilized before they expire.

As of September 30, 2013, tax losses carried forward for which no deferred tax asset is recognized amount to €3,288 million (2012: €760 million). According to tax legislation as of September 30, 2013, an amount of €2,703 million (2012: €644 million) of these tax losses may be carried forward indefinitely and in unlimited amounts whereas an amount of €585 million (2012: €116 million) of these tax losses carried forward will expire over the next 20 years if not utilized. In the previous fiscal year, interest carried forward for which no deferred tax asset is recognized amounted to €370 million.

As of September 30, 2013, deferred tax assets for tax losses carried forward are not recognized in the amount of €987 million (2012: €160 million). In the previous year, deferred tax assets for interest carried forward were not recognized in the amount of €102 million. In addition, as of September 30, 2013, no deferred tax asset is recognized for foreign tax credits in the amount of €5 million (2012: €5 million) and for deductible temporary differences in the amount of €2,649 million (2012: €302 million).

In fiscal year 2012/2013, 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 €31 million (2011/2012: €24 million).

As of September 30, 2013, 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 €496 million (2011/2012: €638 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, 2012	Sept. 30, 2013	Sept. 30, 2012	Sept. 30, 2013
Intangible assets	145	123	411	424
Property, plant and equipment	505	968	912	516
Financial assets	68	74	28	33
Inventories	1,199	1,021	286	225
Other assets	577	780	578	915
Accrued pension and similar obligations	608	576	1	7
Other provisions	231	206	285	368
Other liabilities	770	846	968	806
Tax loss carried forward	999	1,956	—	—
Interest carried forward	102	181	—	—
Foreign tax credits	51	50	—	—
Gross value	5,255	6,781	3,469	3,294
Valuation allowance	(339)	(1,874)	—	—
Offset	(3,437)	(3,242)	(3,437)	(3,242)
Balance sheet amount	1,479	1,665	32	52

Deferred tax assets and liabilities are offset if they pertain to future tax effects for the same taxable entity towards the same taxation authority. Deferred tax assets of €48 million relate to consolidation items as of September 30, 2013 (2012: €58 million).

For fiscal year 2012/2013, the income tax benefit of €(59) million (2011/2012: €(79) million) presented in the financial statements is €460 million (2011/2012: €1,311 million) lower than the expected income tax benefit of €(519) million (2011/2012: €(1,390) million) which would result if the German combined income tax rate of 31.5% (2011/2012: 31.5%) were applied to the Group's income before income taxes. The following table reconciles the expected income tax benefit to the income tax benefit presented in the statement of income.

**Tax rate reconciliation**

million €	Year ended Sept. 30, 2012*	Year ended Sept. 30, 2013	
		in %	in %
Expected income tax expense/(benefit)	(1,390)	31.5	(519) 31.5
Tax rate differentials to the German combined income tax rate	(121)	2.7	(13) 0.7
Changes in tax rates or laws	10	(0.2)	(36) 2.2
Tax consequences of disposal of businesses	38	(0.9)	(3) 0.2
Permanent items	86	(1.9)	170 (10.3)
Change in valuation allowance	1,338	(30.3)	446 (27.1)
Tax benefit not related to the reporting period	(15)	0.3	(138) 8.4
Income/(loss) from companies accounted for using the equity method	(12)	0.3	37 (2.2)
Other, net	(13)	0.3	(3) 0.2
Income tax expense/(benefit) as presented on the statement of income	(79)	1.8	(59) 3.6

\* Figures have been adjusted (see Note 03).

### 33 Earnings per share

Basic earnings per share is calculated as follows:

Earnings per share				
	Year ended Sept. 30, 2012*	Year ended Sept. 30, 2013		
	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)	(3,541)	(6.88)	(1,450)	(2.82)
Income/(loss) from discontinued operations (net of tax) (attributable to ThyssenKrupp AG's stockholders)	(700)	(1.36)	54	0.11
Net income/(loss) (attributable to ThyssenKrupp AG's stockholders)	(4,241)	(8.24)	(1,396)	(2.71)
Weighted average shares	514,489,044		514,489,044	

\* Figures have been adjusted (see Note 03).

#### Relevant number of common shares for the determination of earnings per share

Earnings per share have been calculated by dividing net income/(loss) attributable to common stockholders of ThyssenKrupp AG (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Shares sold during the period and shares reacquired during the period have been weighted for the portion of the period that they were outstanding.

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, 2012	Year ended Sept. 30, 2013	
Wages and salaries	6,974	6,443		
Social security taxes	1,277	1,165		
Net periodic pension costs - defined benefit*	108	131		
Net periodic pension costs - defined contribution	128	127		
Net periodic postretirement benefit cost/(income) other than pensions*	(36)	(2)		
Other expenses for pensions and retirements	198	314		
Related fringe benefits	434	313		
Total	9,083	8,491		

\* Excluding expected return on plan assets and interest cost which are recognized as part of interest income/(expense).

The annual average number of employees is as follows:

Annual average number of employees				
	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013		
Components Technology	30,199	27,739		
Elevator Technology	46,671	48,282		
Industrial Solutions	18,273	18,483		
Materials Services	28,704	26,298		
Steel Europe	28,274	27,546		
Steel Americas	4,172	4,050		
Corporate	2,927	3,105		
Stainless Global	11,733	1,968		
Total	170,953	157,471		
This total breaks down to:				
Wage earners	97,445	86,559		
Salaried employees	69,454	67,061		
Trainees	4,054	3,851		

#### Auditors' fees and services

For the services performed by the Group auditors KPMG AG Wirtschaftsprüfungsgesellschaft and the companies of the worldwide KPMG association in fiscal year 2011/2012 and for the services performed by the Group auditors PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft and the companies of the worldwide PricewaterhouseCoopers association in fiscal year 2012/2013 the following fees (including expenses) were recognized as expenses:

##### Fees of Group auditor

million €	Year ended Sept. 30, 2012		Year ended Sept. 30, 2013	
	KPMG	thereof Germany	PwC	thereof Germany
Total		Total		
Audit fees	11	5	14	7
Audit-related fees	3	2	4	1
Tax fees	3	1	1	0
Fees for other services	1	1	0	0
Total	18	9	19	8

For the services performed by PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft and the companies of the worldwide PricewaterhouseCoopers association in fiscal year 2011/2012 the following fees (including expenses) were recognized as expenses:

##### Fees of PwC

million €	Year ended Sept. 30, 2012	
	Total	thereof Germany
Audit fees	8	3
Audit-related fees	3	1
Tax fees	2	1
Fees for other services	3	3
Total	16	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, for tax advice in connection with projects and Group-internal reorganizations as well as tax advice for employees sent to work abroad. 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 taking into account the cash and cash equivalents attributable to the disposal groups inclusive of discontinued operations.

##### Non-cash investing activities

In fiscal 2012/2013, the acquisition and first-time consolidation of companies created an increase in non-current assets of €51 million (2011/2012: €102 million).

The non-cash addition of assets under capital leases in fiscal 2012/2013 amounted to €11 million (2011/2012: €18 million).

In connection with the second construction stage of the "ThyssenKrupp Quarter" located in Essen, there was a non-cash addition of property, plant and equipment of €41 million (2011/2012: €0 million) in fiscal 2012/2013.

In the context of the agreement to combine the Finnish stainless steel producer Outokumpu and the ThyssenKrupp's stainless steel operations there was a non-cash addition of financial receivables of €1,248 million (2011/2012: €0 million) in fiscal 2012/2013.

#### **Non-cash financing activities**

In fiscal 2012/2013, the acquisition and first-time consolidation of companies resulted in an increase in gross financial debt of €1 million (2011/2012: €3 million).

In connection with the second construction stage of the "ThyssenKrupp Quarter" located in Essen, there was a non-cash increase in financial debt of €42 million (2011/2012: €0 million) in fiscal 2012/2013.

In the context of the agreement to combine the Finnish stainless steel producer Outokumpu and the ThyssenKrupp's stainless steel operations there was a non-cash decrease of financial debt of €1,229 million (2011/2012: €0 million) in fiscal 2012/2013.

### **Subsequent events**

#### **36 Subsequent events**

In November 2013 the action with Deutsche Bahn in connection with the rail cartel have resulted in an agreement in principle on a settlement to the action (see Note 21).

On November 29, 2013, a contract was signed with a consortium of ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation on the sale of the US rolling and coating steel plant in Calvert/Alabama (ThyssenKrupp Steel USA). The agreement also includes a long-term slab supply contract for the Brazilian steel mill (ThyssenKrupp CSA). The closing of the agreements is subject to approval by the competent regulatory authorities.

In the context of the necessary refinancing of Outokumpu ThyssenKrupp AG signed a contract with Outokumpu Oyj on November 29, 2013 transferring 100% of the shares of VDM and AST and of other smaller activities in the stainless steel service center sector to ThyssenKrupp. In return ThyssenKrupp's financial receivable from Outokumpu Oyj in the nominal amount including capitalized interest of €1,269 million, which had a book value of €969 million at September 30, 2013, was transferred to Outokumpu. The commitment resulting from the sale of Inoxum to Outokumpu to offset any negative financial consequences for Outokumpu under merger control requirements up to an amount of €200 million therefore ceases to apply.

To meet the requirements of the EU Commission ThyssenKrupp AG will fully divest its 29.9% interest in Outokumpu Oyj. In expectation of a capital increase at Outokumpu the sale of the shares in Outokumpu Oyj is likely to lead to a loss of over €270 million on the investment's book value at September 30, 2013. This will be offset by cost reductions from the elimination of recognized risks. With the closing of the transaction all financial links with Outokumpu will be ended.

The transaction is subject to the approval of the competent regulatory authorities and to the cooperation and approval of the shareholders, banks and creditors for an overall plan for a sustainable refinancing of Outokumpu. .

### **Other information**

#### **37 Declarations of conformity with the German Corporate Governance Code in accordance with Art. 161 of the German Stock Corporation Act (AktG)**

On October 01, 2013, 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 is now publicly available to the shareholders on the company's website.

The declaration of conformity of our exchange-listed subsidiary Eisen- und Hüttenwerke AG was issued on October 01, 2013 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
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### B

Becker & Co. GmbH	Neuwied
Bero Deutschland GmbH	Ennepetal
Blohm + Voss Marine Systems GmbH	Hamburg
Blohm + Voss Shipyards & Services GmbH	Hamburg
Brüninghaus Schmiede GmbH	Grünwald
Buckau-Walther GmbH	Grünwald

### C

Christian Hein GmbH	Langenhagen
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### D

DWR - Deutsche Gesellschaft für Weißblechrecycling mbH	Andernach
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### E

EH Güterverkehr GmbH	Duisburg
Eisenmetall Handelsgesellschaft mbH	Gelsenkirchen
ELEG Europäische Lift + Escalator GmbH	Düsseldorf
Emder Werft und Dockbetriebe GmbH	Emden
Erich Weit GmbH	Munich

### G

GWH Aufzüge GmbH	Himmelstadt
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### H

Haisch Aufzüge GmbH	Gingen/Fils
Hanseatische Aufzugsbau GmbH	Rostock
Herzog Colex GmbH	Stuttgart
Hoesch Hohenlimburg GmbH	Hagen

### I

IKL Ingenieurkontor Lübeck GmbH	Kiel
Innovative Meeresteknik GmbH	Emden

### J

Jacob Bek GmbH	Ulm
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### K

KBS Kokereibetriebsgesellschaft Schwelgern GmbH	Duisburg
Kraemer & Freund Handel GmbH	Hagen
Krupp Industrietechnik Gesellschaft mit beschränkter Haftung	Grünwald

### L

LiftEquip GmbH Elevator Components	Neuhausen a.d.F.
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### M

Max Cochius GmbH	Berlin
MgF Magnesium Flachprodukte GmbH	Freiberg
MONTAN GmbH Assekuranz-Makler	Düsseldorf

### O

Otto Wolff Handelsgesellschaft mbH	Essen
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### P

Peiniger International GmbH	Grünwald
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### R

Rasselstein Verwaltungs GmbH	Neuwied
Reisebüro Dr. Tigges GmbH	Essen

### S

Springs and Stabilizers Holding GmbH	Essen
Stahlhauser Liegenschaften Verwaltungsgesellschaft mbH	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 AdMin GmbH	Düsseldorf
ThyssenKrupp Aerospace Germany GmbH	Rodgau
ThyssenKrupp Aufzüge GmbH	Stuttgart
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 Dienstleistungen GmbH	Düsseldorf
ThyssenKrupp Electrical Steel Verwaltungsgesellschaft mbH	Gelsenkirchen
ThyssenKrupp Elevator (CENE) GmbH	Essen
ThyssenKrupp Elevator (CENE) Infrastruktur GmbH	Essen
ThyssenKrupp Elevator AG	Düsseldorf
ThyssenKrupp Elevator Innovation GmbH	Essen
ThyssenKrupp Elevator Research GmbH	Düsseldorf
ThyssenKrupp Encasa GmbH	Neuss
ThyssenKrupp Facilities Services GmbH	Düsseldorf
ThyssenKrupp Fahrstufen GmbH	Hamburg
ThyssenKrupp Federn GmbH	Hagen
ThyssenKrupp Federn und Stabilisatoren GmbH	Hagen
ThyssenKrupp Fördertechnik GmbH	Essen
ThyssenKrupp Gerlach GmbH	Homburg/Saar
ThyssenKrupp GFT Gleistechnik GmbH	Essen
ThyssenKrupp Grundbesitz Verwaltungs GmbH	Essen
ThyssenKrupp Grundbesitz-Vermietungs GmbH & Co. KG	Essen
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 IT Services GmbH	Essen
ThyssenKrupp Management Consulting GmbH	Düsseldorf
ThyssenKrupp Mannex GmbH	Essen
ThyssenKrupp Marine Systems GmbH	Kiel
ThyssenKrupp Materials International GmbH	Essen
ThyssenKrupp Metallurgical Products GmbH	Essen
ThyssenKrupp MetalServ GmbH	Essen
ThyssenKrupp Plastics GmbH	Essen
ThyssenKrupp Presta Chemnitz GmbH	Chemnitz
ThyssenKrupp Presta Esslingen GmbH	Esslingen
ThyssenKrupp Presta Ilsenburg GmbH	Ilsenburg
ThyssenKrupp Presta SteerTec GmbH	Düsseldorf
ThyssenKrupp Presta SteerTec Mülheim GmbH	Mülheim
ThyssenKrupp Rasselstein GmbH	Andernach
ThyssenKrupp Real Estate GmbH	Essen

ThyssenKrupp Resource Technologies GmbH	Beckum
ThyssenKrupp Risk and Insurance Services GmbH	Essen
ThyssenKrupp Rothe Erde GmbH	Dortmund
ThyssenKrupp Sägenstahlcenter GmbH	Duisburg
ThyssenKrupp Schulte GmbH	Essen
ThyssenKrupp Stahlkontor GmbH	Düsseldorf
ThyssenKrupp Stahl-Service-Center GmbH	Krefeld
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 GmbH	Dortmund
ThyssenKrupp Uhde Engineering Services GmbH	Haltern am See
ThyssenKrupp Valvetrain GmbH	Ilmenau
ThyssenKrupp Vermietungs GmbH	Duisburg

## U

Uhde High Pressure Technologies GmbH	Hagen
Uhde Inventa-Fischer GmbH	Berlin
Uhde Services and Consulting GmbH	Dortmund

## V

Vermögensverwaltungsgesellschaft TAUS mbH	Grünwald
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 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/en/investor/geschaeftsberichte.html](http://www.thyssenkrupp.com/en/investor/geschaeftsberichte.html).

## Independent Auditors' Report

To the 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, 2012 to September 30, 2013.

### **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 § 315a Abs. 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 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, 2013 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, 2012 to September 30, 2013. 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 29, 2013

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Prof. Dr. Norbert Winkeljohann

Volker Linke

Wirtschaftsprüfer

Wirtschaftsprüfer

## 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 29, 2013

ThyssenKrupp AG

The Executive Board

Hiesinger

Burkhard

Kerkhoff

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**ThyssenKrupp Group**

	Group Total (incl. Steel Americas and Stainless Global)						Continuing Operations (after reclassification of Steel Americas) <sup>1)</sup>					
							2012/2013 vs. 2011/2012					
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	Change	Change in %	2011/2012	2012/2013	Change	Change in %	
<b>Results of operations</b>												
Net sales	million €	40,563	42,621	49,092	47,045	39,782	(7,263)	(15)	41,536	38,559	(2,977)	(7)
Gross profit	million €	3,658	6,362	5,109	1,713	4,799	3,086	180				
EBITDA	million €	192	2,769	3,385	1,544	1,222	(322)	(21)	1,723	1,163	(560)	(33)
EBIT	million €	(1,663)	1,346	(988)	(4,370)	(538)	3,832	88	(3,743)	(595)	3,148	84
EBT	million €	(2,364)	1,135	(1,578)	(5,067)	(1,590)	3,477	69	(4,414)	(1,648)	2,766	63
Net income/(loss)	million €	(1,873)	927	(1,783)	(5,042)	(1,536)	3,506	70				
Earnings per share (EPS) <sup>1)</sup>	€	(4.01)	1.77	(2.71)	(8.24)	(2.71)	5.53	67	(6.88)	(2.82)	4.06	59
Gross margin	%	9.0	14.9	10.4	3.6	12.1	8.5	—				
EBITDA margin	%	0.5	6.5	6.9	3.3	3.1	(0.2)	—	4.1	3.0	(1.1)	—
EBIT margin	%	(4.1)	3.2	(2.0)	(9.3)	(1.4)	7.9	—	(9.0)	(1.5)	7.5	—
EBT margin	%	(5.8)	2.7	(3.2)	(10.8)	(4.0)	6.8	—	(10.6)	(4.3)	6.3	—
Return on equity (before taxes)	%	(24.4)	10.9	(15.2)	(112.0)	(63.3)	48.7	—				
Personnel expense per employee	€	50,120	49,605	50,208	53,132	53,921	789	1				
Sales per employee	€	210,587	241,017	273,441	275,193	252,631	(22,562)	(8)				
<b>Assets/liabilities situation</b>												
Non-current assets	million €	20,725	22,953	21,548	18,301	16,824	(1,477)	(8)				
Current assets	million €	20,642	20,759	22,055	19,983	18,480	(1,503)	(8)				
Total assets	million €	41,367	43,712	43,603	38,284	35,304	(2,980)	(8)				
Total equity	million €	9,696	10,388	10,382	4,526	2,511	(2,015)	(45)				
Liabilities	million €	31,671	33,324	33,221	33,758	32,793	(965)	(3)				
Accrued pension and similar obligations	million €	7,537	8,211	7,297	8,086	7,384	(702)	(9)				
Financial debt non-current	million €	7,160	6,163	6,555	5,972	6,957	985	16				
Financial debt current	million €	444	1,298	596	2,181	1,914	(267)	(12)				
Financial debt non-current/ current	million €	7,604	7,461	7,151	8,153	8,871	718	9				
Trade accounts payable	million €	4,185	5,471	6,259	5,234	3,819	(1,415)	(27)				
Equity ratio	%	23.4	23.8	23.8	11.8	7.1	(4.7)	—				
Gearing	%	21.2	36.4	34.5	128.1	200.6	72.5	—				
Inventory turnover	days	60.0	70.3	73.7	69.9	61.5	(8.4)	(12)				
Average collection period	days	46.8	49.7	43.8	46.5	46.4	(0.1)	0				

<sup>1)</sup> Prior-year figures have been adjusted.

**ThyssenKrupp Group**

	Group Total (incl. Steel Americas and Stainless Global)						Continuing Operations (after reclassification of Steel Americas) <sup>1)</sup>					
							2012/2013 vs. 2011/2012					
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	Change	Change in %	2011/2012	2012/2013	Change	Change in %	
<b>Value management</b>												
Capital employed (average)	million €	20,662	20,767	23,223	21,488	14,594	(6,894)	(32)				
ROCE	%	(8.1)	6.5	(4.3)	(20.3)	(3.7)	16.6	—				
Weighted average cost of capital (WACC)	%	8.5	8.5	8.5	8.5	9.0	0.5	—				
<b>Cash flows/investments</b>												
Operating cash flows	million €	3,699	868	776	(386)	786	1,172	++	(290)	981	1,271	++
Cash flows from disposals	million €	199	553	424	854	1,221	367	43	852	1,221	369	43
Cash flows for investments <sup>2)</sup>	million €	(4,077)	(3,512)	(2,771)	(2,204)	(1,411)	793	36	(1,800)	(1,313)	487	27
Free cash flow	million €	(179)	(2,091)	(1,571)	(1,736)	596	2,332	++	(1,238)	889	2,127	++
Cash flows from financing activities	million €	2,824	256	1,527	498	1,051	553	111	11	812	801	++
Investments <sup>2)</sup>	million €	4,079	3,515	2,771	2,204	1,411	(793)	(36)	1,800	1,313	(487)	(27)
Cash and cash equivalents	million €	5,545	3,681	3,573	2,353	3,833	1,480	63				
Net financial debt/(assets)	million €	2,059	3,780	3,578	5,800	5,038	(762)	(13)				
Internal financing capability		1.0	0.3	0.3	(0.3)	(0.3)	—	0				
Debt to cash flow ratio		0.6	4.4	4.6	(15.0)	6.4	21.4	++				
<b>ThyssenKrupp AG</b>												
Net income/(loss)	million €	(882)	800	494	(3,184)	772	3,956	++				
Dividend payout	million €	139	209	232	—	— <sup>3)</sup>	—	—				
Dividend per share	€	0.30	0.45	0.45	—	— <sup>3)</sup>	—	—				

<sup>1)</sup> Prior-year figures have been adjusted.

<sup>2)</sup> including cash and cash equivalents acquired from acquisitions of consolidated companies

<sup>3)</sup> proposal to the Annual General Meeting

## Other directorships held by Executive Board members

### **Dr.-Ing. 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 International GmbH
- ThyssenKrupp Rothe Erde GmbH
- ThyssenKrupp Steel Europe AG
- ThyssenKrupp Uhde GmbH

### **Guido Kerkhoff**

- Outokumpu Oyj/Finland \*

Within the Group:

- ThyssenKrupp Elevator AG
- ThyssenKrupp Industrial Solutions AG (Chair)
- ThyssenKrupp Materials International GmbH (Chair)
- ThyssenKrupp Reinsurance AG (Chair)
- ThyssenKrupp North America, Inc./USA (Chair)

\* Membership of supervisory boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2013)

\* Exchange-listed or comparable company

– Membership of comparable German and non-German control bodies of business enterprises within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2013)

## Other directorships held by Supervisory Board members

### **Prof. Dr. h.c. mult. Berthold Beitz, Essen**

(died on July 30, 2013)  
Honorary Chairman  
Chairman of the Board of Trustees of the  
Alfried Krupp von Bohlen und Halbach  
Foundation

### **Prof. Dr. Günter Vogelsang, Düsseldorf**

(until September 30, 2013)  
Honorary Chairman

### **Prof. Dr. Ulrich Lehner, Düsseldorf**

Chairman (since April 01, 2013)  
Member of the Shareholders' Committee of  
Henkel AG & Co. KGaA  
• Deutsche Telekom AG (Chair)  
• E.ON SE  
• Porsche Automobil Holding SE  
– Dr. August Oetker KG (Member of the  
Advisory Board)  
– Henkel AG & Co. KGaA (Member of the  
Shareholders' Committee)  
– Novartis AG/Switzerland (Member of the  
Board of Directors)

### **Bertin Eichler, Frankfurt/Main**

Vice Chairman  
Member of the Executive Committee of the  
German Metalworkers' Union (IG Metall)  
• BMW AG  
– BGAG Beteiligungsgesellschaft der  
Gewerkschaften GmbH (Chairman of the  
Advisory Board)  
– Treuhandverwaltung IGEMET GmbH  
(Chairman of the Supervisory Board)  
– Volksfürsorge AG (Member of the Advisory  
Board)

### **Martin Dreher, Heilbronn**

Retail clerk, Chairman of the Works Council of  
ThyssenKrupp System Engineering GmbH  
(Heilbronn), Chairman of the Work Council  
Union ThyssenKrupp Industrial Solutions  
Within the Group:  
• ThyssenKrupp System Engineering GmbH  
• ThyssenKrupp Industrial Solutions AG

### **Markus Grolms, Frankfurt/Main**

IG Metall trade union secretary

### **Susanne Herberger, Dresden**

Engineer (FH) – information technology,  
Chairwoman of the General Works Council of  
ThyssenKrupp Aufzüge GmbH, Chairwoman  
of the Works Council Union ThyssenKrupp  
Elevator Technology, Vice Chairwoman of the  
Group Works Council  
Within the Group:  
• ThyssenKrupp Elevator AG

### **Prof. Dr. Hans-Peter Keitel, Essen**

Vice President of the Federation of German  
Industries (Bundesverband der Deutschen  
Industrie e.V.)  
• Commerzbank AG  
• EADS Deutschland GmbH  
• National-Bank AG  
• RWE AG  
• Voith GmbH  
– EADS N.V./Netherlands (Board and  
Nomination Committee)

### **Ernst-August Kiel, Blumenthal**

Fitter, Chairman of the Works Council of  
ThyssenKrupp Marine Systems GmbH (Kiel),  
Chairman of the General Works Council of  
ThyssenKrupp Marine Systems, Vice  
Chairman of the Works Council Union  
ThyssenKrupp Industrial Solutions  
Within the Group:  
• ThyssenKrupp Industrial Solutions AG  
• ThyssenKrupp Marine Systems GmbH

### **Dr. Sabine Maaßen, Dinslaken**

Legal Counsel, IG Metall  
• Daimler AG

### **Dr. Ralf Nentwig, Essen**

(since January 01, 2013)  
Member of the Executive Committee of the  
Alfried Krupp von Bohlen und Halbach  
Foundation  
– Margarethe Krupp-Stiftung für Wohnungs-  
fürsorge (Vice Chairman of the Supervisory  
Board)

### **Prof. Dr. Bernhard Pellens, Bochum**

Professor of Business Studies and  
International Accounting, Ruhr University  
Bochum  
– AKAFÖ Akademisches Förderungswerk  
Bochum (Member of the Board of  
Administration)

### **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**

Member of the Management Board of HSBC  
Trinkaus & Burkhardt AG  
– HSBC Global Asset Management  
Deutschland GmbH (Chairwoman of the  
Supervisory Board)  
– HSBC Trinkaus & Burkhardt  
(International) S.A./Luxembourg  
(Member of the Supervisory Board)  
– HSBC Trinkaus Investment Managers  
S.A./Luxembourg (Chairwoman of the  
Supervisory Board)  
– Internationale Kapitalanlage-  
gesellschaft mbH (Chairwoman of the  
Supervisory Board)

• Membership of other supervisory boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2013)

– Membership of comparable German and non-German control bodies of business enterprises within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2013)

**Wilhelm Segerath, Duisburg**

Automotive body maker, Chairman of the Group Works Council of ThyssenKrupp AG

- PEAG Holding GmbH (Member of the Advisory Board)

**Carstan Spohr, Munich**

(since April 19, 2013)

Member of the Executive Board of Deutsche Lufthansa AG, CEO Lufthansa German Airlines

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

**Dr. Lothar Steinebach, Leverkusen**

(since April 19, 2013)

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

- ALTANA AG
- Carl Zeiss AG
- LSG Lufthansa Service Holding AG
- Ralf Schmitz GmbH & Co. KGaA
- Diem Client Partner AG/Switzerland (Member of the Board of Directors)

**Christian Streiff, Paris**

Vice President of SAFRAN S.A.

- Bridgepoint Ltd./United Kingdom
- Crédit Agricole S.A./France
- SAFRAN S.A./France (Vice President)
- The Flexitallic Group/France (President)
- TI Automotive Ltd./United Kingdom

**Jürgen R. Thumann, Düsseldorf**

Chairman of the Advisory Board of Heitkamp & Thumann Group

- HanseMerkur Allgemeine Versicherung AG (Chair)
- HanseMerkur Holding AG (Chair)
- HanseMerkur Krankenversicherung auf Gegenseitigkeit (Chair)
- HanseMerkur Krankenversicherung AG (Chair)
- HanseMerkur Lebensversicherung AG (Chair)
- HanseMerkur Reisevericherung AG (Chair)
- Heitkamp & Thumann Group (Chairman of the Advisory Board)

**Fritz Weber, Schöndorf**

(since January 15, 2013)

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

**Prof. Dr. Beatrice Weder di Mauro, Frankfurt/Main**

(until October 31, 2013)

Professor of Economics, Economic Policy & International Macroeconomics at the Johannes Gutenberg University of Mainz

- Robert Bosch GmbH
- Roche AG/Switzerland (Member of the Board of Directors)
- UBS AG/Switzerland (Member of the Board of Directors)

**Klaus Wiercimok, Düsseldorf**

Attorney

Head of Legal Materials Services

Bernd Kalwa, Peer Steinbrück, Dr. Gerhard Cromme and Dr. Kersten v. Schenck resigned from the Supervisory Board in the course of the 2012/2013 fiscal year. Insofar as they held other directorships at the time of their departure, these are listed below:

**Bernd Kalwa, Krefeld**

(until December 28, 2012)

Lathe operator, Chairman of the General Works Council of Nirosta GmbH, Chairman of the Works Council Union ThyssenKrupp Inoxum

Within the Group:

- ThyssenKrupp Nirosta GmbH

**Peer Steinbrück, Bonn**

(until December 31, 2012)

Member of the German Parliament, Federal Minister (retd.)

- Borussia Dortmund GmbH & Co. KGaA

**Dr. Gerhard Cromme, Essen**

(until March 31, 2013)

Former Chairman of the Executive Board of ThyssenKrupp AG

- Axel Springer AG
- Siemens AG (Chair)
- Compagnie de Saint-Gobain, France

**Dr. Kersten v. Schenck, Bad Homburg**

(until April 19, 2013)

Attorney and notary public

• Membership of other supervisory boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2013)

– Membership of comparable German and non-German control bodies of business enterprises within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2013)

# Glossary

## A

### ACT

Corporate program to help define and implement new structures and processes for workflows in the company

### Average collection period

Trade accounts receivable divided by sales, multiplied by 360 (the lower the ratio, the faster customers pay)

## C

### Capital Employed

Interest-bearing invested capital

### Coating

Corrosion protection for carbon steel by the application of a metallic or organic coating

### Compliance

Adherence to laws and company policies

### Corporate Governance

Term for responsible corporate management and control geared to long-term value creation

### Corporate governance declaration

Declaration by a stock corporation under Art. 289a German GAAP (HGB) containing a description of how the executive board and supervisory board operate, declaration of conformity and information about governance practices

### Cost of capital

Minimum return required by capital providers

### Covenant

Contractual obligation of a debtor

## D

### DAX

Deutscher Aktien-Index (German Stock Index), compiled by Deutsche Börse. The index reflects the performance of the 30 largest and strongest-selling German stocks, including ThyssenKrupp stock.

### Declaration of conformity

Declaration by Executive Board and Supervisory Board in accordance with Art. 161 Stock Corporation Act (AktG) on the implementation of the recommendations of the Government Commission on the German Corporate Governance Code

### DJ STOXX

Dow Jones STOXX 600, compiled by index provider Stoxx Ltd. It lists the performance of 600 companies from 18 European countries.

## E

### EBIT

Earnings Before Interest, Taxes

### EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization

## EBT

Earnings Before Taxes

### Equity ratio

Ratio of total equity to balance sheet total (the higher the ratio, the lower the indebtedness)

### Emerging markets

Up and coming markets of Asia, Latin America and Eastern Europe

## F

### Fraud

Action which, by willful intent or gross negligence, causes damage to a company or third party through deception, concealment or breach of trust.

### Free cash flow (before dividend)

Operating cash flows less cash flows from investing activities

### Free float

Shareholding generally taken into account in the weighting of ThyssenKrupp's stock in stock indices such as the DAX or DJ STOXX

### FFO/Total Debt

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.

## G

### Gearing

Ratio of financial liabilities to total equity (the lower the ratio, the higher the share of total equity in the interest-bearing capital employed)

### Gross income

Net sales less cost of sales

## I

### Impact

Corporate program to enhance performance and implement the company strategy

### Internal financing strength

Ratio of operating cash flows to cash flows from investing activities

### International Financial Reporting Standards (IFRS)

The standard international accounting rules are intended to make company data more comparable. Under an EU resolution, accounting and reporting at exchange-listed companies must be done in accordance with these rules.

### Inventory turnover

Inventories divided by sales, multiplied by 360 (the lower the ratio, the faster the inventory turnover)

## L

### Long/Mid Term Incentive plan (LTI/MTI)

Long-term/mid-term variable compensation for executive board members and other selected executives through stock rights

## M

### Matrix organization

Company management structure reflecting multiple dimensions such as business, function and region.

## O

### Operating cash flow

Increase/decrease in cash and cash equivalents outside of investing, disposal or financing activities

## R

### Rating

Ratings are used to assess the future ability of a company to meet its payment obligations on time and in full. They are based on an analysis of quantitative and qualitative factors.

### ROCE

Return on Capital Employed

## S

### Slab

Compact block of crude steel as starting product for sheet or strip

### Supply chain management

Integrated planning, control and monitoring of all logistics activities in a supply chain

### SWOT analysis

Instrument for analyzing situations and identifying strategies. SWOT stands for Strengths, Weaknesses, Opportunities and Threats.

### synergize+

Program for the Groupwide management of all purchasing activities. It is part of the impact performance initiative.

## T

### ThyssenKrupp Value Added (TKVA)

Central indicator for value-based management, comparing earnings before taxes and interest with cost of capital

## W

### Waiver

Agreement to waive a contract clause

### Webinar

Interactive seminar conducted on the internet

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## List of abbreviations

### A

**AktG**

German Stock Corporation Act (Aktiengesetz)

### B

**BIC**

Brazil, India, China

### C

**CESR**

Committee of European Securities Regulators

**CGU**

Cash Generating Unit

**CO<sub>2</sub>**

Carbon dioxide

### D

**DAX**

German stock index

**DJ STOXX**

Dow Jones STOXX

**DRS**

German accounting standard

**DSR**

German Accounting Standards Board

### E

**EEG**

German Renewable Energy Act

**EPS**

Earnings per Share

### F

**FFO/TD**

Funds From Operations/Total Debt

### H

**HGB**

German Commercial Code

### I

**IAS**

International Accounting Standards

**IASB**

International Accounting Standards Board

**IFRIC**

International Financial Reporting Interpretations Committee and interpretation of IFRIC

**IFRS**

International Financial Reporting Standards

**IT**

Information technology

### L

**LTI**

Long-Term Incentive plan

### M

**MENA**

Middle East & North Africa

**MitbestG**

German Codetermination Law

**MTI**

Mid-Term Incentive plan

### O

**OTC**

Over-the-counter, in finance an off-exchange transaction between financial market players

### R

**ROCE**

Return on Capital Employed

### S

**SPE**

Special Purpose Entity

### T

**TKVA**

ThyssenKrupp Value Added

### V

**VorstAG**

Act on the Appropriateness of Management Remuneration

### W

**WACC**

Weighted Average Cost of Capital

**WpHG**

German Securities Trading Act

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### 2014/2015 dates

#### January 17, 2014

Annual General Meeting

#### February 14, 2014

Interim report  
1st quarter 2013/2014 (October to December)  
Conference call with analysts and investors

#### May 13, 2014

Interim report  
1st half 2013/2014 (October to March)  
Conference call with analysts and investors

#### August 14, 2014

Interim report  
9 months 2013/2014 (October to June)  
Conference call with analysts and investors

#### November 20, 2014

Annual press conference  
Analysts' and investors' conference

#### January 30, 2015

Annual General Meeting

#### 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

For technical reasons there may be variances between the accounting documents contained in this annual report and those submitted to the Federal Gazette (Bundesanzeiger).

This English version of the annual report is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.

Both language versions of the annual report can be downloaded from the internet at [www.thyssenkrupp.com](http://www.thyssenkrupp.com). An interactive version of the annual report is also available on our website.

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The background of the image features abstract geometric shapes, specifically overlapping circles and intersecting lines, rendered in a light gray color.

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