19 / 20

Annual report 2019/2020

thyssenkrupp at a glance

THYSSENKRUPP IN FIGURES

		Year ended Sept. 30, 2020	Change in %
Order intake [1]	€ million	28,150	(17)
Net sales [1]	€ million	28,899	(15)
Adjusted EBIT [1]	€ million	(1,633)	--
Net loss [1]	€ million	(5,541)	--
Earnings per share (EPS) [1]	€	(8.91)	--
Free cash flow before M & A [1]	€ million	(5,515)	--
Net financial assets	€ million	(5,053)	--
tkVA	€ million	9,073	++
Market capitalization	€ million	2,683	(66)
Dividend per share	€	–	–

[1] Group continuing operations

~ €28.9 billion

sales generated by thyssenkrupp in fiscal 2019/2020.

~ 104,000

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

(as at September 30, 2020)

SEGMENTS

AT Automotive Technology

IC Industrial Components

PT Plant Technology

ET Elevator Technology [1]

MS Marine Systems

MX Materials Services

SE Steel Europe

[1] Discontinued operation

6 regional platforms

60 countries

~ 1,100 locations

	Order intake million € Year ended Sept. 30, 2020	Net sales million € Year ended Sept. 30, 2020	Adjusted EBIT [1] million € Year ended Sept. 30, 2020
Automotive Technology [2]	4,610	4,702	(260)
Industrial Components [2]	2,095	2,099	138
Elevator Technology	6,739	6,546	693
Plant Technology [2]	1,670	2,897	(235)
Marine Systems	2,227	1,750	18
Materials Services	11,386	11,300	(110)
Steel Europe	7,325	7,269	(946)
Corporate Headquaters [2]	4	9	(210)
Reconciliation [2]	(1,165)	(1,130)	53
Full group	**34,891**	**35,443**	**(860)**
Discontinued elevator operations [2]	6,741	6,544	773
Group continuing operations [2]	**28,150**	**28,899**	**(1,633)**

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

[2] See preliminary remarks.

Contents

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

As part of the strategic realignment, thyssenkrupp AG and its subsidiaries are referred to as a “group” or “group of companies” in these financial statements. The group continues to comprise the entities included in the scope of consolidation. The former business areas are referred to as “segments”.

To our shareholders

Letter to shareholders

Martina Merz
Chief Executive Officer

Dear Shareholders, Ladies and Gentlemen,

The past fiscal year was in many respects a special year for thyssenkrupp: Not just coronavirus presented us with major challenges but also the comprehensive transformation of our group, which we continued to drive forward with great commitment despite the adverse circumstances.

When the first effects of the coronavirus pandemic became apparent in spring 2020, we acted quickly and decisively. Our top priority was the health of our employees. We adapted the hygiene measures and protocols at our sites. In addition we created the conditions to enable more than 30,000 employees to work from home.

At the same time we reacted with a series of countermeasures to secure liquidity. In May we secured a credit facility under the KfW special program. Although we did not have to draw on this facility, the pandemic will affect us in the medium term. Like many other companies, we had to revise our forecast for the 2019 / 2020 fiscal year in line with the economic situation. But ultimately, thanks to cost discipline and the considerable efforts to secure liquidity, we performed slightly better over the year as a whole than was at one stage feared.

We vigorously pushed ahead with our transformation into a high-performing "Group of Companies", concentrating systematically on the cornerstones of performance, portfolio and organization.

Increasing the performance of the individual businesses is the prerequisite for a successful transformation of the whole group of companies. Our primary requirement is therefore that all businesses must as a minimum earn their cost of capital and generate competitive margins. To this end, we identified value levers in all segments in the past fiscal year and backed them up with concrete measures that we are now systematically implementing. We also initiated a whole series of restructurings in the past fiscal year. The motto remains: "**Performance** first".

We took important steps with regard to our **portfolio** in the past fiscal year: We achieved good proceeds from the sale of the elevator business. This significantly improved our balance sheet ratios and facilitated the accelerated transformation of the company. To make this transformation a success we structured our portfolio clearly into businesses whose potential thyssenkrupp will develop alone or together with partners, and businesses for which we will primarily pursue development paths outside the group.

– At Materials Services we see good development potential within the group based on our leading market position and competitive strength.
– This also applies to Industrial Components, consisting of the forgings and bearings businesses, which with their strong positioning in the wind turbine sector are well placed for the continuing trend to larger installations,
– We also see good potential within the group for the automotive components business. In line with the industry trend toward cross-sector collaboration, alliances are also conceivable on a very selective basis.
– For our steel business we adopted the "Steel Strategy 20-30" in March 2020 and subsequently began implementation. In parallel we are currently examining possible partnerships and consolidation options. We are also in talks on government support.
– At Marine Systems, we remain the world market leader for conventional submarines and have strengthened our competitive position in the surface vessel area through significant new orders. Strategically we see advantages in consolidation – if politically desired and supported – to strengthen the competitive position of the German naval shipbuilding industry.
– In addition, business units for which, for various reasons, thyssenkrupp alone is not the best owner in the future have been grouped together in the independent Multi Tracks segment. As a first step the main focus will be on transaction processes. Indicative offers have already been received for some units, while due diligence has already begun for others. In the medium term this segment will be responsible for the group's investment management. thyssenkrupp's Elevator shares are already held there today. In the future Multi Tracks will increasingly seek business, financing and cooperation models for its units which are based on partnerships, alliances or co-investors. Against this background, for example, we are examining how to further develop the business with highly efficient electrolysis plants for hydrogen production.

We also made good progress in the past fiscal year towards our goal of making our **organization** leaner, more flexible and more independently responsible. In the future, corporate headquarters will concentrate mainly on performance management, relevant governance issues, portfolio decisions and the allocation of investment funds. The management teams of the business units will be given more entrepreneurial freedom and have full P&L responsibility. At group level, we as the Executive Board will work closely with the management teams of the businesses and the heads of some corporate functions in the Executive Committee. The “Group of Companies” is a team effort.

On our challenging path it is clear to everyone responsible at thyssenkrupp that the transformation will take some time. We have already achieved initial milestones; others lie ahead. Looking forward, we want to make our businesses sustainably competitive in four steps: Our top priority is proactive cash management (“fight”). After that we will progressively adapt our portfolio (“focus”), increase the profitability of our businesses (“improve”) and on that basis grow profitably again (“scale”).

In the new structure we will make thyssenkrupp an internationally positioned group of largely independent and high-performing industrial and technology businesses. I repeat: this is not an easy path; it remains a path of many small steps. I personally continue to look forward with confidence to the challenges ahead.

Dear Shareholders, Ladies and Gentlemen, I would like to thank you for supporting our process of change in these difficult times. I would also like to take this opportunity to thank the Supervisory Board, which has shown great faith in the work of the Executive Board. For me personally, this was also expressed by the extension of my CEO contract until 2023. I am delighted about this. But my particular thanks also go to our employees around the world. Without their continuing dedication and commitment, we would not have been able to deal with the challenges of the past months. The strong bond between the company and its employees is something that we as the Executive Board can sense every day. Even though much has changed in our businesses as a result of the coronavirus pandemic, our values such as respect, honesty and fairness in our dealings with each other remain – this fills me with pride and is an important foundation for a positive future for our company.

Yours,

Martina Merz
Chief Executive Officer

Essen, November 2020

Executive Board

Dr. Klaus Keysberg
*1964, CFO,
member of the Executive Board since
October 1, 2019,
appointed until July 31, 2024

Martina Merz
*1963, CEO
since October 1, 2019,
appointed until March 31, 2023

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

Report by the Supervisory Board

Prof. Dr.-Ing. Siegfried Russwurm

Chairman of the Supervisory Board

Dear Shareholders,

Before I inform you about the work of the Supervisory Board and its committees in fiscal year 2019 / 2020, I would first like to take a brief look back at this challenging year as a whole. It was a year in which the coronavirus pandemic had a major impact on our business and our work. Even though the effects of the pandemic were dramatic, overall they turned out less negative for thyssenkrupp than originally feared. The Executive Board reacted swiftly and took decisive measures to secure liquidity. The past fiscal year was a decisive one for the transformation of our company into a high-performing "Group of Companies" with a lean management model and a clearly structured portfolio. The progress is becoming ever more apparent.

The company's strategic action areas on this transformation path are Performance, Portfolio and Organization. Central decisions were successfully implemented in all action areas in the past fiscal year. thyssenkrupp achieved an exceptionally good price for the sale of the elevator business. In addition, the "Steel Strategy 20-30" was adopted and negotiated with employee representatives in March 2020. In May 2020, as part of a strategy update, thyssenkrupp restructured its portfolio and established the future action framework for the individual segments. The organizational structures were also adapted to the new realities: headquarters was considerably downsized, the regional structures were adjusted and the offerings of the service units were consolidated and better adapted to the requirements of our businesses.

The Supervisory Board closely oversaw the implementation of the transformation process and will continue to do so. Progress is reported and discussed regularly at the meetings of the Supervisory Board and the meetings of the committees.

Cooperation between Supervisory Board and Executive Board

In fiscal year 2019 / 2020 the Supervisory Board regularly advised the Executive Board on the management of the company and continuously supervised its conduct of business. We satisfied ourselves that the Executive Board's work complied with all legal and regulatory requirements at all times. The Executive Board fulfilled its duty to inform. It furnished us with regular written and verbal reports containing up-to-date and comprehensive information on all issues of relevance to the company and the group relating to strategy, planning, business performance, the risk situation and compliance. This also included information on variances between actual performance and previously reported targets as well as on budget variances (follow-up reporting). In the committees and in full Supervisory Board meetings, the members of the Supervisory Board had ample opportunity to critically examine the reports and resolution proposals submitted by the Executive Board and contribute suggestions. In particular, we discussed intensively and examined the plausibility of all transactions of importance to the company on the basis of written and verbal reports by the Executive Board. On several occasions the Supervisory Board dealt at length with the company's targets, the risk situation, the liquidity planning and the equity situation. Based on the analysis of the value potential of the group's businesses and the opportunities and risks of strategic steps, critical operating issues were presented to the Supervisory Board for discussion. Where required by law, the Articles of Association or the rules of procedure for the Executive Board, the Supervisory Board provided its approval of individual business transactions.

In view of the current situation the Supervisory Board and Executive Board continued the significantly intensified collaboration and information exchange begun in the 2018/2019 fiscal year and in particular discussed the framework for the transformation of thyssenkrupp as well as the impacts of and reactions to the coronavirus pandemic in bi-weekly meetings of the Executive Committee attended by Executive Board members and external advisors.

In addition, in the periods between meetings the chairmen of the Supervisory Board and its committees engaged in a close and regular exchange of views and information with the Executive Board and were informed about major developments. Important facts were reported immediately to the subsequent Supervisory Board or committee meetings. Before the Supervisory Board meetings the shareholder and the employee representatives each held separate meetings to discuss the agenda items. Conflicts of interest of Executive Board and Supervisory Board members, which must be disclosed to the Supervisory Board immediately, did not occur in the past fiscal year.

The average attendance rate at the meetings of the Supervisory Board and its committees was 98.15%. The attendance rate was 99.5% at the meetings of the Supervisory Board and 97.0% at the meetings of the committees. The following table shows attendance in individualized form:

	Supervisory Board meetings			Committee meetings		
	Attended	Meetings	Attendance rate in %	Attended	Meetings	Attendance rate in %
Prof. Dr.-Ing. Siegfried Russwurm, Chairman	10	10	100.00%	45	45	100.00%
Jürgen Kerner, Vice Chairman (since Jan. 31, 2020)	6	6	100.00%	25	29	86.21%
Markus Grolms, Vice Chairman (until Jan. 31, 2020)	4	4	100.00%	14	16	87.50%
Birgit A. Behrendt (since Jan. 31, 2020)	6	6	100.00%	./.	./.	./.
Dr. Wolfgang Colberg	10	10	100.00%	./.	./.	./.
Prof. Dr. Dr. h.c. Ursula Gather	10	10	100.00%	9	9	100.00%
Angelika Gifford (since Nov. 12, 2019)	10	10	100.00%	./.	./.	./.
Dr. Bernhard Günter (since Jan. 31, 2020)	6	6	100.00%	28	28	100.00%
Achim Haas	10	10	100.00%	./.	./.	./.
Friederike Helfer (since Jan. 31, 2020)	6	6	100.00%	8	8	100.00%
Dr. Ingrid Hengster	10	10	100.00%	./.	./.	./.
Susanne Herberger (until July 31, 2020)	8	8	100.00%	3	3	100.00%
Tanja Jacquemin	10	10	100.00%	6	6	100.00%
Dr. Norbert Kluge	10	10	100.00%	./.	./.	./.
Barbara Kremser-Bruttel	10	10	100.00%	./.	./.	./.
Dr. Ingo Luge (from Nov. 12, 2019 to Jan. 31, 2020 and since Feb. 11, 2020)	9	9	100.00%	4	4	100.00%
Tekin Nasikkol (since Aug. 4, 2020)	2	2	100.00%	1	1	100.00%
Prof. Dr. Bernhard Pellens (until Jan. 31, 2020)	4	4	100.00%	18	19	94.74%
Peter Remmler	10	10	100.00%	4	4	100.00%
Carola v. Schmettow (until Jan. 31, 2020)	3	4	75.00%	4	4	100.00%
Dirk Sievers	10	10	100.00%	45	45	100.00%
Dr. Lothar Steinebach	10	10	100.00%	6	6	100.00%
Jens Tischendorf (until Jan. 31, 2020)	4	4	100.00%	6	6	100.00%
Friedrich Weber	10	10	100.00%	./.	./.	./.
Isolde Würz	10	10	100.00%	./.	./.	./.

The members of the Executive Board took part in Supervisory Board and committee meetings; however the Supervisory Board also met regularly without the Executive Board.

Supervisory Board meetings

Ten Supervisory Board meetings were held in the reporting year. The range of topics that the Supervisory Board dealt with included the current business and earnings situation and the parent-company and consolidated financial statements for the year ended September 30, 2019. On the recommendation of the Audit Committee and after discussion with the auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) the Supervisory Board approved the parent-company and consolidated financial statements for the 2018 / 2019 fiscal year and thus established the parent-company financial statements. After the end of the reporting year the Supervisory Board also discussed and approved the parent-company and consolidated financial statements for the year ended September 30, 2020 and thus established the parent-company financial statements. Further topics discussed by the Supervisory Board included the corporate and investment planning for fiscal year 2019 / 2020, the preparation of the Annual General Meeting on January 31, 2020, and questions of Executive Board compensation. The draft Executive Board compensation system developed and approved by the Supervisory Board is to be presented to the 2021 Annual General Meeting for approval. The system takes into account the new requirements of the Shareholder Rights Directive II (SRD II) and the new version of the German Corporate Governance Code. In addition, the current system of Supervisory Board compensation was assessed and confirmed. The Supervisory Board regularly received reports from the committees. In addition the focus was on corporate governance, the thyssenkrupp Internal Control System (ICS), the subject of compliance and the 2019 EMIR compliance audit pursuant to § 32 WpHG.

In connection with the report on the state of the thyssenkrupp group and the implementation of the transformation process, a large part of the discussions focused on the strategic realignment of the company and the medium-term earnings targets of this realignment. The Supervisory Board regularly discussed the key elements of the strategic realignment – portfolio, performance and organization. Portfolio issues discussed intensively in this context were the sale of the elevator business to the bidding consortium of Advent International, Cinven and the RAG Foundation, the options for the consolidation of the steel business, and the approach to the businesses combined in the Multi Tracks business unit, for which the company is primarily seeking new owners in the future. On the topic of performance, the target returns for the various business units derived from competitor benchmarking, the respective action plans for achieving them and the consequences of the plans for the financing of the group were discussed.

In fiscal year 2019 / 2020 the Supervisory Board, after considering the recommendations and suggestions of the German Corporate Governance Code (GCGC) as amended on December 16, 2019, decided to issue and publish a total of three declarations of conformity – also during the year. The current declaration of conformity, issued at October 1, 2020, is available on the thyssenkrupp website. In addition, the Executive Board and Supervisory Board report on corporate governance at thyssenkrupp in the corporate governance statement.

Due to new requirements under stock corporation law regarding approval requirements for the Supervisory Board in the case of related party transactions, the Supervisory Board and also the Executive Board adopted an internal procedure for complying with the approval requirements. There were no transactions requiring approval or disclosure in the reporting year.

Also of particular importance was the self-assessment of the Supervisory Board, launched in the reporting year and overseen by external experts. The self-assessment was based on comprehensive questionnaires and interviews with all members of the Supervisory Board to deepen and discuss the observations. The assessment focused in particular on the composition of the Supervisory Board, its organization and working methods and the supply of information to the Supervisory Board. In addition to the work of the full Supervisory Board, the assessment also covered in depth the work of the Executive Committee, the SFI Committee and the Audit Committee and the interfaces between the full Supervisory Board and the committees in general. This year, the self-assessment was also widened to include the Executive Board's perspective on the work of the Supervisory Board. In November this year the results of the assessment were presented in detail both to the full Supervisory Board and the committees, and in particular the recommendations for action and ideas for their implementation were discussed. Special attention was paid to various criteria for sustainable and progressive Supervisory Board work.

Report on the work of the committees

The primary task of the Supervisory Board's six committees is to prepare decisions and topics for discussion at the full meetings. The Supervisory Board has delegated individual decision-making powers to the committees where this is legally permissible. The powers of the committees and the requirements on committee members are set out in the rules of procedure for the respective committees. The chairs of the committees provided the Supervisory Board with regular detailed reports on the work of the committees in the reporting year. The compositions of the six committees as at September 30, 2020 are shown in the section "Supervisory Board". The chairs of the committees were also in close contact with the other members of their committees outside the regular meetings to exchange views on particularly important projects.

The **Executive Committee** (Präsidium) met 25 times in the past fiscal year, holding meetings every two weeks owing to the current situation and the preparations for the seminal meetings of the Supervisory Board. In addition to preparing the full Supervisory Board meetings, the work of this committee focused on the financial position and earnings performance of the group, topics in connection with the transformation of thyssenkrupp as well as appropriate reactions to the effects of the coronavirus pandemic.

The **Personnel Committee** held 11 meetings in the 2019 / 2020 fiscal year to prepare personnel matters concerning the Executive Board of thyssenkrupp AG and former Executive Board members for the Supervisory Board. Where required, resolutions were passed or recommendations for resolutions were made to the Supervisory Board. The meetings addressed in particular the reorganization of the Executive Board, the planning and implementation of changes to the composition of the Executive Board, the planning and implementation of the reorganization of the Executive Board, the new system of Executive Board compensation and the associated measures for establishing the performance bonus and additional bonus. Details of Executive Board compensation are presented in the compensation report. In addition, general Executive Board matters were dealt with, partly also in the context of benefits for former Executive Board members.

The **Audit Committee** met five times in the 2019 / 2020 fiscal year. Alongside Executive Board members, the meetings were also attended by representatives of the auditors PwC, who were elected by the 2020 Annual General Meeting and subsequently appointed by the Audit Committee. The auditors declared to the Audit Committee that no circumstances exist that could lead to the assumption of prejudice on their part. The Audit Committee obtained the required auditors' statement of independence, reviewed their qualification, and concluded a fee agreement with the auditors. In addition a groupwide survey of auditing quality was carried out; the results of this as well as the additional services provided by PwC alongside the audit of the financial statements were discussed in the Audit Committee. Both Prof. Dr. Bernhard Pellens, who was chairman of the Audit Committee until January 31, 2020, and his successor as chairman of the Audit Committee Dr. Bernhard Günther were also in regular contact with the auditors between meetings. The heads of relevant corporate functions were also available to provide reports and take questions in the committee meetings.

In the reporting year the committee's work focused on examining the 2019 / 2020 parent-company and consolidated financial statements along with the combined management report including the fully integrated non-financial statement, the combined corporate governance statement of the Executive Board and Supervisory Board regarding the statements issued by the Executive Board and the auditors' reports, and preparing the Supervisory Board resolution on these items. In addition, the interim financial reports (half-year and quarterly reports) were also discussed in detail and adopted, taking into account the auditors' review report. With regard to PwC the catalogue of non-audit services by the financial statement auditor requiring approval was established, and the budget for the performance of non-audit services for the 2019 / 2020 fiscal year was set. The Audit Committee also decided to put audit services out to tender from fiscal year 2022 / 2023 in accordance with statutory requirements. A corresponding tender process was initiated.

In several meetings the Audit Committee monitored the accounting process and discussed the effectiveness of the internal control system and optimizations made to it, the effectiveness of the risk management system and the internal auditing system. It also dealt in detail with the main legal disputes and compliance in the company and discussed at length the development of strategic compliance measures at thyssenkrupp.

The Audit Committee defined the following mandate as the focus of the audit: "Development of action recommendations for the further development of the ICS with greater decentralization of the group". The auditors reported the results of their audit to the Audit Committee at its meeting on November 16, 2020. The action recommendations proposed in the areas of control environment, organizational structure, processes and tools are to be implemented promptly in the 2020 / 2021 fiscal year after evaluation by the Executive Board and the specialist departments.

In addition, in the presence of the head of Corporate Internal Auditing the committee discussed the internal audit results, the audit processes and the audit planning of the internal auditing team for the 2019 / 2020 fiscal year. Further main topics were the CSR report, the equity capital and rating situation, the EMIR compliance audit for the 2018 / 2019 fiscal year in accordance with § 32 WpHG, and the performance of the business areas.

The **Strategy, Finance and Investment Committee** held four meetings in the 2019 / 2020 fiscal year. Discussions focused on preparing decision recommendations in its area of responsibility for the Supervisory Board. The main topics discussed included the strategic realignment of thyssenkrupp, the options for the Elevator Technology business area, financing and liquidity planning, corporate and investment planning as well as the review of the profitability of individual completed investment projects. In November 2020, the committee dealt intensively with the group's business and investment plans for the 2020 / 2021 fiscal year and their financing. In the current fiscal year the Supervisory Board is scheduled to deal with updated business and investment plans. The committee also dealt extensively with the key topics of the transformation in the reporting year.

The members of the **Audit Committee** and the **Strategy, Finance and Investment Committee** also convened for a joint meeting in the reporting year to discuss issues relevant to both committees, such as liquidity and financing questions.

The members of the **Nomination Committee** convened for five meetings in the past fiscal year. Discussions focused on drawing up election proposals for the 2020 Annual General Meeting, preparing the composition of the committees after the 2020 Annual General Meeting, preparing the appointment of a successor on the shareholder side, and – taking into account the recommendations of the German Corporate Governance Code – succession planning for the shareholder side of the Supervisory Board.

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

Audit of the parent-company and consolidated financial statements

Elected by the Annual General Meeting on January 31, 2020 to audit the financial statements for the 2019 / 2020 fiscal year, PwC audited the parent-company financial statements for the fiscal year October 1, 2019 to September 30, 2020 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 thyssenkrupp group. The auditors issued an unqualified audit opinion. In accordance with § 315e HGB, the consolidated financial statements of thyssenkrupp AG for the fiscal year from October 1, 2019 to September 30, 2020, and the management report on the thyssenkrupp group, which is combined with the management report on the company, were prepared on the basis of International Financial Reporting Standards (IFRS) as applicable in the European Union. The consolidated financial statements and the combined management report were also given an unqualified audit opinion by PwC. The auditors also confirmed that the Executive Board has installed an appropriate reporting and monitoring system which is suitable in its design and handling to identify at an early stage developments which could place the continued existence of the company at risk.

The financial statement documents and audit reports for the 2019 / 2020 fiscal year were discussed in detail in the meetings of the Audit Committee on November 16, 2020 and the Supervisory Board on November 18, 2020. The auditors reported on the main findings of their audit. They also outlined their findings on the internal control system in relation to the accounting process as well as the risk early detection system, and were available to answer questions and provide additional information. The Chairman of the Audit Committee reported in depth at the full Supervisory Board meeting on the Audit Committee's examination of the parent-company and consolidated financial statements. Following examination and detailed discussion of the parent-company financial statements, the consolidated financial statements, and the combined management report by the Supervisory Board no objections were raised. In line with the recommendation by the Audit Committee, the Supervisory Board then approved the result of the audit by the financial statement auditors. Following completion of our examination we came to the conclusion that no objections were to be raised and we established the financial statements of thyssenkrupp AG and approved the consolidated financial statements. The same applies to the CSR report fully integrated in the management report.

A resolution on the appropriation of net income was not necessary. Due to the unappropriated loss shown in the parent-company financial statements of thyssenkrupp AG for the 2019/2020 fiscal year, there will not be a dividend payment.

Personnel changes on the Supervisory Board and Executive Board

There were nine personnel changes on the Supervisory Board of thyssenkrupp AG in the reporting year, seven on the shareholder representative side and two on the employee representative side.

On the employee representative side, Markus Grolms resigned his seat on the Supervisory Board of thyssenkrupp AG at the close of the Annual General Meeting on January 31, 2020. By court appointment effective at the close of the Annual General Meeting, Jürgen Kerner was appointed as a member of the Supervisory Board. At the meeting of the Supervisory Board held directly after the Annual General Meeting on January 31, 2020, he was also elected as the new Vice Chairman of the Supervisory Board.

On July 31, 2020, concurrently with the closing of the Elevator transaction, Susanne Herberger, Chairwoman of the General Works Council of thyssenkrupp Elevator Technology AG, also resigned from the Supervisory Board. Tekin Nasikkol, Chairman of the General Works Council of thyssenkrupp Steel Europe AG, was court-appointed as a new member of the Supervisory Board effective August 4, 2020.

On the shareholder representative side, Angelika Gifford and Dr. Ingo Luge were appointed as members of the Supervisory Board by Duisburg Local Court with effect from November 12, 2019. Prof. Dr. Bernhard Pellens, Carola von Schmettow, and Jens Tischendorf left the Supervisory Board at the close of the Annual General Meeting on January 31, 2020 after many years of service. In the course of the election of eight new shareholder representatives at this Annual General Meeting, Birgit A. Behrendt, Dr. Bernhard Günther and Friederike Helfer were newly elected in addition to the re-election of the remaining shareholder representatives. In addition, Dr. Ingo Luge, who was elected as a substitute member by the Annual General Meeting on January 31, 2020, was court-appointed as a member of the Supervisory Board effective February 11, 2020 to replace Martina Merz, who was delegated to the Executive Board as its Chairwoman at that time. Also, Dr. Verena Volpert was appointed as a member of the Supervisory Board with effect from October 1, 2020. She succeeds Dr. Ingrid Hengster, who left the Supervisory Board on September 30, 2020.

The members of the Supervisory Board thanked the departing members for their good and constructive work over many years.

In its meeting on March 20, 2020, the Supervisory Board resolved to appoint Martina Merz, who had been delegated from the Supervisory Board to the Executive Board, as Chairwoman of the Executive Board until March 31, 2023. Accordingly, Ms. Merz resigned her seat on the Supervisory Board with effect from the close of March 31, 2020. The Supervisory Board is convinced that together with her Executive Board colleagues she will continue to vigorously implement the transformation of thyssenkrupp around the strategic action areas of performance, portfolio and organization. In addition, Johannes Dietsch resigned from the Executive Board of thyssenkrupp AG effective March 31, 2020. He played a decisive role in the successful disposal process of the elevator business and thus made an important contribution to the transformation of thyssenkrupp. The members of the Supervisory Board thank him warmly for this. With effect from April 1, 2020 Dr. Klaus Keysberg additionally assumed the role of Chief Financial Officer. The Supervisory Board has appointed him until July 31, 2024.

The Supervisory Board thanks the Executive Board members, all employees of the group worldwide and the employee representatives of all group companies for their efforts and achievements in the 2019 / 2020 fiscal year.

The Supervisory Board

Prof. Dr.-Ing. Siegfried Russwurm

Chairman
Essen, November 18, 2020

thyssenkrupp stock

KEY DATA OF THYSSENKRUPP STOCK

		2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Capital stock	million €	1,449	1,593	1,593	1,593	1,593
Number of shares (total)	million shares	565.9	622.5	622.5	622.5	622.5
Market capitalization end September	million €	12,008	15,613	13,534	7,912	2,683
Closing price end September	€	21.22	25.08	21.74	12.71	4.31
High	€	22.27	26.83	26.41	20.90	13.82
Low	€	12.84	19.77	18.86	9.41	3.55
Dividend per share	€	0.15	0.15	0.15	—	—
Dividend yield	%	0.7	0.6	0.7	—	—
Dividend payout	million €	85	93	93	—	—
Earnings per share (EPS)	€	0.52	(1.15)	(0.10)	(0.49)	15.40
Number of shares (outstanding [1])	million shares	565.9	566.3	622.5	622.5	622.5
Trading volume (daily average)	million shares	2.7	2.6	3.1	5.1	4.6

[1] Weighted average

thyssenkrupp stock master data

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

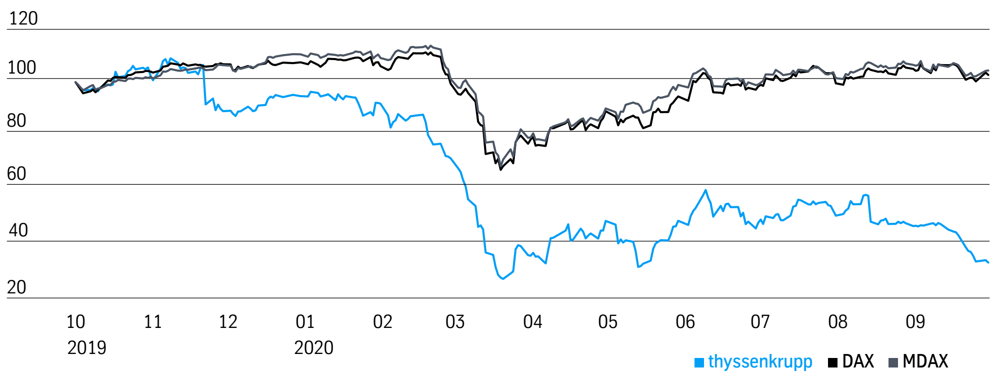
[1] International Stock Identification Number
[2] American Depositary Receipt

In fiscal 2019 / 2020 thyssenkrupp's stock clearly underperformed the market as a whole. In particular the increasing spread of the coronavirus pandemic from mid-February and the associated expectations for future economic growth weighed on the stock's performance. Against the background of a looming economic crisis, the group's high dependency on the auto market coupled with its high indebtedness resulted in corresponding markdowns. As a result, on March 19, 2020 thyssenkrupp's stock reached a new historic low of €3.55. As the pandemic continued and particularly after the strategy update on portfolio and performance in mid-May, the share price picked up, but a sustained recovery set in only after the closing of the elevator transaction at the end of July 2020. Towards the end of the fiscal year, resurgent concerns about a further wave of the coronavirus again negatively impacted thyssenkrupp's stock.

thyssenkrupp's stock reached its fiscal year high at €13.82 on November 7, 2019. At September 30, 2020 the stock stood at €4.31, down 66.1% from a year earlier; the DAX and MDAX improved by 2.6% and 4.3% respectively in the course of the fiscal year.

PERFORMANCE OF THYSSENKRUPP STOCK RELATIVE TO DAX AND MDAX

Indexed, fiscal year 2019 / 2020



Shareholder structure

The capital stock of thyssenkrupp AG amounts to €1,593,681,256.96 and is divided into 622,531,741 no-par bearer shares. Each share grants one vote at the Annual General Meeting.

The biggest shareholder in thyssenkrupp AG is the Alfried Krupp von Bohlen und Halbach Foundation, Essen. The remaining shares are widely held internationally with focal points in North America and the UK. thyssenkrupp AG holds no treasury shares. The free float generally taken into account in the weighting of thyssenkrupp's stock in stock market indices accounts for around 79% of the capital stock. The share held by the Krupp Foundation is not included in the free float.

thyssenkrupp maintains an intensive dialogue with shareholders and potential investors at a large number of events. In the past fiscal year, we focused even more closely on the increasingly important issues of environmental protection, social responsibility and corporate governance. We continued the dialogue on governance issues initiated in the prior year with investors in Frankfurt, London, Paris and various financial centers in North America. The Chair of the Supervisory Board was again available for discussions, which were now held virtually.

Dividend proposal

No dividend proposal for the 2019/2020 fiscal year will be presented for resolution to the Annual General Meeting on February 5, 2021. A resolution on profit appropriation is not required in the 2021 Annual General Meeting because the parent-company financial statements of thyssenkrupp AG show an unappropriated loss.

www.thyssenkrupp.com > Investors

Combined management report

Preliminary remarks

Combined management report

This management report combines the management report on the thyssenkrupp group and the management report on thyssenkrupp AG. In it we report on the course of business including business performance as well as the position and the expected development of the group and of thyssenkrupp AG. The information on thyssenkrupp AG is presented in a separate section of the report on the economic position with disclosures in accordance with HGB. The German Accounting Standard 20 (GAS 20) "Group Management Report" was applied. On the basis of the integrated reporting system which has been used for several years, the combined non-financial disclosures pursuant to §289b HGB are included in the combined management report. An overview chart can be found in the section "Overview of non-financial disclosures".

This report follows thyssenkrupp's internal management model.

As part of the strategic realignment, certain businesses were organizationally repositioned for fiscal 2019 / 2020. In this context, Components Technology has been focused on the automotive business since October 1, 2019 and renamed Automotive Technology. A new addition is System Engineering, which develops among other things production lines for the auto industry and was part of Industrial Solutions up to September 30, 2019. The Bearings and Forged Technologies businesses have been removed from Components Technology. The two units now report under the name Industrial Components. Industrial Solutions has been renamed Plant Technology and comprises our chemical plant, cement plant and mining equipment businesses. The administrative units of Corporate and the regions are presented as Corporate Headquarters. In addition the service units and special units have been combined with consolidation items and are presented separately in the new reporting line "Reconciliation".

Presentation and disclosure of the corresponding prior periods have been adjusted in line with the aforementioned changes.

In addition, in late February 2020 thyssenkrupp signed an agreement on the full sale of its Elevator Technology business with a bidding consortium led by Advent International and Cinven. Following approval by the relevant authorities, the closing of the transaction and deconsolidation of Elevator Technology took place on July 31, 2020. The transaction meets the criteria for presentation as a discontinued operation under IFRS 5. It encompasses Elevator Technology and individual units from Corporate Headquarters. In accordance with IFRS 5, for the discontinued elevator operations in the current reporting period up to the deconsolidation of Elevator Technology all income and expense items are presented separately in the statement of income and all cash flows separately in the statement of cash flows; the prior-period presentation has been adjusted accordingly. As a consequence of the sale at the end of July 2020, it is not necessary to report the assets and liabilities of Elevator Technology on the balance sheet at the current reference date. With the classification as a discontinued operation, non-current assets are no longer subject to depreciation/amortization; this results in an effect of €83 million for the period from the end of February 2020 to the end of July 2020 (before taxes).

As part of the divestment of the Elevator Technology business on July 31, 2020 thyssenkrupp holds a reinvestment, which was part of the proceeds from the sale. The reinvestment was accounted for under special units up to the end of the fiscal year 2019 / 2020. More details about the reinvestment can be found in Note 03 (Discontinued operations) and Note 24 (Segment reporting).

In addition, as part of the strategic realignment, thyssenkrupp AG and its subsidiaries are referred to in this management report as a "group" or "group of companies". The group continues to comprise the entities included in the scope of consolidation. Furthermore, the former business areas have been referred to as "segments" since the 4th quarter of the prior fiscal year.

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

Fundamental information about the group

Profile and organizational structure

Value proposition

As an international group of companies with largely independent industrial and technology businesses we use our broad technological expertise to develop high-quality products and intelligent industrial processes and services. Under a strong umbrella brand we want to make an important contribution to a better and sustainable future with our products and services. Our brand promise is summed up in our slogan "engineering.tomorrow.together." Together with our customers we want to use our technologies and innovations to develop cost-effective and resource-friendly solutions to the challenges of the future. Our aim is to promote efficient use of resources and produce consumer and capital goods in a more eco-friendly way. Diversity and global reach define thyssenkrupp. We want to combine performance culture with entrepreneurial and social responsibility.

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

www.thyssenkrupp.com > Company > Corporate culture

Organizational and management structure

In the past fiscal year our business operations were organized in seven business areas, referred to as segments from the 4th quarter of the past fiscal year as part of the transformation process at thyssenkrupp: Automotive Technology, Industrial Components, Elevator Technology, Plant Technology, Marine Systems, Materials Services and Steel Europe. The administrative units of Corporate and the regions are presented as Corporate Headquarters. In addition the service units and special units (including the reinvestment in Elevator) have been combined with consolidation items and are presented separately in the reporting line “Reconciliation”. Details on this can be found under “Corporate Headquarters at thyssenkrupp AG” in the section “Report on the economic position”.

Following the signing of an agreement to sell the elevator business to a bidding consortium led by Advent International and Cinven in February 2020, Elevator Technology is reported as a “discontinued operation”. The closing of the transaction took place on July 31, 2020. Further details on how this is accounted for in the consolidated financial statements can be found in the section “Preliminary remarks” and in the Notes to the consolidated financial statements.

The segments are generally divided into business units and operating units. Marine Systems and the Bearings and Forged Technologies businesses combined in the Industrial Components segment are managed as business units directly by thyssenkrupp AG. As at September 30, 2020, 331 companies and 22 investments accounted for by the equity method are included in the consolidated financial statements; overall we consolidate companies from 60 countries.

60

Companies in 60 countries are included in the consolidated financial statements.

THYSSENKRUPP GROUP

Corporate headquarters

thyssenkrupp AG

Segments

Automotive Technology

Sales
€4,702 million
Adjusted EBIT
€(260) million

- Development and manufacture of high-tech components and systems for the auto industry
- Development of automated production systems for the auto industry (System Engineering)

Industrial Components

Sales
€2,099 million
Adjusted EBIT
€138 million

- Manufacture of forged components and system solutions for the resource, construction and mobility sectors (Forged Technologies) [1)]
- Manufacture of slewing rings, rolling bearings and seamless rolled rings for the wind energy and construction machinery sectors (Bearings) [1)]

Plant Technology

Sales
€2,897 million
Adjusted EBIT
€(235) million

- Construction of plants for the chemical, cement and mining industries

Elevator Technology[2)]

Sales
€6,546 million
Adjusted EBIT
€693 million

- Development, production, installation, servicing and modernization of passenger and freight elevators, escalators, moving walks, passenger boarding bridges, stair and platform lifts

Marine Systems[1)]

Sales
€1,750 million
Adjusted EBIT
€18 million

- System supplier for submarines and surface vessels, maritime electronics and security systems

Materials Services

Sales
€11,300 million
Adjusted EBIT
€(110) million

- Global materials distributor
- Customer-specific service business such as processing, warehousing and logistics services and supply chain solutions
- Production of stainless steel (AST)

Steel Europe

Sales
€7,269 million
Adjusted EBIT
€(946) million

- Production of carbon flat steel for the auto industry and other sectors

[1)] Managed separately by thyssenkrupp AG as a business unit
[2)] Discontinued operation

thyssenkrupp is undergoing a transformation – resolved in May 2019 and further concretized in May 2020 – into a high-performance "group of companies" with a lean management model and a clearly structured portfolio. The organizational structure is also to be adjusted step-by-step in line with increasing changes in the portfolio and the stronger focus on performance. The aim is to establish a streamlined, efficient headquarters, reduce complexity in particular in administration and above all decentralize operating management decisions. In the past fiscal year we already made progress in implementing the new organizational structure. The tasks and structures of the Corporate Functions, regions and service units have been adjusted. The Corporate Functions have been reduced and some tasks reallocated to the service units. The regional headquarters have been reduced to regional platforms performing statutory governance activities and providing services required by the operating businesses in the respective regions. Effective October 1, 2020 the service units were combined in two lean-structured companies, thyssenkrupp Services GmbH and thyssenkrupp Information Management GmbH, to provide cross-cutting services to the businesses and headquarters. The services offered by the service units have been consolidated to match them more closely to demand from our businesses.

More information can be found in the following section “Strategy”.

Responsibility for the strategic management of the group remains with thyssenkrupp AG. To allow management of the company in close consultation with the businesses, we established the Executive Committee as a new steering body at the beginning of the past fiscal year. Its members include the Executive Board of thyssenkrupp AG, the CEOs of the segments and the heads of some Corporate Functions. This enables decisions made by the Executive Board to be more closely oriented to markets and customers as well as technologies, products and business-specific developments.

Strategy

Strategic realignment

In May 2019 thyssenkrupp resolved to realign the company and further concretized its plans in May 2020. At the core of the new strategy is the transformation of thyssenkrupp into a high-performance “group of companies” with a lean management model and a clearly structured portfolio. There will be businesses whose potential thyssenkrupp will develop on its own or together with partners, and other businesses for which thyssenkrupp will primarily pursue development paths outside the group.

www.thyssenkrupp.com > Company > Strategy

In the transformation process we are continuing to focus on the three priority areas: Performance, Portfolio and Organization. The aim is to create the conditions to enable our businesses to perform as well as possible and achieve sustainable and leading market positions.

The aim is to enable the businesses to perform as well as possible.

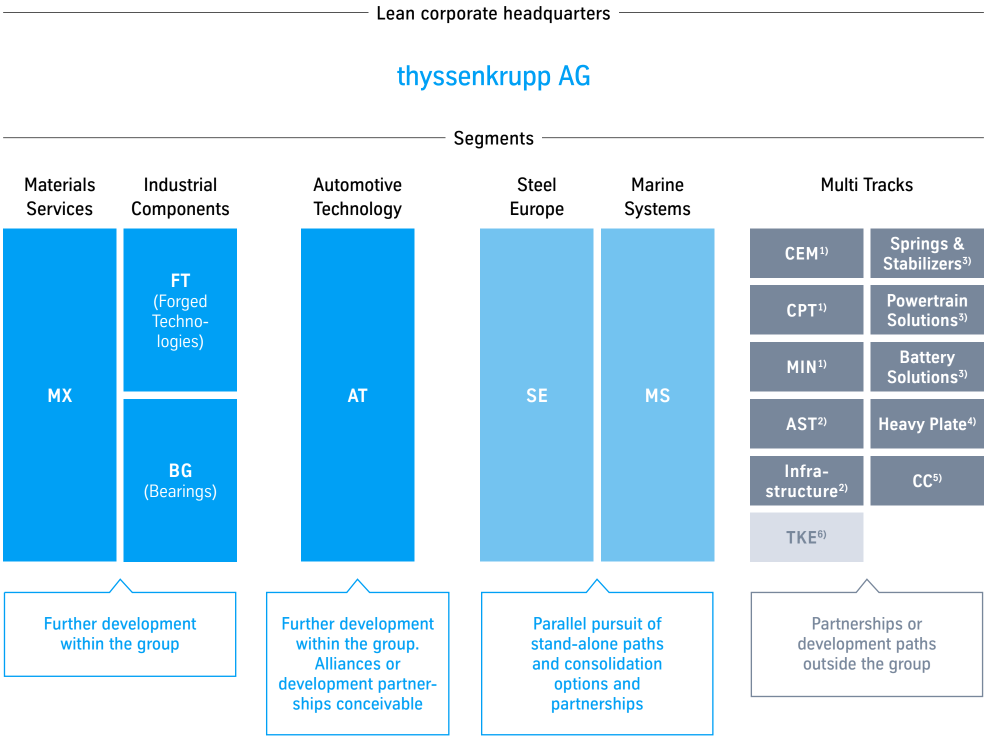
- Performance
  The overarching goal is to boost the performance and competitiveness of all our businesses. All businesses are expected to strive to be among the best in their respective sectors. Each unit has been set an individual profitability target, based on benchmark analysis. In addition all businesses must earn at least their cost of capital. All targets must be systematically backed with specific measures. The measures will be reviewed, adjusted where necessary and monitored in regular dialogue between the holding company and decentralized unit. The businesses’ management teams bear full responsibility for the results. Within the group, capital is allocated based on the anticipated value added.
  As part of Performance we will also be focusing more strongly on our performance culture throughout the group and pressing significantly harder to continuously enhance our competitiveness. This

will also involve reviewing our key performance indicators and the logic behind them as well as the associated compensation systems. More details can be found in the section "Employees".

- Portfolio

We have reviewed the individual development potential of each business for thyssenkrupp to determine which constellation would offer the units the best prospects for the future. Criteria included market attractiveness and the future value-adding potential we can leverage. Within the target portfolio ("Focus") we want to improve the profitability of the businesses ("Improve") and grow profitably again in the long term on this new basis of efficiency ("Scale"). The following portfolio decisions were taken: On the basis of their market position and competitive strength, thyssenkrupp continues to see good development potential for Materials Services and Industrial Components. thyssenkrupp will continue to develop these businesses on its own in the future. We will also keep the Automotive Technology business within the group. In line with the industry trend for collaboration, alliances and development partnerships are also conceivable on a selective basis. Given the specific market and industry situation at Steel Europe and Marine Systems, thyssenkrupp is pursuing performance improvement measures for a stand-alone development within the company while, at the same time, exploring possible partnerships and consolidation options. To take account of the specific market situation at Steel in particular and counter the effects of the coronavirus, we are currently working on adjustments to the implementation of the steel strategy 20-30, including further efforts to cut costs. Those businesses where for various reasons the company does not view itself alone as the best owner going forward will be managed separately. These units were combined in an independent "Multi Tracks" segment effective October 1, 2020 and will be subject to active investment management. They are: Plant Technology, the stainless steel plant (AST) in Terni, Italy, including the associated sales organization, Powertrain & Battery Solutions, Springs & Stabilizers, Infrastructure and Heavy Plate. In some of the units managed under Multi Tracks – including Powertrain & Battery Solutions and Springs & Stabilizers – restructuring measures have been initiated and are being implemented. The reinvestment in Elevator included under special units up to the end of fiscal year 2019 / 2020 and the Tech Center thyssenkrupp Carbon Components previously allocated to special services were also allocated to this segment effective October 1, 2020. We will report in the new structure beginning with the report on the 1st quarter of the new fiscal year 2020 / 2021.

TARGET SETUP – GROUP OF COMPANIES



[1] Business units from the former Plant Technology segment: Cement Technologies, Chemical & Process Technologies and Mining Technologies
[2] Transfer from Materials Services segment
[3] Transfer from Automotive Technology segment
[4] Transfer from Steel Europe segment
[5] thyssenkrupp Carbon Components
[6] Reinvestment TK Elevator

- Organization
  Our goal is to give the businesses the freedom to focus as much as possible on their customers and markets and thus offer a convincing price/performance ratio for their products and services. We want to strengthen an entrepreneurial climate that speeds up decision making, increases efficiency and puts the customer at the center of everything we do. That means more entrepreneurial freedom in the businesses but also more responsibility. In addition to managing performance, in the future and in the course of implementing the group's transformation process, Corporate Headquarters will increasingly concentrate in particular on governance, portfolio decisions and the allocation of investment funds. The group's organizational setup is to become leaner and more agile, which will also reduce costs. Overall this more efficient organization should allow the cost base to be reduced by up to €100 million. For the Corporate Headquarters, service units and regional platforms this means further streamlining and alignment with the structure and size of the group of companies on an ongoing basis. The Corporate Functions have now been streamlined from 15 to 10 and the number of jobs at the Corporate Headquarters has already been significantly reduced. The new setup for the service units was launched on October 1, 2020. More details can be found in the sections "Profile and Organization" and "Employees".

Management of the group

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

As part of the strategy process the Executive Board defines long-term targets, also for the businesses. These form the framework for the short and medium term financial targets and also for the budget and medium term plans which are prepared by all units.

THYSSENKRUPP – KEY PERFORMANCE INDICATORS

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

Adjusted EBIT

EBIT shows the profitability of a unit. It contains all elements of the income statement relating to operating performance. This also includes items of financial income/expense that can be characterized as operational, including income and expense from investments where there is a long-term intention to hold the assets. As part of the divestment of Elevator Technology, the thyssenkrupp group holds a reinvestment. This reinvestment has no strategic or operational connection with the continuing operations, so its earnings are by definition not attributable to items of financial earnings that can be characterized as operational and are consequently not included in EBIT. Adjusted EBIT is EBIT adjusted for special items, i.e. excluding disposal losses/gains from M & A (mergers & acquisitions) transactions, restructuring expenses, impairment charges/impairment reversals and other non-operating expenses and income. It is more suitable than EBIT for comparing operating performance over several periods.

The adjusted EBIT of the group and the segments and the special items are described in detail in the sections “Group review” and “Segment review” in the report on the economic position. Please also refer to the reconciliation in the segment reporting (Note 24).

tkVA

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

Capital Employed x WACC = cost of capital

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

FCF before M & A

FCF before M & A permits a liquidity-based assessment of performance in a period by measuring cash flows from operating activities excluding income and expenditures from material portfolio measures. It is measured as operating cash flow less cash flows from investing activities excluding cash inflows or outflows from material M & A transactions. This too links more directly to operating activities and facilitates comparability in multi-period analyses. With effect from fiscal year 2019 / 2020 the definition of FCF before M & A was changed with regard to the treatment of business transactions in accordance with IFRS 16. Lease transactions are recognized as a debt-financed purchase and the addition of the lease item is therefore stated as a cash item.

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

Definition change from 2020 / 2021

With effect from fiscal year 2020 / 2021 the definition of adjusted EBIT has been changed. The definition of special items has been narrowed to bring it more closely into line with treatment under IFRS. In the future restructuring expenses, impairment charges and disposal gains/losses are to be adjusted.

Targets

Financial targets

Under the strategic realignment we aim to develop thyssenkrupp into a high-performing “Group of Companies” with independent businesses, competitive profitability and cash flow generation and a lean holding company.

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

To this end, we strive to increase the performance of all our businesses through systematic performance management. We want the businesses to be among the best in their respective sectors in terms of performance and accordingly generate positive earnings and cash flow contributions for the group. We aim to increase profitability at least to competitive levels or above the cost of capital and grow on this new efficiency basis. Capital is to be allocated within the group on the basis of expected value added. All targets are to be consistently backed up by concrete action plans. The management teams of the businesses bear full entrepreneurial and P&L responsibility. This is also reflected in the compensation systems of the management teams of our businesses.

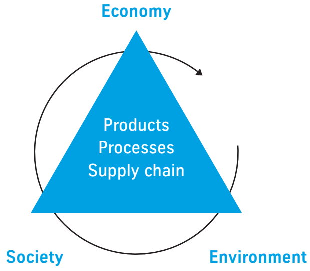
Against the background of the uncertain development of the economic environment – especially in the short term – as well as the realization dates of our major portfolio measures, we cannot yet reliably specify values and timing for achieving these goals.

More information on our key performance indicators can be found in this section under “Management of the group”; more information on the strategic realignment can be found in this section under “Strategy”; details on the forecast for the current fiscal year are provided in the forecast report.

Sustainability and Indirect Financial Targets

Sustainability is a core component of our corporate strategy. Strategic sustainability management is coordinated by the Technology, Innovation & Sustainability department. Together with other departments and the segments it continuously identifies the requirements of our stakeholders and develops corresponding targets and measures to improve our performance. Sustainability activities at thyssenkrupp are managed by the Sustainability Committee. It consists of the thyssenkrupp Executive Board, the CEOs of the segments, and the heads of various corporate functions, and decides on measures and on our Indirect Financial Targets (IFTs). Implementation is the responsibility of the corporate functions and the segments, who report regularly on progress.

Our understanding of sustainability



Indirect Financial Targets for continuous improvement

The Sustainability Committee has set Indirect Financial Targets in the areas of technology and innovations, environment, climate, energy, purchasing and people. For fiscal year 2019 / 2020 target achievement affects the amount of the one-year variable compensation (Short-Term Incentive) of the thyssenkrupp Executive Board and the segment boards via the so-called sustainability multiplier (for more details see the compensation report). The IFTs for the establishment of environmental and energy management systems were achieved. The target for energy efficiency was exceeded. R&D intensity is comparatively higher due to the sale of Elevator Technology, the decline in sales, and impairment losses. The proportion of women in leadership positions was increased continuously, but the target was missed by 3.8% points. The number of sustainability audits carried out was below the planned target mainly due to the effects of the coronavirus pandemic. The accident frequency rate, based on the adjusted prior-year figure of 3.0 related to the continuing operations, improved slightly.

OVERVIEW OF INDIRECT FINANCIAL TARGETS

Group		Sept. 30, 2019	Sept. 30, 2020	Change	Section
Annual energy efficiency gains of 150 GWh in 2019 / 2020	GWh	316	215	—	Climate, energy, environment
100% of relevant activities covered by ISO 50001 energy management system by 2019 / 2020	%	100	100	+ 0% pts	Climate, energy, environment
100% of relevant activities covered by ISO 14001 environmental management system by 2019 / 2020	%	93	100	+ 7% pts	Climate, energy, environment
Sustainable adjusted R&D intensity of around 2.5%	%	3.10	4.0	—	Technology and Innovation
15% share of women in leadership positions by 2019 / 2020	%	12.5	11.2	-1.3% pts	Employees
2.0 accidents per million hours worked by 2020 / 2021 and improvement of at least 10% a year	Accidents per million hours worked	3.0	2.9	-3%	Employees
100 supplier sustainability audits each year	#	123	86	-30%	Purchasing

[1] Original target agreement at group level including Elevator Technology
[2] On a comparable basis w/o Elevator Technology

For the coming reporting year we are aiming for energy efficiency gains of at least 80 GWh. The IFTs for R&D intensity and accident frequency have been adjusted due to the sale of Elevator Technology; the target for R&D intensity will be around 3.0% on a sustainable basis in the future, while accident frequency is to be improved by 0.1 to 2.8 in fiscal 2020 / 2021. We have a new target for increasing the number of women in leadership positions: 16% women in leadership positions throughout the thyssenkrupp group by fiscal year 2024 / 2025. Sustainability audits will remain a key focus in the coming reporting year and a new target of at least 60 audits has been set.

From fiscal year 2020 / 2021 the compensation-relevant consideration of sustainability activities at thyssenkrupp is to be gradually integrated into the long-term compensation of the Executive Board via the IFTs.

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

www.thyssenkrupp.com > Company > Sustainability

Report on the economic position

Macro and sector environment

Coronavirus pandemic plunges global economy into historic recession in 2020

In 2020 to date the world economy has been dominated by the coronavirus pandemic. The implementation of far-reaching measures to contain the pandemic almost everywhere in the world massively impacted the global economy. Production activity was cut back massively, with the result that the global economy slid into a deep recession in 2020. However, thanks to extensive monetary and fiscal measures to cushion the impact of the pandemic production activity recovered and consumer and business confidence slowly returned. The overall continuous improvement in the sentiment indicators from May and increasing economic activity led to an end of the recession in the 3rd quarter of 2020. However, with infection rates now rising steeply again and tighter restrictions coming back into force in many countries and regions, the recovery will likely be slow and may be subject to setbacks.

–4.9%

Global economy expected to contract by 4.9% in 2020 and grow by 4.6% in 2021.

After increasing by 2.7% in 2019, global GDP is expected to fall sharply by 4.9% in 2020. Depending on the progression of the pandemic, global output in 2021 could increase by 4.6%. The slump in 2020 will be particularly severe in the industrialized nations, with a 6.1% decline forecast; a return to growth of 3.6% is currently expected for 2021. In the emerging markets economic output is expected to decrease year-on-year by 4.0% in 2020; with the start of a recovery, growth of 5.4% could be achieved in 2021.

However, the forecasts for global economic growth are marked by extreme uncertainty over the progression of the coronavirus pandemic and possible further lockdown measures. Numerous geopolitical imponderables also exist: It is still uncertain whether the trade conflicts will be resolved after the decision in the US presidential election and how the numerous global flashpoints will develop. A sharper slowdown in China in the medium term could also have a dampening effect. On top of this in Europe there is continuing uncertainty– in view of the tough negotiations between the EU and the British government – concerning the modalities of Brexit. There are also risks in the financial area in general due to mushrooming debt in recent years in numerous industrialized countries and also many emerging economies. This situation could be exacerbated through the numerous government support measures to mitigate the consequences of the pandemic. On top of this there are risks from possible shortages of capital even at large companies as well as from volatile material and commodity prices and exchange rates.

Economic output in the euro zone declined sharply as a result of the coronavirus pandemic and the containment measures. GDP shrank quarter-on-quarter by almost 12% in the 2nd quarter after a 3.7% drop in the 1st quarter. Alongside weaker investment activity, major consumer spending restraint had a negative impact. With imports and exports of goods and services also lower, there was a net trade deficit. The easing of measures to contain the pandemic and the global trade recovery led to strong growth in the European economy in the 3rd quarter of 2020, but this is expected to weaken significantly in the final quarter due to the reintroduction of lockdown measures. Overall, economic output in the euro zone will slump by 8.6% in 2020. For the coming year an increase of 4.4% is expected.

Slump in GDP due to lockdown measures in 2020

As a result of the pandemic and the measures to combat it, Germany plunged into its deepest recession of the post-war period. In the 2nd quarter, which was particularly hit by the lockdown, economic output slumped by almost 10% year-on-year after a 2% decrease in the 1st quarter. In the 3rd quarter of 2020 the German economy passed the low point. Leading indicators as well as order and production data were positive again in many cases. However, the reintroduced lockdown measures will likely result in noticeably weaker economic activity in the last quarter of the year. Overall economic output is expected to fall by 5.5% in 2020. With greater global economic momentum, we expect a growth rate of almost 4% for Germany in 2021.

Economic output in the USA plummeted 9.1% quarter-on-quarter in the 2nd quarter of 2020, after a 1.3% decrease in the 1st quarter. The coronavirus pandemic and the containment measures led in particular to a massive fall in consumer and business spending. As the US economy slowly recovers – in the 3rd quarter economic output expanded by 8.3% against the previous quarter – the high unemployment level should come down at least gradually and stabilize consumer spending. Business spending should likewise increase step by step. Overall, the US economy is expected to shrink by 4% in 2020 and grow by 3.5% in 2021.

China recovered quite quickly in the 2nd and 3rd quarters of 2020 from the pandemic containment measures and attendant economic slump. GDP increased by 11.5% and 2.7% respectively quarter-on-quarter, after a 9.8% decline in the 1st quarter. The biggest contribution to growth came from industry, while exports and domestic consumption remained below their pre-crisis levels. With increasing economic activity and an improvement in sentiment, GDP growth of 2% is expected for 2020, rising to 7.1% next year.

GDP in India shrank by around 29% quarter-on-quarter in the 2nd quarter of 2020, which means the country suffered the most severe slump of all the major economies. With the exception of agriculture, all areas of the economy shrank. However, after the easing of the lockdown the economy has been recovering since May. Mainly due to the weak 2nd quarter, India's economy will contract by 10.8% in 2020. While 2021 should see strong economic growth of 9.2%, a return to the pre-crisis growth rate will not quite be achieved.

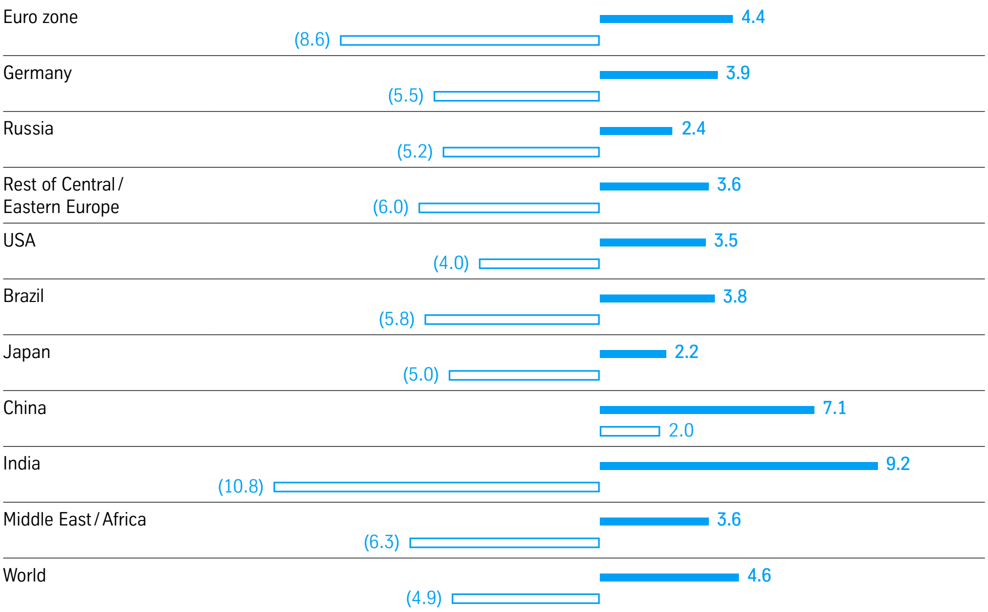
Brazil's economy was hit hard by the coronavirus pandemic. GDP dropped 2% quarter-on-quarter in the 2nd quarter, following a 2.5% decline in the 1st quarter. After a drastic downturn in the 1st half of the year, there are now signs of a clear recovery: for example, the manufacturing purchasing managers index is now clearly pointing to expansion. The upturn is attributable above all to the government's financial assistance for private households. Overall we expect the economy to contract by 5.8% this year and to recover and grow by 3.8% next year.

Russia's GDP fell 9.5% quarter-on-quarter in the 2nd quarter of 2020. In addition to the decline in production as a result of the pandemic, lower oil prices on the world market impacted Russia's export revenues. Furthermore, the spread of the pandemic with continued high infection rates will likely continue to weigh on consumer and investor confidence. Overall the Russian economy is expected to shrink by 5.2% this year and recover slightly in 2021 with growth of 2.4%.

GROSS DOMESTIC PRODUCT

Real change compared with previous year in %

□ 2020[1] ■ 2021[1]



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

Industrial activity impacted by slump in investment

Automotive – In 2019 global automotive production was down year-on-year for the second year in succession, mainly due to continued weak sales in the world's biggest auto market, China. Initially 2020 was expected to see a further slight decrease, but due to the coronavirus pandemic this will now reach double figures. Trade constraints during the general lockdown, economic uncertainties on the demand side and weeks of production stoppages set limits to output in 2020 – which is expected to be around 17% down from the prior year. While a clear recovery is anticipated for 2021 with a good 13% growth, a return to pre-crisis levels is not expected before 2023.

71.4 m

Global production of cars and trucks expected to be 71.4 million units in 2020.

The world's biggest auto market, China, had already been in decline since the second half of 2018. The outbreak of the pandemic at the beginning of 2020 was met immediately with strict lockdown measures and temporary plant closures. Thanks to this resolute course of action, the automotive plants were able to start production again from February; on the demand side positive signs were already emerging in April in the form of year-on-year growth. Nevertheless production in 2020 will likely be down 7% from 2019. For 2021 year-on-year growth of 6% is currently forecast.

The western European market was hit by the pandemic slightly later than China. Plant closures and lockdowns mainly affected the months of March, April and May. But even after dealers reopened, demand was initially weaker than before the coronavirus pandemic. As a result, output in 2020 is expected to fall sharply, by around a quarter. Growth of 21% from this significantly reduced market level is forecast for 2021. There are no signs yet of a return to the – already reduced – level of 2019. Also to be taken into consideration are trade conflicts and uncertainties that have been overshadowed slightly by the pandemic, such as the consequences of Brexit. After two successive year-on-year declines of 8%, German domestic production is expected to shrink by a further 24% to around 3.7 million cars and light trucks in 2020. Alongside the temporary stoppages and resultant drop in domestic production, this also reflects lower sales in key export markets such as the United Kingdom, USA, China, Italy and Spain. A recovery in domestic production is expected for 2021, with growth of 24% to almost 4.5 million units.

In North America auto production in 2019 shrank by almost 4% year-on-year. Due to the rapid spread of the pandemic, which led to temporary plant closures, a drop in output by around 20% to around 13.0 million cars and light trucks is expected for 2020. In 2021, a recovery is expected which could boost production by around 22% to a total of 15.9 million units.

After strong growth in prior years, auto production in India dropped by more than 11% in 2019. Due not least to a temporary nationwide lockdown, India experienced its weakest half-year sales since 2007 in the first half of 2020. Overall vehicle output in India will decrease by around 28% to almost 3.0 million units this year – below the 2010 production level. For 2021 growth of around 26% to almost 3.7 million units is expected, roughly the level of 2012.

After bottoming out in 2016, auto production in Brazil had begun to recover and increase continuously. 2019 saw small year-on-year increase in output despite a marked decline in sales in Argentina, one of the main export destinations for Brazil's production. As a result of the coronavirus pandemic, production in 2020 could drop to its lowest level since 2003. However, almost 28 percent growth is forecast for 2021, which would bring production to around 89% of its 2019 level.

IMPORTANT SALES MARKETS

	2019	2020[1]	2021[1]
Vehicle production, million cars and light trucks[2]			
World	86.4	71.4	81.0
Western Europe (incl. Germany)	13.3	10.0	12.0
Germany	4.8	3.7	4.5
North America (USA, Mexico, Canada)	16.3	13.0	15.9
USA	10.6	8.6	10.9
Mexico	3.8	3.0	3.4
Japan	9.2	7.7	8.1
China	24.4	22.6	23.9
India	4.1	3.0	3.7
Brazil	2.7	1.9	2.4
Machinery production, real, in % versus prior year			
World	(0.1)	(7.0)	6.2
Europe	(0.8)	(12.4)	10.0
Germany	(2.8)	(17.0)	2.0
USA	0.2	(10.6)	3.5
Japan	(7.0)	(10.4)	4.4
China	5.3	3.0	4.3
Construction output, real, in % versus prior year			
Euro zone	3.2	(9.1)	8.3
Germany	3.4	2.0	3.3
USA	0.0	(2.7)	4.4
China	5.7	3.2	11.0
India	3.4	(11.0)	11.8
Demand for steel, in % versus prior year			
World	3.5	(2.4)	4.1
Germany	(11.6)	(15.3)	13.4
EU28	(5.5)	(15.2)	11.0
USA	(2.1)	(15.8)	6.6
China	8.5	8.0	0.0

[1] Forecast (September/October 2020)
[2] Passenger cars and light commercial vehicles up to 6t (completely built up vehicles only; without so-called CKD units)
Sources: IHS Markit, Oxford Economics, wordsteel, national associations, own estimates

Global machinery production will fall sharply in 2020.

Machinery – Global machinery production will fall sharply by around 7% year-on-year in 2020, mainly due to the slump in capital investment resulting from the lockdown measures in response to the coronavirus pandemic. A positive growth rate of around 6% is expected at the earliest next year in connection with a hoped-for global economic recovery. In China the growth rate in 2020 will be down from the year before at around 3%, before increasing slightly to a good 4% in 2021. After an already weak prior year, the US machinery sector is expected to report a clear fall in production of almost 11%, mainly due to a slowdown in capital spending. For 2021 we anticipate growth of 3.5%. European machinery production will fall sharply by around 12% this year; in 2021 a clear recovery is expected with growth of around 10%.

In the year to September 2020 German machinery manufacturers recorded a price-adjusted 15% decline in orders compared with the prior year, with domestic orders down by 9% and exports down by 18%. However, the low point in orders now seems to have been overcome, with the rates of decline now lower than in previous months. The slightly improved growth in the sector is also reflected in capacity utilization, which increased slightly from 76.1% in July to 78.8% in October. Output up to August 2020 was down by around 15% against the corresponding prior-year period. In view of the high economic risks the outlook for business and in particular exports is marked by major uncertainty. For this reason the growth forecast for German machinery production for 2020 has been revised sharply downwards. The global economic slump resulting from the pandemic, extensive trade difficulties, geopolitical dislocations, and the radical structural change in the auto industry are holding back investment worldwide. Output in Germany is therefore expected to be 17% down from the prior year this year. A slight recovery in the region of 2% is expected for 2021.

Construction – The effects of the coronavirus pandemic are also being felt by the international construction sector, though the declines in output are likely to be less severe than in many other sectors. This is because public-sector investment plans will not have changed significantly as a result of the coronavirus pandemic and in many places housing construction continues to provide support. Construction output in the euro zone will decrease by a good 9% this year, with countries hit particularly hard by the pandemic such as France and Spain reporting high double-digit rates of decline. By contrast the coronavirus pandemic will have only a relatively minor impact on construction activity in Germany in 2020. Output is expected to increase at least slightly by 2% this year. Looking further ahead, a recovery of the construction sector in the euro zone can be expected as the fundamental drivers remain intact; demand for housing and office space remains high and public-sector investment projects are expected to be realized to a large extent.

–9.1%

Construction activity expected to decrease by 9.1% in 2020.

Due to production losses, growth in the construction sector in China is expected to be only 3.2% in 2020, before rising strongly to 11% in 2021. Construction activity in the US will be 2.7% lower this year than the year before. However, building permits and building starts in particular are now showing clear signs of recovery. Overall US construction output is expected to grow by almost 4.5% next year.

Steel – The international steel industry was also severely impacted by the coronavirus pandemic in 2020: production stoppages, supply chain interruptions, and widespread demand losses massively affected the performance of the steel markets. For the full year global steel demand is expected to fall by around 2% to 1.7 billion tons of finished steel. The early economic recovery in China – supported by state investment in infrastructure projects – from the end of February had a stabilizing effect. For the full-year 2020, growth of 8% is forecast for the Chinese steel market. Without China, global steel demand is expected to contract by around 13%. In the Asian markets other than China, only Vietnam will report a slight increase. In the NAFTA countries, too, a 15% drop is expected, with the US steel market reacting to the coronavirus pandemic with a downturn of 16%. After recording significant losses of 15% in both 2018 and 2019 as a result of the economic and currency crisis, Turkey's steel market is expected to show overall growth of 10% in 2020. Steel demand in the EU was already down by 6% in 2019. The fall in production in the auto industry and weaknesses in the machinery sector were offset only by robust construction activity. However, this too weakened at the end of 2019 so the steel market in the EU started the new year with a negative trend, which was then further accelerated by the coronavirus pandemic. As a result EU steel demand is expected to decrease by around 15% in 2020. Already impacted by Brexit, the UK will suffer an even steeper decline (20%). In Germany, too, demand will decrease significantly by 15%. Structural overcapacities worldwide and resultant dislocations in international steel trade flows, as well as extremely volatile raw materials markets and ongoing political uncertainties continue to dominate, creating a high risk for meeting the challenges resulting from the coronavirus pandemic.

At the start of 2020 the EU carbon flat steel market was already showing weaknesses compared with the start of 2019. In the wake of the lockdown measures during the coronavirus pandemic, the market then collapsed by around 40% at one stage. Overall flat steel demand in the first eight months of 2020 was around 17% lower than in the same period the year before. Various leading indicators point to a cautious recovery in the last quarter of 2020, but a return to pre-crisis levels is thought extremely unlikely. While the automotive industry and its suppliers, major drivers of flat steel demand, have been reporting initial upward movements since the summer months, the German automotive association VDA expects continued declines in the second half of 2020, which will improve only very slowly against the prior-year period. This poses particular challenges for the European steel industry as it temporarily closed plants and drastically cut back production from the spring. While imports of carbon steel to the EU from third countries were down year-on-year on average in the first nine months of the reporting year, they were relatively constant in April and May in particular and therefore at a level too high for the recessionary market conditions in these months; at one point their market share rose to around 25%. The EU Commission imposed definitive safeguard measures as of February 2019; they included import quotas and were intended to protect the EU market against increasing imports. The background is that protectionism has increased worldwide and the EU Commission feared that international trade flows could be diverted into the free EU market. While these import quotas were raised twice – at July 1, 2019 and July 1, 2020 – by 3% in each case, in the meantime flat steel imports decreased slightly, so the measures increasingly lost their planned safeguarding effect. After the second review of the safeguard measures the annual quotas for major export countries were therefore broken down into quarterly quotas effective July 1, 2020; this could reduce the volatility of imports, which had previously increased as a result of the measures.

Against the background of higher demand at the end of 2019 – particularly due to restocking – spot market prices on the European flat steel market increased in the 1st quarter of 2020. The market slump due to the coronavirus pandemic then caused prices to plummet from April. At the end of the reporting year – with demand picking up again with the easing of lockdown measures but European production lines not yet fully back in operation – flat steel prices seem to have bottomed out. The upward price trend in many non-European markets is also having a supporting effect.

From a low level in 2020, global steel demand is expected to grow by around 4% in 2021. However this positive outlook is clouded by high uncertainty concerning the further progression of the pandemic. In addition, global overcapacities and protectionism remain a major risk factor. After the robust upswing in 2020 we expect the Chinese steel market to stabilize at the level reached. We expect steel demand in the EU to climb around 11%. Germany will contribute an increase of 13%, while demand in Italy could grow by as much as 16%. Demand in the NAFTA region is forecast to rise by around 7%.

Summarized assessment by the Executive Board

Sale of elevator business strengthens balance sheet in uncertain economic climate created by pandemic

In July the sale of the elevator business to a bidding consortium led by Advent International and Cinven was successfully closed, marking a further important milestone in the transformation of the group. The sale facilitates the strategic realignment concretized in May to create a powerful group of companies with independent businesses, competitive profitability and cash flow generation, and a lean holding company. More information on this is provided under “Strategy” in the section “Fundamental information about the group”.

Pandemic-related sales slumps and resultant underutilization weighed on adjusted EBIT.

In the reporting year operating performance was significantly weaker than expected despite extensive measures to reduce costs and safeguard our businesses, including short-time working. With volatility already prevalent in the materials and automotive components businesses, the impacts of the coronavirus pandemic on demand and capacity utilization additionally weighed on adjusted EBIT. Added to this were the structural challenges in the steel sector. As a result of the sharp slump in shipments and persistent cost pressure, Steel Europe’s adjusted EBIT slid deep into loss-making territory and was largely responsible for the negative earnings of the group. In this environment Materials Services’ adjusted EBIT was likewise negative: falling market prices and very weak demand particularly from March outweighed strong growth in plastics and positive effects from commodity and currency hedges. In the automotive components business, gains from the ramp-up of new projects and plants were overshadowed by demand losses combined with production and plant shutdowns worldwide. In addition earnings were severely impacted by the revaluation of orders for automotive production lines as well as allocations to order-related provisions and impairment losses on operating assets, with the result that Automotive Technology reported strongly negative adjusted EBIT overall. Industrial Components achieved significant volume and structure-related gains in bearings, but these were tempered by lower volumes in forgings, also due to cyclical reasons. At Plant Technology adjusted EBIT remained negative. Delayed progress on projects and postponed contract awards were only partly compensated by sales increases in chemical plant construction, robust service business, and proceeds from the sale of a building. Marine Systems was able to increase its adjusted EBIT despite continued low margins on projects in progress. Corporate Headquarters achieved a further significant reduction in costs, mainly due to lower personnel expenses in the corporate functions and lower IT costs, underlining our target of creating a lean holding structure. Primarily as a result of higher costs in connection with the carve-out as well as negative pandemic effects, earnings of the discontinued elevator operations declined, above all in Europe and at Access Solutions.

At €9.6 billion, the group's net income was significantly positive, after a net loss of €260 million a year earlier. The gains from the sale of the elevator business more than compensated particularly for the operating performance described above, impairment losses on goodwill and noncurrent assets particularly at Automotive and Steel Europe, and expenses for restructurings necessary for future improvements to the segments.

Cash inflow from elevator transaction significantly improves balance sheet ratios.

At the same time the cash inflow from the transaction resulted in net financial assets of €5.1 billion and a significant increase in equity to €10.2 billion (prior year: €2.2 billion). Accordingly, the group's balance sheet ratios improved significantly.

Part of the proceeds from the elevator transaction will be used selectively to develop businesses where attractive target returns can be achieved. Some of the funds can also be used for necessary restructuring measures. However, in view of the uncertain economic situation caused by the pandemic, management will continue to retain the greatest possible flexibility in the precise allocation of funds.

Free cash flow before M & A for the full year at €(4.8) billion was down sharply from the prior year (prior year: €(1.1) billion). As well as operating performance, the normalization of net working capital of up to €3.0 billion – towards increased transparency and continuous optimization – as well as the fine payment weighed heavily on the key performance indicator.

With cash and cash equivalents and undrawn committed credit lines totaling €13.2 billion (September 30, 2020), thyssenkrupp has a very good liquidity position.

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

Key figures for the group versus the prior year are shown in the following table:

THYSSENKRUPP IN FIGURES

		Full group				Group – continuing operations[1]			
		Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change	in %	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change	in %
Order intake	million €	41,994	34,891	(7,103)	(17)	33,825	28,150	(5,675)	(17)
Net sales	million €	41,996	35,443	(6,553)	(16)	34,036	28,899	(5,137)	(15)
EBIT[2]	million €	272	10,475	10,203	++	(511)	(5,255)	(4,744)	--
EBIT margin	%	0.6	29.6	28.9	++	(1.5)	(18.2)	(16.7)	--
Adjusted EBIT[2]	million €	802	(860)	(1,661)	--	(110)	(1,633)	(1,523)	--
Adjusted EBIT margin	%	1.9	(2.4)	(4.3)	--	(0.3)	(5.7)	(5.3)	--
Income/(loss) before tax	million €	(83)	10,112	10,195	++	(855)	(5,593)	(4,739)	--
Net income/(loss) or earnings after tax	million €	(260)	9,592	9,852	++	(1,110)	(5,541)	(4,431)	--
attributable to thyssenkrupp AG's shareholders	million €	(304)	9,585	9,888	++	(1,153)	(5,547)	(4,394)	--
Earnings per share (EPS)	€	(0.49)	15.40	15.88	++	(1.85)	(8.91)	(7.06)	--
Operating cash flows	million €	72	(3,326)	(3,398)	--	(664)	(4,224)	(3,560)	--
Cash flow for investments	million €	(1,443)	(2,352)	(909)	(63)	(1,210)	(2,188)	(977)	(81)
Cash flow from divestments	million €	108	14,766	14,658	++	101	14,783	14,681	++
Free cash flow[3]	million €	(1,263)	9,088	10,351	++	(1,773)	8,371	10,114	++
Free cash flow before M & A[3]	million €	(1,140)	(4,835)	(3,695)	--	(1,756)	(5,515)	(3,759)	--
Net financial debt (assets) (Sept. 30)	million €	3,703	(5,053)	(8,756)	--				
Total equity (Sept. 30)	million €	2,220	10,174	7,954	358				
Gearing (Sept. 30)	%	166.8	—[4]	—	—				
ROCE	%	1.6	59.8	58.1	++				
thyssenkrupp Value Added	million €	(1,068)	9,073	10,141	++				
Dividend per share	€	—	—	—	—				
Dividend payout	million €	—	—	—	—				
Employees (Sept. 30)		162,372	103,598	(58,774)	(36)				

[1] See preliminary remarks.
[2] See reconciliation in segment reporting (Note 24).
[3] See reconciliation in the analysis of the statement of cash flows.
[4] Due to the strongly positive total equity and reported net financial assets, the significance of the gearing key ratio is of no relevance.

Forecast-actual comparison

The economic effects of the global coronavirus pandemic had a major impact on our key performance indicators.

In an economic environment dominated by the coronavirus pandemic, our key performance indicators adjusted EBIT and free cash flow before M & A (FCF before M & A) fell well below expectations. However, as a result of the elevator transaction, thyssenkrupp Value Added (tkVA) exceeded our expectations.

Our forecast for adjusted EBIT formulated at the beginning of the fiscal year was not met. The global spread of the coronavirus pandemic led to temporary plant shutdowns at our customers in China from the 2nd quarter of the fiscal year and virtually worldwide from mid-March. It also caused severe disruptions to economic and public life, the impact of which on our businesses, particularly in materials and automotive components, was not at first fully foreseeable. For this reason thyssenkrupp issued an ad hoc statement on March 23, 2020, withdrawing its original forecast for the 2019 / 2020 fiscal year. Against the background of the economic research institutes' increasingly firm expectations of an economic downturn, forecasts for the development of our key performance indicators were subject to major uncertainty. For this reason we made only indicative statements in our report on the 1st half based on the assumption of sharply declining adjusted EBIT for the continuing operations. This forecast also took into account the changed presentation of Elevator Technology as a discontinued operation.

With the publication of the 9-month report we issued a concretized forecast for adjusted EBIT from continuing operations of a loss of between €1.7 billion and €1,9 billion, depending on the speed at which production was restarted by our customers, and this was ultimately slightly exceeded with a loss of €1.6 billion. The significant year-on-year decrease in earnings was mainly pandemic-related and was strongly influenced in particular by the high loss at Steel Europe, which was additionally impacted by internal structural disadvantages and in the steel industry in general. Until the closing of the elevator transaction on July 31, 2020, the discontinued operations made a clearly positive contribution to the group's adjusted EBIT.

The target for FCF before M & A set at the start of the fiscal year was withdrawn with the ad hoc statement in March and revised in the report on the 1st half. In addition to operating performance, which was weaker than expected mainly due to the pandemic, this reflects the classification of Elevator Technology as a discontinued operation. With the 9-month report the forecast for FCF before M & A of the continuing operations was concretized at between €(5.0) billion and €(6.0) billion. This included the normalization of net working capital towards further continuous optimization, which had an impact of up to €3.0 billion. At €(5.5) billion, free cash flow before M & A at the end of the fiscal year was in line with our expectations.

On account of the effects described above, with the ad hoc statement we also withdrew the tkVA target set and communicated at the start of the year. The forecast was revised in the 1st half report, also to reflect the elevator transaction, and was ultimately achieved. Overall, tkVA increased significantly year-on-year and reached a positive figure at €9.1 billion.

The performance of the group's tkVA was significantly positive on account of the cash inflow from the elevator transaction.

More information on the factors that influenced the development of earnings is contained in the sections "Group review" and "Segment review".

The following chart contains details on the forecasts, updated in each case on publication of the interim reports on the 1st half and the first 9 months of the reporting year, and the actual results in 2019 / 2020:

FORECAST AND ACTUAL RESULTS FOR FISCAL YEAR 2019 / 2020[1)]

	Forecast in annual report 2018 / 2019	Update in interim report 1st half 2019 / 2020	Update in interim report 9 months 2019 / 2020	Actual fiscal year 2019 / 2020
Sales (group)	**Growth in low single-digit percentage range**	-	-	-
Sales (continuing operations)	-	**Significant decline as a result of pandemic-related drops in demand**		**-15%; on comparable basis: -15%**
Automotive Technology	Growth in mid single-digit percentage range	Significant decline		-13%; on comparable basis: -13%
Industrial Components	Moderate decline	Significant decline		-17%; on comparable basis: -16%
Elevator Technology	Adjusted for currency translation, increase in low to mid single-digit percentage range	-	-	-18%; on comparable basis: +1%
Plant Technology	Clear recovery depending on order intake	**Lower sales**		-2%; on comparable basis: 0%
Marine Systems	Stable			-3%; on comparable basis: -3%
Materials Services	-	Significantly below prior year		–19%; on comparable basis: –18%
Steel Europe	-	**Significantly below prior year**		–20%; on comparable basis: –20%
Adjusted EBIT (group)	**At prior-year level**	-	-	-
Adjusted EBIT (continuing operations)	-	**Strongly negative due to significant fall in sales and resultant underutilization of capacities**	**€(1.7) billion to €(1.9) billion**	**Year-on-year decline by €1,523 million to €(1,633) million**
Automotive Technology	Improvement to a positive figure from higher sales and return to positive margin	Clearly negative		Decline by €238 million to €(260) million
Industrial Components	Moderate decline	Positive but significantly lower than prior year		Decline by €92 million to €138 million
Elevator Technology	Generally higher, but at least stable margin incl. costs for carve-out	Significantly positive contribution until closing of Elevator transaction		Positive contribution of €693 million
Plant Technology	Clear improvement but still negative	Declining		Decline by €94 million to €(235) million
Marine Systems	Slightly positive			Improvement by €17 million to €18 million
Materials Services	Largely stable	Clearly negative		Decline by €217 million auf €(110) million
Steel Europe	Negative	**Significantly negative**	Loss of up to a good €1 billion	Decline by €977 million to €(946) million
Corporate Headquarters	At prior-year level			Improvement by €42 million to €(210) million
Net loss (group)	**Significantly higher**	-	-	-
Income after taxes (continuing operations)	-	**Loss with significant year-on-year decline**	-	**Decline by €4,431 million to €(5,541) million**
Investments (group)	**Higher year-on-year**	-	-	-
Investments (continuing operations)	-	**Around €1.4 billion**	-	**Increase by €977 million to €2,188 million**
FCF before M & A (group)	**Lower year-on-year**	-	-	-
FCF before M & A (continuing operations)	-	**Significantly lower year-on-year**	**€(5.0) billion to €(6.0) billion**	**Decline by €3,759 million to €(5,515) million**
tkVA (group)	**Lower year-on-year**	**Significantly positive**		**Improvement by €10,141 million to €9,073 million**

1) See also preliminary remarks

Group review

Course of business

The effects of the coronavirus pandemic as well as structural challenges in the steel business shaped developments in the past fiscal year.

ORDER INTAKE

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %	Change on a comparable basis[1] in %
Automotive Technology[2]	5,251	4,610	(12)	(12)
Industrial Components[2]	2,636	2,095	(21)	(19)
Elevator Technology	8,171	6,739	(18)	0
Plant Technology[2]	2,844	1,670	(41)	(40)
Marine Systems	2,192	2,227	2	21
Materials Services	13,868	11,386	(18)	(18)
Steel Europe	8,784	7,325	(17)	(17)
Corporate Headquarters[2]	5	4	(21)	(21)
Reconciliation[2]	(1,758)	(1,165)	—	—
Full group	**41,994**	**34,891**	**(17)**	**(12)**
Discontinued elevator operations[2]	8,169	6,741	(17)	0
Group continuing operations[2]	**33,825**	**28,150**	**(17)**	**(15)**

[1] Excluding material currency and portfolio effects.
[2] See preliminary remarks.

Order intake of the continuing operations and the group down significantly

Demand slumps due to coronavirus pandemic impact order intake.

At Automotive Technology demand was impacted in particular by pandemic-related worldwide plant shutdowns by our largest customers, with the result that order intake was significantly lower than in the prior year. The Steering business proved robust and countered the trend with the ramp-up of new projects and plants. At the end of the 3rd quarter automobile production was running again in many countries, and the 4th quarter also saw a significant increase compared with the prior quarter. Compared with the 4th quarter of the prior year, however, demand was down. Despite the continued good order situation for bearings, particularly for the wind energy sector in China, Industrial Components was unable to match its prior-year order intake. This was due to weaker demand in the forgings business as a result of the pandemic and a cyclical downturn. At Plant Technology restraint in the award of major projects led to a significant drop in order intake from the prior year, which benefited from two major orders in the fertilizer and mining sectors. Chemical plant construction recorded rising interest in electrolysis plants and equipment, while Mining won smaller orders. Demand for cement plants was positive, mainly due to medium-sized orders for cement lines in the USA and for a first industrial-scale plant for low-CO_2 cement production with thermally activated (calcined) clays in Cameroon. Marine Systems recorded stable order intake, boosted by a contract to build four frigates for the Brazilian navy in the 4th quarter.

Overall order intake in the materials businesses was significantly lower than a year earlier. Materials Services recorded volume and price declines in all areas. Only the Plastics business, which among other things sells clear plastic sheeting as a protection against coronaviruses, reported higher orders than a year earlier. Order intake at Steel Europe was significantly lower than in the prior fiscal year for volume and price reasons. The volume growth achieved in the 1st half was more than offset by declining prices. In the 3rd quarter there was a drastic slump in order volumes by more than half. The slump was recorded across all customer groups, initially auto manufacturers, steel service centers and automotive suppliers, but orders from other industrial customers also declined increasingly in the course of the quarter. In the 4th quarter, a noticeable recovery in volumes was accompanied by stabilizing market prices.

After 10 months the discontinued elevator operations recorded a slight decline in order intake compared with the same period of the previous year. The positive trend in the USA and positive exchange rate effects were unable to offset the mainly pandemic-related trend in Europe and Asia.

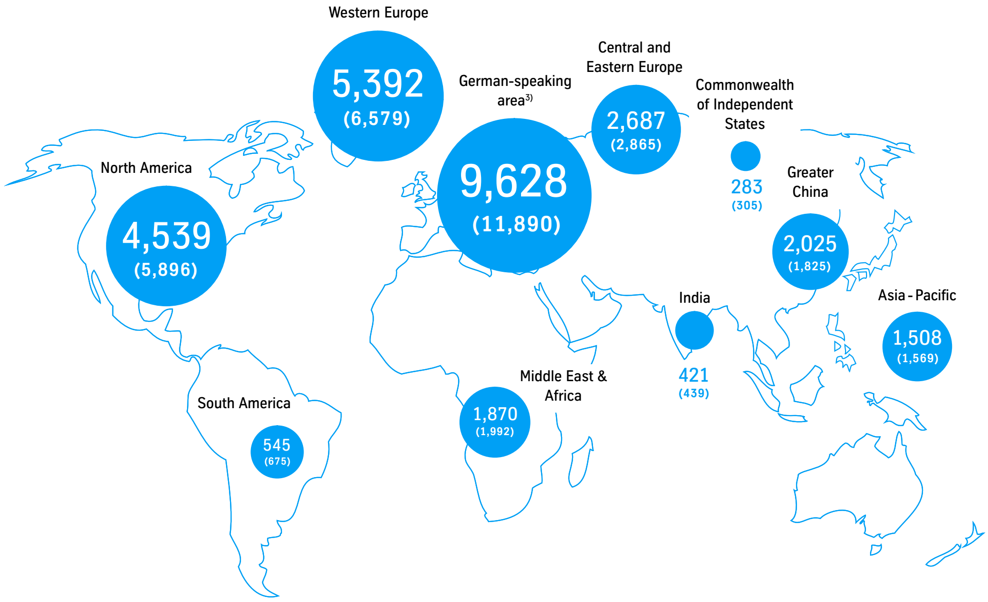
NET SALES

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %	Change on a comparable basis[1] in %
Automotive Technology[2]	5,407	4,702	(13)	(13)
Industrial Components[2]	2,522	2,099	(17)	(16)
Elevator Technology	7,960	6,546	(18)	1
Plant Technology[2]	2,943	2,897	(2)	0
Marine Systems	1,800	1,750	(3)	(3)
Materials Services	13,880	11,300	(19)	(18)
Steel Europe	9,065	7,269	(20)	(20)
Corporate Headquarters[2]	5	9	108	108
Reconciliation[2]	(1,586)	(1,130)	—	—
Full group	**41,996**	**35,443**	**(16)**	**(12)**
Discontinued elevator operations[2]	7,960	6,544	(18)	1
Group continuing operations[2]	**34,036**	**28,899**	**(15)**	**(15)**

[1] Excluding material currency and portfolio effects.
[2] See preliminary remarks.

SALES BY REGION[1) 2)]

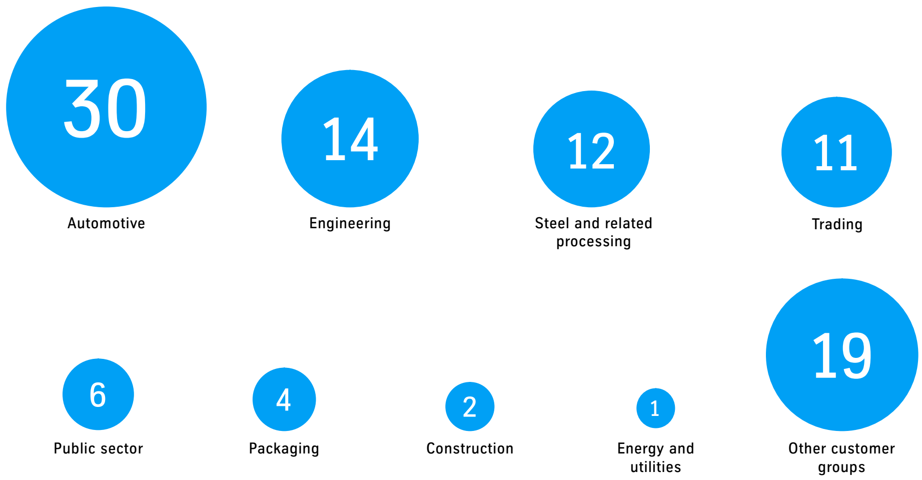
in million € (prior-year figures in brackets)



[1)] See preliminary remarks
[2)] Sales continuing operations
[3)] Germany, Austria, Switzerland, Liechtenstein

SALES BY CUSTOMER GROUP 2019/2020[1)]

in %



[1)] See preliminary remarks

Sales of continuing operations and the group mirror order intake

Sales mirrored order intake and were significantly impacted by the pandemic. Business with automotive components in particular was negatively affected from the 2nd quarter. Although Industrial Components profited from strong growth in wind energy in Germany and China, this was not enough to offset weaker forgings business. Sales at Plant Technology were robust. Progress on major projects in chemical plant construction and the high order backlog at Mining offset declining sales in the cement business. Sales at Marine Systems were slightly lower than a year earlier. The temporary slowdown in submarine projects was largely offset by sales from a frigate contract from North Africa and from the electronics, maintenance and service businesses.

Sales at the materials businesses Materials Services and Steel Europe were also strongly impacted by the pandemic with significantly lower volumes. In addition, price declines in all major product segments – with the exception of the volatile nickel price – impacted sales at Materials Services. At Steel Europe, lower volumes and price developments had a negative impact, particularly in the first two quarters compared with the prior year.

Sales of the discontinued elevator operations matched the comparable prior-year figure after 10 months. The positive trend in the USA and positive exchange rate effects offset the mainly pandemic-related decline in sales in Europe and Asia.

The regional breakdown of sales from continuing operations was largely unchanged. The most important sales market with a slightly lower 33% of sales was once again the German-speaking region (Germany, Austria, Switzerland and Liechtenstein). It was followed by Western Europe, which remained at 19%, and North America, which decreased slightly to 16%. The share of sales in the greater China region increased to around 7%.

Accounting for a share of now 30%, the automotive industry remained the most important customer group, with particular significance for our car and truck components and steel businesses. It was followed by engineering with a slightly higher share of sales. The sales share of steel and related processing declined slightly, while trading increased slightly.

Adjusted EBIT of continuing operations and the group significantly negative and below prior year as a result of sales slump and resulting capacity underutilization

ADJUSTED EBIT

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %
Automotive Technology[1]	(22)	(260)	--
Industrial Components[1]	230	138	(40)
Elevator Technology	907	693	(24)
Plant Technology[1]	(145)	(235)	(62)
Marine Systems	1	18	++
Materials Services	107	(110)	--
Steel Europe	31	(946)	--
Corporate Headquarters[1]	(252)	(210)	17
Reconciliation[1]	(56)	53	—
Full group	**802**	**(860)**	**--**
Discontinued elevator operations[1]	912	773	(15)
Group continuing operations[1]	**(110)**	**(1,633)**	**--**

[1] See preliminary remarks.

Adjusted EBIT in the reporting year was negative and significantly down from the prior year. The fiscal year was impacted in particular by the effects of the coronavirus pandemic on demand and thus capacity utilization, the volatility in the materials and components businesses for cars and trucks, and the structural challenges in the steel business. To mitigate these developments, extensive measures were taken to reduce costs and safeguard business and to protect employees. These include short-time work, greater work time flexibility such as using up overtime and leave, reduced use of temporary workers, remote working, implementation of cost-cutting measures, and review of investment projects.

In the automotive components business, growth from the ramp-up of new projects and plants was not enough to offset the declines in demand associated with production stoppages and plant shutdowns, starting in China and later in Europe and NAFTA. In addition, a revaluation of orders in system engineering and additions to order-related provisions and impairment losses on operating assets had a negative impact, with the result that Automotive Technology overall reported negative earnings, below the prior-year figure. Despite continued growth and the higher earnings contribution from bearings for wind turbines, Industrial Components reported lower adjusted EBIT. This was due to the forgings business, which showed a sharp drop in earnings as a result of lower volumes and cyclical factors. At Plant Technology adjusted EBIT was negative and lower than a year earlier. The effects of project delays and postponed orders were only partly offset by higher sales in chemical plant construction, income from the sale of a building and the robust service business. At the same time, the marine business developed positively, although lower margins on projects in progress continued to have a negative impact.

Our materials businesses had to contend with a challenging environment characterized by negative price and volume effects, with the result that earnings were significantly lower than a year earlier. In addition, there were no supporting effects at Materials Services from real estate sales and the intercompany compensation payments for the partial transfer of the international direct-to-customer business from the prior year. While the decline in demand in the 1st half was mainly due to the general downturn in global industrial activity, the coronavirus pandemic dominated developments in the 2nd half. The past fiscal year was also marked by falling market prices in both service units. One exception was Plastics, which significantly increased its earnings contribution. Positive effects from commodity and currency hedging also had a supporting effect, although these were unable to offset the general trend. At Steel Europe, significantly lower shipments and falling prices, deteriorating sharply in the course of the fiscal year, resulted in strongly negative adjusted EBIT. In particular, weak capacity utilization in the 2nd half had a negative impact. On top of this came the pandemic-related slump in order volumes for high-margin steel grades for the automotive industry from mid-March.

Adjusted EBIT of the materials businesses was significantly down from the prior year.

Corporate Headquarters improved significantly year-on-year to an adjusted EBIT of €(210) million. Lower costs, in particular personnel costs in the corporate functions, and reduced IT costs made a significant contribution to this.

The earnings contribution of the discontinued elevator operations was down from the comparable prior-year figure after 10 months, i.e. up to the disposal. In particular, higher corporate costs in connection with the carve-out and the pandemic-related negative effects, particularly in Europe and at Access Solutions, outweighed the positive effects of favorable developments in North America and Asia.

Earnings impacted by special items

EBIT from continuing operations was impacted by special items totaling €3.6 billion in the reporting year.

Special items impacted EBIT to a greater degree than in the prior year.

SPECIAL ITEMS

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change
Automotive Technology[1]	104	896	793
Industrial Components[1]	29	167	138
Elevator Technology	116	(15,091)	(15,207)
Plant Technology[1]	19	30	10
Marine Systems	1	5	4
Materials Services	41	623	582
Steel Europe	154	1,710	1,556
Corporate Headquarters[1]	42	144	102
Reconciliation[1]	24	180	156
Full group	**530**	**(11,334)**	**(11,864)**
Discontinued elevator operations[1]	129	(14,957)	(15,085)
Group continuing operations[1]	**401**	**3,622**	**3,221**

[1] See preliminary remarks.

At Automotive Technology, special items arose in the reporting period mainly for restructurings with capacity adjustments and personnel reductions at System Engineering, Springs & Stabilizers and at segment level. In addition, there were impairment losses on fixed and operating assets due to higher costs of capital and lower sales and earnings expectations (also due to the pandemic). Industrial Components recorded special items for impairment losses on no longer usable property, plant and equipment in the bearings business; provisions were also recognized for restructuring measures. The forgings business reported special items from impairment losses on technical equipment, buildings and other non-current assets in China and from the continuation of restructuring measures at the plants in Brazil, Italy and India. At Plant Technology and Marine Systems there were special items from restructurings. Materials Services recorded expenses mainly for extensive restructurings in Germany, the UK, France and the USA, the closure of the Varel branch of Aerospace Germany at March 31, 2021 and smaller companies. There were also impairment losses, for example on financial assets and warehouse locations. At Steel Europe, special items were recognized in particular for restructuring under the steel strategy 20-30. In addition there were substantial impairment losses on fixed assets due to reduced sales and earnings expectations as a result of the slower recovery of the auto industry becoming clearer as the financial statements were being prepared. At Corporate Headquarters, provisions were recognized mainly for the volunteer program at thyssenkrupp AG and for project expenses in connection with the elevator transaction. At the discontinued elevator operations, there were special items mainly related to expenses in connection with restructurings in the Europe / Africa and Americas business units and the preparation of the carve-out. Offsetting effects resulted from the partial reversal of a provision for a legal case as well as the deconsolidation gain.

thyssenkrupp Value Added (tkVA) positive and significantly up from prior year

tkVA in the reporting year was largely influenced by the elevator transaction and as a result turned positive. Offsetting effects resulted in particular from significantly weaker EBIT due to poorer operating performance in particular in the materials and automotive components businesses. tkVA at Automotive Technology decreased sharply year-on-year and remained strongly negative. This was due to significantly lower earnings, which were heavily impacted by special accounting items. Industrial Components recorded a fall in tkVA, mainly as a result of lower EBIT. At Plant Technology, too, lower EBIT led to a decline in tkVA compared with the already negative prior year. Marine Systems stabilized earnings at a positive level, but with significantly higher capital employed. As a result, tkVA decreased and remained negative. tkVA at Materials Services was well down from the prior year, mainly due to operating performance. At Steel Europe, average capital employed was slightly lower than a year earlier. The significant deterioration in earnings to a negative EBIT resulted in a substantial year-on-year decline in tkVA.

Details on tkVA and its main components are shown in the following table.

THYSSENKRUPP VALUE ADDED (TKVA)

	Year ended Sept. 30, 2019				Year ended Sept. 30, 2020				
	EBIT [1) 2)] (million €)	Capital employed (million €)	WACC (%)	tkVA (million €)	EBIT [1) 2)] (million €)	Capital employed (million €)	WACC (%)	tkVA (million €)	Change tkVA (million €)
Full group	**272**	**16,749**	**8.0**	**(1,068)**	**10,475**	**17,526**	**8.0**	**9,073**	**10,141**
Thereof:									
Automotive Technology[2)]	(126)	3,006	8.5	(381)	(1,157)	3,110	8.5	(1,421)	(1,040)
Industrial Components[2)]	201	1,391	8.5	82	(29)	1,504	8.5	(157)	(239)
Elevator Technology	791	1,292	7.5	695	15,784	1,507	7.5	15,671	14,975
Plant Technology[2)]	(164)	(152)	8.0	(152)	(265)	(141)	8.0	(253)	(101)
Marine Systems	0	927	8.0	(74)	13	1,266	8.0	(89)	(14)
Materials Services	66	3,866	8.0	(244)	(733)	3,901	8.0	(1,045)	(802)
Steel Europe	(123)	5,447	8.5	(586)	(2,656)	5,352	8.5	(3,111)	(2,525)

[1)] See reconciliation in segment reporting (Note 24).
[2)] See preliminary remarks.

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

Segment review

Automotive Technology

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

AUTOMOTIVE TECHNOLOGY IN FIGURES

		Year ended Sept. 30, 2019[1)]	Year ended Sept. 30, 2020[1)]	Change in %
Order intake	million €	5,251	4,610	(12)
Net sales	million €	5,407	4,702	(13)
EBIT	million €	(126)	(1,157)	--
EBIT margin	%	(2.3)	(24.6)	—
Adjusted EBIT	million €	(22)	(260)	--
Adjusted EBIT margin	%	(0.4)	(5.5)	—
Employees (Sept. 30)		25,834	24,763	(4)

[1)] See preliminary remarks.

Coronavirus pandemic leads to sharp downturn in demand

Reporting year marked by collapse in demand; however, significantly higher order volumes in 4th quarter.

At Automotive Technology, order intake and sales in all businesses decreased significantly due to the coronavirus pandemic. Only the Steering unit proved robust on account of the ramp-up of new plants and projects. In April and May the lockdown led to a general collapse of business; our biggest customers in Europe, the USA and Mexico had to temporarily shut down their plants. At the end of the 3rd quarter automotive production was restarted in many countries, and the 4th quarter saw sharp quarter-on-quarter growth in order volumes – thanks partly to state stimulus packages and other incentives. However, demand was lower than in the 4th quarter of the prior year.

Adjusted EBIT down significantly year-on-year

The sharp fall in demand, combined with the production and plant shutdowns in Europe, the NAFTA region and Mexico, led to clearly negative earnings in the past fiscal year. Additional major expenses resulted from the revaluation of orders for automotive production lines. There were also allocations to order-related provisions and impairment losses on current assets. However, in the 4th quarter we achieved a strong quarter-on-quarter operating improvement, which without the above-mentioned negative impacts would have resulted in slightly positive earnings. In response to the loss situation we had to initiate restructurings on a large scale at Springs & Stabilizers and System Engineering. At Springs & Stabilizers this meant the closure of the Olpe plant and realignment of the Hagen production site. At System Engineering the coronavirus pandemic triggered a drastic slump in order intake and sales. Here we initiated further capacity adjustments by cutting 800 jobs. In the future System Engineering will be split into two separate companies, operationally realigned, and structures and administrative costs in both areas adjusted in line with the market. In addition, personnel reductions were carried out at segment level.

Strategic realignment

The operational realignment of System Engineering commenced at October 1, 2020 and in the coming months the business will be split commercially, operationally and legally into two separate reporting units. In the future there will be an engineering company specializing in body assembly lines which will continue to be managed as part of thyssenkrupp's automotive supply and service segment (Automotive Technology). The current Powertrain & Battery Solutions units are to be transferred alongside Springs & Stabilizers to the independent Multi Tracks segment. More information on this is provided in the section "Strategy".

Industrial Components

www.thyssenkrupp.com > Company > Corporate structure > Bearings and Forged Technologies

INDUSTRIAL COMPONENTS IN FIGURES

		Year ended Sept. 30, 2019[1)]	Year ended Sept. 30, 2020[1)]	Change in %
Order intake	million €	2,636	2,095	(21)
Net sales	million €	2,522	2,099	(17)
EBIT	million €	201	(29)	--
EBIT margin	%	8.0	(1.4)	—
Adjusted EBIT	million €	230	138	(40)
Adjusted EBIT margin	%	9.1	6.6	—
Employees (Sept. 30)		13,773	12,500	(9)

1) See preliminary remarks.

Good demand in wind energy sector only partly offsets declines in forgings business

Order intake at Industrial Components was down from the prior year. This was due to weaker demand as a result of the coronavirus pandemic and a cyclical downturn in sales in the forgings business. In our bearings business the order situation was good overall in the reporting year. Growth was achieved in particular in China – above all for wind energy, but also in the exploration sector. Orders for construction machinery components were virtually unchanged year-on-year. By contrast orders were lower for crane components and, mainly due to the pandemic, aerospace and auto components. The forgings business was also hit particularly hard by the effects of the coronavirus pandemic in the reporting year. Plant closures at the main customers for automotive and industrial components from March 2020 caused a sharp decline in order intake and ultimately resulted in a major slowdown or even temporary closure of all our own main plants. Further negative factors were the general weakening of the economy in Europe and fall in demand in China. In the cars/trucks business we registered a sharp downturn in orders in the – generally cyclical – Class 8 truck market, particularly in the USA. There was also a global fall in demand for undercarriages for construction machinery, again mainly for cyclical reasons.

Positive performance in wind energy sector shores up weaker demand in forgings business.

Sales showed a similar picture: Strong growth in bearings could not offset the cyclical and pandemic-related decline in forgings. Our bearings business recorded strong growth in wind energy sales in Germany and China, driven mainly by the phasing-out of state incentive programs in the Chinese onshore sector, but also by growth in the exploration sector. In the forgings business too, sales fell in parallel with order intake. Key factors here were demand losses due to the coronavirus pandemic and cyclical sales declines in Europe, China, and the Class 8 truck market, particularly in the USA.

Adjusted EBIT significantly lower year-on-year – performance of bearings and cost-reduction measures with stabilizing effect

Adjusted EBIT was significantly lower year-on-year. In the bearings business, adjusted EBIT was significantly higher year-on-year; however the gains were not enough to offset the decline in forgings. The positive trend in bearings reflected strong growth in the wind energy sector but also noticeably lower costs as a result of the structural measures initiated, particularly in the personnel area. Further structural measures are being prepared: they are aimed at improving our competitiveness and defending our leading market position. In the forgings business, adjusted EBIT was down significantly year-on-year. The main reason was lower sales, with the continuing tariff disputes between the USA and China also weighing on demand. To counter these structural market factors, we carried out restructurings mainly in the personnel area.

Plant Technology

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

PLANT TECHNOLOGY IN FIGURES

		Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020[1]	Change in %
Orders in hand (Sept. 30)	million €	4,847	3,424	(29)
Order intake	million €	2,844	1,670	(41)
Net sales	million €	2,943	2,897	(2)
EBIT	million €	(164)	(265)	(61)
EBIT margin	%	(5.6)	(9.1)	—
Adjusted EBIT	million €	(145)	(235)	(62)
Adjusted EBIT margin	%	(4.9)	(8.1)	—
Employees (Sept. 30)		11,419	10,753	(6)

[1] See preliminary remarks.

Sales robust despite weaker demand and negative impacts of pandemic

Plant Technology's order intake in the reporting year was down significantly from the prior year, which included two major orders in the fertilizers and mining business units. The coronavirus pandemic contributed to the difficult framework conditions, particularly from the 3rd quarter. Despite the pandemic, sales were robust, mainly due to project progress on major chemical plant orders.

Rising demand for electrolysis plants and equipment.

Although order intake in the chemical plant business was down overall, we registered rising demand for electrolysis plants and equipment in Europe, Asia and the Middle East regions among others. In addition we entered into a strategic partnership with US industrial gas company Air Products & Chemicals and a collaboration with German grid operator E.ON, laying the foundations for thyssenkrupp's participation in large-scale green hydrogen projects. This move will help us meet growing demand for eco-friendly technologies and services for the operation and digitization of industrial facilities. Despite significant negative pandemic effects, sales were up sharply year-on-year due to project progress on major orders.

In the mining business, demand for equipment and components was significantly lower year-on-year. This partly reflects a major order in Australia received in the prior year. However, the fallout from the pandemic was clearly also a factor. Nevertheless thanks to the high order backlog, sales were almost level with the prior year.

In cement plant construction, the economic environment was again characterized by overcapacities and continued competitive pressure. Despite this difficult market situation, we registered a positive trend in demand. Among other things the business secured a medium-size order in the USA and is supplying the world's first industrial-scale plant for low-CO_2 cement production to Cameroon. This marks an important milestone for the cement plant business in the further development and marketing of eco-friendly technologies. Sales were significantly lower year-on-year, mainly on account of the pandemic but also due to the effects of an order backlog that has been declining for some time.

Order intake in the service business was down sharply from the prior year. Nevertheless – leaving out of the comparison the revamp orders in the 2018/2019 fiscal year – demand was robust despite the pandemic. Sales too were stable overall and almost matched the prior-year level adjusted for the special item Transrapid.

Adjusted EBIT

Adjusted EBIT in the reporting year was negative and clearly lower year-on-year. While the 1st half was characterized by a slight operating recovery in chemical and cement plant construction, the reduction of administrative costs, and proceeds from the sale of a building, from February the pandemic and associated logistics constraints together with stricter hygiene and physical distancing rules on construction sites worldwide led to delays in project execution. The resultant increase in construction site costs could not be passed on in full to customers. In addition, great uncertainty over the further progression of the pandemic generally slowed customer capital spending, leading to increased underutilization of project capacities. The service business proved very robust and despite the pandemic returned earnings above the prior year adjusted for the special item Transrapid.

Strategic realignment

As part of the strategic realignment, the segment level of Plant Technology was scaled back significantly and since April 1, 2020 has focused on assessing and managing the operating and financial performance of the businesses and analyzing and assessing partnerships.

Changes were also made at business unit and regional level. After the Service business unit was disbanded effective April 1, 2020, we reintegrated our service business into the business units previously focused on new business. System Engineering was removed from the segment on October 1, 2019 and transferred to Automotive Technology. We further simplified our regional structures and transferred management of the regional companies and locations directly to one of the business units.

At October 1, 2020 Plant Technology was transferred to the independent segment Multi Tracks. More information on this is provided in the section “Strategy”. Nevertheless, execution of our customers’ projects is always our top priority.

Marine Systems

www.thyssenkrupp.com > Company > Corporate structure > Marine Systems

MARINE SYSTEMS IN FIGURES

		Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %
Orders in hand (Sept. 30)	million €	5,887	6,029	2
Order intake	million €	2,192	2,227	2
Net sales	million €	1,800	1,750	(3)
EBIT	million €	0	13	++
EBIT margin	%	0.0	0.7	—
Adjusted EBIT	million €	1	18	++
Adjusted EBIT margin	%	0.0	1.0	—
Employees (Sept. 30)		6,013	6,321	5

Order intake boosted by major frigate order

Order intake in the reporting year remained level with the prior year. An order was received for the construction of four frigates for Brazil, while the marine electronics unit won a major order for the Federal Republic of Germany and some subcontracts for the Federative Republic of Brazil and a North African state. In addition there were various smaller maintenance and service orders and extensions to existing orders.

Sales in the past fiscal year were down slightly. Temporarily slower progress on submarine projects, mainly at our suppliers, was largely offset by sales under a frigate order from North Africa and in marine electronics, maintenance and service.

Adjusted EBIT higher year-on-year

Adjusted EBIT in the reporting year was significantly higher than the year before, continuing the positive trend for the second year in succession. While profit margins on some existing orders remain weak, the ongoing performance program is contributing significantly to securing and improving the profitability of new orders and the margins of orders in hand.

Adjusted EBIT higher again year-on-year.

Materials Services

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

MATERIALS SERVICES IN FIGURES

		Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %
Order intake	million €	13,868	11,386	(18)
Net sales	million €	13,880	11,300	(19)
EBIT	million €	66	(733)	--
EBIT margin	%	0.5	(6.5)	—
Adjusted EBIT	million €	107	(110)	--
Adjusted EBIT margin	%	0.8	(1.0)	—
Employees (Sept. 30)		20,340	18,817	(7)

Order intake and sales significantly down from prior year

At Materials Services order intake and sales were clearly lower year-on-year. The segment was already under extreme volume and price pressure from the start of the fiscal year; from the second half of March this was increasingly compounded by pandemic-induced demand losses. Almost all operating areas were affected, but most of all those with strong ties to the automotive and aerospace sectors. The only exception was plastics, where significant growth was achieved from sales of clear plastic sheeting to shield against the coronavirus. Overall shipments were lower year-on-year in all regions and operating units – also reflecting the absence of group-internal direct-to-customer business which was partially transferred to Steel Europe in the prior year. In total, Materials Services sold 8.7 million tons of materials in the reporting period, 11.4% less than in the prior year. With the exception of the volatile nickel price, prices in all the main product segments were lower on average than a year earlier. Shipments at AST were also down year-on-year, mainly due to a government-ordered production stoppage in connection with the coronavirus pandemic between mid-March and early April and subsequent weakening of demand.

Digitization and automation drive “materials as a service” strategy”

Materials Services continues to work hard to translate the supply chain expertise built up over years of experience into effective customer solutions. In this connection we are also continuing to drive the digitization and automation of our business processes. In the reporting year we concentrated above all on connecting more of our machinery with the IIoT platform toii® developed by Materials Services; we also further enhanced our AI platform “alfred”, a central element in the optimization of our logistics processes. Both instruments are key to developing new services in line with our “materials as a service” strategy. Further digital innovations in the reporting year serve to increase efficiency in administrative and communication processes. Examples include OCR solutions (Optical Character Recognition) for the automated processing of e.g. email, and the “Paperless” app to support paperless processes in our warehouses. Materials Services also generated additional business by further expanding its e-commerce activities.

Adjusted EBIT negative and lower year-on-year in a weak market environment

Pressure on volumes and prices caused by pandemic weighed on earnings.

In both service units – distribution services and supply chain services – declining volumes and prices negatively impacted adjusted EBIT. While the decline in demand in the first half of the fiscal year was still part of the general downturn in global industrial activity, in the second half of the year it was due to the coronavirus pandemic. The exception here again was the plastics operating unit, which profited from demand for materials to shield against coronavirus. Further positive effects were achieved through commodity and currency hedging, particularly due to price developments for nickel, aluminum and copper. AST reported negative adjusted EBIT significantly down from the prior year as a result of the temporary plant closure and lower demand in connection with the pandemic.

Strategic realignment

At October 1, 2020 the Italian stainless steel plant Terni (AST) including the associated sales organization and infrastructure unit were transferred to the independent segment Multi Tracks. More information on this is provided in the section “Strategy”.

Steel Europe

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

STEEL EUROPE IN FIGURES

		Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %
Order intake	million €	8,784	7,325	(17)
Net sales	million €	9,065	7,269	(20)
EBIT	million €	(123)	(2,656)	--
EBIT margin	%	(1.4)	(36.5)	—
Adjusted EBIT	million €	31	(946)	--
Adjusted EBIT margin	%	0.3	(13.0)	—
Employees (Sept. 30)		28,278	27,434	(3)

Pandemic-related negative volume and price effects

Steel Europe got off to a slow start in the reporting year, held back mainly by the cyclical weakness of the automotive industry, an important customer sector for the segment. Orders picked up temporarily in the 2nd quarter due to restocking mainly at our industrial customers, before the entire economic climate dramatically deteriorated from the 3rd quarter onwards as a result of the coronavirus pandemic. Blanket production shutdowns among our customers, in some cases from as early as March, led to a sharp downturn in demand and caused spot market prices to collapse. Steel Europe reacted immediately to these developments: we temporarily closed down production lines or reduced operation to the technically required minimum.

Reporting year marked by collapse in demand; however, final quarter showed signs of appreciable recovery.

At €7.3 billion, order intake was significantly lower year-on-year. In the first half this was primarily due to lower average prices and decreasing order volumes. Then in the 3rd quarter demand collapsed, with order volumes plunging to only around a third of the prior-year level. In the final quarter of the fiscal year market prices stabilized again and orders showed signs of an appreciable recovery. However, they were still lower year-on-year and could not begin to offset the losses of the previous quarters.

Sales too were down significantly in the reporting year. The reasons for this were generally lower net selling prices as well as reduced shipments. After a decline in shipments to the flagging automotive industry and its suppliers at the start of the fiscal year, the 2nd quarter saw a noticeable increase in shipments to industrial customers due to restocking, before the coronavirus pandemic led to heavy losses. In the packaging steel unit, shipments were 2% lower year-on-year, although the coronavirus pandemic resulted in a slight increase in the 3rd quarter, followed by a stable trend up to the end of the fiscal year.

Crude steel production including supplies from Hüttenwerke Krupp Mannesmann was around 13% lower than a year earlier at 9.9 million tons. Operating disturbances at numerous production plants in the first half of the fiscal year severely impacted performance. At the end of March the first negative effects of the coronavirus pandemic on capacity utilization were then seen; in response we reduced upstream and coke plant operations to the technically necessary minimum. In April Hüttenwerke Krupp Mannesmann had to close down blast furnace A and the output of all downstream facilities was adjusted accordingly. Altogether, finished steel production for customers decreased by 11% to 8.4 million tons.

Significant drop in earnings and margin

Steel Europe recorded a significant drop in earnings in the reporting year. At €(946) million, adjusted EBIT was down sharply year-on-year with a clear deterioration over the course of the fiscal year. Weak capacity utilization especially in the 3rd and 4th quarters weighed on earnings. This was compounded from mid-March by a collapse in shipments of high-margin steel grades for auto manufacturers due to the pandemic as well as an inefficient cost base, which we are addressing with Strategy 20-30.

Strategic realignment

At October 1, 2020 the heavy plate unit was transferred to the independent segment Multi Tracks. More information on this is provided in the section “Strategy”.

Corporate Headquarters at thyssenkrupp AG

The group is managed centrally by thyssenkrupp AG, in which the main administrative units are combined. In fiscal 2019 / 2020 the administrative units of Corporate (CorpHQs) and the Regions were combined under Corporate Headquarters. The CorpHQs mainly include the corporate functions. The “Regions” unit mainly includes the regional headquarters (so-called regional platforms) in North and South America, Greater China, India, the Asia/Pacific region, and the Middle East & Africa region.

Adjusted EBIT at Corporate Headquarters amounted to €(210) million in fiscal 2019 / 2020, a strong improvement on the prior-year figure. This positive performance resulted primarily from measures to reduce administrative costs, particularly personnel costs, in the corporate functions, and from lower IT costs.

Corporate Headquarters with clearly reduced administrative costs.

Elevator Technology (discontinued operation)

ELEVATOR TECHNOLOGY IN FIGURES

		Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020[1]	Change in %
Order intake	million €	8,171	6,739	(18)
Net sales	million €	7,960	6,546	(18)
EBIT	million €	791	15,784	++
EBIT margin	%	9.9	241.1	—
Adjusted EBIT	million €	907	693	(24)
Adjusted EBIT margin	%	11.4	10.6	—
Employees (Sept. 30)		53,081	0	--

[1] See preliminary remarks.

Order intake and sales stable
In the first ten months of the fiscal year, i.e. up to the sale, order intake of the discontinued elevator operation amounted to €6.7 billion, slightly down from the comparable prior-year period. Orders were lower mainly in the regions of Asia/Pacific and Europe due to the coronavirus pandemic, while in North and South America order intake actually increased in the reporting period, particularly in the new installations and service business in the USA.

Sales were stable year-on-year thanks chiefly to the positive trend in the USA, which offset slight declines in the new installations business in Europe and Asia.

Adjusted EBIT lower year-on-year
Adjusted EBIT decreased against the comparable prior-year period. This mainly reflected the costs incurred at Corporate Headquarters in connection with the carve-out of thyssenkrupp Elevator. In addition earnings declined as a result of the coronavirus pandemic, above all in Europe and at Access Solutions. This was partly offset by positive developments in North America and Asia as well as extensive action programs.

Results of operations and financial position

For the effects of the coronavirus pandemic in the 2019 / 2020 fiscal year, see also the remarks contained in the report on the economic position in the sections “Group review” and “Segment review”.

Analysis of the statement of income

Net sales of continuing operations in fiscal year 2019 / 2020 were 15% below the corresponding prior-year figure. All segments contributed to the sharp drop, but especially the materials businesses. Cost of sales of continuing operations decreased overall at a much lower rate than net sales, mainly because of considerably higher impairment losses. Gross margin deteriorated sharply to (1.0)%.

The decrease in selling expenses of continuing operations mainly related to lower sales-related freight, insurance and customs expenses and at the same time higher overall personnel expenses, particularly as a result of initiated restructuring measures. The increase in general and administrative expenses of continuing operations mainly reflected higher restructuring expenses in the personnel area as well as higher impairment charges; this was offset in particular by lower consulting, travel and IT costs. The main reasons for the overall decrease in other income of continuing operations were significantly lower income from insurance recoveries as well as higher subsidies, especially from the German public sector, in connection with the reimbursement of social insurance contributions for short-time work. The sharp increase in other expenses of continuing operations mainly related to the goodwill impairment losses recognized in the reporting year; at the same time, this was partly offset mainly by the absence of the increase in the provision recognized in the 2nd quarter of the prior year in connection with the heavy plate cartel case against thyssenkrupp Steel Europe AG, which was closed in December 2019. The deterioration in other gains and losses of continuing operations was mainly due to lower gains on the disposal of property, plant and equipment and exchange rate effects.

The lower income from investments accounted for using the equity method in continuing operations mainly related to the subsequent measurement of the reinvestment received as part of the consideration in connection with the sale of Elevator Technology. The overall slight improvement in the unchanged negative balance of financial income/expense from continuing operations resulted in particular from lower net interest expenses for pensions and similar obligations; this was partly offset in particular by higher net interest expenses for financial debt.

The decrease in income taxes from continuing operations was mainly influenced by deferred tax income from the reversal of deferred tax liabilities in connection with asset impairment at Steel Europe, partly offset by deferred tax expense from valuation allowances on deferred tax assets, and by lower taxable income worldwide.

After taking into account income taxes, the loss from continuing operations amounted to €5,541 million, compared with a loss of €1,110 million in the prior year. Accordingly, the loss per share attributable to the shareholders of thyssenkrupp AG based on income from continuing operations increased significantly by €7.06 to €8.91. The very strong overall improvement in income from discontinued operations by €14,283 million to €15,134 million mainly reflected the €15,010 million disposal gain recognized on the closing of the Elevator transaction on July 31, 2020; this was partly offset by a €727 million reduction in current income (net of taxes) to €124 million, mainly due to higher tax expense. Including income from discontinued operations (net of taxes), net income amounted to €9,592 million, compared with a net loss of €260 million in the prior year. Accordingly, earnings per share improved very strongly by €15.88 to a profit of €15.40.

thyssenkrupp group – statement of income

million €, earnings per share in €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Sales	34,036	28,899
Cost of sales	(30,336)	(29,184)
Gross margin	**3,700**	**(285)**
Research and development cost	(271)	(247)
Selling expenses	(2,298)	(2,195)
General and administrative expenses	(1,710)	(1,881)
Other income	290	245
Other expenses	(271)	(897)
Other gains/(losses), net	46	1
Income/(loss) from operations	**(515)**	**(5,260)**
Income from companies accounted for using the equity method	6	4
Finance income	654	1,188
Finance expense	(999)	(1,525)
Financial income/(expense), net	**(340)**	**(333)**
Income/(loss) before tax	**(855)**	**(5,593)**
Income tax (expense)/income	(255)	52
Income/(loss) from continuing operations (net of tax)	**(1,110)**	**(5,541)**
Income/(loss) from discontinued operations (net of tax)	**851**	**15,134**
Net income/(loss)	**(260)**	**9,592**
Thereof:		
thyssenkrupp AG's shareholders	**(304)**	**9,585**
Non-controlling interest	44	8
Net income/(loss)	**(260)**	**9,592**
Basic and diluted earnings per share based on		
Income/(loss) from continuing operations (attributable to thyssenkrupp AG's shareholders)	**(1.85)**	**(8.91)**
Net income/(loss) (attributable to thyssenkrupp AG's shareholders)	**(0.49)**	**15.40**

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

Analysis of the statement of financial position

Overall, total assets remained largely unchanged compared with September 30, 2019, despite decreases due to currency translation.

Besides currency effects, the sharp reduction in non-current assets was mainly due to decreases in intangible assets and property, plant and equipment, relating in particular to the deconsolidation of Elevator Technology and the recognition of impairment losses in the reporting year. The first-time application of IFRS 16 in the reporting year had an offsetting effect on property, plant and equipment. In addition, there were significant increases in investments accounted for using the equity method and in other financial assets as a result of the reinvestment received as consideration in connection with the sale of Elevator Technology. The sharp reduction in deferred taxes resulted mainly from the valuation allowance on deferred tax assets above all for actuarial gains in pension accruals in Germany, which was mainly recognized directly in equity, and the deconsolidation of Elevator Technology.

Current assets recorded a very strong increase overall. The main reason for this was the significant increase in cash, cash equivalents and time deposits, mainly resulting from the proceeds in connection with the sale of Elevator Technology, combined with cash outflows due in particular to the repayment of financial debt and the clearly negative free cash flow before M&A from continuing operations in the reporting year. The sharp fall in inventories mainly related to the materials businesses, primarily as a result of lower demand due to the pandemic, and to the deconsolidation of Elevator Technology. The reduction in trade accounts receivable was due in large part to the deconsolidation of Elevator Technology; this was partly offset by increases particularly in the materials businesses, mainly as a result of the extensive reduction of factoring in the reporting year to normalize net working capital. The overall increase in contract assets was mainly related to the execution of construction contracts in the marine business, combined with a significant decrease due to the deconsolidation of Elevator Technology. The reduction in other financial assets mainly related to derivative accounting. The decrease in other non-financial assets mainly reflected lower advance payments made.

Total equity increased very strongly year-on-year to €10,174 million at September 30, 2020. The main reason for this was the net income achieved in the reporting year; this was partly offset by currency translation losses recognized in other comprehensive income and the high negative effect of the revaluation of pensions and similar obligations, also included in other comprehensive income, mainly due to tax effects. The equity ratio increased considerably to 28%.

The sharp decrease in non-current liabilities resulted mainly from the significant reduction in financial debt. In particular, a bond originally due in November 2020 was repaid prematurely at the beginning of September 2020 and a bond originally due in early March 2021 was reclassified to current financial debt. These reductions were partly offset by increases in financial debt as a result of the first-time application of IFRS 16 in the reporting year. The additional reduction in pensions and similar obligations was mainly due to the deconsolidation of Elevator Technology.

The significant decrease in current liabilities resulted in particular from the sharp drop in trade accounts payable, which mainly related to the materials and automotive businesses as well as the deconsolidation of Elevator Technology. The decreases in provisions for current employee benefits and other provisions were mainly due to the deconsolidation of Elevator Technology and the use of the provision in connection with the heavy plate cartel case against thyssenkrupp Steel Europe AG, which was ended in December 2019. The overall increase in financial debt mainly related to the aforementioned reclassification of a bond from non-current financial debt and the first-time application of IFRS 16, which in turn were offset by repayments under the commercial paper program. Besides the deconsolidation of Elevator Technology, the main reasons for the decrease in other financial liabilities were the accounting for derivatives and lower liabilities in connection with the acquisition of property, plant and equipment. The significant decreases in contract liabilities and other non-financial liabilities resulted in particular from the deconsolidation of Elevator Technology.

thyssenkrupp group – statement of financial position

ASSETS

million €	Sept. 30, 2019	Sept. 30, 2020
Intangible assets	5,029	2,075
Property, plant and equipment (inclusive of investment property)	8,144	6,319
Investments accounted for using the equity method	128	722
Other financial assets	39	658
Other non-financial assets	240	230
Deferred tax assets	1,733	497
Total non-current assets	**15,313**	**10,501**
Inventories	7,781	5,922
Trade accounts receivable	5,488	4,833
Contract assets	1,443	1,575
Other financial assets	808	535
Other non-financial assets	1,642	1,414
Current income tax assets	293	162
Cash, cash equivalents and time deposits	3,706	11,547
Total current assets	**21,162**	**25,989**
Total assets	**36,475**	**36,490**

EQUITY AND LIABILITIES

million €	Sept. 30, 2019	Sept. 30, 2020
Capital stock	1,594	1,594
Additional paid-in capital	6,664	6,664
Retained earnings	(6,859)	1,472
Cumulative other comprehensive income	352	80
Equity attributable to thyssenkrupp AG's stockholders	**1,751**	**9,810**
Non-controlling interest	469	364
Total equity	**2,220**	**10,174**
Accrued pension and similar obligations	8,947	8,560
Provisions for other employee benefits	307	289
Other provisions	554	507
Deferred tax liabilities	48	58
Financial debt	6,529	5,303
Other financial liabilities	136	96
Other non-financial liabilities	6	6
Total non-current liabilities	**16,527**	**14,819**
Provisions for current employee benefits	357	156
Other provisions	1,726	1,188
Current income tax liabilities	260	166
Financial debt	886	1,199
Trade accounts payable	6,355	3,475
Other financial liabilities	1,209	665
Contract liabilities	4,561	3,073
Other non-financial liabilities	2,373	1,575
Total current liabilities	**17,728**	**11,497**
Total liabilities	**34,255**	**26,316**
Total equity and liabilities	**36,475**	**36,490**

See accompanying notes to financial statements.

Financing

Principles and aims of financial management

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

The aim of our central financing system is to strengthen our negotiating position vis-à-vis banks and other market players and to raise or invest capital on the best possible terms and conditions.

Net financial debt/assets and available liquidity

thyssenkrupp remains solidly financed.

Net financial debt/assets is calculated as the difference between cash, cash equivalents and time deposits shown in the statement of financial position plus current debt instruments, and non-current and current financial debt. At September 30, 2020, with gross financial debt of €6,502 million less cash, cash equivalents and time deposits of €11,555 million the group had net financial assets of €5,053 million, compared with net financial debt of €3,703 million at September 30, 2019. The main reason for the reduction in debt was the proceeds received from the elevator transaction. This was partly offset by the negative FCF before M & A and the first-time application of IFRS 16 (lease liabilities). At September 30, 2020 the group's available liquidity came to €13.2 billion, consisting of €11.6 billion cash, cash equivalents and time deposits and €1.6 billion committed undrawn credit lines. Additional financing possibilities were available to us under a commercial paper program with a maximum emission volume of €3.0 billion. Under the program commercial papers can be issued with a term of up to 364 days depending on investor demand. At September 30, 2020 the program was drawn down in the amount of €5 million.

In May 2020 thyssenkrupp entered into a €1 billion credit facility under the KfW special program with a consortium of KfW and other banks. This additionally secured liquidity during the corona-virus pandemic until the cash inflow from the sale of Elevator Technology. The credit facility was not drawn and ended with the closing of the elevator transaction at the end of July 2020.

The available liquidity offers enough scope to cover debt maturities. The gross financial debt repayable in the 2020/2021 fiscal year amounts to €1.2 billion.

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

Rating

We have been rated by Moody's and Standard & Poor's since 2001 and by Fitch since 2003. Our ratings are currently below investment grade.

In the past fiscal year Moody's and Fitch downgraded our rating, respectively, to B1 with outlook "developing" and BB- with outlook "stable". While the outlook "developing" at Moody's does not indicate the direction of a possible rating change, the outlook "stable" at Fitch indicates no rating change in the short to medium term. In connection with the signing of the elevator transaction in March 2020, Standard & Poor's initially improved the outlook for the BB- rating from "developing" to "positive". Due to the worsened business prospects as a result of the coronavirus pandemic, Standard & Poor's then changed the outlook from "positive" to "stable" in October 2020.

RATING

	Long-term rating	Short-term rating	Outlook
Standard & Poor's	BB-	B	stable
Moody's	B1	Not Prime	developing
Fitch	BB-	B	stable

Analysis of the statement of cash flows

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

Operating cash flows

Cash outflow from operating activities for the continuing operations in the reporting year was considerably higher than in the prior year. This was due on the one hand to the sharp deterioration in net income before depreciation, amortization and deferred taxes of the continuing operations to a high net loss. On the other hand, there were significant deteriorations mainly due to increased trade receivables and sharply reduced trade payables in connection with the normalization of net working capital; these were partly offset mainly by significant improvements in inventories as a result of reduced demand due to the pandemic as well as by a slight net improvement in contract assets and contract liabilities.

Cash flows from investing activities

The high positive cash flows from investing activities of continuing operations related mainly to the cash inflows in connection with the disposal of Elevator Technology.

Investments in the reporting year were significantly higher than in the prior year. The main reason for this was the €850 million investment in time deposits in connection with the proceeds from the sale of Elevator Technology; this investment is included in the "Reconciliation" line in the following table for the reporting year. In addition, the increase was also due to higher investment activity in particular at Industrial Components as a result of growth capex in the bearings and forging businesses.

INVESTMENTS

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %
Automotive Technology[1]	396	372	(6)
Industrial Components[1]	103	176	72
Elevator Technology	221	153	(31)
Plant Technology[1]	35	36	3
Marine Systems	59	73	25
Materials Services	135	164	22
Steel Europe	482	498	3
Corporate Headquarters[1]	16	10	(41)
Reconciliation[1]	(3)	869	++
Full group	**1,443**	**2,352**	**63**
Discontinued elevator operations[1]	233	164	(30)
Group continuing operations[1]	**1,210**	**2,188**	**81**

[1] See preliminary remarks.

Automotive Technology – In the Steering business investments were made in order-related production capacities for electric steering systems in China, Mexico and Europe, particularly in Hungary. At Dampers, the focus was on expanding damper technology in Romania. The construction of the new plant for the production of springs and stabilizers in Hungary was completed in the fiscal year. Order-related investment focused on adjustable camshafts and cylinder head covers.

Industrial Components – In the bearings business growth investments were made to adapt and increase production capacities, especially for wind turbine bearings, mainly at European and Asian production sites. In the forgings business, the focus was on equipment automation and the construction of a new forging line for front axles. Despite the coronavirus pandemic, the projects are being implemented as planned.

Plant Technology – Targeted and ongoing investments were made in all units to strengthen technologies, expand service activities and improve infrastructure.

Marine Systems – Investments in the modernization of the shipyard in Kiel were continued. In addition, a shipyard was acquired in Brazil to build the four frigates ordered by the Brazilian navy. In the longer term, this acquisition will also serve as a basis for developing further markets in South America.

Materials Services – Work began during the fiscal year on the construction of a new strategic logistics center for the northern region in Rotenburg (Wümme). In addition, modernization and maintenance measures were carried out at warehouse and service units and at AST. Investments also continued to be made in the digital transformation of the business along the entire value chain and the further expansion of the omnichannel architecture was stepped up.

Steel Europe – The construction of the new hot-dip coating line at the Dortmund location is intended to meet the increasing demand from automobile manufacturers for higher quality hot-dip coated products. The concrete and structural steel work for the building is well advanced and equipment installation was started at the end of August 2020. Commissioning of the plant is planned for 2022. The Packaging Steel business unit is building a new coating line to continue the production of special chromium-plated tinplate under improved environmental standards. Following on-schedule completion of the building, work on the equipment foundations began in August 2020. Initial preparations have started for the partial reline planned for summer 2021 of blast furnace 1 in Schwelgern with a capacity of 3.6 million tpy.

Corporate Headquarters – One focus of investment was on the IT area, in particular the central purchasing of software licenses and hardware.

Elevator Technology (discontinued operation) – In addition to regular maintenance investments, spending in the first 10 months of the reporting year was focused in particular on the construction of the new headquarters to concentrate administrative and research activities in Atlanta (USA).

Free cash flow

Free cash flow from continuing operations in the reporting year was clearly positive and up significantly year-on-year due in particular to the cash inflows from the sale of Elevator Technology.

Free cash flow before M & A from continuing operations was significantly lower than in the prior year. In addition to operating performance, the normalization of net working capital – towards more transparency and continuous optimization – and the payment of the fine in the Heavy Plate cartel case weighed heavily on the key performance indicator.

Cash flows from financing activities

The financing activities of the continuing operations resulted in a high overall cash outflow in the reporting year, compared with a significant cash inflow in the prior year. The main reason for this was the high cash outflow in the reporting year for the repayment of financial debt, whereas in the prior year there was a likewise high cash inflow from borrowings.

RECONCILIATION TO FREE CASH FLOW BEFORE M & A

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change
Operating cash flows – continuing operations (consolidated statement of cash flows)	(664)	(4,224)	(3,560)
Cash flow from investing activities – continuing operations (consolidated statement of cash flows)	(1,109)	12,595	13,704
Free cash flow – continuing operations (FCF)[1]	**(1,773)**	**8,371**	**10,144**
–/+ Cash inflow/cash outflow resulting from material M & A transactions	17	(14,637)	(14,655)
Adjustment due to IFRS 16	0	(99)	(99)
Adjustment due to time deposits	0	850	850
Free cash flow before M&A – continuing operations (FCF before M & A)[1]	**(1,756)**	**(5,515)**	**(3,759)**
Discontinued elevator operations[1]	615	680	64
Free cash flow before M&A – group (FCF before M & A)	**(1,140)**	**(4,835)**	**(3,695)**

[1] See preliminary remarks.

THYSSENKRUPP GROUP – STATEMENT OF CASHFLOWS

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Net income/(loss)	**(260)**	**9,592**
Adjustments to reconcile net income/(loss) to operating cash flows:		
(Income)/loss from discontinued operations (net of tax)	(851)	(15,134)
Deferred income taxes, net	135	(185)
Depreciation, amortization and impairment of non-current assets	1,163	4,180
Reversals of impairment losses of non-current assets	0	(3)
Income/(loss) from companies accounted for using the equity method, net of dividends received	(6)	(4)
(Gain)/loss on disposal of non-current assets	(49)	(16)
Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes		
– Inventories	(376)	1,132
– Trade accounts receivable	(158)	(932)
– Contract assets	331	(583)
– Accrued pension and similar obligations	(60)	(226)
– Other provisions	47	(81)
– Trade accounts payable	(180)	(2,089)
– Contract liabilities	(662)	339
– Other assets/liabilities not related to investing or financing activities	262	(216)
Operating cash flows – continuing operations	**(664)**	**(4,224)**
Operating cash flows – discontinued operations	736	898
Operating cash flows	**72**	**(3,326)**
Purchase of investments accounted for using the equity method and non-current financial assets	(5)	(4)
Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property	(1,101)	(1,265)
Capital expenditures for intangible assets (inclusive of advance payments)	(105)	(69)
Capital expenditures in time deposits	0	(850)
Proceeds from disposals of investments accounted for using the equity method and non-current financial assets	3	5
Proceeds from disposals of previously consolidated companies net of cash disposed[2]	0	14,697
Proceeds from disposals of property, plant and equipment and investment property	87	57
Proceeds from disposals of intangible assets	12	25
Cash flows from investing activities – continuing operations	**(1,109)**	**12,595**
Cash flows from investing activities – discontinued operations	(226)	(181)
Cash flows from investing activities	**(1,335)**	**12,414**

THYSSENKRUPP GROUP – STATEMENT OF CASHFLOWS

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Proceeds from issuance of bonds	2,500	0
Repayments of bonds	(1,250)	(750)
Proceeds from liabilities to financial institutions	2,538	4,564
Repayments of liabilities to financial institutions	(2,384)	(4,642)
Lease liabilities	0	(143)
Proceeds from/(repayments on) loan notes and other loans	678	(721)
(Increase)/decrease in current securities	0	(1)
Payment of thyssenkrupp AG dividend	(93)	0
Profit attributable to non-controlling interest	(55)	(40)
Financing of discontinued operations	443	937
Other financing activities	(5)	(155)
Cash flows from financing activities – continuing operations	**2,372**	**(952)**
Cash flows from financing activities – discontinued operations	(446)	(1,010)
Cash flows from financing activities	**1,926**	**(1,963)**
Net increase/(decrease) in cash and cash equivalents	663	7,125
Effect of exchange rate changes on cash and cash equivalents	36	(134)
Cash and cash equivalents at beginning of year	3,006	3,706
Cash and cash equivalents at end of year	**3,706**	**10,697**
Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows of continuing operations:		
Interest received	23	16
Interest paid	(208)	(222)
Dividends received	19	15
Income taxes (paid)/received[3]	(147)	(130)

See accompanying notes to financial statements.
[1] Figures have been adjusted (cf. Note 03).
[2] in 2019/2020 the line item includes transaction costs of €94 million.
[3] Thereof €(29) million in 2019/2020 (previous year: €49 million) included in cash flows from financing of discontinued operations.

Off-balance financing instruments

Our off-balance financing instruments include factoring programs. More details can be found under Note 09. Should financing instruments of this kind no longer be available in the future, we have adequate available credit lines. This also applies to the nonrecourse factoring of receivables, which the group as a whole sold in connection with ordinary business activities in the amount of €0.5 billion at the closing date (prior year: €1.8 billion).

Annual financial statements of thyssenkrupp AG

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

Course of business, future development and risk position

Course of business 2019 / 2020

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

Expected development 2020 / 2021 with material opportunities and risks

The expected development of thyssenkrupp AG in the 2020/2021 fiscal year will depend mainly on the development of the group as a whole and its opportunity and risk position. This is the subject of the forecast, opportunity and risk report. To this extent the information provided there on the expected development and risk position of the group also applies to the future development and risk position of thyssenkrupp AG. Details of target achievement in the 2019 / 2020 fiscal year are provided in the forecast-actual comparison for the thyssenkrupp group.

As parent company of the group, thyssenkrupp AG receives income in particular from its subsidiaries. Net income from investments comprises profits and losses transferred from domestic subsidiaries and dividends distributed particularly by foreign subsidiaries. Accordingly, the expectations for the Group’s business performance in 2020/2021 should also be reflected in the income of thyssenkrupp AG. Overall we expect a net loss again in 2020/2021, but a significant improvement year-on-year.

Results of operations

thyssenkrupp AG reported a net loss in the amount of €289 million in the 2019 / 2020 fiscal year, compared with a net loss of €1,807 million a year earlier.

€289 million

net loss

Net sales mainly included income from amounts charged on in accordance with the corporate design, company naming and trademark policy for the group-wide mark (€363 million), and usage fees for licenses, software and central IT security services (€71 million).

General administrative expenses increased by €87 million to €670 million. This mainly reflected a €101 million impairment loss recognized for buildings at the thyssenkrupp Quarter.

Other operating income of €128 million included the sale of software in the amount of €30 million and the sale of non-operating real estate in the amount of €28 million.

Other operating expenses increased by €1,114 million to €1,297 million. They included in particular expenses for the reversal of selected usage rights to the groupwide mark in the amount of €1,080 million, which thyssenkrupp AG had transferred to thyssenkrupp Elevator AG in the prior year (income in prior year: €1,080 million). They also included internal waivers of receivables in the total amount of €123 million.

Income from investments increased by €4,458 million to €2,091 million.

Expenses from loss transfers increased by €2,149 million to €5,116 million. In particular, the loss of thyssenkrupp Technologies Beteiligungen GmbH rose by €2,396 million to €4,860 million. The loss was mainly due to higher loss absorptions as well as to impairment losses on shares held by thyssenkrupp Technologies Beteiligungen GmbH. thyssenkrupp Materials Services GmbH reported a transferable loss of €212 million, compared with a loss of €183 million in the prior year.

In addition a total of €7,207 million income from investments (prior year €599 million) was received. This included in particular the dividend of thyssenkrupp Nederland Holding B.V. in the amount of €7,057 million, which included retained earnings from previous fiscal years and income from the Elevator Technology transaction.

In the course of fiscal 2019/2020, €556 million higher impairment charges were recorded on financial assets due to permanent impairment of the shares in thyssenkrupp Materials Services GmbH in the amount of €407 million, the shares in thyssenkrupp Regional Investment GmbH in the amount of €184 million, the shares in thyssenkrupp Steel Europe AG in the amount of €131 million, the shares in thyssenkrupp Italia S.r.l. in the amount of €77 million and the shares in thyssenkrupp Presta Mülheim GmbH in the amount of €3 million.

Income taxes related to corporation and trade income tax as well as comparable foreign income taxes.

Financial position

Total assets increased year-on-year by €8,153 million to €36,400 million due to the cash inflow from the Elevator Technology transaction. At September 30, 2020, the share of fixed assets in total assets was down to 50% from 69% a year earlier.

€36.4 billion

total assets

Fixed assets decreased by €1,323 million to €18,295 million. Property, plant and equipment decreased by €145 million mainly due to impairment of buildings in the thyssenkrupp Quarter in the amount of €101 million.

Shares in affiliated companies decreased by €2,427 million to €16,642 million. thyssenkrupp AG transferred its shareholding in thyssenkrupp Elevator USA Holding, Inc. as a contribution in kind at carrying amounts of €1,490 million (35.2%) to thyssenkrupp USA Holding AG & Co. KG and €2,740 million (64.8%) to thyssenkrupp Nederland Holding B.V. Accordingly the carrying amount in thyssenkrupp Elevator USA Holding, Inc. decreased by €4,229 million.

At thyssenkrupp Nederland Holding B.V. there was also a reduction in the carrying amount of the investment in the amount of €1,693 million due to capital repayments. Of this, €1,250 million as asset return related to the non-cash distribution of the reinvestment in the Elevator Technology business and €443 million to a capital repayment in connection with the dividend payment.

The reinvestment in the Elevator Technology business consisted of an investment and a non-interest-bearing loan and was recognized at fair value at the date of receipt on July 31. Accordingly, at the balance sheet date these assets were recognized at cost (investment: €657 million) and the loan at amortized cost in the amount of €603 million.

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

At September 30, 2020 receivables from affiliated companies were €1,162 million higher at €6,823 million.

thyssenkrupp AG bears liability from the internal transfer of pension obligations. The indemnification right created by transfer of responsibility for meeting the obligations recognized under miscellaneous assets decreased by €18 million in the past fiscal year to €238 million. This was recognized under pension obligations accordingly.

At September 30, 2020 cash in hand and cash at banks was €8,331 million up from a year earlier at €10,872 million, mainly due to the cash inflow from the sale of Elevator Technology.

Total equity decreased by €289 million to €6,489 million at September 30, 2020. This was due to the reduced unappropriated income of €485 million compared with the prior year. The equity ratio decreased to 18% (prior year: 24%) mainly due to significantly higher total assets.

The €20 million increase in pension provisions was mainly due to additions of €74 million and accrued interest of €22 million. This was partly offset by payments of €47 million and the change in the aforementioned internally transferred pension obligations (€18 million). In other provisions, the provision for personnel structure measures increased by €10 million, mainly due to the recognition of a provision for the volunteer program at thyssenkrupp AG. The provision for outstanding invoices decreased by €9 million.

Liabilities to affiliated companies were mainly deposits by subsidiaries in the central financial clearing system and loss transfers under profit and loss transfer agreements. Liabilities to affiliated companies were €9,976 million higher year-on-year at €22,836 million, mainly due to an increase in intercompany liabilities by €7,938 million. The main reason for this was the deposit of the proceeds from the Elevator Technology transaction. Liabilities due to loss transfers under profit and loss transfer agreements increased by €2,145 million. More information on the financial position of thyssenkrupp AG is contained in the Notes to the parent-company financial statements.

Statement of financial position of thyssenkrupp AG

ASSETS

million €	Sept. 30, 2019	Sept. 30, 2020
Fixed assets		
Intangible assets	61	36
Property, plant and equipment	293	148
Financial assets	19,264	18,111
	19,618	**18,295**
Operating assets		
Receivables and other assets	6,047	7,199
Cash on hand and cash at banks	2,541	10,872
	8,588	**18,072**
Prepaid expenses and deferred charges	**41**	**34**
Total assets	**28,247**	**36,400**

EQUITY AND LIABILITIES

million €	Sept. 30, 2019	Sept. 30, 2020
Total equity		
Capital stock	1,594	1,594
Additional paid-in capital	2,703	2,703
Other retained earnings	2,283	2,480
Unappropriated profit/loss	196	(289)
	6,778	**6,489**
Provisions		
Accrued pension and similar obligations	1,069	1,089
Other provisions	136	135
	1,205	**1,224**
Liabilities		
Bonds	5,950	5,200
Liabilities to financial institutions	327	271
Liabilities to affiliated companies	12,860	22,836
Other liabilities	1,126	380
	20,263	**28,687**
Deferred income	**1**	**0**
Total equity and liabilities	**28,247**	**36,400**

STATEMENT OF INCOME

million €	2018/2019	2019/2020
Net sales	581	486
Cost of sales	(169)	(106)
Gross profit	412	380
General administrative expenses	(520)	(607)
Other operating income	1,259	128
Other operating expense	(183)	(1,297)
Income from investments	(2,367)	2,091
Net interest	(166)	(164)
Write-downs of financial assets and securities classed as operating assets	(247)	(803)
Income taxes	5	(16)
Earnings after taxes/Net loss	**(1,807)**	**(289)**
Profit appropriation		
Net loss	(1,807)	(289)
Profit carried forward	2,004	0
Unappropriated profit/loss	**196**	**(289)**

Technology and innovations

Innovation strategy

Our research and development (R&D) efforts are concentrated on the major technological challenges of the future – above all the digital transformation of industry, climate change, the energy transition and modern mobility concepts.

www.thyssenkrupp.com > Company > Innovation

Our global research and development network includes around 75 sites with some 3,800 employees. It is augmented by collaborations with external partners such as universities, research institutes and other industrial enterprises. In the reporting period we registered around 2,100 new patents and utility models. As a result thyssenkrupp's patent portfolio now contains some 20,200 patents and utility models. In the trademark area there were around 250 new filings, including designs, in the reporting year, bringing the overall portfolio to around 8,600 property rights.

Total spending on research and development at the thyssenkrupp group came to €796 million in the reporting year (prior year excl. ET: €691 million), an increase of 15%. Adjusted R&D intensity – the ratio of R&D costs to sales excluding trading and distribution – was 4.0% (prior year excl. ET: 3.1%). Due to the sale of Elevator Technology with a comparatively low R&D intensity, increased order-related development costs, impairment charges and generally declining sales, adjusted R&D density is comparatively significantly higher than our corporate target of 2.5%.

In the 2019 / 2020 fiscal year we capitalized development costs of €20 million for the continuing operations, compared with €45 million in 2018 / 2019 excluding Elevator Technology. The share of capitalized costs in overall R&D costs – the capitalization ratio – fell to 7% from 14% in the prior year excluding Elevator Technology. Impairment charges had to be recognized on capitalized development costs from prior years.

RESEARCH AND DEVELOPMENT

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %
Research and development costs	271	247	(9)
Amortization of capitalized development costs[1]	36	149	314
Order-related development costs	384	400	4
Group continuing operations[2]	**691**	**796**	**15**

[1] Thereof impairment losses: €3 million (year ended 30, 2019), €115 million (year ended Sept. 30, 2020)
[2] Figures without Elevator Technology

Climate protection and energy transition

In connection with our hydrogen strategy tkH2Steel with the long-term goal of full climate neutrality in steel production we are pursuing two approaches: Carbon Direct Avoidance (CDA) and Carbon Capture and Usage (CCU). In the reporting year we launched a series of tests on the use of hydrogen in ongoing blast furnace operations. The aim is to sustainably reduce the CO_2 emissions from steel production. The conventional blast furnace process requires coke and pulverized coal to produce 1 ton of pig iron. The pulverized coal is injected into the lower part of the blast furnace as an additional chemical reducing agent via so-called tuyeres; this results in CO_2 emissions. The new concept replaces the pulverized coal with hydrogen, as instead of CO_2 this releases only water vapor. In the test we initially injected hydrogen through one tuyere on blast furnace 9; this process is to be expanded step by step to all 28 tuyeres of this blast furnace. If this process is successful it will theoretically reduce CO_2 emissions from the furnace by up to 20%. The next key step on the path to climate-neutral steel production is the use of direct reduction plants instead of conventional blast furnaces.

In July 2020 the Carbon2Chem project moved into its second phase. In a cross-industry network the aim is to demonstrate the stable production of chemical products from steel mill gases in long production campaigns and thus scale up the technology quickly to industrial level. A further focus is on transferring the technology to other industries such as cement and lime production and waste incineration systems. As the importance of green hydrogen grows around the world, demand is also rising for industrial electrolysis plants. Based on our technology leadership in chlor-alkali electrolysis we have developed the so-called alkaline water electrolysis process for the efficient production of this climate-friendly gas. In the past fiscal year thyssenkrupp significantly expanded its manufacturing capacities for such electrolysis plants. As a result we can now supply electrolysis cells annually with a total rating of up to one gigawatt. As the number and size of hydrogen projects increases, we will continue to expand our production capacities.

thyssenkrupp is also participating in the WESTKÜSTE100 project – one of the so-called “regulatory sandboxes for the energy transition”. As Germany’s first hydrogen project, which also addresses areas of the national hydrogen strategy, WESTKÜSTE100 has received notice of funding from the Federal Ministry of Economic Affairs and Energy. The aim of the project is step-by-step to build a regional hydrogen economy on an industrial scale in the state of Schleswig-Holstein. The ten partners in the consortium want to produce green hydrogen, transport it via the gas grid, utilize it in industrial processes and integrate different material cycles using the existing infrastructure. This will allow the decarbonization of industry, mobility and the heating market under real-world conditions. thyssenkrupp is contributing its expertise in the production of green hydrogen by electrolysis and in the utilization of CO_2 as a raw material for green methanol.

thyssenkrupp is participating in Germany’s first hydrogen project – WESTKÜSTE100.

For the fourth time in succession the non-profit organization CDP (formerly Carbon Disclosure Project) has named thyssenkrupp as an international leader in climate protection: Along with 178 other companies thyssenkrupp is included on CDP’s global “A” list for climate protection. CDP assessed 8,400 companies and ranked their climate performance on a scale from A to F. This ranking is based on how transparently companies present their climate data and whether they have a coherent strategy for further improving their own environmental performance and that of customers and suppliers.

Digitization

Materials Services systematically drove the digitization of its business processes and supply chains in the reporting year. One focus was on the introduction of automation solutions in administrative areas. They include OCR (Optical Character Recognition) solutions for the automated processing of e.g. emails which can speed up various processes such as sales and goods receiving. Following successful implementation in Germany these solutions are now being rolled out to Materials Services sites worldwide.

The new mobile app "Paperless" allows day-to-day processes in the warehouses such as bookings, the preparation of work schedules and material identification to be fully digitized. This enables rapid data capture and seamless integration into daily workflows. It also creates the conditions for the use of other automation solutions, such as driverless transportation systems, which are to be used in a new state-of-the-art logistics center for thyssenkrupp Schulte in Rotenburg/Wümme.

More and more machines and equipment at our warehouses and manufacturing sites are being interconnected using the toii® platform. toii® was developed in-house by Materials Services to allow communication between machines and equipment of different makes and generations – a key requirement for data-based process improvements.

Sustainable mobility

In our automotive business we continue to work hard on developing our chassis capabilities for highly automated and autonomous driving. Based on our electric power-assisted steering systems, Automotive Technology is currently aiming to develop new steering concepts such as steer-by-wire to production maturity. These are steering systems that require no mechanical link between the steering wheel and the wheels; the steering commands are transmitted electronically.

Intelligent connection of all chassis components is a further focus.

A further focus of our development work is the intelligent connection of all chassis components through to higher-level control of overall vehicle dynamics. For this our software engineers are developing an integrated control module (Vehicle Motion Control). It processes the signals from the steering, brake, damping and powertrain actuators into a coordinated drive strategy. This kind of interface is essential for controlling vehicle dynamics at all levels of automated driving. It performs essential safety-relevant tasks and can also be tuned to the individual wishes and requirements of the end customer.

thyssenkrupp has also been partnering with automotive OEMs for many years as a leading supplier of hot forming solutions for steel components. Hot forming is a process for the manufacture of sheet steel parts that allows high degrees of forming and guarantees high strength. The latter makes it possible to reduce sheet thickness and thus make parts lighter. In this way hot-formed parts meet the rising requirements of the automotive industry for occupant safety and for lower emissions through lower vehicle weight. The most recent development in the reporting year was the new AS Pro coating: It minimizes hydrogen absorption during the annealing process, which in turn enhances part and process reliability for hot-formed, in particular structurally relevant parts. The innovation is now available to customers for production parts.

Climate, energy and environment

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

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

thyssenkrupp Climate Action Program for Sustainable Solutions (CAPS)

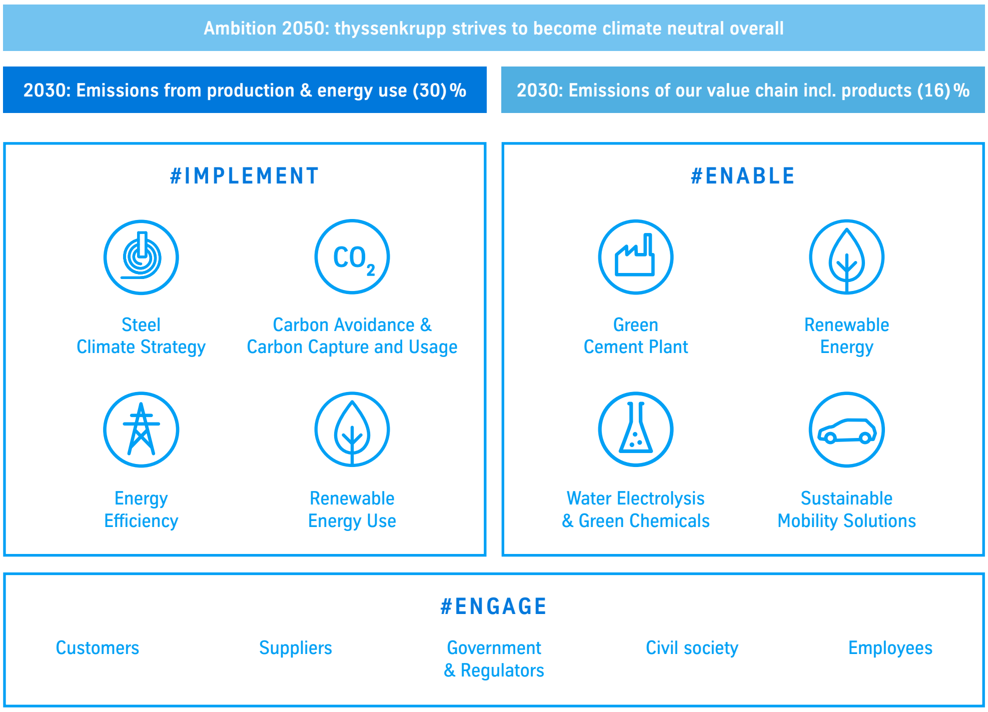
Ambitious climate targets by 2030 and 2050 in line with the Paris Climate Agreement

thyssenkrupp has set itself ambitious targets on the path to greenhouse gas neutrality. Our long-term target is to be climate-neutral by 2050. We have defined the following milestones for getting there: by 2030 we aim to reduce our direct emissions (scope 1) and emissions from purchased energy (scope 2) by 30% from a 2018 baseline. Indirect emissions in our value chain (scope 3), mostly associated with the use of our products, are to be reduced by at least 16%. The Science-Based Target initiative (SBTi) has closely examined our targets and officially confirmed that they are in line with the Paris Climate Agreement and the latest climate science. We presented these findings together with the SBTi at the WWF Pavilion at the UN Climate Conference COP25 in December 2019.

Our group climate targets continue to be implemented under our Climate Action Program for Sustainable Solutions (CAPS): Within this program our activities are grouped together in clusters to create synergies between the businesses. With regard to the emissions associated with our own production, in addition to improving energy efficiency we are pursuing two main parallel approaches: Under the CDA approach (Carbon Direct Avoidance) we aim to replace carbon step-by-step with hydrogen as a reducing agent in steel production and thus avoid CO_2 emissions at source. For this we have developed a unique process combining a direct reduction plant and a downstream electric melting unit that enables us to continue to offer all grades and thus also contribute to the climate neutrality of downstream production steps. Our second approach takes the so-called CCU path (Carbon Capture and Usage) to capture the CO_2 still produced and convert it into climate-friendly base chemicals using the Carbon2Chem process developed and tested by our engineers.

We are also focusing on Carbon2Chem to reduce indirect emissions, especially for the cement and steel industries; in addition we are concentrating on solutions for the production and storage of renewable energies and for sustainable mobility.

THYSSENKRUPP CLIMATE ACTION PROGRAM FOR SUSTAINABLE SOLUTIONS (CAPS)



In the reporting period the group's greenhouse gas emissions – i.e. scope 1 and scope 2 emissions as per the Greenhouse Gas Protocol – came to just below 23 million tons related to the continuing operations.

Excellent climate performance recognized by CDP for fourth year in succession

We have been working for many years to systematically improve the energy and climate efficiency of our production operations, and to develop efficient solutions to reduce greenhouse gases for and in cooperation with our customers. The success of our climate efforts is also confirmed regularly by external sources. In the reporting year thyssenkrupp was included on the "A" list of the Carbon Disclosure Project (CDP) for the fourth year in succession; according to CDP that makes us an international leader with regard to climate transparency and management.

Our environmental, climate and energy management systems are based on the group's global environmental and energy policy and a corresponding group regulation. Concrete targets for the areas of environmental management, energy management and energy efficiency were developed as part of our Indirect Financial Targets (IFTs) for the 2019 / 2020 fiscal year. Implementation of these targets is overseen by internal committees at various levels; in addition we provide corresponding training for auditors and promote regular exchanges of experience on environmental, climate and energy management by organizing international and regional conferences within the group.

Environmental management at our sites

At thyssenkrupp all companies with environmentally relevant activities are required to operate an ISO 14001 environmental management system by fiscal year 2019 / 2020. This international standard covers all relevant environmental aspects, from the reduction of wastewater, waste and emissions to the environmental impact of products during use through to disposal. The requirements for our group companies are clear: They must continuously improve their environmental performance and at the same time meet legal and other requirements and concrete environmental goals at their individual sites.

Internationally recognized standards of environmental management implemented worldwide

Activities regarded as environmentally relevant are defined in a group regulation. As of September 30, 2020 more than 50 thyssenkrupp companies from the continuing operations were determined as environmentally relevant in line with this regulation. As a result of our Indirect Financial Target for environmental management systems, 100% of our environmentally relevant companies now comply with the required standard in the target year 2019 / 2020. Related to the overall workforce the group therefore handles around 72% of its environmental management activities in accordance with ISO 14001.

Continuous improvements in energy efficiency and energy management

The energy consumption of the group's continuing operations came to around 69 terawatt hours (TWh) in the 2019 / 2020 reporting year.

Energy efficiency has always played an important role at thyssenkrupp. Launched six years ago, the global Groupwide Energy Efficiency Program (GEEP) includes measures such as better use of waste heat, the reduction of stand-by times and the replacement of plant components. In the reporting year we set ourselves the GEEP goal of increasing energy efficiency in the group by 150 GWh. We exceeded this goal with around 200 GWh. Mathematically these efficiency gains enabled us to avoid around 85,000 tons of greenhouse gas emissions. The goal for the current fiscal year 2020 / 2021 is to achieve efficiency gains of at least 80 GWh. We also achieved our goal for all energy-relevant activities to be covered by an ISO 50001 energy management system by the 2019 / 2020 reporting year. Among other things this includes setting concrete energy targets for each of the corresponding subsidiaries, measuring energy flows and optimizing organizational and technical processes. This requirement has been met by over 50 relevant companies in the group. In terms of energy consumption this means that 96% of energy management activities at thyssenkrupp meet the ISO 50001 standard.

Clear increase in energy efficiency through the global energy program GEEP

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

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

Purchasing

thyssenkrupp buys in a wide variety of products, product groups and services. Our goal is not just to achieve an optimum price/quality ratio; we also analyze our own products and design them from the outset to allow necessary components to be procured as cost-efficiently as possible.

www.thyssenkrupp.com > Company > Procurement

Almost half our purchasing volume is for commodities such as raw materials or materials for our distribution businesses. The other half is used for services and technological products.

Materials expense

Materials expense comprises the group's total spend (continuing operations) on products and services. In the reporting year it decreased year-on-year by 13% to €20 billion. Materials expense as a percentage of sales came to 71% (prior year: 69%). Depending on business model, the percentages of the individual businesses ranged between 51% (Industrial Components) and 83% (Materials Services). The following table shows the materials expense of each individual business area in absolute figures:

71%

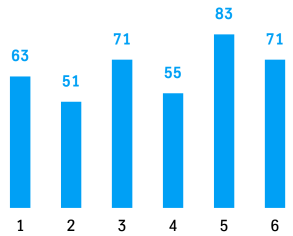
Materials expense as a percentage of sales came to 71%.

MATERIALS EXPENSE

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Change in %
Automotive Technology[1]	3,235	2,967	(8)
Industrial Components[1]	1,367	1,080	(21)
Elevator Technology	2,908	2,224	(24)
Plant Technology[1]	1,927	2,062	7
Marine Systems	1,051	955	(9)
Materials Services	11,684	9,325	(20)
Steel Europe	5,818	5,143	(12)
Corporate Headquarters[1]	3	7	148
Reconciliation[1]	(1,628)	(1,124)	—
Full group	**26,365**	**22,639**	**(14)**
Discontinued elevator operations[1]	2,927	2,230	(24)
Group continuing operations[1]	**23,439**	**20,409**	**(13)**

[1] See preliminary remarks.

Materials expense of the segments
as % of sales 2019 / 2020



1	Automotive Technology	63 %
2	Industrial Components	51 %
3	Plant Technology	71 %
4	Marine Systems	55 %
5	Materials Services	83 %
6	Steel Europe	71 %

Our global purchasing organization once again reliably secured the supply of materials to thyssenkrupp's plants in the reporting year with a few pandemic-related restrictions. More information is provided in the "Opportunity and risk report" under "Procurement risks".

As part of the strategic realignment, responsibility for managing the purchasing function has been transferred to the business units. At the start of the current fiscal year, selected joint activities such as managing processes to secure sustainability in supplier management, managing cross-business pooling activities, ensuring data transparency and providing purchasing systems were transferred to the new thyssenkrupp Services GmbH.

Sustainability in supplier management

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

To be able to work with thyssenkrupp, suppliers must sign our Supplier Code of Conduct or comply with equivalent standards. The Supplier Code of Conduct addresses possible risks and negative impacts along the supply chain, including areas such as human rights, fair working conditions, environmental protection, combating corruption, and transparency into the origin of conflict minerals. We expect all our suppliers to comply with the principles set out in the code. Each year we carry out sustainability audits of at least 100 suppliers to check they comply with the above principles and consistently meet our requirements; this process is part of our strategic supplier management. In the sustainability audits we focus in particular on respect for human rights, for example with regard to working conditions. We select the suppliers to be audited on the basis of standard company-wide risk criteria for specific countries and sectors and in close cooperation between the segments and Corporate Headquarters. Where necessary, improvement measures are agreed during the audits and then followed up. In this way we support supplier development and reduce our risks and possible negative impacts along the supply chain. In the 2019/2020 reporting year fewer than 100 sustainability audits were carried out. In addition to the sale of Elevator Technology, plant closures and short-time working at suppliers and thyssenkrupp as a result of the coronavirus pandemic meant that many scheduled sustainability audits had to be cancelled. Important themes in the audits that were conducted included working hours, the documentation of business processes and occupational safety.

Employees

Employees in figures

On September 30, 2020 thyssenkrupp employed 103,598 people worldwide. Based on its continuing operations, this represents a decrease of 5,690 (5.2%) compared with September 30, 2019.

www.thyssenkrupp.com > Company > Sustainability > Employees

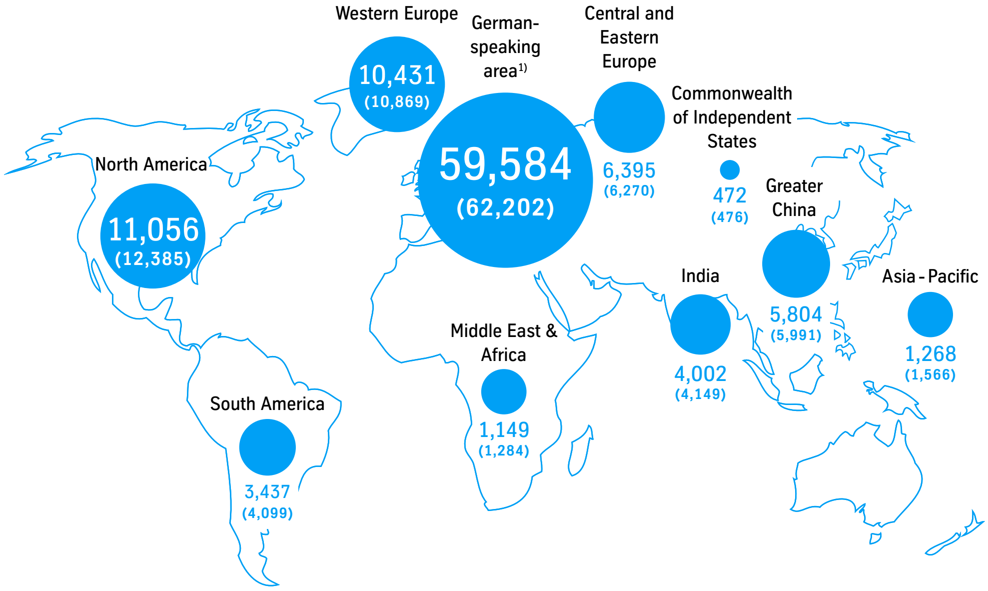
EMPLOYEES

	Sept. 30, 2019	Sept. 30, 2020	Change in %
Automotive Technology[1]	25,834	24,763	(4)
Industrial Components[1]	13,773	12,500	(9)
Elevator Technology	53,081	0	--
Plant Technology[1]	11,419	10,753	(6)
Marine Systems	6,013	6,321	5
Materials Services	20,340	18,817	(7)
Steel Europe	28,278	27,434	(3)
Corporate Headquarters[1]	1,060	809	(24)
Reconciliation[1]	2,574	2,201	(14)
Full group	**162,372**	**103,598**	**(36)**
Discontinued elevator operations[1]	53,081	0	--
Group continuing operations[1]	**109,291**	**103,598**	**(5)**
Germany	58,937	56,445	(4)
Other countries	50,354	47,153	(6)

[1] See preliminary remarks.

EMPLOYEES BY REGION

(prior-year figures in brackets)



1) Germany, Austria, Switzerland, Liechtenstein combined; in Germany 56,445 (58,937)

HR work in times of transformation

In the past fiscal year HR work at thyssenkrupp was dominated by two main challenges: The first was to help contain the spread of the coronavirus pandemic, introduce the necessary short-term HR measures and organize the long-term changes in employees' day-to-day work. The second was to organizationally implement the realignment of the company resolved in May 2019 and concretized in May 2020 and realign the areas of HR work of strategic importance to thyssenkrupp accordingly.

Safety and health: measures relating to the coronavirus pandemic and ongoing improvement of the relevant KPIs

"No compromising on occupational safety and health. That is our value. Because we care." On the basis of this vision, thyssenkrupp continued to work on occupational safety and health in the past fiscal year. From January 2020 the focus shifted to crisis management to contain the spread of the coronavirus pandemic in the group and in particular protect all employees worldwide against infection. To agree necessary rules and measures and communicate them quickly to the entire workforce, a central team of safety and health experts from all businesses was set up which cooperates closely with the crisis units in the businesses and regions and with the health authorities. As a first step, the pandemic plans of all units were updated to meet the new situation.

33,000

employees working remotely

Alongside company-wide rules and recommendations, we always also addressed the concrete needs of individual locations. Company-wide rules cover for example the continuous updating of travel policies based on the recommendations of the World Health Organization (WHO), physical distancing and hygiene practices, the training of internal pandemic helpers, and procedures for dealing with potentially infected people and at-risk groups, with the close support of our medical experts. Our sites obtained most of the protective equipment they needed centrally via our regional platforms. In Germany alone approx. 2.3 million surgical masks were made available from April. From the end of March employees working in offices were requested to work remotely wherever possible. The technical requirements and necessary arrangements for this were put in place very quickly. Up to 33,000 employees ultimately worked from home.

A key aspect of pandemic management is keeping all employees regularly informed. As well as undertaking all the necessary organizational measures, thyssenkrupp appeals to each individual to take responsibility for observing the hygiene, physical distancing and all other rules. In the interest of helping everyone understand, communication materials in 30 languages are distributed via our internal channels. The mental health impacts resulting from the coronavirus pandemic are also addressed, among other things with an Employee Assistance Program (EAP), available to two thirds of the workforce. In addition to psychological support, the program also offers medical health advice.

Aside from the coronavirus pandemic, thyssenkrupp continues to support the individual health of employees, with initiatives focused on nutrition, exercise, stress management, addiction prevention, and prevention of other non-work-related health risks, and screening programs offered to employees on an optional basis. On average the sites organized activities in 3.3 out of these 6 areas, compared with 2.3 in fiscal year 2014 / 2015 when our first survey was conducted. Our first-aider ratio target of 10% has been exceeded for many years. Currently 18.9% of employees are trained in first aid. We aim to maintain this high level.

A further key area of occupational safety in the past fiscal year was the full revision of our internal minimum standards, integrated in our global management handbook “Occupational safety and health” first issued in 2011. The fourth edition brought out in January 2020 now also includes in full the requirements of the new international standard ISO 45001 “Occupational health and safety management systems”.

In the reporting year we again improved our global KPI for occupational safety, accident frequency. Including the discontinued elevator operations, it decreased to 2.3. The adjusted figure for the continuing operations alone was 2.9. For the current fiscal year our target is to improve this further to 2.8. We aim to reduce the number of fatal accidents to zero. In the past fiscal year we recorded two fatal accidents worldwide in the continuing operations, and five accidents including the discontinued elevator operations. By thoroughly investigating and learning from accidents of this kind, we aim to help prevent them in the future. This goal is also served by the regular communication of occupational safety KPIs. All units report their accident KPIs once a month; occupational safety is also a separate agenda item at Executive Board meetings.

Pandemic management: HR measures

The effects of the pandemic for our customers and partners as well as the strict infection control restrictions applying at times in individual countries necessitated additional HR measures at thyssenkrupp.

Depending on the economic situation, we will continue to make flexible use of instruments such as short-time working and other state support programs within the scope available in the current fiscal year. A newly created cross-business and cross-function network of experts within the group discusses the use of HR instruments in the crisis in order to find fair solutions for both companies and employees. The aim is to create new and optimize existing instruments, also and in particular to overcome the vastly increased economic challenges posed by the crisis. Management and the codetermination bodies are therefore focused on the goal of creating sustainable solutions for the company and the employees. A key step in this process is the definition of new performance indicators and success factors which are closely integrated with the operational planning of the businesses.

Realignment of thyssenkrupp: HR strategy and HR measures

Alongside acute crisis management, the HR function is supporting and driving the transformation of thyssenkrupp into a powerful group of companies and adapting its own strategy, structure and way of working to the new requirements of the group. The focus is on strategic and operational contributions around the basic principles “performance first” and “efficient organization” (see “Strategy” section).

Realignment of the corporate companies and corporate functions

As part of thyssenkrupp’s realignment, the corporate functions of thyssenkrupp AG were also reorganized and significantly downsized in the past fiscal year. To avoid compulsory redundancies, in parallel with the roughly three-month process for the realignment of the corporate functions a so-called volunteer program was offered at thyssenkrupp AG in close consultation with the employee representatives. A total of 177 employees signed up to the program, under which they could transfer to a professional outplacement support company for a period of up to 24 months for help in transitioning “from work to work”. To provide financial security, participants receive around 85% of their current monthly salary during this period. As of the end of the 2019 / 2020 fiscal year, a further reduction of jobs at thyssenkrupp AG will result from the concentration of service units in the two companies thyssenkrupp Services GmbH and thyssenkrupp Information Management GmbH and the associated transfer of 138 employees effective October 1, 2020. thyssenkrupp Services GmbH combines 25 service lines and six independent service providers operating as profit centers with a service portfolio tailored to customer needs. We also plan to offer and implement various HR services in the group according to this principle in the future – in areas including personnel development, compensation, digital HR, recruiting, and HR administration for all corporate companies of thyssenkrupp. thyssenkrupp Information Management GmbH is the IT partner to the corporate functions and companies. In addition it performs selected thyssenkrupp-wide IT services and delivers solutions on demand for the entire group.

The realignment and streamlining of the corporate companies requires executives as well as employees to be willing to change. To ensure this willingness to change and the fundamental principle of "efficient organization" is embedded even more firmly in the company, the HR department along with internal communications initiated additional change initiatives from April 2020. These are focused on the introduction of new ways of working and accompanying dialogue and discussion formats between employees and executives.

New bonus system and updated competency model for executives

To create stronger incentives to increase performance and competitiveness, the bonus system for executives was revised. The new model gives increased emphasis to transformation as a central success factor and at the same time provides more room for separate specific success factors of the individual businesses. It will come into effect as of the end of the 2020/2021 fiscal year. In addition, the number of thyssenkrupp leadership competencies was reduced from eight to six and these were focused more sharply on the transformation of the group of companies. The updated competencies are: Inspirational Leadership, Strategic Orientation, Business Excellence, Courage, Accountability, Thrive on Change. The thyssenkrupp leadership competencies set out our joint understanding of the behavior required for performance and success at thyssenkrupp, and provide guidance for day-to-day leadership conduct, which influences how our leadership culture is perceived. The leadership competencies also form the basis for executive development and various HR systems, and the focus of the thyssenkrupp Academy.

With learning content tailored to the specific businesses and challenges at thyssenkrupp, the thyssenkrupp Academy supports the advancement of our leadership culture as well as performance and competitiveness in the company. In fiscal 2019 / 2020 the third company-wide executives program "Optimizing Leadership Impact", a global curriculum for all management levels below top management, was piloted and implemented. Examining the core topics strategy, agility, innovation, decision-making and customer focus, it is a further component for promoting operating excellence and strengthening leadership style and competencies in our group of companies.

Training remains a central element for securing skilled employees

Training young people has always been a central element of HR work at thyssenkrupp. In the reporting year our group of companies had altogether over 2,700 apprentices (prior year: 3,100) in 65 occupations, mostly in Germany but also many in other European countries. In Germany the apprentice training rate – the ratio of apprenticeship places to the total workforce – was stable at 4.9% (prior year: 4.9%). thyssenkrupp offers apprentices the option of a classic apprenticeship or an integrated degree course. Collective agreements ensure consistently high quality standards for integrated degree courses. Despite severe restrictions as a result of the coronavirus pandemic, the quality of training was by and large maintained. Particularly for industrial apprenticeships, the trainers had to go to great efforts to ensure that the course content could be taught despite the reduced presence of the apprentices on site. This was achieved thanks to the use of digital teaching and new learning methods. thyssenkrupp is offering numerous apprenticeship places again in the current training year. A new, mainly digital advertising campaign positions thyssenkrupp as an attractive employer for integrated degree courses.

Apprentices: **2,700**

Apprenticeship occupations: **65**

Diversity

Openness, equal opportunities, and mutual respect are central values of our corporate culture. As part of our open and inclusive working environment, we offer different working time models, child-care services, and various internal networks. We want everyone who works for us to be able to reach their full potential – irrespective of origin, gender, religious beliefs or sexual orientation. With regard to the "gender" aspect, in 2011 thyssenkrupp made a voluntary commitment under a unique European initiative to set a target to increase the share of women in leadership positions by the year 2020. With an increase from 8% in 2011 to 11.2% as of September 30, 2020, thyssenkrupp achieved a significant improvement in this area, even though the target of 15% was not achieved. Despite continuing major challenges and foreseeable structural changes, thyssenkrupp remains committed to the voluntary target principle. Our aim continues to be that the share of women in leadership positions should reflect the share of women in the workforce as a whole. At September 30, 2020 the share of women in the workforce of the continuing operations is altogether around 16%. Accordingly thyssenkrupp is aiming to fill 16% of leadership positions with women and wants to achieve this target by the end of the 2024 / 2025 fiscal year.

Social responsibility

thyssenkrupp regards itself as an active corporate citizen. The thyssenkrupp group wants to engage positively with the communities around its locations and support the people who live there. We want to help solve the challenges currently facing society and use our entrepreneurial skills for the common good. Accordingly companies of the group are actively involved in various local projects, collaborations, multi-stakeholder initiatives and associations.

In our corporate citizenship activities, we are guided by our slogan "engineering.tomorrow.together". For this reason thyssenkrupp promotes enthusiasm for technology and innovation, education, and local engagement. To ensure we maintain our high compliance standards in all our work, we have among other things a global documentation and approval system for corporate citizenship activities. More than 350 measures were documented worldwide in the reporting year.

To help mitigate the impact of the coronavirus pandemic, various thyssenkrupp production sites gave their support to projects and non-profit associations and organizations in the reporting year. For example executives voluntarily waiving part of their salary raised over €200,000 which was used in cooperation with local partners to provide direct help in the coronavirus pandemic. The group Executive Board members also contributed part of their pay to send a personal signal in the crisis. Overall we provided urgently needed funds to more than 30 organizations in the coronavirus crisis. The donations went to food banks, women's refuges, voluntary agencies, homeless shelters and associations supporting children and young people in need who have been hit particularly hard by the consequences of the pandemic.

The global engagement of the group during the coronavirus pandemic was shown in many ways depending on the possibilities available and local needs. For example, in the early months of the pandemic various thyssenkrupp sites in Germany, Brazil and the USA manufactured and donated 3D-printed visor holders and face coverings for replaceable filter inserts (so-called Montana masks). thyssenkrupp Plant Technology in Dortmund donated 50,000 surgical masks and other protective clothing from its own stocks to health authorities and hospitals in the region to help meet acute requirements. Employees of thyssenkrupp Forged Technologies in Campo Limpo/Brazil delivered five tons of food along with hygiene and cleaning products to local families in need. Last but not least, the thyssenkrupp Bilstein plant in Sibiu/Romania, part of the Automotive division, responded quickly to the need of their local hospital for coronavirus tests to contain the spread of the virus in the region by making a donation of €30,000 to purchase the urgently needed test kits.

Help in the coronavirus pandemic takes various forms.

Donations to political parties or organizations, elected representatives or candidates for political office at home or abroad are not compatible with the thyssenkrupp group's values and are therefore not permitted.

Compliance

compliance

thyssenkrupp has a broad understanding of compliance: Observance of the law and internal regulations is a must for us and part of our corporate culture. Compliance creates the framework for our business actions and serves to safeguard our long-term business success. As well as providing comprehensive support for the core compliance areas antitrust law, corruption prevention, anti-money laundering, data protection and trade compliance, compliance work in the 2019 / 2020 fiscal year focused on four main tasks:

- communication of strong values as the foundation on which we work together, also in a difficult economic environment,
- competition law support for portfolio measures,
- continuous implementation and further development of the data protection compliance management system,
- support for the realignment of other compliance-related matters in connection with the strategic realignment of the group.

Compliance firmly embedded in our corporate culture

Our compliance strategy is aimed at embedding a sustainable value culture at thyssenkrupp – a culture in which reliability, honesty, credibility, and integrity are the cornerstones of our actions. Because to us compliance is much more than just abiding by the law: compliance is a question of mindset. This includes our clear commitment that thyssenkrupp stands exclusively for fair and straight business. We would rather sacrifice a contract than win it by breaking the law.

www.thyssenkrupp.com > Company > Compliance

In a healthy corporate and management culture, commitment and shared values go hand-in-hand. Violations of the law or internal rules are not compatible with our understanding of compliance. The following rules therefore apply unequivocally:

- We systematically investigate all reports of legal violations and clear up the facts.
- Employees who report possible legal violations in good faith enjoy special protection from unfair treatment.
- Any violations identified are stopped without delay.
- Any violations identified are systematically and appropriately sanctioned as necessary, regardless of the name and function of the person involved.

Compliance program and key areas of compliance work

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

thyssenkrupp's compliance program comprises the three elements “inform & advise”, “identify”, and “report & act”. It is closely interlinked with risk management and with our internal control system. In this way we ensure that compliance is an integral component of every single business process. The program focuses on the key areas antitrust law and corruption prevention, anti-money laundering, and data protection. A new area added organizationally at the level of thyssenkrupp AG on April 1, 2020 is trade compliance. The 2019 / 2020 fiscal year was also marked by the sale of thyssenkrupp Elevator, which Compliance closely supported with the creation of a dedicated compliance management system. In the following we report only on the continuing operations excluding thyssenkrupp Elevator.

At the start of the coronavirus pandemic, our compliance organization used various communications and training formats to highlight increased risks and the importance of upholding our values even in difficult economic times. The compliance organization also advised the businesses on concrete antitrust issues, such as in their relationships with suppliers and competitors. In the past year data protection remained a focus of our compliance work. We again worked intensively on the further development and digitization of our processes, fine-tuned our organizational structure, and supported our subsidiaries throughout Europe with the implementation of legal requirements. On September 30, 2020 almost 200 persons were established as data protection officers and data protection coordinators. An e-learning module provides the relevant target group throughout the organization with all important information on data protection. Altogether a further roughly 14,500 employees successfully completed the course in the past fiscal year.

A further important compliance task in the reporting year was providing intensive competition law support to the corporate functions in connection with the sale of thyssenkrupp Elevator as well as other M & A activities, also in connection with the strategic realignment of the group.

The Compliance function also performs the role of advisor, coordinator and consolidator in areas such as occupational safety, supplier compliance, use of contractors, and environmental protection. It also ensures uniform compliance reporting to the Executive Board. Substantive compliance responsibility in these areas remains with the competent corporate functions or the relevant segment. This ensures that in all areas of the company compliance is understood in accordance with the thyssenkrupp mission statement, an intensive exchange of knowledge takes place between the compliance function and those responsible for content, and the resultant synergies in organization, processes and methods are utilized. In connection with the strategic realignment of thyssenkrupp as a group of companies, Compliance works with the responsible officers in the corporate functions to adapt the reporting system and responsibilities for the respective topic areas.

Further activities in the reporting year in each of the three elements of the compliance program can be summarized as follows:

- "Inform & advise": Our compliance officers trained and advised employees around the world on applicable statutory requirements, internal groupwide policies, and also looked at concrete individual cases. In the reporting year almost 4,200 employees worldwide attended classroom courses – increasingly held online due to the coronavirus pandemic – mainly on antitrust law and corruption prevention. In addition we continued the fourth cycle of the e-learning program on corruption prevention and antitrust law launched in November 2015. Including the e-learning formats on compliance in purchasing and data protection, a total of more than 107,000 courses, net of disposals, were completed by the end of the fiscal year.

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

- "Report & act": As well as our regular reports to the Supervisory Board and Audit Committee, our intensive compliance reporting covers all levels of our group of companies: the Executive Board of thyssenkrupp AG, the segment boards, group company managements, and regional officers and project managers with market responsibility. In the event of proven violations, our "zero tolerance" policy applies: Where necessary, sanctions are systematically imposed on those concerned.

Compliance organization

Our Compliance function has the important job of strategic business partner, advising on relevant strategic decisions from an early stage. In addition to the compliance program, this requires a needs-based organization with clearly allocated roles and responsibilities, effective, efficient and appropriately staffed program management, and in particular tasks structurally in line with the requirements of the thyssenkrupp group of companies.

thyssenkrupp employs more than 60 full-time compliance employees worldwide. They are supported by a network of around 260 compliance managers. The latter are generally top executives of a group company who ensure the compliance program is implemented at operating level in their area of responsibility. Together they play a key role in permanently embedding compliance in the thyssenkrupp group of companies and are available to employees seeking advice.

Effective January 1, 2020 the Legal and Compliance departments were combined organizationally into one function at the level of thyssenkrupp AG. The Chief Compliance Officer now reports to the General Counsel of the thyssenkrupp group of companies and remains responsible for the management of the compliance program and the worldwide compliance organization.

>60

thyssenkrupp employs more than 60 full-time compliance employees.

260

Around 260 compliance managers promote compliance at work and act as our mouthpiece in the business units around the world.

Overview of non-financial disclosures

The full non-financial disclosures pursuant to §§ 289b ff. and §§ 315b ff. HGB are integrated in the various sections of the management report as this information is important for understanding the business performance and position of the group. The combined information relating to the group applies equally to thyssenkrupp AG. In compiling the information, various frameworks, e.g. UN Global Compact, were used as guidance. Risks of negative environmental and social impacts from thyssenkrupp's business activities are also addressed in the various sections of the management report. Based on this, there are no additional risks to be reported in the risk report. Respect for human rights and social issues in the meaning of German GAAP (HGB) are addressed as crosscutting issues which have large overlaps with each other and with employee issues. Beyond this, the aspect of social issues is important but not necessary for an understanding of our business performance, the situation of the group, or the impacts of business activity.

OVERVIEW OF NON-FINANCIAL DISCLOSURES

	Environmental issues	Employee issues	Respect for human rights	Social issues	Anti-corruption and prevention of bribery
Section	Sustainability and Indirect Financial Targets Climate, energy and environment Sustainability in supplier management Opportunity and risk report – Regulatory risks – Production risks – Procurement risks Provisions for employee benefits and other provisions[1]	Sustainability and Indirect Financial Targets Employees Sustainability in supplier management Opportunity and risk report – Production risks – Personnel risks – Procurement risks Provisions for pensions and similar obligations[1] Provisions for employee benefits and other provisions	Sustainability and Indirect Financial Targets Sustainability in supplier management Employees Opportunity and risk report – Procurement risks	Social responsibility	Sustainability and Indirect Financial Targets Compliance Sustainability in supplier management Opportunity and risk report – Legal risks and compliance risks – Procurement risks Provisions for employee benefits and other provisions[1]

[1] see thyssenkrupp – group – statement of financial position p. 65

Forecast, opportunity and risk report

2020 / 2021 forecast

In connection with the strategic realignment, on which the following forecast is based, the independent segment Multi Tracks was established effective October 1, 2020. Multi Tracks includes Plant Technology, the AST stainless steel mill in Terni (Italy) including its sales organization, Powertrain & Battery Solutions, Springs & Stabilizers, the Infrastructure and Heavy Plate units, Carbon Components and the investment in our former elevator business. More information on this is provided in the “Strategy” section.

Overall assessment

We are pushing ahead with the strategic realignment and structural improvement of our businesses. With the definition of our target portfolio at the end of May a clear focus was placed on the industrial portfolio and business models, competitive profitability and cash flow of our businesses. Part of the proceeds from the Elevator transaction are to be used selectively to develop and restructure businesses where attractive target returns can be achieved. In addition, financial liabilities are to be repaid in line with their maturity profile. However, in view of the uncertain economic situation due to the pandemic we will continue to retain the greatest possible flexibility in the precise allocation of funds.

The economic conditions for our businesses are currently marked by uncertainties arising from:

- uncertainty over the progression of the coronavirus pandemic, the possibility of tighter lockdown measures, and a “new normal” after the pandemic
- the future economic policy of the USA – in particular after the decision in the presidential election
- the possible slowing growth of the Chinese economy as a key factor for global growth and as an important sales market
- the outcome of the Brexit transition negotiations on economic growth in Europe, on exports and on future investment – above all in the UK itself but also in the other countries of Europe
- the high overall indebtedness in some EU states, not least due to numerous government aid measures to mitigate the effects of the pandemic, which could cause significant uncertainty on the financial markets; this could restrict lending to businesses and households
- the continuing structural overcapacities in the steel industry, the corresponding competitive and import pressure on the European market and increasing dislocations in international steel trade flows, among other things as a result of the US tariffs on steel imports

- the volatility – including sudden fluctuations in some cases almost impossible to predict – and level of raw material prices as an important cost factor in our materials businesses and as a key factor for our plant engineering customers when awarding major projects
- the structural transformation in the auto industry (changing mobility patterns, shift in powertrain technologies, digitization) which could be slower than expected if there is a sharper global downturn

Key assumptions

For 2021 we currently assume significant growth at a global level. Depending on the course of the pandemic, a few countries (e.g. China) may already return to pre-crisis levels, but in most other countries, which have been hit hard by the infection rates and also due to their economic structure, this will probably not be the case before 2023.

Against this background we will focus in fiscal 2020 / 2021 on the restructuring and structural improvement of our businesses and Corporate Headquarters as well as continuing targeted growth initiatives. All targets are to be backed systematically with concrete action plans. In addition we will develop the “best owner” plans for Multi Tracks launched last year towards a conclusion and bring the Dual Tracks into a long-term target structure where this improves value. We will also counter the effects of the coronavirus pandemic with short-term measures such as short-time working.

The key assumptions for our markets forming the basis of our forecast can be found in the section “Macro and sector environment” in the Report on the economic position. The corresponding opportunities and risks are set out in the “Opportunity and risk report” that follows this section. We have the following expectations for our businesses:

Materials Services will continue to drive the digitization of its business processes and distribution channels in order to increase productivity and efficiency throughout the value chain and systematically pursue our omnichannel approach. This will include increased use of our AI platform “alfred” to optimize transportation routes and logistics flows, the further rollout of a state-of-the-art ERP platform, and the expansion of the e-commerce functionalities of our B2B portal. As part of our “Materials as a service” strategy we will also develop new digital business models and services. In addition, structural adjustments to the organization and site network will help optimize capacity utilization and thus reduce costs.

Despite the ending of government incentive programs in China that caused pull-forward effects in the prior fiscal year, demand for bearings from the energy and wind sector is expected to remain at the prior-year level. This will be supported by structural measures aimed at improving our competitiveness and securing our leading market position. Following a cyclical market downturn and a pandemic-related significant fall in demand in 2020, we expect a moderate recovery in demand for our global forgings business and construction machinery components in fiscal 2020/2021. We expect a moderate normalization of demand from a very low level for trucks >6t, and a slight increase for industrial components. This will be supported by systematic measures to reduce costs and improve productivity in all regions.

Following an anticipated decline of 17% in 2020 due to the pandemic, global production of cars and light trucks is expected to remain well below pre-crisis levels in 2021. The markets in Western Europe and North America are expected to show signs of recovery in 2021, each growing by around 20% from a significantly reduced market level. In the world's biggest market China, we expect car sales to be lower year-on-year despite a positive trend in the course of 2020 following pandemic effects in the first calendar quarter. The recovery trend will continue and is expected to result in slight growth on the Chinese market in 2021. The increasing trend towards e-mobility is also expected to have a positive effect on demand for our chassis components and high-quality steel grades.

Global steel demand is expected to grow by around 4% in 2021. The Chinese market, which grew by 8% in 2020 and prevented a more significant drop in global steel demand, is expected to stabilize. However, the overall positive outlook for 2021 is clouded by great uncertainty about the progression of the pandemic. In addition, global overcapacities and protectionism continue to represent a high risk. Imports also remain a challenge to the expected upward trend on the European steel market. At the same time we will push ahead with the transformation to "green steel".

Following the pandemic-related slump in spring 2020, we expect the general economic recovery to result in a tentative improvement at Steel Europe from a low base over the course of the fiscal year 2020 / 2021. However, a return to pre-crisis levels is not expected until the following years.

At Marine Systems, the level of orders in hand for surface vessels is very pleasing. At the same time we are negotiating with Germany and Norway on a submarine program. As a sub-contractor to the Italian shipyard Fincantieri we are also part of a promising bidding process for an Italian submarine program. We expect to receive both orders in fiscal year 2020 / 2021. The performance program is continuing and is already showing good results.

The biggest unit in our Multi Tracks segment – Plant Technology – was impacted by the pandemic from the 2nd half of the past fiscal year, including delays in order awards and ongoing projects, higher costs for project logistics and quality assurance, and lower utilization of engineering capacities. These impacts are expected to decrease in the current fiscal year. The service business remains robust. In addition we expect the quality of project execution to improve in all business units and positive effects from the continued ramp-up of cost-saving measures.

Expectations for 2020 / 2021

Against the background of the economic and geopolitical uncertainties described above and the reduced planning reliability this creates particularly for our more cyclical businesses with materials and car and truck components, we feel it appropriate – despite the expected visible structural improvement of our businesses – to offer a cautious outlook overall for the 2020 / 2021 fiscal year and have formulated our forecast in corresponding ranges.

As of fiscal year 2020 / 2021 the definition of adjusted EBIT has been adjusted. Special items are defined more narrowly in stricter alignment with the treatment under IFRS. In the future earnings will be adjusted for restructuring expenses, impairment charges and disposal gains/losses.

To take account of the effects of this, as well as the new group structure with the Multi Tracks segment, the prior-year reference values for sales of the individual segments and adjusted EBIT of the group and the segments have been calculated pro forma.

The prior-year reference values for the group relate to the continuing operations.

The forecast assumes no effects from possible portfolio measures.

Our sales forecast is based on the market forecasts provided in the section "Macro and sector environment" of the Report on the economic position. GDP growth in 2021 for regions of importance to us – Germany, the USA and China – is expected to be 3.9%, 3.5% and 7.1% respectively. These market forecasts were made before potential impacts from the second wave of the coronavirus pandemic, which are not currently foreseeable.

Depending in particular on the recovery of the global automotive market, which will also be influenced by the further progression of the coronavirus pandemic and will affect our materials and automotive components businesses, **sales** are expected to grow in the low to mid single-digit percentage range but remain clearly below the level before the coronavirus pandemic (prior year: €28.9 billion).

We expect **adjusted EBIT** to improve significantly but still show a loss in the mid 3-digit million euro range (prior year: pro forma €(1.8) billion). This improvement will be due mainly to clear structural progress in all businesses and is predicated on the development of sales, which will depend to a large degree on the market situation.
A loss in the low to mid 3-digit million euro range (prior year: pro forma €(593) million) is expected at Multi Tracks and a loss in the low 3-digit million euro range (prior year: pro forma €(820) million) at Steel Europe.

- At **Materials Services** we expect a significant improvement in adjusted EBIT back to a positive figure (prior year: pro forma €(85) million). In addition to structural improvements and the absence of negative one-time effects this will be supported by a significant increase in volumes starting from a low level. However, a return to pre-crisis volume levels is not expected until the following years.

- At **Industrial Components** overall we expect a slight increase in sales in the low to mid single-digit percentage range and stable to slightly higher adjusted EBIT (prior year, sales: €2.1 billion, pro forma adjusted EBIT: €139 million). This will be supported in particular by the recovery in the market for forgings and continued robust demand for bearings.

- At **Automotive Technology** we expect robust sales (prior year: pro forma €4.1 billion) and a recovery in adjusted EBIT back to a positive figure in the mid to high 2-digit million euro range (prior year: pro forma €(166) million). This will result mainly from rising contributions from the new plants and projects, continuing efficiency measures and lower impairment losses.

- At **Steel Europe** we expect a significant improvement in adjusted EBIT, although still negative in the low 3-digit million euro range (prior year: pro forma €(820) million), reflecting structural improvements from the implementation of Strategy 20-30 addressing internal structural disadvantages and disadvantages in the steel industry in general, lower impairment losses as well as a significant volume recovery starting from a low level. However, a return to pre-crisis volume levels is not expected until the following years.

- At **Marine Systems** we expect a significant increase in sales and higher adjusted EBIT (prior year, sales: €1.8 billion, pro forma adjusted EBIT: €20 million). This will be supported by higher earnings contributions from the new projects and improvements in project execution.

- For the businesses combined in the **Multi Tracks** segment, overall we expect stable sales (prior year: €5.5 billion) and a significant improvement in adjusted EBIT to a loss in the low to mid 3-digit million euro range (prior year, pro forma adjusted EBIT €(593) million).
  – A key driver of the expected improvement in earnings will be Plant Technology, where adjusted EBIT will move towards break even. In addition to improved project execution and higher-margin projects in billing, this will be supported by growth in the high-margin service business and continuing cost-reduction measures, including in administrative areas (prior year: pro forma €(250) million).

- We will continue to transform **Corporate Headquarters** into a lean holding company structure and expect lower costs in the fiscal year (prior year: pro forma adjusted EBIT €(221) million).

In connection with the implementation of the structural improvements we expect expenses from the necessary restructuring measures (special items) in the mid 3-digit million euro range.

Despite clear operating improvements and the absence of impairment charges on non-current assets from the prior year, we expect a significant **net loss for the year** of over €1 billion (prior year: €(5.5) billion).

Capital spending is expected to be higher than a year earlier (prior year: €1,440 million). There will be higher investments at Steel Europe in connection with Steel Strategy 20-30 and largely stable investments overall at the other businesses. Due in particular to the uncertain environment, investments will be approved on a restrictive basis.

As a result of operating improvements in all segments, the absence of charges from the normalization of net working capital, the absence of the fine in the cartel case at Steel Europe, continuing restructuring cash-out in the low to mid 3-digit million euro range and depending on cash inflows from order intake and the payment profile of projects at Marine Systems and Plant Technology (Multi Tracks), we expect **free cash flow before M & A** (prior year: €(5.5) billion) to improve significantly but still remain negative in the region of €(1.5) billion.
We expect a loss in the low to mid 3-digit million euro range at Multi Tracks and a loss in the low 3-digit million euro range at Steel Europe.

tkVA, which profited substantially from the elevator transaction in the prior year, is expected to be lower year-on-year as a result of the effects described above (prior year, group: €9.1 billion).

We will take into account the development of our key performance indicators – also keeping in mind economic justifiability – in preparing our **dividend proposal** to the Annual General Meeting.

Opportunity and risk report

Opportunities

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

Overall assessment by the Executive Board: thyssenkrupp with opportunities from strategic realignment

For thyssenkrupp opportunities arise as a result of the strategic realignment of the group. The goal is to significantly improve thyssenkrupp's performance and create the necessary framework for the businesses to develop optimally and assume leading market positions.

Opportunity management process

In the annual planning process the segments also describe bands for their earnings and liquidity targets (adjusted EBIT, free cash flow before M & A) related to the following fiscal year. These figures take account of the opportunities and risks of their businesses. This means opportunities and risks are discussed in the planning meetings with the Executive Board. The assessment of opportunities and risks addresses among other things strategic factors such as relevant market and technology trends which in some cases remain relevant far beyond the forecast period. In the subsequent monthly reports the segments update the earnings and liquidity projections as well as the opportunities and risks in the current fiscal year. The graphic "Opportunity and risk reporting at thyssenkrupp" in the "Risks" section of this report shows how these elements are integrated into the standard reporting system.

Management of our opportunities is a task shared by the group's decision makers – from the Executive Board of thyssenkrupp AG to the segment management boards and managements of the companies through to officers and project leaders with local market responsibility. Roles and responsibilities are clearly defined and separated. This structured involvement of numerous experts in decision-making processes in the group ensures that opportunities are reliably identified and systematically exploited.

Opportunities for the group

Opportunities arise through the transformation into a powerful group of companies.

Opportunities will arise for the group if we can systematically implement our transformation into a powerful group of companies and achieve the desired improvements in the performance of our businesses.

As an international group of companies with largely independent industrial and technology businesses, we aim to use our extensive technology know-how to develop high-quality products and intelligent industrial processes and services. With our products and services under a strong umbrella brand, we see opportunities to help create a better and sustainable future. Our brand promise is summed up in our slogan “engineering.tomorrow.together.”. More information is provided in the section “Profile and organizational structure”.

Our goal is to give our businesses the freedom they need to focus fully on their customers and their markets so that they can compete successfully. We want to foster a strong entrepreneurial climate that speeds up decision-making, increases efficiency, and puts the customer first. This means more entrepreneurial freedom in the business operations but also more accountability, opening up opportunities to better leverage the value potential of our businesses.

The systematic implementation of a performance culture and corresponding focus on value-adding investment will create opportunities to continuously improve our competitiveness. This is supported by our restructurings in various businesses and portfolio measures, which will allow us at thyssenkrupp to concentrate on businesses in attractive markets with good prospects for the future.

Opportunities can arise from strategic portfolio decisions. Due to the specific market and sector situation at Steel Europe and Marine Systems, thyssenkrupp will therefore pursue possible partnerships and consolidation options in parallel with measures to improve performance for a stand-alone future within the company. The new Multi Tracks segment is a separate area combining businesses for which, for various reasons, the company does not see itself alone as the best owner in the future. More details of our corporate strategy and the associated opportunities are presented in depth in the “Strategy” section.

We are convinced that thyssenkrupp stands for efficient processes and production methods with high product quality and that many of our plants set global standards in terms of resource efficiency and environmental protection. In this connection we see opportunities particularly from the implementation of our hydrogen strategy. Advancing digitization means that previously separate value chains are increasingly converging and new products, services and business models are emerging. Detailed information on current initiatives and key development areas is presented in the “Technology and innovations” section.

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

Operational opportunities of the businesses

All businesses have operating opportunities in their specific markets.

Materials Services – As the name suggests, Materials Services' business model centers on services; our "Materials as a Service" strategy further underlines the nature of our central product in this segment. As producers and processors focus more closely on their core competencies in an increasingly uncertain environment and at the same time market digitization is steadily rising, the solutions Materials Services can offer both in processing and in supply chain management are growing ever more complex. Materials Services will benefit from this in two ways, because both the profitability and market growth of these services are higher on average than in classic distribution.

Opportunities arise for the segment from its specific market and sector knowledge. Also, thanks to its global network within the group, the segment can further standardize processes and systems in materials distribution so as to systematically expand its business. Far-reaching opportunities are also created by Materials' Services consistent customer focus.

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

The continuous development and implementation of tailored digital solutions offers many opportunities for Materials Services to be an even better and more efficient partner to its customers. One example of this is the systematic further development of the omnichannel architecture: through individual customer portals, interfaces for electronic data exchange, online shops and ordering apps, customers worldwide have 24/7 access to the segment's products and services. Materials Services is continuously driving its digital transformation along the entire value chain: Artificial intelligence is to be used to make processes at every stage of the supply chain more flexible, for example to better meet specific customer requirements with regard to speed of delivery, pricing or material quality. Through the implementation of state-of-the-art digital solutions, Materials Services also aims to shorten order lead times, optimize warehouse logistics and pave the way for new types of supply chain services.

In response to the challenges of the coronavirus pandemic, interconnected collaboration and interactive processes have been further intensified in all areas – from logistics to warehousing, equipment utilization and purchasing to administration. This also opens up opportunities for project execution, among other things through increased use of agile methods. In addition Materials Services works on digital solutions from which new business models are created. One example is steel recycling, in which we have established a joint venture with an external partner.

Under its efficiency programs, Materials Services has identified opportunities and defined extensive measures to further improve the segment's cost and earning situation. Key elements of this are the further structural optimization of materials warehousing and service operations in Germany, the pooling of purchasing activities and the establishment of a segment-wide project management organization for the structured, sustainable implementation of improvement opportunities. If we can implement these optimizations sooner than expected, the forecasts for our key performance indicators could be moderately exceeded.

Industrial Components – The bearings business offers positive growth prospects in particular in view of the growth of the wind energy market (onshore and offshore). The trend towards larger systems is driving demand for high-performance components, which we serve via our global production network. In the short term the phase-out of national incentive programs in China, which created a boom from pull-forward effects in fiscal 2019 / 2020, could result in declining demand for wind energy components on the Chinese market. In the medium and long term, however, the growth trend will continue, not least due to the steadily growing competitiveness of renewable energies. For other markets for our bearings, we expect very moderate growth. Opportunities will arise if these markets recover more quickly than forecast.

A key factor for the future performance of our global forged technologies business is the development of the global truck market (particularly Class 8 trucks) and the construction machinery sector. If these sectors make a stronger recovery than expected, our forecasts could be moderately exceeded.

Automotive Technology – As part of the strategic realignment, the Springs & Stabilizers, Battery Solutions, and Powertrain Solutions units are to be transferred from the System Engineering business unit to the newly created Multi Tracks area at the start of the new fiscal year 2020 / 2021.

A key factor for the future business performance of Automotive Technology is the development of the global economy and personal mobility. Medium-term forecasts indicate growing demand irrespective of the current impact of the coronavirus pandemic. In the wake of the automotive sector's ongoing transformation, size and technology leadership are increasingly becoming key success factors.

Alongside further measures to enhance performance and competitiveness, Automotive Technology will therefore align with the industry trend in exploring, evaluating and independently pursuing strategic options to develop the automotive components business in alliances and development partnerships.

We are convinced that Automotive Technology is capable of meeting future customer requirements on the basis of further investment, increased standardization in research and development, new products, and increasingly interconnected production sites.

We operate worldwide as an engineering partner for components, modules and systems. With our products we want to support the global trend towards an efficient and environmentally friendly kind of mobility that also meets challenging political targets to reduce vehicle emissions. In the relevant areas of weight reduction and optimization of powertrain technologies, we want to offer our customers state-of-the-art solutions and are working to steadily extend our position. With the further development of our chassis systems we are creating the conditions for new approaches and solutions. We want to actively shape the path towards increasingly automated and self-driving vehicles. We see growth opportunities here across all vehicle classes.

If the relevant markets and sectors – particularly the automotive markets – perform better than expected, the forecasts for our key performance indicators could be moderately exceeded. This is the case in particular if the markets pick up more quickly than expected after the plunge resulting from the coronavirus pandemic.

Further opportunities will arise if we achieve higher savings than expected from the efficiency programs we are systematically pursuing.

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

Against the background of increasing customer demands, new market trends, and structural problems in the market, we started on the development of Strategy 20-30 back in the previous year. In the project period up to 2030 we aim to improve average annual EBIT by over €600 million. Launched in mid-July 2020, the strategy is focused on systematically aligning the business to attractive future markets and profitable steel grades, improving production performance and product quality, and achieving climate-neutral steel production. The accelerated digital transformation of the company will open up opportunities to further improve internal processes and realize new digital business models along the value chain. Also under Strategy 20-30 we will systematically press ahead with further short to medium-term performance measures to strengthen the company’s earning power. If we can implement these measures faster than expected, the forecasts for our key performance indicators could be moderately exceeded.

In preparation for the implementation of Strategy 20-30, a new organizational structure was introduced effective May 1, 2020. Over the course of the project, extensive new and maintenance investments, some already underway, will focus on the development of market potential and at the same time enable the implementation of cost-reducing structural measures. The process kicked off with the construction of an additional walking beam furnace at hot strip mill 2 in Duisburg with the aim of further improving the surface quality of our premium sheet products, used for example for automotive skin panels. The furnace is scheduled for completion in 2022. Further opportunities are opening up in the area of e-mobility, where growth in demand is expected for high-quality electrical steel which has an attractive revenue structure. Overall investments in this business unit will significantly strengthen our market and competitive position in terms of technology and quality.

Even though the coronavirus pandemic is currently massively impacting our day-to-day business, Strategy 20-30 remains the right response to current conditions. In particular our transformation on the path to climate neutrality offers major opportunities. We aim to be able to market the first substantial volumes of climate-neutral steel in 2022. This is to be achieved by injecting hydrogen into a blast furnace. Through further technical measures and investments, these volumes will be significantly expanded in the future. The increasing future demand for hydrogen can be covered by various projects and initiatives which are being discussed on a cross-company basis with various players.

Marine Systems – Despite the uncertain global economic environment, the national and international markets for our marine business – in particular conventional submarines and frigates/corvettes – continue to offer good prospects. Above all in surface vessel construction, Marine Systems strengthened its market position by winning major orders in the 2018 / 2019 and 2019 / 2020 fiscal years. Particularly the frigate order for the Brazilian navy offers good opportunities for Marine Systems to obtain follow-up orders from customers in South America and further strengthen our market position there in both newbuild and service business.

We expect additional opportunities to arise from the ongoing implementation of our site strategy for Kiel with flexible manufacturing infrastructure, as well as from the advanced harmonization of the business processes of our shipyard sites using the capabilities of maritime electronics. If we can implement these optimizations faster than planned, the forecasts for our key performance indicators could be moderately exceeded.

Multi Tracks – To further strengthen the competitiveness of the plant technology business and exploit growth opportunities on our markets, we aim to continuously standardize and optimize our products and order execution methods. We want to cement our position as a leading partner for the engineering, construction and service of industrial plants and systems by further expanding our innovative and eco-friendly technologies.

In chemical plant engineering, opportunities could arise in the medium term through entry into new markets (for example water electrolysis). Further opportunities may result from the ongoing expansion of our high-margin service business. We want to utilize the increasing demand for solutions for digitization and the operation of industrial plants and develop further areas of business with corresponding service offerings.

We have also launched initiatives to enhance profitability. Measures include reducing administrative and material costs and improving project execution.

The business performance of AST as a European producer of high-quality stainless steel depends to a large extent on the economy and the trade policy of the European Union. In this challenging market environment we are increasingly driving market penetration in the end user business. But overall we see the best opportunities for AST – as for the other businesses combined in Multi Tracks – outside thyssenkrupp. All options in connection with partnerships or a sale of individual businesses are therefore currently being examined.

The forecasts for the Multi Tracks segment's key performance indicators could be moderately exceeded if the relevant markets and sectors of the various businesses, the results of our performance programs, the investment spending of our customers or contract execution turn out better than expected.

Risks

thyssenkrupp defines risks as events or developments that reduce our ability to achieve our forecasts and targets. Risk management encompasses all measures involved in the systematic and transparent management of risks. With its link to planning and reporting processes in controlling, it is an important element of value-based management and goes far beyond the early identification of risks required by law. Efficient, forward-looking risk management therefore also serves the interests of our capital providers and other stakeholders.

Overall assessment by the Executive Board: No risks that threaten thyssenkrupp's ability to continue as a going concern

No risks that threaten thyssenkrupp's ability to continue as a going concern

Our transparent and systematic risk management system with structured processes ensured overall risks in the group were efficiently managed. From the current perspective and with the closing of the Elevator transaction on July 31, 2020 and the associated significant liquidity inflow, there are no risks that threaten the company's ability to continue as a going concern.

Risk strategy and risk policy

Our risk strategy is focused on securing the existence of the company long-term and increasing the value of the company sustainably. Success as a company requires us not only to realize opportunities but also to identify and evaluate associated risks and ensure that all employees manage these risks in the best way possible. Risks threatening the company's ability to continue as a going concern must be avoided.

Basic principles of corporate governance and risk management defined in GRC Policy

Our "Governance, Risk and Compliance (GRC) Policy" defines basic principles for corporate governance and risk management. The GRC Policy also describes the universally applicable risk policy principles of the group as a framework for meeting the requirements of proper, consistent and proactive risk management. The principles are based on the thyssenkrupp mission statement and the strategic goals for the various business models; they serve as guidelines for professional and responsible risk management. Further aims of risk management at thyssenkrupp are to increase risk awareness and establish a value-based risk culture at all corporate levels. Risks and opportunities in the group are therefore analyzed transparently and are systematically incorporated into business decisions.

Risk management process

We continuously enhance thyssenkrupp's risk management system, align it with the internationally recognized COSO model and integrate it with our internal control system. In our GRC Policy, our risk management system methodology is embedded in the three lines of defense model and the responsibilities of the individual lines of defense are clearly defined. Details of the model can be found in the corporate governance statement. All other requirements for the risk management process are bindingly defined in the group regulation on risk management

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

The efficient design of our various risk management instruments ensures that the sub-processes are integrated in a continuous risk management loop and all risk managers are involved appropriately in the risk management process. Our methods and tools to identify, assess, control and report risks are implemented throughout the group and we continually develop them as new requirements arise.

The organizational anchoring of corporate risk management in controlling facilitates holistic risk management integrated with planning and reporting processes. Our main focus in using the risk management instruments is to assess possible deviations in the key performance indicators adjusted EBIT and free cash flow before M & A. The following graphic outlines our approaches:

OPPORTUNITY AND RISK REPORTING AT THYSSENKRUPP

	Opportunities and risks		Risks		
	in estimation	in budget	Risk scenarios	Risk inventory	Provisions for risks
Goal/content	Identification and assessment of opportunities and risks not included in current estimation	Identification and assessment of opportunities and risks not included in budget	Analysis of concentration risks based on defined common scenarios	Identification, assessment and management of risks in all operating units not included in estimation and budget planning	Analysis of main provisions for risks / measures monitoring
Time horizon	Current fiscal year	Following fiscal year	Scenario-dependent	Planning period	Current fiscal year
Interval	Monthly	Yearly	At least yearly	Twice yearly	Four times yearly

Standard reporting		Risk and Internal Control Committee and Audit Committee
Monthly reporting	Budget reporting	Interval Four meetings yearly

The opportunities and risks not included in the monthly updated projections or in the budget are part of standard segment reporting. Regular discussion of opportunities and risks makes an important contribution to integrated business management during the year and to corporate planning by highlighting bands for the key performance indicators adjusted EBIT and free cash flow before M & A related to the current and the subsequent fiscal year.

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

To record relevant event risks in a structured way in specific areas of responsibility, all consolidated companies worldwide use a standardized IT risk management application to prepare risk maps. The assessment period used for the risk map goes beyond the period covered by the forecast and covers the entire three-year operational planning period; this provides multiple-year transparency into the local risk assessments. The regular reporting and updating of risks at local level also ensures that risk awareness remains high throughout the group.

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

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

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

Roles and responsibilities

We have organized risk management at thyssenkrupp as a combined top-down/bottom-up process. Binding process and system standards are formulated centrally by the group and apply to all operating entities. Responsibility for measuring and controlling risks along the value chain lies at local level with the functional managers in the operating entities.

The risk management system is a combined top-down and bottom-up process.

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

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

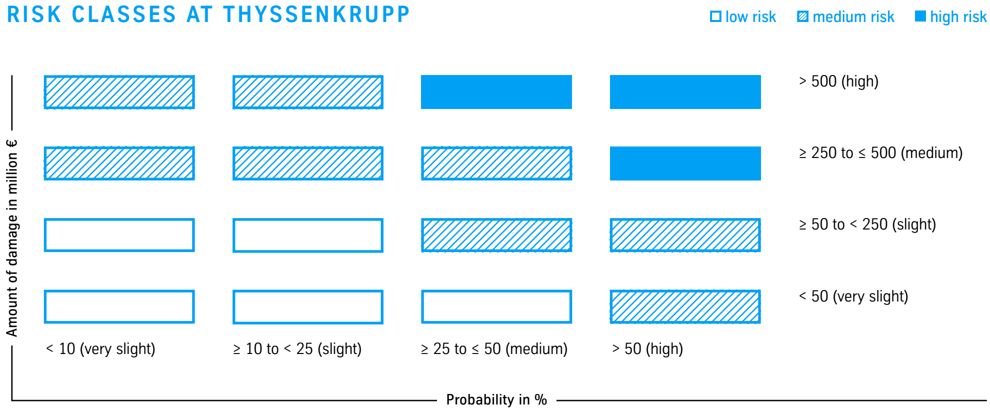
Internal Auditing uses the information from the risk maps for its risk-oriented audit planning. The internal audits structured on this basis contribute to the efficient monitoring of the risk management system and deliver insights to further improve risk management in the group.

Risk assessment

Risk assessment follows clearly defined criteria.

Identified risks are assessed consistently according to the group's risk management rules as follows: Based on probability of occurrence and impact on the key performance indicators adjusted EBIT and free cash flow before M & A in the planning period we define risk classes according to the following graphic. If there are variances in the earnings and liquidity perspectives for individual risks, the higher assessment is used for the overall risk assessment. The main individual risks in defined risk categories, which we address in the following sections, are grouped in accordance with this system as "high", "medium", "low" or "very low".

RISK CLASSES AT THYSSENKRUPP



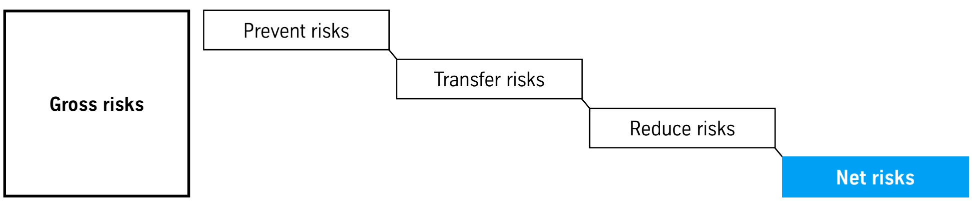
Risk control

Risk control measures are in place for all risks.

In the risk mapping process all consolidated companies are required to formulate risk control measures for the individual risks identified and assessed in the three-year planning period and systematically monitor their implementation.

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

RISK MANAGEMENT MEASURES AT THYSSENKRUPP



We prevent risks by following the risk policy principles and not entering into transactions if they infringe thyssenkrupp codes of conduct or policies.

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

We reduce risks by taking appropriate targeted measures and for example by continuously improving our internal control system. More information on the individual initiatives can be found in the sections "Internal control system in the accounting process" and "Operational risks of the businesses".

Risk transfer

The internal insurance provider manages the transfer of risk.

Risk transfer to insurers is handled centrally at thyssenkrupp AG. The scope and design of insurance cover are determined on the basis of structured risk assessments in which insurable risks at the companies of the group are identified, evaluated and reduced or eliminated through specific protection plans. A balanced insurer portfolio ensures risks are spread appropriately across the insurance market.

Binding standards are in place for all companies in the group to ensure risk prevention always stays at an appropriately high level. These standards are developed by experts from all areas of the group under the leadership of thyssenkrupp AG and are updated as required. Internal and external auditors regularly check compliance with these standards.

Internal control system in the accounting process

The internal control system reduces process-related risks.

The internal control system comprises all the systematically defined controls and monitoring activities aimed at ensuring the security and efficiency of business management, the reliability of financial reporting, and compliance of all activities with laws and policies. An effective and efficient internal control system is key to managing risks in our business processes successfully.

We continuously develop the requirements on the internal control system using a standardized risk control matrix and a structured self-assessment process.

Various monitoring measures and controls in the accounting process help ensure compliant financial reporting. For consolidation we use a group system based on standard software. In this way we ensure consistent procedures and minimize the risk of misstatements in our accounting and external reporting. An appropriate segregation of functions and application of the dual-control principle reduce the risk of fraudulent conduct.

thyssenkrupp has clearly defined the sub-processes involved in financial reporting and assigned clear responsibilities for them. The central function Controlling, Accounting & Risk is responsible for the preparation of the consolidated financial statements and issues binding instructions to the local units with regard to content and timing. Internal thyssenkrupp service providers support the local units in preparing local financial statements. All employees involved in the accounting process undergo regular training.

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

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

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

Risk categorization

We have pooled the types of risks relevant to thyssenkrupp in the following categories:

- Risks from external parameters
- Financial risks
- Legal risks and compliance risks
- Risks from operating activities

We deal in detail with these categories and provide a risk assessment in the following sections.

Risks from external parameters

The external risks mainly include macroeconomic risks and regulatory risks.

Macroeconomic risks – Economic risks for our business models exist when positive impetus is not forthcoming from the global economy and markets of relevance for thyssenkrupp and growth rates fall below the economic forecasts.

The global growth outlook remains marked by extreme uncertainty. Particularly the progression of the coronavirus pandemic poses major risks as infection rates in regions important to us remain high and further waves of infection and their impact cannot be reliably predicted. Possible new lockdown measures could weigh on all our business activities and severely impact our key performance indicators.

The progression of the coronavirus pandemic will significantly influence business performance.

Other risk factors result from geopolitical imponderables: it is unclear whether the trade conflicts will escalate further or how the numerous global flashpoints will unfold. A sharper slowdown in China in the medium term could also have a dampening effect. The economy in numerous raw materials exporting countries remains fragile and dependent on the price situation for oil and raw materials. Exogenous shocks such as a further escalation of violence in crisis regions could have major effects on the global economy; this would also affect thyssenkrupp.

In Europe, continuing uncertainty over the modalities of Brexit could weigh on investment – above all in the UK itself but also in the other countries of the EU.

Risks also exist as a result of the mushrooming of debt in numerous industrial and emerging nations in recent years. The numerous state support measures to mitigate the impact of the pandemic could exacerbate these risks.

If economic growth is weaker than forecast in the planning as a result of the stated risks, which are even higher than in the prior year, the individual economic risks for thyssenkrupp would remain "high".

We continuously monitor economic development and corresponding country-specific conditions based on wide-ranging early warning indicators. In a worst-case scenario integrated into the planning process, we simulate the impacts of lower growth rates on our business models to enable us to take action and minimize risks at an early stage when necessary.

A worst-case scenario integrated into the planning process takes into account in particular economic risks in the event of the coronavirus pandemic increasing in severity.

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

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

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

In our energy-intensive operations, we face earnings risks on the global markets if additional costs are imposed under energy- and climate-related rules which we are unable to pass onto our customers in full or at all, or if there is no longer demand for products and technologies in the long term. thyssenkrupp supports effective climate protection efforts and a sustainable energy transition in which climate protection, security of supply, and competitiveness are equal priorities. We support the relevant discussion processes on regulatory efforts through close working contacts with the relevant national and international institutions and cooperate with industry associations at all levels to reduce possible risks. Concrete risks in particular for Steel Europe in this connection are described in the section "Operational risks of the businesses".

Financial risks

The central responsibilities of thyssenkrupp AG include coordinating and managing finance requirements within the group and securing the financial independence of the company as a whole. This involves optimizing financing and limiting the financial risks.

Financial risks are contained by centrally managed measures.

Default risks – To minimize default risks from operating activities and the use of financial instruments, such transactions are only concluded with contractual partners who meet our internal minimum requirements. The credit risk management function defines minimum requirements for the selection of contractual partners. The credit standing information is subject to appropriate, continuous monitoring which permits the credit risk management function to intervene at an early stage to minimize risks. Outstanding receivables and default risks in connection with supplies and services are constantly monitored by the subsidiaries; in some cases they are additionally insured under commercial credit policies. The credit standing of key account customers is monitored particularly closely. Further details are reported in Note 22.

Liquidity risks – To secure the solvency and financial flexibility of the group at all times, we maintain long-term credit facilities and cash funds on the basis of a multi-year financial planning system and a liquidity planning system on a rolling monthly basis. We use the cash pooling system to allocate resources to the individual companies internally according to requirements.

Market risks – To hedge market risks (currency, interest rate and commodity price risks) we enter into derivative hedging instruments. These mainly include foreign currency forward contracts, interest rate swaps, interest rate/foreign currency swaps and commodity forward contracts with banks and commercial partners. The use of derivative financial instruments is extensively monitored.

Currency risks – To contain the risks of our numerous payment flows in different currencies – in particular in US dollars – we have developed groupwide policies for foreign currency management. All subsidiaries are required to hedge foreign currency positions at the time of their inception. They mainly use our central hedging platform for this. Translation risks arising from the conversion of foreign currency positions are generally not hedged.

Interest rate risks – The task of central interest rate management is to control and optimize the risk of changing interest rates from funds invested and borrowed. For this, regular interest rate risk analyses are prepared, the results of which feed into our risk management system.

Taking into account the control measures selected, the financial risks outlined above are assessed as “low”.

We recognize provisions for impairment.

Valuation risks – For the success of our strategic realignment it is important to have an organization in which the businesses can develop optimally. Accordingly, we review what is the right portfolio strategy for our businesses or parts of businesses. In this connection, disposals and acquisitions, partnerships as well as restructurings within our existing business activities are conceivable. Portfolio measures and restructurings are generally associated with execution risks; in addition our strategic business units are regularly tested for impairment. The risks identified in this category, which after the impairment losses recognized at September 30, 2020 we classify as “medium”, are monitored continuously and provisions are recognized where required.

Risks associated with pension obligations – The fund assets used to cover pension liabilities are exposed to capital market risks. To minimize these risks, the individual investment forms are selected and weighted with the support of independent experts. In addition, parts of the investments are aligned with the structure of the pension obligations in selected countries for the purposes of risk management (liability-driven investment).

In connection with the valuation of pensions, thyssenkrupp is exposed to the risk of falling interest rates. Further decreasing discount rates for pension obligations would result in pension provisions increasing further and weighing more on equity.

Further decreasing interest rates represent an accounting risk in connection with the valuation of pension obligations.

Additional risks exist in connection with the payment of life-long pensions due to the rising life expectancies of beneficiaries and the need to adjust pension amounts on a regular basis. In addition, payments to pension funds could increase substantially in some countries in the future due to stricter statutory requirements, or additional allocations to pension plans could become necessary in individual cases if pension plans are terminated prematurely.

Legal risks and compliance risks

Legal and compliance risks include litigation risks, compliance risks focused on antitrust violations and corruption, and risks from trade restrictions.

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

We currently classify litigation risks individually and cumulatively as medium. Cumulative litigation risks are combined risks from lawsuits brought by numerous claimants and from regulatory proceedings against thyssenkrupp which relate to the same matter and can be classified as a single litigation risk. Information on further litigation risks for which we have recognized provisions or which are classified as contingent liabilities is provided in Notes 16 and 21.

Intensive support for legal disputes in and out of court.

Compliance risks – We operate a strict compliance program focused on reducing the risks of antitrust violations and corruption because these offenses have enormous potential for damage, both financial and in terms of reputation.

A strict compliance program guards against the high potential for damage from antitrust violations and corruption.

Compliance risks also include possible infringements of the EU General Data Protection Regulation which came into force in 2018. We classify general compliance risks overall as “high”.

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

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

Risks from operating activities

Risks from operating activities include procurement risks, production risks, sales risks, order risks, risks associated with information security and personnel risks.

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

Risks in the supply chain are monitored continuously.

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

Further information on specific procurement risks in our businesses can be found in the section "Operational risks of the businesses".

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

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

Accident risks during the production, installation, maintenance and use of our products cannot be completely ruled out. A safety-oriented corporate culture and a comprehensive bundle of measures related to occupational safety and health help minimize the accident risks faced by our employees and subcontractors.

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

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

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

We counter sales risks resulting from dependence on individual markets and industries by focusing our businesses systematically on the markets of the future. As a group of companies with leading engineering expertise, thyssenkrupp operates globally, maintains good, long-term customer relationships, and pursues active strategic market and customer development. Our diversified product and customer structures help ensure that we remain largely independent of regional crises on our sales markets.

Product and process quality and meeting the corresponding quality requirements of our customers are a top priority for us. However, the possibility cannot be ruled out that we will not always be able to meet these quality standards. We classify the risks arising from this as "low"; we counter them with extensive measures in connection with production and quality assurance systems and where necessary by setting aside provisions in our financial statements.

In quality management, the requirements of our customers are a top priority.

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

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

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

Experienced project managers help minimize risks in the execution of major orders.

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

Cyber security remains a permanent challenge.

The number of attacks on the IT infrastructure of major German companies continues to increase. In this connection we have carried out measures to further improve our information security management and security technologies. One focus is to protect our production operations from unauthorized access for the purpose of espionage or sabotage. A group of IT security experts provides cross-segment support with the early identification of risks; this is being continuously expanded. In addition, vulnerability analyses are carried out regularly with the support of our IT security team and external experts to verify the security of the infrastructure and if necessary take corrective action.

Sensitizing our employees to the risks involved in handling business-related information is a very important issue to us. In this connection we carry out internal communication campaigns and ensure that the confidentiality of information is guaranteed through appropriate technical support.

Together with the group's data protection officer, our experts ensure that personal data are processed in accordance with the rules of the EU General Data Protection Regulation and the new German Data Protection Act.

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

Personnel risks – To implement our fundamental strategic realignment successfully, we need dedicated and highly qualified employees and managers in all business units. There is a risk of not being able to find enough key personnel to fill vacancies or losing competent employees in the challenging situation in which the group currently finds itself. In addition, pandemic-related factors could result in temporary personnel shortages, with the protection of our employees' health a top priority for us. We classify the individual personnel risks overall as "low", with economic risks from the coronavirus pandemic taken into account under "Macroeconomic risks".

The pandemic may result in temporary personnel shortages.

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

Operational risks of the businesses

Materials Services – The global materials and service business of Materials Services is exposed to cyclical swings in demand and prices on the procurement and sales sides – in some cases to a greater extent than other businesses. This influences our earnings situation and our net working capital. The coronavirus pandemic has made it especially clear that strategic partnerships with our suppliers are essential for the stabilization of our procurement processes – because fast delivery with minimum capital employed is and will remain a key success factor for our business model. We therefore work continually to optimize and digitize our logistics processes and the entire supply chain.

In addition we contain cyclical risks by our worldwide presence, high degree of diversification, and broad customer base – in terms of not just the total number of customers but also their business sectors. Especially in the current crisis situation, this allows us to cushion falls in demand and possible production stoppages at individual customers, resulting in a significant spread of risks.

Materials Services contains cyclical risks through its presence on all continents.

With our cost reduction measures we are raising the efficiency and profitability of the segment. At the same time we are intensifying our digitization activities for materials and services.

Systematic improvements to net working capital management and efficient receivables management help us minimize the risks of bad debt. The importance of these instruments is increasing in the current economic crisis triggered by the coronavirus pandemic.

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

If demand on the global truck and construction machinery markets does not recover in the wake of the coronavirus pandemic, there is a risk that Industrial Components will not hit its targets in its forged technologies unit. Further general risks relate to the impact of changing exchange rates on sales and earnings, with regard to both translation and transaction effects, in particular where the US dollar and Brazilian real are involved. Finally, the move towards an energy system dominated by renewables in Germany is creating major challenges for energy-intensive industries and thus for example also our forging facility in Germany.

Automotive Technology – The performance of Automotive Technology is directly linked to the performance of the automotive markets around the world. The global economy is currently in recession, an end to which is not yet foreseeable.

We are a leading global player in the powertrain sector among others. This position is jeopardized by the increasing trend towards electrification. To counter this we are developing alternative products in new fields of business.

For core markets, following a steep market decline in the current fiscal year we expect a slight recovery for 2020 / 2021.

With regard to the coronavirus pandemic, new waves of infection and further lockdown measures continue to pose significant risks, particularly in our core markets Europe, the USA, and China. If these risks materialize, we will use among other things the instrument of short-time work to retain our skilled workforce.

Risks may arise for Automotive Technology from future restrictions on multinational trade.

Additional risks could come from further future trade restrictions such as possible tariffs on automobile exports or auto parts. To lessen dependency on individual markets Automotive Technology is expanding its customer base, developing technical innovations, and strengthening its local presence internationally.

In addition to the economic risks, both auto component and production equipment suppliers are exposed to risks from consolidation processes, intense competition, further increasing price pressure, and the transformation towards e-mobility. We are countering this price pressure with continuous optimizations and sustainable efficiency enhancements.

On the procurement side there are risks that rising raw material prices cannot be passed on in full to customers or only with delays. We counter these risks by framing contracts with customers accordingly. In addition to the price risk there are also risks of disruptions in the supply chain. In particular in the area of procurement, supplier insolvencies, poor quality and yield problems may have a significant impact. We counter this risk with systematic supplier management, taking into account sustainability requirements.

With regard to ongoing technological innovations and improvements and the ramp-up of new plants, risks from unplanned earnings impacts cannot be ruled out. Newly implemented or modified processes also carry the risk of organizational weak points, for example inadequately resourced internal control systems. On top of this there are potential risks from unexpected yield and quality problems and the associated warranty obligations. Automotive Technology uses extensive production and quality assurance systems to avoid or limit such risks as far as possible. It goes without saying that all our production plants operate in accordance with sustainability requirements.

Further general business risks relate to the effects of changing exchange rates on sales and earnings, both translation and transaction effects, particularly with regard to the US dollar, the Chinese yuan, and the Swiss franc.

Steel Europe – Our steel business is particularly exposed to the risk of fluctuating demand due to a weakening economy as a result of the coronavirus pandemic and market distortions/shifts as a result of trade conflicts or protective tariffs. To contain this risk the Steel Europe business area implements customer acquisition measures, ensures appropriate shipments to a range of segments, optimizes costs in all areas and focuses on less cyclical high-end market segments. The segment counters sales risks with appropriate staggering of contract terms and periods.

Steel Europe counters increased competition on the market for flat steel products with its technological expertise and an even stronger focus on markets and customers, enabling the segment to differentiate itself from its competitors. This includes constant optimization of value chains and targeted investment in relevant research and development areas aimed at developing innovative products and customer solutions and bringing them to market quickly. In addition, a quality management system geared to the ever increasing requirements of the market ensures steady improvements in product quality and helps secure a competitive market position.

The segment reduces the risks from customer insolvencies through intensive monitoring and appropriate hedging instruments.

Steel Europe counters the risk of rising raw materials prices by using alternative procurement sources, risk-reducing procurement strategies, active risk management and margin-securing measures. As a result of increasingly frequent extreme weather conditions, there is a risk that our starting materials delivered by water will not be available as planned. To avoid any resultant business interruptions, we take a variety of compensation measures where necessary such as moving some goods flows to rail or using additional handling equipment when loading and unloading.

The hedging strategy already implemented at Steel Europe counters the price increase for emissions allowances.

The already implemented hedging strategy counters the price increase for emissions allowances in the third trading period of the EU emissions trading system (2013 to 2020) and the associated risk of further costs in connection with the need to purchase allowances. An increased cost risk will also arise as a result of the expected price increases for CO_2 emissions in the fourth trading period (2021 to 2030). The main price drivers will be the newly introduced mechanisms to reduce allowances but also the expected raising of the EU's 2030 climate targets, which will be reflected in the EU emissions trading system rules. For this reason we will continue the already implemented hedging strategy for the 4th trading period.

To reduce business interruption risks and improve preventive fire safety, funds are made available for ongoing preventive maintenance and for modernization and investment In the event of possible business interruptions, also as a result of the pandemic, business continuity plans as well as emergency and crisis plans are in place specifying measures for remedying damage. The segment has integrated a business and technical risk controlling system for property insurance into its risk management process.

The move towards an energy system dominated by renewables in Germany is creating major additional challenges for energy-intensive industries in general and the steel sector in particular. Although general planning certainty has been achieved by the continuation of exemptions for producers of in-house electricity in the Renewable Energies Act (EEG 2017), the steel industry still sees itself faced with cost-driving developments associated with the integration of renewable energies, such as the necessary expansion of the electricity grids and the storage of reserve capacities to provide security of supply.

Regulatory requirements placed on the electricity and gas networks of our large production sites and our power plants could result in further cost impacts. In addition, relief measures aimed at ensuring the international competitiveness of energy-intensive industries are increasingly being restricted, which also jeopardizes planning certainty. The risk of rising wholesale electricity prices is being countered by the extensive supply of in-house produced electricity. In response to the risk of increasing natural gas prices, the Group is pursuing a centrally managed price hedging strategy.

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

Marine Systems – On account of the long-term nature of the business, the impact of the pandemic on Marine Systems has been comparatively low, though there is a risk of delays on some contracts due to notifications of force majeure by customers or suppliers. Risks relating to a number of existing export contracts suffering significant delays were successfully stabilized or reduced through various measures.

In addition, political developments in customer countries or surrounding regions could pose the risk of export approvals not being granted for our products.

Multi Tracks –Market conditions for our plant technology business and also for the other businesses combined in the new Multi Tracks segment are volatile due to the pandemic, as reflected in postponements of new projects and delayed progress on ongoing projects. However, service business is stable. As new owners are primarily being sought for the businesses combined in Multi Tracks, there is a risk for the segment that the market for mergers and acquisitions could develop negatively due to the pandemic.

General economic risks could arise from the escalating international trade conflicts, which could pose a threat to the investment climate. The special risks described in the section “Order risks” in the execution of major long-term contracts and technically complex orders are countered by professional and result-oriented project management and the increased use of project management measures. Technological risks are associated in particular with “first of their kind” contracts.

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

The production sites of our Italian stainless producer AST are exposed to a risk of unplanned production interruptions and losses. We are countering these risks mainly through preventive maintenance, modernization and investment, and with our detailed business continuity plan. Production stoppages may also be necessary under government orders in connection with the coronavirus pandemic. To guard against this, we have a carefully developed pandemic plan.

If the safeguard measures imposed by the European Union against stainless steel imports from Asia are not effective, price-related risks will arise in particular for AST.

In the Springs & Stabilizers business unit and the powertrain and battery assembly area, extensive restructuring measures have been initiated to adjust capacities and reduce costs. The aim here is to successfully implement the restructuring measures introduced and fulfill existing customer obligations. Corresponding project teams have been created to support implementation of the measures.

Takeover-related disclosures

The following information, valid September 30, 2020, is presented in accordance with §§ 289a (1), 315a (1) HGB. Details under §§ 289a (1) and 315a (1) HGB which do not apply at thyssenkrupp are not mentioned.

Composition of capital stock

The capital stock of thyssenkrupp AG amounts to €1,593,681,256.96 and consists of 622,531,741 no-par value bearer shares. Each share carries the same rights and grants one vote at the Annual General Meeting.

Direct and indirect shareholdings exceeding 10% of the voting rights

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

- Direct shareholding of Alfried Krupp von Bohlen und Halbach Foundation, Essen, in the amount of around 21% of the voting rights of thyssenkrupp AG at September 30, 2020 according to a voluntary notification of September 2020;
- Indirect shareholding of Cevian Capital II GP Limited, St. Helier, Jersey, in the amount of 15.08% of the voting rights according to a WpHG announcement of March 2014. Voting rights are attributed to it by its controlled company Cevian Capital II Master Fund LP, Cayman Islands, which has a direct shareholding of 12.23% of the voting rights of thyssenkrupp AG.

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

The appointment and dismissal of members of the Executive Board of thyssenkrupp AG are subject to §§ 84, 85 AktG and § 31 Codetermination Act (MitbestG) in conjunction with § 6 of the Articles of Association. Amendments to the Articles of Association are subject to the approval of the Annual General Meeting with a majority of at least three quarters of the capital stock represented; §§ 179 ff. AktG apply. Under § 11 (9) of the Articles of Association, the Supervisory Board is authorized to resolve amendments to the Articles of Association which relate only to their wording. Most recently the Supervisory Board amended the wording of § 5 following expiry on January 16, 2019 of the authorization to create authorized or conditional capital pursuant to § 5 (5 and 6) of the Articles of Association.

Authorization of the Executive Board to repurchase stock

The resolution of the Annual General Meeting of January 30, 2015 authorizing the Company to purchase for all legally permissible purposes treasury shares up to a total of 10% of the capital stock at the time of the resolution of €1,448,801,144.32 or – if lower – at the time the authorization is exercised, ended on January 29, 2020.

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 committed, bilaterally agreed credit facilities in the amount of €1.6 billion. With the majority of these credit facilities the banks have the right under certain conditions to cancel their credit facility and the associated outstanding loans and demand their repayment if one or more shareholders, who act in a concerted manner towards thyssenkrupp AG with shareholders other than the Alfried Krupp von Bohlen und Halbach Foundation, together hold more than 50% of the voting rights or capital stock of thyssenkrupp AG.
  The Company has bonds and private placements outstanding in the nominal amount of €5.4 billion. A change of control, i.e. cases where a third party or third parties acting in a concerted manner towards thyssenkrupp AG acquire or hold more than 50% of the capital stock or more than 50% of the voting shares of thyssenkrupp AG, may under certain conditions lead to the early redemption including interest.
- Compensation arrangements for the event of a takeover bid (change of control clause) have been agreed in the Executive Board service contracts of Oliver Burkhard and Dr. Klaus Keysberg. A change of control exists when (i) a shareholder has acquired control within the meaning of the Securities Acquisition and Takeover Act (WpÜG) by holding at least 30% of the voting shares in the Company, (ii) an enterprise agreement in accordance with § 291 AktG has been entered into with the Company as a dependent enterprise or (iii) the Company has been merged with another non-group legal entity in accordance with § 2 Transformation Act (UmwG), unless the value of the other legal entity is less than 50% of the value of the Company as evidenced by the agreed exchange ratio. The compensation arrangements are presented in the compensation report in the section “Commitments in connection with the ending of Executive Board service”.

Corporate governance statement

The corporate governance statement in accordance with §§ 289 f (1) Sentence 2 and 315 d HGB is the central instrument of corporate governance reporting (principle 22 of the German Corporate Governance Code (GCGC)). The Executive Board and Supervisory Board issue a joint declaration of conformity and bear joint responsibility for the corresponding sections of the report. At thyssenkrupp corporate governance stands for responsible corporate management and control geared to long-term value creation. At thyssenkrupp good corporate governance is an issue which embraces all areas of the group.

Declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG)

The Executive Board and Supervisory Board of thyssenkrupp AG issued the following declaration in accordance with § 161 (1) of the German Stock Corporation Act (AktG) and published it on the company's website on October 1, 2020 at **www.thyssenkrupp.com > Company > Management > Corporate governance**:

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

thyssenkrupp

Declaration by the Executive Board and Supervisory Board of thyssenkrupp AG on the recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with Art. 161 of the Stock Corporation Act (AktG)

1. thyssenkrupp AG complies with all recommendations of the German Corporate Governance Code as amended on December 16, 2019, and published by the Federal Ministry of Justice in the official section of the Federal Gazette ("Bundesanzeiger") on March 20, 2020 ("Code 2020"), and will continue to comply with these recommendations in the future, with the following exception:

   Compared with the previous version, Section G.I. of Code 2020 contains new recommendations on the remuneration of the Executive Board. The Executive Board compensation system approved by the Annual General Meeting of thyssenkrupp AG on January 30, 2015 does not fully comply with the following of these recommendations: G.1 (Determining the remuneration system), G.3 (Peer group of other third-party entities), G.7 (Establishing performance criteria for variable remuneration components), G.9 (Comprehensibility of target achievement), G.10 (Accessibility of granted long-term variable remuneration components), and G.11 (Ability to retain or reclaim variable remuneration components). The Supervisory Board and Executive Board will therefore propose an amendment and adjustment of Executive Board remuneration in line with the changed recommendations of Code 2020 to the Annual General Meeting on February 5, 2021.

2. Furthermore, since issuing its last declaration of conformity on May 6, 2020, thyssenkrupp AG has complied with all recommendations of Code 2020, with the exception of the recommendations on Executive Board remuneration as detailed in section 1 above.

Duisburg/Essen, October 1, 2020

For the Supervisory Board

- Russwurm -

For the Executive Board

- Merz -

thyssenkrupp AG, thyssenkrupp Allee 1, 45143 Essen, P.O. Box, 45063 Essen, Germany
P: +49 201 844 - 0, F: +49 201 844 - 536000, www.thyssenkrupp.com
Chairman of the Supervisory Board: Prof. Dr. Siegfried Russwurm; Executive Board: Martina Merz, Chairwoman; Oliver Burkhard, Dr. Klaus Keysberg
Registered office: Duisburg and Essen, Courts of register: Duisburg HR B 9092, Essen HR B 15364

Updated declarations of conformity were issued in March and May 2020: The first declaration of conformity in March was issued following the extensive revision of the GCGC. The second declaration was issued in May when Martina Merz stepped down from the Board of Directors of Imerys SA (France) effective May 4, 2020. Since then thyssenkrupp AG has once again complied in full with the recommendation in C.5 of the 2020 Code that members of the Management Board of a listed corporation shall not accept in aggregate more than two Supervisory Board mandates or the chairmanship of a Supervisory Board in non-group listed corporations or comparable functions.

thyssenkrupp voluntarily complies with the suggestions of the 2020 Code with the exception of suggestion G.14 as commitments to benefits in the event of early termination of the employment contract by the Executive Board member due to a change of control have been agreed in two Executive Board contracts.

The declarations of conformity issued in the past five years have been made publicly available on our website.

Our listed subsidiary Eisen- und Hüttenwerke AG also complies with the GCGC, taking into account the particularities of its membership of the group. Individual deviations are presented and explained in the company's declaration of conformity published on October 1, 2020.

Key corporate governance principles and practices

thyssenkrupp Code of Conduct

While the group mission statement describes our goals and standards, the concrete principles and ground rules for our work and our behavior towards business partners and the public are summarized in the thyssenkrupp Code of Conduct. It provides employees, managers and board members alike with guidelines on subjects such as the requirements for compliance, equality and non-discrimination, cooperation with the employee representatives, occupational safety and health, environmental and climate protection, as well as data protection and information security. Suppliers are required to follow the thyssenkrupp Supplier Code of Conduct. In addition, thyssenkrupp has signed the United Nations Global Compact, the BME Code of Conduct and the Diversity Charter.

All these principles are implemented with the aid of the existing programs and management systems and the Indirect Financial Targets. Details are presented in the sustainability section of our website as well as in this annual report (under "Targets" in the section "Fundamental information about the group").

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

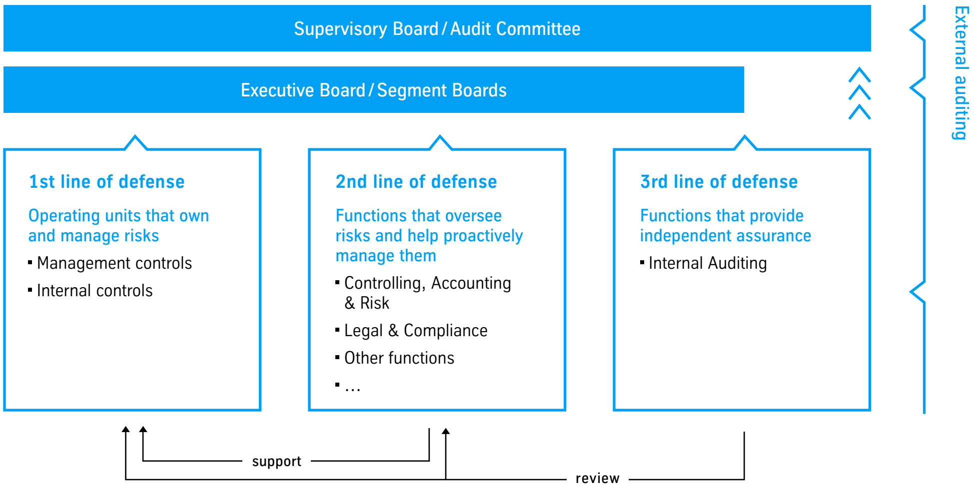
Integrated governance, risk and compliance model

Dealing responsibly with risks is part of corporate governance at thyssenkrupp, because the continuous and systematic management of business risks – but also opportunities – is fundamental to professional governance. An integrated governance, risk management and compliance (GRC) model, embedded in the GRC Policy that applies to all companies of the thyssenkrupp group, provides the basis for risk management in the group.

The risk management system is designed on the basis of international standards.

As a framework for this, thyssenkrupp uses the internationally established three lines of defense model adapted to the group's specific organizational structure. This model shows the responsibilities for risk management in the thyssenkrupp group within each line of defense and how these are segregated within the GRC model.

THREE LINES OF DEFENSE MODEL



Risks have to be prevented where they occur. If this is not practicable they must be identified and reduced to an appropriate level. Systematic risk management in the operating units on the 1st line of defense must be strengthened with automated internal controls in the business processes wherever possible. As there are cases where this is not fully possible, further control measures have to be performed by management to ensure the effectiveness of the internal control system.

The 2nd line of defense includes functions such as Controlling, Accounting & Risk and Legal & Compliance. These provide the framework for the internal control system, the risk management system, and compliance – for example via binding internal documents – and support the 1st line of defense with implementation of measures to avert risks. At the same time these functions oversee and manage the group's risks from the viewpoint of the group as a whole. Close integration of the internal control system, risk management system and compliance maximizes the efficiency of risk prevention and management.

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

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

The Executive Board of thyssenkrupp AG has unequivocally expressed its rejection of antitrust violations and corruption in the thyssenkrupp Compliance Commitment. We treat violations, in particular antitrust or corruption violations, with zero tolerance.

compliance

Compliance is a question of mindset.

The Chief Compliance Officer, who is responsible for the management of the compliance program, reports to the General Counsel, who in turn reports to the Chief Human Resources Officer (CHRO), who bears responsibility for the Legal & Compliance function on the Executive Board of thyssenkrupp AG.

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

The 3rd line of defense is Corporate Function Internal Auditing, which independently reviews the appropriateness and efficiency of the processes and systems implemented by the other two lines of defense. The head of Corporate Internal Auditing reports on the auditing function to the Audit Committee once a year. Internal Auditing itself is subject to an external quality assessment (QA) every five years; the last QA took place in spring 2015, the 2020 QA will be completed in the first quarter of the fiscal year 2020 / 2021.

The three lines of defense model is supplemented by the work of the external financial statement auditors.

Composition and method of operation of the Executive Board

On the basis of the organizational structure it has adopted, the Executive Board bears responsibility for managing the Company in the interest of the Company, i.e. taking into account the concerns of the shareholders, employees and other stakeholders, with the aim of sustainable value creation. It makes provisions for compliance with the statutory requirements and binding internal regulations, and works to ensure that these are observed by the companies of the thyssenkrupp group. The Executive Board has established appropriate compliance and risk management systems. Significant business transactions are subject to the approval of the Supervisory Board; they are listed in Annex 2 of the Rules of Procedure for the Executive Board.

The Executive Board of thyssenkrupp AG must consist of at least two members. The age limit for Executive Board members has been defined as the statutory retirement age of the state pension scheme (or alternatively of a pension scheme of a professional association that applies to the Executive Board member). The Executive Board members bear joint responsibility for overall business management; they decide on key management measures such as corporate strategy and corporate planning. The Executive Board Chairwoman is responsible for coordinating all the directorates of the Executive Board and for communicating with the Supervisory Board; she also repre-

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

sents the Executive Board. More detailed information on the individual members of the Executive Board and their areas of responsibility (directorates) can be found on the Company's website **(www.thyssenkrupp.com)**. The Executive Board has not formed any committees. In thyssenkrupp's transformation process from a centrally managed Group to a high-performance "group of companies" the Executive Board is advised by the Executive Committee which meets regularly and comprises the CEOs of the business segments and heads of the Corporate Functions. This allows expertise from the businesses to feed more strongly into considerations at group level than in the past and thus further strengthens the role of the businesses.

Composition and method of operation of the Supervisory Board and its committees

Supervisory Board

The Supervisory Board advises and oversees the Executive Board in its management of the Company. It determines the number of members the Executive Board has above the minimum number, appoints and dismisses the members of the Executive Board, and defines their directorates. It also determines the compensation of the Executive Board members (details of Executive Board compensation are provided in the compensation report). The Supervisory Board reviews the parent company and consolidated financial statements along with the combined management report of thyssenkrupp AG, adopts the parent-company financial statements and approves the consolidated financial statements and the combined management report. It examines the proposal for the appropriation of net income and with the Executive Board submits it to the Annual General Meeting for resolution. On the substantiated recommendation of the Audit Committee, the Supervisory Board proposes the auditors for election by the Annual General Meeting. After the corresponding resolution is passed by the Annual General Meeting, the Audit Committee awards the contract to the auditors and monitors the audit of the financial statements together with the independence, qualifications, rotation and efficiency of the auditors. Details of the activities of the Supervisory Board in the fiscal year 2019 / 2020 are contained in the report by the Supervisory Board. The compensation of the Supervisory Board members is determined by the Annual General Meeting. It was last resolved in the Annual General Meeting of January 17, 2014. The compensation paid to the individual Supervisory Board members is presented in the compensation report.

The composition of the Supervisory Board of thyssenkrupp AG is governed by law and the detailed provisions of § 9 of the Articles of Association. In accordance with the German Codetermination Act, it is composed of ten shareholder representatives and ten employee representatives. Under the Articles of Association, the Alfried Krupp von Bohlen und Halbach Foundation has a designation right.

In accordance with § 27 (1) of the Codetermination Act, the chairman of the Supervisory Board is elected from among the Supervisory Board members. The task of the Supervisory Board chairman is to coordinate the work of the Supervisory Board and chair the Supervisory Board meetings. Public statements by the Supervisory Board are issued by the Supervisory Board chairman. At thyssenkrupp at least one Supervisory Board member must have expertise in the fields of accounting or auditing. All members of the Supervisory Board are subject to a statutory secrecy obligation.

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

More detailed information on the individual members of the Supervisory Board and its six committees can be found on the Company's website **(www.thyssenkrupp.com)**.

Composition and method of operation of the Supervisory Board committees

The Supervisory Board has formed a total of six committees. With the exception of the Nomination Committee, all committees must be composed of equal numbers of shareholder and employee representatives. The Mediation Committee formed in accordance with § 27 (3) of the Codetermination Act (MitbestG) must be composed of the Supervisory Board Chair, the Deputy Chair, one shareholder representative and one employee representative. In line with the recommendation of the GCGC, the chair of the Supervisory Board and the chair of Audit Committee are not the same person.

The Executive Committee and the Personnel Committee are composed of the same four members, namely Prof. Dr. Siegfried Russwurm (chairman of both committees), Dr. Bernhard Günther, Jürgen Kerner and Dirk Sievers. As part of its activities the Personnel Committee handles the topic of succession planning, which the Supervisory Board Chairman also discusses with the Executive Board. This enables the Supervisory Board to ensure long-term succession planning together with the Executive Board. The Mediation Committee is composed of four members (Prof. Dr. Siegfried Russwurm (Chair), Dr. Bernhard Günther, Jürgen Kerner and Dirk Sievers). The Audit Committee is composed of six members (Dr. Bernhard Günther (Chair), Friederike Helfer, Tanja Jacquemin, Jürgen Kerner, Dirk Sievers and Dr. Lothar Steinebach) and the Strategy, Finance and Investment Committee eight members (Prof. Dr. Siegfried Russwurm (Chair), Prof. Dr. Dr. h.c. Ursula Gather, Friederike Helfer, Jürgen Kerner, Dr. Ingo Luge, Tekin Nasikkol, Peter Remmler and Dirk Sievers). The Nomination Committee is composed of up to five shareholder representatives (Prof. Dr. Siegfried Russwurm (Chair), Prof. Dr. Dr. h.c. Ursula Gather, Dr. Bernhard Günther, Friederike Helfer and Dr. Ingo Luge) who are elected exclusively by the shareholder representatives on the Supervisory Board. Details of their responsibilities can be found in the rules of procedure for the committees issued by the Supervisory Board. These rules and the current members can be found on the Company's website **(www.thyssenkrupp.com)**.

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

The chairs of the committees report regularly on the meetings and work of the committees at the Supervisory Board meetings. Their main task is to prepare specific topics for discussion and decision at full meetings of the Supervisory Board, except where the Supervisory Board has granted decision-making powers to the committees. Preparatory and decision-making responsibilities are set out in the rules of procedure for the committees. Details on the tasks and method of operation of the committees in the reporting year are provided in the report by the Supervisory Board.

The Supervisory Board regularly assesses the effectiveness of the work of the full Board and its committees. In addition to qualitative criteria to be defined by the Supervisory Board, the assessment includes in particular the procedures of the Supervisory Board and the flow of information between the committees and the full Supervisory Board as well as the timely and adequate provision of information to the Supervisory Board and its committees. In the reporting period the self-assessment was overseen by external and independent experts. Details can be found in the Report by the Supervisory Board.

Avoiding conflicts of interest

In the reporting year there were no consulting or other service agreements between Supervisory Board members and the Company. There were no conflicts of interest that Executive Board or Supervisory Board members would have had to disclose immediately to the Supervisory Board. Details of the other directorships held by Executive Board and Supervisory Board members on statutory supervisory boards or comparable German and non-German control bodies of business enterprises are provided in the sections of the same name under "Additional information". Details of related party transactions are given in Note 21 to the financial statements of the thyssenkrupp group.

Directors' dealings

Members of the Executive Board and Supervisory Board and persons close to them are required to disclose the purchase and sale of thyssenkrupp AG shares and debt certificates or related financial instruments whenever the value of the transactions amounts to €20,000 or more within a calendar year. No transactions were reported to us in the 2019 / 2020 fiscal year. Previous transactions were published and are available for viewing on the Company's website. At September 30, 2020 the total volume of thyssenkrupp AG shares held by Executive Board and Supervisory Board members amounted to less than 1% of the shares issued by the Company.

Shareholders and Annual General Meeting

The shareholders of thyssenkrupp AG exercise their rights at the Company's Annual General Meeting. At the Annual General Meeting the shareholders regularly pass resolutions on the appropriation of net income, the ratification of the acts of the Executive Board and Supervisory Board, and the election of the financial-statement auditors. Shareholders can exercise their voting rights at the Annual General Meeting in person or by proxy, for which they can authorize a person of their choice or a Company-nominated proxy acting on their instructions. They can also cast their votes online on the internet or in writing by postal vote. The Annual General Meeting can be viewed live and in full on the Company's website **(www.thyssenkrupp.com)**. Also on our website we make all documents and information on the Annual General Meeting available to shareholders in good time.

www.thyssenkrupp.com > Investors > Annual General Meeting

Accounting and financial statement auditing

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

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

In accordance with the statutory provisions the auditor is elected each year by the Annual General Meeting for a period of one year. At the proposal of the Supervisory Board, the Annual General Meeting on January 31, 2020 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) to audit the annual financial statements for fiscal year 2019 / 2020 and review the interim financial reports for fiscal year 2019 / 2020 and to review the interim financial reports for fiscal year 2020 / 2021 drawn up before the 2021 Annual General Meeting. PwC has been auditing the parent-company financial statements and consolidated financial statements of thyssenkrupp AG since fiscal year 2012/2013. PwC was engaged in 2012 following an external bidding process; due to statutory requirements, an external bidding process is currently underway for fiscal year 2022 / 2023. The signatory auditors for the parent-company financial statements of thyssenkrupp AG and consolidated financial statements of the thyssenkrupp group are Harald Kayser (since fiscal year 2017 / 2018) and Michael Preiß (since fiscal year 2015 / 2016). The statutory provisions and rotation requirements under §§ 319 and 319a HGB are fulfilled.

Act on the Equal Participation of Women and Men in Executive Positions

For the Supervisory Board of thyssenkrupp AG, the law stipulates that the board must be composed of at least 30% women and at least 30% men. The minimum quota of 30% female representation required by law and set by the Supervisory Board has exceeded since the 2019 / 2020 fiscal year. The appointment of five female members on the shareholder side and four on the employee side during the reporting period brought the proportion of women on the Supervisory Board to 45% at September 30, 2020.

In May 2017 the Supervisory Board set a target of 20% women on the Executive Board, to be implemented by June 30, 2022. With the appointment of Martina Merz to the Executive Board of thyssenkrupp AG, the proportion of women on the Executive Board lies at 33%.

In April 2017 the Executive Board of thyssenkrupp AG raised the female representation target for the first management level below the Executive Board from 8% to 11% and for the second from 23% to 25%, to be implemented by June 30, 2022.

Other companies of the thyssenkrupp group subject to codetermination law have also adopted targets for the proportion of women on supervisory boards, management boards, and two management levels below for the period after June 30, 2017, set a deadline for implementation and published both in accordance with statutory provisions. The implementation periods end on June 30, 2022.

Diversity model of the composition of the Executive Board and Supervisory Board of thyssenkrupp AG

As a listed company, thyssenkrupp AG meets the diversity requirements in particular under the Stock Corporation Act, the German Corporate Governance Code (GCGC) and the applicable accounting standards. These contain different requirements for the composition of the Executive Board and Supervisory Board which are also taken into account in the diversity model adopted by the Supervisory Board. The model also includes the targets defined by the Supervisory Board for its composition and overall competency profile. Please refer to the preceding section for information on the proportion of women on the Supervisory Board and the target set.

Executive Board

The diversity model is aimed at securing sufficient diversity of opinion and knowledge on the Executive Board. The assessment, selection and appointment of candidates is based on the rules and generally accepted principles of non-discrimination. In selecting candidates for the Executive Board, the Supervisory Board also considers further diversity criteria: the candidate's personality, expertise and experience, internationality, training and professional background as well as age and gender.

The weighting given to the diversity criteria depends on the Executive Board position and duties to be performed in each individual case. In the reporting year, the Supervisory Board Personnel Committee took the above criteria into account in the structured process to find a successor for Johannes Dietsch as chief financial officer and appointed Dr. Klaus Keysberg as CFO from April 1, 2020. This also applies to the appointment of Martina Merz as CEO for three years from April 1, 2020, which brought an end to her delegation from the Supervisory Board.

Supervisory Board

The diversity model for the Supervisory Board aims to ensure that the members of the Supervisory Board have the knowledge, skills and professional experience needed to perform their tasks properly.

In setting the target for the proportion of women on the Supervisory Board, thyssenkrupp AG follows the statutory requirements, which state that the Supervisory Board must be composed of at least 30% women and at least 30% men. In addition the diversity model contains two key elements: the targets of the Supervisory Board for its own composition and the competency profile for the Supervisory Board as a whole. Both already contain requirements for the Supervisory Board's diversity model, for example age, gender, education and professional background.

The diversity model is implemented through the election of Supervisory Board members. The election recommendations made to the Annual General Meeting of thyssenkrupp AG must meet the statutory requirements for the representation of women and men on the Supervisory Board while taking into account the targets set by the Supervisory Board itself and aiming to fulfill the competency profile for the board as a whole. This also applies to the appointment of successor candidates to the Supervisory Board. The diversity model is taken into account by the Nomination Committee in its search for candidates on the shareholder representative side of the Supervisory Board.

Under the GCGC, the Supervisory Board must be composed in such a way that its members have the knowledge, skills, and professional experience needed to perform their tasks properly. In May 2020 the Supervisory Board updated the existing targets for its composition and competency profile in line with the requirements of the latest version of the GCGC as follows:

- Supervisory Board to have sufficient members with international experience, in particular in the expansion markets;
- Industrial expertise/sector knowledge in the fields in which thyssenkrupp operates with a global perspective, corporate management, management of companies subject to codetermination, corporate development, organization and structuring, corporate strategy and portfolio management with a global perspective, personnel management and development, human resources, digitization and IT, sustainability, financing and capital market, accounting and auditing, law, compliance and corporate governance;
- Avoidance of significant and non-temporary conflicts of interest (existing conflicts of interest or conflicts of interest to be expected in the future) and appropriate handling of other conflicts of interest;
- Supervisory Board members to serve no more than a maximum three periods of office, and observe an age limit of 75 (i.e. Supervisory Board members to stand down from the Supervisory Board at the end of the Annual General Meeting after they reach 75);

- At least six shareholder representatives should be independent of the company and the Executive Board;
- The following criteria have been defined to evaluate the independence of shareholder representatives:
  - No personal or business relationship with thyssenkrupp AG or its Executive Board which could constitute a significant and non-temporary conflict of interest.
  - The Supervisory Board member or a close relative of the Supervisory Board member was not a member of the Executive Board of thyssenkrupp AG in the two years prior to appointment, does not currently or did not in the year prior to appointment, either directly or as a shareholder or in a responsible function at a non-group company, maintain a material business relationship with thyssenkrupp AG or one of its dependent companies (e.g. as a customer, supplier, lender or advisor), is not a close relative of an Executive Board member and has not been a member of the Supervisory Board for more than 12 years.
- no board role or consultancy duties at key competitors of thyssenkrupp AG and its group companies and no personal relationship to a key competitor;
- The Supervisory Board should not include more than two former Executive Board members;
- The Chairs of the Supervisory Board, the Audit Committee and the Personnel Committee should be independent of the Company and the Executive Board;
- The maximum term of office of the Supervisory Board members should not exceed 12 years (up to the end of the Annual General Meeting that resolves on the ratification of the acts of the Supervisory Board for the eleventh year of office of the Supervisory Board member);
- The Supervisory Board is composed of at least 30% women and at least 30% men.

In the assessment of the shareholder representatives on the Supervisory Board, the shareholder representatives all meet the defined criteria for independence, namely: Birgit Behrendt, Dr. Wolfgang Colberg, Prof. Dr. Dr. h.c. Ursula Gather, Angelika Gifford, Dr. Bernhard Günther, Friederike Helfer, Dr. Ingrid Hengster, Dr. Ingo Luge, Prof. Dr.-Ing. Siegfried Russwurm and Dr. Lothar Steinebach, as well as Martina Merz, Prof. Dr. Bernhard Pellens and Carola v. Schmettow who have now left the Supervisory Board. As an independent member of the Supervisory Board with expertise in the fields of accounting and auditing in the meaning of § 100 (5) Stock Corporation Act (AktG), Dr. Bernhard Günther is Chairman of the Audit Committee.

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

Compensation report

The following compensation report explains the compensation system for the Executive Board and Supervisory Board in the 2019 / 2020 reporting year. In addition the compensation received by the members of the Executive Board and Supervisory Board of thyssenkrupp AG for the fiscal year 2019 / 2020 is disclosed individually.

Fundamentals of the Executive Board compensation system

The current compensation system for the members of the Executive Board of thyssenkrupp AG has been in place since fiscal year 2014/2015. It was resolved by the Supervisory Board following preparation by the Personnel Committee and was approved by the Annual General Meeting on January 30, 2015 with a majority of 98.79% of the capital represented. While the current Executive Board compensation system complies with all recommendations of the German Corporate Governance Code (GCGC) as amended on February 7, 2017, it is planned to submit a new Executive Board compensation system to the Annual General Meeting for approval on February 5, 2021 which meets the requirements of the Act Implementing the Second Shareholders' Rights Directive (ARUG II) and is in line with the recommendations of the GCGC as amended on December 16, 2019.

On the basis of the compensation system, the Supervisory Board determines the concrete target total compensation for each Executive Board member following preparation by the Personnel Committee. The Supervisory Board ensures the compensation is appropriate to the duties and performance of the Executive Board member and the situation of the company, and overall that the compensation does not fall above or below the prevailing range. The Supervisory Board assesses the appropriateness of the compensation by benchmarking against other DAX and MDAX companies and – within the company – by ensuring a suitable ratio between Executive Board compensation and the compensation of the top management team and workforce as a whole, also over the course of time.

The Personnel Committee regularly reviews the appropriateness and commensurateness of the compensation – both as a whole and in terms of the individual compensation components – and proposes adjustments to the Supervisory Board where required. The Personnel Committee is advised in this by an independent external compensation expert.

The aim of the compensation system is to support the implementation of the business strategy and thereby contribute to the sustainable and long-term development of thyssenkrupp. To achieve this aim, the variable compensation components are mainly based on performance over several years, so the share of variable compensation resulting from the achievement of long-term targets exceeds the share resulting from short-term targets. As long-term variable compensation also recognizes the performance of the stock price, overall variable compensation is largely stock-based; this aligns the objectives of management with the direct interests of shareholders.

The compensation system for the Executive Board is geared to sustainable long-term company development

Overview of compensation components

COMPENSATION COMPONENT

	Assessment basis/parameters
Performance-independent compensation	
Fixed compensation	Chairwoman of the Executive Board: €1,340,000 Member of the Executive Board: €700,000
Fringe benefits	Company car, security services, insurance premiums and health checks as standard; further transitional benefits for newly appointed members may be granted by explicit resolution of the Supervisory Board
Pension plans	
Lump-sum payment (New entitlements from October 1, 2019: Martina Merz, Dr. Klaus Keysberg)	Payment of a fixed amount that may be used for personal provision: – For the Chairwoman of the Executive Board: €536,000 p.a. – For the members of the Executive Board: €280,000 p.a.
Annuity and pension capital entitlements (entitlements from the period before October 1, 2019: Oliver Burkhard, Dr. Klaus Keysberg, Johannes Dietsch)	Pension benefits to be paid in the form of an annuity or as a lump sum: – For Oliver Burkhard: Accumulation of pension entitlement through annual contributions of €280,000; pension benefits in the form of a lifelong annuity capped at €350,000 p.a. – For Dr. Klaus Keysberg: Continuation of the annuity entitlement in accordance with the rules of the “pension scheme C of the Essener Verband pension association” from previous duties in the thyssenkrupp group – For Johannes Dietsch: Accumulation of pension capital through payment of contributions in the amount of €280,000 p.a.; the pension will be paid out in the form of a lump sum
Performance-related compensation	
Annual bonus (Short-Term Incentive; STI)	Target bonus for 100% target achievement: – For the Chairwoman of the Executive Board: €1,250,000 – For the members of the Executive Board: €680,000 Basis for target achievement: – Company’s financial performance targets: EBIT, ROCE and FCF before M & A – Targets derived from corporate planning and set annually by the Supervisory Board Bonus-malus factor in a range of +/- 20%: – Sustainability multiplier: Indirect Financial Targets in the areas people, innovations, environment and procurement – Discretionary factor: assessment of overall performance of Executive Board Cap: 200% of target bonus
Possibility of special payment	For exceptional achievements and successes at the discretion of the Supervisory Board and within the applicable overall cap
Long-Term Incentive (LTI)	Award of virtual shares in the company with three-year tkVA performance period: – Initial value for the Executive Board Chairwoman: €2,000,000 – Initial value for the members of the Executive Board: €1,050,000 The number of virtual shares provisionally granted at the beginning of each installment is obtained by dividing the initial value by the average thyssenkrupp share price during the 1st quarter of the fiscal year in which the tkVA performance period begins. The final number of virtual shares after the end of the performance period depends on the average tkVA achieved over the performance period. The average thyssenkrupp share price during the 1st quarter of the fiscal year after the end of the three-year tkVA performance period determines the final value of the payout. Cap: 250% of the target value
Other compensation rules	
Share ownership guidelines	Obligation to purchase within the appointment period thyssenkrupp shares for the amount of one year’s fixed compensation (Executive Board Chairwoman) or a half year’s fixed compensation (ordinary members of the Executive Board) and to hold the purchased shares until termination of appointment; minimum annual investment
Overall cap	Upper limit of €9,000,000 for the Executive Board Chairwoman and €4,500,000 for each of the other members of the Executive Board in relation to overall compensation including all fringe benefits and pension service cost per fiscal year
Severance cap	Severance payments limited to a maximum of two years’ compensation, compensation over remaining contract term may not be exceeded – GCGC-compliant
Severance in case of change of control (Oliver Burkhard, Dr. Klaus Keysberg, Johannes Dietsch)	Severance payments in the case of a change of control may not exceed 100% of the severance payment cap
Clawback rule	Supervisory Board right to reduce compensation in case of deterioration in company’s situation pursuant to § 87 (2) AktG

Structure and components of the Executive Board compensation system

The compensation of Executive Board members is made up of performance-independent and performance-related elements. The former comprise fixed compensation, fringe benefits and retirement benefits. The performance-related compensation includes the bonus (short-term incentive plan – STI) and the long-term incentive plan (LTI). The individual components are explained below.

The target direct compensation (fixed compensation + bonus + LTI) of the Executive Board mainly comprises variable, performance-related compensation elements. The fixed compensation makes up around 30% of the target direct compensation, the bonus around 28%, and LTI around 42%. The ratio of long-term (LTI) to short-term (bonus) variable compensation is around 60 : 40. Executive Board compensation therefore complies with the GCGC recommendations that variable compensation should be largely stock-based and the share of variable compensation resulting from the achievement of long-term targets should exceed the share resulting from short-term targets.

Performance-independent compensation

Fixed compensation

The fixed compensation is paid to the Executive Board members monthly as a salary. Since the last review at October 1, 2014 it has been €700,000 per year for an ordinary Executive Board member and €1,340,000 per year for the Executive Board chairwoman.

Against the background of the consequences of the coronavirus pandemic and resultant short-time work in the workforce, the members of the Executive Board of thyssenkrupp AG voluntarily agreed to waive 10% of their gross monthly salary for each of the three months from May to July 2020. Half of this amount remained in the company and the other half was donated to local aid projects in the context of the coronavirus pandemic to demonstrate solidarity with thyssenkrupp's neighbors.

The Executive Board voluntarily waived 10% of its gross monthly salary for three months during the coronavirus pandemic

Fringe benefits

In addition to the fixed compensation the Executive Board members receive fringe benefits, regularly comprising a company car and driver, security services, insurance premiums and health checks. These fringe benefits apply in principle to all Executive Board members; the amount varies according to personal situation. In addition newly appointed Executive Board members may be granted further transitional benefits for a limited period by explicit resolution of the Supervisory Board. In this connection Martina Merz was granted a temporary housing and mobility allowance up to June 30, 2020 as she assumed the role of Executive Board Chairwoman at short notice.

Retirement benefits

All Executive Board members appointed since October 1, 2019 (Martina Merz, Dr. Klaus Keysberg) receive a fixed annual amount per year that may be used for personal provision in place of a company pension entitlement. This annual amount is €280,000 for an ordinary Executive Board member and €536,000 for the Executive Board Chairwoman. It has also been agreed with Dr. Klaus Keysberg that the pension entitlement acquired in the course of his previous duties in the thyssenkrupp group will continue unchanged in accordance with the rules of the "pension scheme C of the Essener Verband pension association" (hereinafter pension scheme C entitlement).

All Executive Board members appointed before October 1, 2019 are entitled to benefits from a company pension scheme which will be paid out once they have either reached retirement age or become permanently incapacitated for work. This also applies to the aforementioned pension scheme C entitlement of Dr. Klaus Keysberg.

For Oliver Burkhard and Johannes Dietsch the entitlement to a company pension is based on a defined contribution arrangement with an annual contribution of €280,000 for each member. Oliver Burkhard will receive pension benefits in the form of an annuity with an agreed cap of €350,000 p.a., while the pension entitlements of Johannes Dietsch will be paid out in the form of a lump sum. Dr. Klaus Keysberg will receive an annuity from his pension scheme C entitlement.

The retirement age is 60, provided a service contract with the Company no longer exists at this time. If the service contract ends on or after the member's 60th birthday, the retirement benefits can only be claimed after the service contract ends. In the case of Oliver Burkhard current pension payments will be increased by 1% per year and in the case of the pension scheme C entitlement of Dr. Klaus Keysberg they will be reviewed regularly by the Essener Verband pension association and adjusted in line with the altered circumstances where necessary.

The surviving dependants' benefits plan provides for a payment of 60% of the pension for the partner and 20% for each dependent child, up to a maximum of 100% of the regular pension entitlement. In the case of benefits paid in the form of a lump sum surviving dependants will receive the amount of the pension contributions plus interest at the time the benefits become payable.

Performance-related compensation

Bonus (Short-Term Incentive – STI)

The first performance-related compensation element is the annual bonus. The amount of the bonus is dependent on three key performance indicators of the group for the respective fiscal year. Earnings before interest and taxes (EBIT) and free cash flow before M & A (FCF before M & A) are each weighted at 40%, while return on capital employed (ROCE) accounts for the remaining 20%. Total target achievement for the three financial targets is therefore determined from the weighted average of the three parameters.

To reflect the overall performance of the Executive Board members more accurately and include non-financial, strategic targets as well as direct financial targets, the bonus also includes a bonus-malus factor, which is multiplied by the total target achievement for the financial targets. This factor consists in equal amounts of a sustainability multiplier and a discretionary factor. The sustainability multiplier is based on Indirect Financial Targets from the areas people, innovations, environment and procurement. The discretionary factor allows the Supervisory Board to evaluate the overall performance of the Executive Board. The bonus-malus factor lies in a range from 0.8 to 1.2 and can therefore adjust financial target achievement either upwards or downwards; it also allows individual differentiation. The Supervisory Board decides on target achievement in respect of this part of the bonus at its own discretion, taking into account in particular the appropriateness criteria of § 87 AktG.

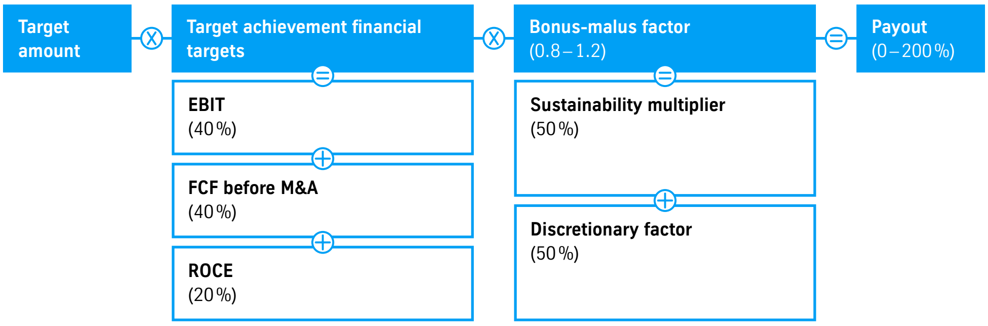
Annual bonus target amounts for fiscal year 2019 / 2020

Martina Merz	€1,250,000
Oliver Burkhard	€680,000
Dr. Klaus Keysberg	€680,000
Johannes Dietsch[1]	-

[1] On leaving the company at March 31, 2020, Johannes Dietsch waived all entitlements to a bonus for fiscal year 2019 / 2020.

Details on the individual sustainability targets can be found under "Fundamental information about the group" in the section "Targets", under "Sustainability and Indirect Financial Targets".

BONUS CALCULATION



Total target achievement and the resultant payout on the bonus are capped at 200% of the target value. There is no guaranteed minimum bonus, so there may be no payout at all.

The target values for the financial targets are derived from the corporate planning; in addition threshold values are defined for all three indicators, above or below which a further improvement or deterioration of the result has no effect on the level of target achievement. At the beginning of each fiscal year the Supervisory Board resolves challenging target and threshold values; this resolution too is prepared by the Personnel Committee.

Long-Term Incentive (LTI)

The second performance-related compensation element is the LTI, which has a long-term incentive effect. Determining factors here are value generation – measured on the key performance indicator thyssenkrupp Value Added (tkVA) – and the performance of the thyssenkrupp stock. The design of the LTI and the link to stock performance bring the objectives of management and the direct interests of shareholders into alignment. The LTI is based on virtual shares and is granted to Executive Board members in annual installments. The term of the individual installments begins October 1 of each year and extends in total over four fiscal years (three-year tkVA performance period and stock price performance in the 1st quarter of the following fiscal year), so creating incentives for the long-term development of the Company.

At the beginning of each installment a certain number of virtual shares is granted, initially provisionally. This number is obtained by dividing the initial value (target amount) by the average thyssenkrupp stock price in the 1st quarter of the fiscal year in which the tkVA performance period begins, with the number being rounded half even. The provisionally granted number of virtual shares can therefore vary from year to year.

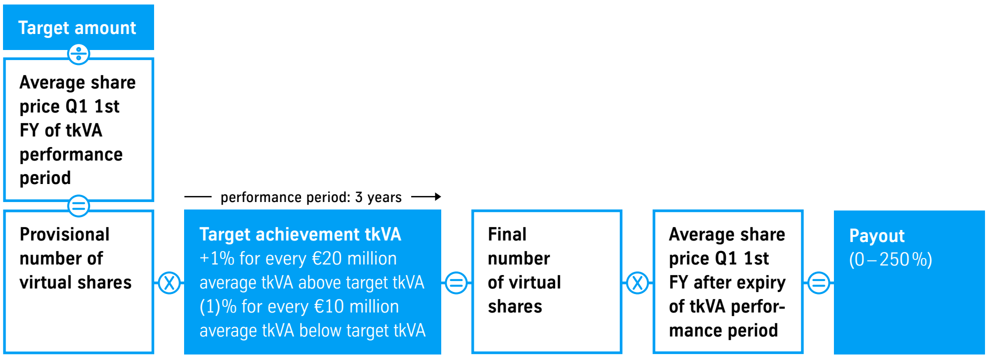
LTI initial values for fiscal year 2019 / 2020

Martina Merz	€2,000,000
Oliver Burkhard	€1,050,000
Dr. Klaus Keysberg	€1,050,000
Johannes Dietsch[1)]	€525,000

[1)] Prorated up to March 31, 2020

The number of virtual shares finally awarded to the Executive Board members at the end of the three-year tkVA performance period may be higher or lower than the provisionally granted number. The parameter used to determine the final number of virtual shares is the development of average tkVA over the performance period.

LONG-TERM INCENTIVE (LTI) CALCULATION



For every €20 million of average actual tkVA above the target value set by the Supervisory Board, the number of virtual shares increases by 1%. For every €10 million of average actual tkVA below the target value set by the Supervisory Board, the number of virtual shares decreases by 1%. Intermediate values are linearly interpolated and the obtained number of virtual shares is rounded half even. The number of virtual shares can fall to zero, meaning there is no payout.

To determine the payout amount the final number of virtual shares achieved at the end of the performance period is multiplied by the average thyssenkrupp stock price in the 1st quarter of the fiscal year immediately after the three-year tkVA performance period. The payout amount calculated in this way is capped at 250% of the target value.

In the case of the LTI the Supervisory Board resolves challenging target and threshold values for each new annual installment at the beginning of each fiscal year; this resolution too is prepared by the Personnel Committee. The target value for the LTI installment granted to the Executive Board members in March 2020 relates to the tkVA performance period 2019 / 2020 through 2021 / 2022. The Supervisory Board set an average tkVA of €3.0 billion as the target value.

Details on tkVA can be found in the section “Management of the group”.

Share ownership guidelines

All Executive Board members are required to purchase shares in thyssenkrupp AG for a total of one fixed annual salary (chairwoman of the Executive Board) or half a fixed annual salary (ordinary Executive Board members) within the appointment period and hold them for the duration of their appointment. A minimum annual investment amount of one third (for three-year appointments) or one fifth (for five-year appointments) of the total investment amount applies until the total investment amount is reached. This notwithstanding it has been agreed with Martina Merz that the share purchase requirement in her current term of office from April 1, 2020 to March 31, 2023 should be prorated to three fifths of a full fixed annual salary due to the five-year term of office for the Executive Board chairwoman assumed on development of the program, which corresponds to a total amount of €804,000.

Existing pre-held shares may be contributed once upon joining the share purchase program. Only the purchase price at the time of acquisition is decisive for the fulfillment of the buy and hold requirement; subsequent changes in the share price do not affect the scope of the buy and hold requirement. The requirement is subject to it being legally permissible to realize the share acquisition, in particular with a view to stock and capital market law regulations.

Maximum compensation

In addition to the caps applying to the variable compensation elements, the compensation system for the Executive Board provides for maximum compensation amounts for total compensation received by the Executive Board members per fiscal year – including fixed compensation, fringe benefits, performance-related compensation (bonus and LTI), retirement benefit costs and any special compensation. The maximum compensation amounts to €9 million per fiscal year for the Executive Board chairwoman and €4.5 million each for the ordinary Executive Board members, whereby the stated amounts are reduced on a prorated basis where a member joins or leaves the board during the year. The maximum compensation takes precedence over any other rules agreed for the amount of compensation.

In addition to the caps for the variable compensation elements, maximum compensation amounts exist for the members of the Executive Board

Commitments in connection with the ending of Executive Board service

Severance payments

Severance payment arrangements are agreed in the service contracts of Executive Board members which comply with the recommendations of the GCGC. They regulate that payments made in the event of the early ending of Executive Board service may not exceed two years' compensation (severance payment cap) and may not compensate more than the remaining term of the service contract.

Change of control

In the event of a change of control the Executive Board members have the right, within a period of six months after the change of control, to resign their employment for good reason and terminate their Executive Board service contract on three months' notice to the end of a month (special termination right).

On exercise of the special termination right arrangements apply which provide that severance payments in connection with a change of control may not exceed two years' compensation, limited however to fixed salary and bonus, and may not compensate more than the remaining term of the service contract. The special termination right and the right to severance payments do not apply if the change of control is by the Alfried Krupp von Bohlen und Halbach Foundation.

The regulations set out above for the event of a change of control were agreed with Oliver Burkhard, Dr. Klaus Keysberg and Johannes Dietsch in the reporting year. No such agreement exists with Martina Merz.

Loans, advance payments, third-party benefits

As in previous fiscal years, no loans or advance payments were granted to the Executive Board members in fiscal year 2019 / 2020, nor were any guarantees or other commitments entered into by thyssenkrupp in their favor. thyssenkrupp has no knowledge of benefits or corresponding promises given to Executive Board members by third parties in connection with their Executive Board positions.

Actual performance-related compensation for fiscal year 2019 / 2020

Bonus 2019 / 2020

thyssenkrupp's business performance was severely impacted by the effects of the coronavirus pandemic in the reporting year. As a result the thresholds set for EBIT, free cash flow before M & A and ROCE for fiscal year 2019 / 2020 were all not achieved, so the resultant target achievement amounts to 0%. The Executive Board members will therefore not receive a bonus for the past fiscal year.

The Executive Board members will not receive a bonus for the past fiscal year.

Special payment 2019 / 2020

As stated, the Executive Board members will receive no bonus for the 2019 / 2020 fiscal year. Nevertheless they achieved a great deal in the past fiscal year: Under the difficult conditions of the coronavirus pandemic, the sale of thyssenkrupp Elevator was completed promptly at July 31, 2020, achieving an outstanding price. The proceeds enabled us to significantly improve our balance sheet figures and continue with the ongoing transformation of the company, which the Executive Board – reduced to three members and led by Martina Merz – systematically drove forward alongside urgent crisis management. The Supervisory Board has therefore decided to honor these exceptional achievements via the option set out in the applicable compensation system of granting a one-time special payment; this amounts to €500,000 for Martina Merz and €200,000 each for Oliver Burkhard and Dr. Klaus Keysberg.

The Executive Board members will receive a special payment for their outstanding achievements in the past fiscal year.

LTI 2016 / 2017

The 7th installment of the LTI due in fiscal year 2019 / 2020 was issued for the fiscal year 2016 / 2017. The associated payment amount is calculated as follows:

CALCULATION OF THE LTI PAYOUT FOR THE INSTALLMENT 2016 / 2017[1)]

Performance targets	thyssenkrupp Value Added (tkVA) Performance of thyssenkrupp stock	
tkVA performance period	2016 / 2017 – 2018 / 2019	
Relevant stock price	Avg. stock price Q1 FY 2019 / 2020 vs. avg. stock price Q1 FY 2016 / 2017	
Link	Multiplicative	
Possible target achievement	0 – 250%	
Provisionally granted number of virtual shares	Initial value: €950,000 Avg. stock price Q1 FY 2016 / 2017: €21.92	43,339 virtual shares
Target achievement tkVA	Average tkVA actually achieved is €645.3 million below the target tkVA leading to a reduction in the number of awarded virtual shares by 64.53%	
Finally granted number of virtual shares	(100% – 64.53%) x 43,339 virtual shares = 15,372 virtual shares	
Payout	15,372 virtual shares Avg. stock price Q1 FY 2019 / 2020: €12.50	€192,150

1) Example of an ordinary Executive Board member with an initial value of €950,000

On the basis of achieved tkVA and the stock performance, €192,150 was paid out to Oliver Burkhard, which corresponds to around 20.2% of the initial value granted. Martina Merz, Dr. Klaus Keysberg and Johannes Dietsch were not members of the Executive Board of thyssenkrupp AG in fiscal year 2016 / 2017 so no entitlement can be derived from the installment granted that year and consequently there was no payout from the associated installment.

Executive Board benefits granted and allocations

The following two tables show total Executive Board compensation whereby, in accordance with practice in previous years, a differentiation is made between benefits granted and allocations:

- Table 1 shows the benefits granted for fiscal year 2019 / 2020, i.e. the individual compensation promised in the case of 100% target achievement, as well as the minimum and maximum values for the individual Executive Board members.

- Table 2 shows the benefits allocated for fiscal year 2019 / 2020, i.e. the compensation actually paid out to the individual Executive Board members.

TABLE 1: EXECUTIVE BOARD COMPENSATION 2019/2020 (BENEFITS GRANTED)

		Martina Merz				Oliver Burkhard				Dr. Klaus Keysberg				Johannes Dietsch			
		Chairwoman of the Executive board since October 1, 2019				Ordinary member of the executive board since February 1, 2013				Ordinary member of the executive board since October 1, 2019				Ordinary member of the executive board until March 31, 2020			
all figures in €000s		2018/ 2019 Initial value	2019/ 2020 Initial value	2019/ 2020 Mini-mum	2019/ 2020 Maxi-mum[1]	2018/ 2019 Initial value	2019/ 2020 Initial value	2019/ 2020 Mini-mum	2019/ 2020 Maxi-mum[1]	2018/ 2019 Initial value	2019/ 2020 Initial value	2019/ 2020 Mini-mum	2019/ 2020 Maxi-mum[1]	2018/ 2019 Initial value	2019/ 2020 Initial value	2019/ 2020 Mini-mum	2019/ 2020 Maxi-mum[1]
Fixed compensation[2]		—	1,307	1,307	1,307	700	683	683	683	—	683	683	683	467	350	350	350
Lump sum payment instead of company pension		—	536	536	536	—	—	—	—	—	280	280	280	—	—	—	—
Fringe benefits		—	93	93	93	72	79	79	79	—	81	81	81	14	17	17	17
Total		**—**	**1,936**	**1,936**	**1,936**	**772**	**762**	**762**	**762**	**—**	**1,044**	**1,044**	**1,044**	**481**	**367**	**367**	**367**
One-year variable compensation	Performance bonus (cash)	—	1,250	0	2,500	680	680	0	1,360	—	680	0	1,360	453	—	—	—
Special payment[3]		—	500	500	500	—	200	200	200	—	200	200	200	—	—	—	—
Multiple-year variable compensation	10th installment LTI 2019/2020 – 2022/2023	—	586	0	5,000	—	307	0	2,625	—	307	0	2,625	—	154	0	1,313
	9th installment LTI 2018/2019 – 2021/2022	—	—	—	—	734	—	—	—	—	—	—	—	489	—	—	—
Total		**—**	**4,272**	**2,436**	**9,936**	**2,186**	**1,949**	**962**	**4,947**	**—**	**2,231**	**1,244**	**5,229**	**1,423**	**521**	**367**	**1,680**
Service costs in accordance with IFRS		—	—	—	—	980	1	1	1	—	360	360	360	198	145	145	145
Total		**—**	**4,272**	**2,436**	**9,936**	**3,166**	**1,950**	**963**	**4,948**	**—**	**2,591**	**1,604**	**5,589**	**1,621**	**666**	**512**	**1,825**

[1] In addition to the individual caps stated in the "Maximum" column, total annual compensation is limited to €9.0 million for the Executive Board chairwoman and €4.5 million for the ordinary Executive Board members.
[2] Against the background of the consequences of the coronavirus pandemic and resultant short-time work in the workforce, the Executive Board members Martina Merz, Oliver Burkhard and Dr. Klaus Keysberg voluntarily agreed to waive 10% of their gross monthly salary for each of the three months from May to July 2020.
[3] The Executive Board members Martina Merz, Oliver Burkhard and Dr. Klaus Keysberg will receive a special payment for their outstanding achievements in the past fiscal year.

TABLE 2: EXECUTIVE BOARD COMPENSATION 2019 / 2020 (ALLOCATIONS)

		Martina Merz		Oliver Burkhard		Dr. Klaus Keysberg		Johannes Dietsch	
		Chairwoman of the Executive board since October 1, 2019		Ordinary member of the executive board since February 1, 2013		Ordinary member of the executive board since October 1, 2019		Ordinary member of the executive board until March 31, 2020	
all figures in €000s		2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020
Fixed compensation[1]		—	1,307	700	683	—	683	467	350
Lump sum payment instead of company pension		—	536	—	—	—	280	—	—
Fringe benefits		—	93	72	79	—	81	14	17
Total		**—**	**1,936**	**772**	**762**	**—**	**1,044**	**481**	**367**
One-year variable compensation	Performance bonus (cash)	—	0	0	0	—	0	0	—
Special payment[2]		—	500	0	200	—	200	—	—
Multiple-year variable compensation	7th installment LTI 2016/2017 – 2019/2020	—	—	—	192	—	—	—	—
	6th installment LTI 2015/2016 – 2018/2019	—	—	629	—	—	—	—	—
Total		**—**	**2,436**	**1,401**	**1,154**	**—**	**1,244**	**481**	**367**
Service costs in accordance with IFRS		—	—	980	1	—	360	198	145
Total		**—**	**2,436**	**2,381**	**1,155**	**—**	**1,604**	**679**	**512**

[1] See footnote 2 to Table 1.
[2] See footnote 3 to Table 1.

Total Executive Board compensation in accordance with HGB

The following table shows total Executive Board compensation in accordance with HGB rules. It accords with the payments indicated in Table 1 above – with the difference that the payout amounts for the bonuses according to Table 2 (allocations) are included. In accordance with HGB the service cost is not included.

EXECUTIVE BOARD COMPENSATION 2019 / 2020 IN ACCORDANCE WITH HGB

	Martina Merz		Oliver Burkhard		Dr. Klaus Keysberg		Johannes Dietsch	
	Chairwoman of the Executive board since October 1, 2019		Ordinary member of the executive board since February 1, 2013		Ordinary member of the executive board since October 1, 2019		Ordinary member of the executive board until March 31, 2020	
	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020
Executive board compensation in accordance with HGB in €000s	—	3,022	1,506	1,269	—	1,551	970	521

The total compensation paid to the active Executive Board members in the respective fiscal year in accordance with HGB for their work in the reporting year amounted to €6.4 million. The corresponding prior-year figure was €6.7 million.

Stock-based Executive Board compensation 2019 / 2020

In March 2020 the Executive Board members were granted new virtual shares from the 10th installment of the LTI. In total the Executive Board members now possess 509,874 virtual shares granted but not yet payable from the 8th to 10th installments of the LTI.

STOCK-BASED EXECUTIVE BOARD COMPENSATION 2019/2020

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

		Martina Merz		Oliver Burkhard		Dr. Klaus Keysberg		Johannes Dietsch	
		Chairwoman of the Executive board since October 1, 2019		Ordinary member of the executive board since February 1, 2013		Ordinary member of the executive board since October 1, 2019		Ordinary member of the executive board until March 31, 2020	
		2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020
Number of stock rights granted	10th installment LTI 2019/2020 – 2022/2023	—	160,000	—	84,000	—	84,000	—	42,000
	9th installment LTI 2018/2019 – 2021/2022	—	—	59,356	—	—	—	39,570	—
Cost of stock-based compensation in fiscal year in €000s		—	552	(1,554)	684	—	290	335	220

Executive Board pension provisions 2019 / 2020

The following table gives an overview of the service costs incurred for fiscal year 2019 / 2020 as well as the amount of pension obligations at September 30, 2020 for the Executive Board members in post in the fiscal year.

EXECUTIVE BOARD PENSION PROVISIONS 2019/2020

		Martina Merz		Oliver Burkhard		Dr. Klaus Keysberg[1]		Johannes Dietsch	
		Chairwoman of the Executive board since October 1, 2019		Ordinary member of the executive board since February 1, 2013		Ordinary member of the executive board since October 1, 2019		Ordinary member of the executive board until March 31, 2020	
all figures in €000s		2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020
Figures in accordance with IFRS	Service costs	—	—	980	1	—	360	198	145
	Present value of the obligation	—	—	11,746	11,819	—	360	198	331
Figures in accordance with HGB	Service costs	—	—	606	1	—	503	190	143
	Present value of the obligation	—	—	6,392	7,312	—	2,693	190	325

[1] As described above it has additionally been agreed with Dr. Klaus Keysberg that the pension entitlement acquired in the course of his previous duties in the thyssenkrupp group will continue unchanged in accordance with the rules of the “pension scheme C of the Essener Verband pension association”. The benefits acquired in the past under this entitlement must be included in information on service cost and stated at present value of the obligation in accordance with HGB, while the corresponding information in accordance with IFRS applies only to the new benefits acquired as part of the continuation of this entitlement during his duties as Executive Board member.

Benefits in connection with the ending of Executive Board service

On March 20, 2020 the Supervisory Board of thyssenkrupp AG reached an agreement with Johannes Dietsch to terminate his Executive Board membership by mutual consent effective March 31, 2020. Based on his service contract, which was due to run until the end of January 2022, and to compensate contractual entitlements, Johannes Dietsch received a severance payment of €801,667. The agreed severance payment is thus clearly below the cap of two annual salaries or the compensation for the remaining term of the service contract as provided for in the service contract and recommended by the GCGC. Johannes Dietsch has waived all entitlements to any bonus for fiscal year 2019 / 2020. He will receive the remaining compensation for fiscal year 2019 / 2020 (fixed compensation, fringe benefits and 10th installment LTI) on a prorated basis. The stock rights (virtual shares) of the 9th installment of the LTI granted in the previous fiscal year continue to apply in full and will be settled at the regular end of the plan in accordance with the recommendations of the GCGC and the provisions of his service contract. The pension contribution for the company pension plan of Johannes Dietsch for the calendar year 2020, prorated to the end date, amounts to €70,000; from 2021 no further contributions will be granted. The entitlement to the acquired pension capital is vested and will continue to bear interest annually at the maximum technical interest rate for life insurance policies in accordance with the regulation on the principles underlying the calculation of the premium reserve (Deckungsrückstellungsverordnung) or at least 1% until claimed. The pension capital is due for payment in January 2023.

Compensation paid to former Executive Board members

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €24.4 million in fiscal year 2019 / 2020 (prior year: €15.8 million). For pension obligations benefiting former members of the Executive Board and their surviving dependants, €323.7 million (prior year: €315.9 million) was accrued in the financial statements under IFRS and €255.4 million (prior year: €237.3 million) in the financial statements under German GAAP (HGB).

Supervisory Board compensation

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

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

The members of the Supervisory Board will receive total compensation, including meeting attendance fees, for the reporting year of €1.88 million (prior year: €1.83 million). This includes compensation paid to Supervisory Board members for directorships at subsidiaries of thyssenkrupp AG in the amount of €90,117 (prior year: €45,515).

The following table lists the compensation of the individual members:

SUPERVISORY BOARD COMPENSATION 2019 / 2020

	Fixed compensation		Compensation for committee work		Meeting fee		Compensation from directorships within the group		Total remuneration	
all figures in €	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020
Prof. Dr.-Ing. Siegfried Russwurm, Chairman (Chairmanship since October 1, 2019) (Member since April 24, 2019)	25,000	200,000	6,250	— [1]	4,500	30,000	—	—	35,750	230,000
Martina Merz (Chairwoman until September 30, 2019)	141,667	—	— [1]	—	36,000	—	—	—	177,667	—
Jürgen Kerner, Vice Chairman (since January 31, 2020)	—	112,500	—	— [1]	—	16,000	—	—	—	128,500
Markus Grolms (Vice Chairman until January 31, 2020)	150,000	50,000	— [1]	— [1]	34,000	9,000	—	—	184,000	59,000
Birgit A. Behrendt (since January 31, 2020)	—	37,500	—	—	—	3,500	—	—	—	41,000
Dr. Wolfgang Colberg (since December 29, 2018)	41,667	50,000	—	—	8,000	7,000	—	—	49,667	57,000
Prof. Dr. Dr. h. c. Ursula Gather	50,000	50,000	25,000	25,000	16,000	9,500	—	—	91,000	84,500
Angelika Gifford (since November 12, 2019)	—	45,833	—	—	—	5,000	—	—	—	50,833
Dr. Bernhard Günther (since January 1, 2020)	—	37,500	—	58,125	—	18,500	—	—	—	114,125
Achim Hass	50,000	50,000	—	—	4,000	5,000	5,400	5,400	59,400	60,400
Friederike Helfer (since January 31, 2020)	—	37,500	—	33,750	—	7,500	—	—	—	78,750
Dr. Ingrid Hengster	50,000	50,000	—	—	4,000	5,000	—	—	54,000	55,000
Susanne Herberger (until July 31, 2020)	50,000	41,667	12,500	10,417	6,500	5,500	16,500	51,417	85,500	109,001
Tanja Jacquemin	50,000	50,000	20,000	20,000	7,000	8,000	—	—	77,000	78,000
Prof. Dr. Hans-Peter Keitel (until January 28, 2019)	16,667	—	12,500	—	3,500	—	—	—	32,667	—
Dr. Norbert Kluge	50,000	50,000	—	—	3,500	5,000	—	—	53,500	55,000
Barbara Kremser-Bruttel (since February 1, 2019)	33,333	50,000	—	—	3,000	5,000	—	7,700	36,333	62,700
Dr. Ingo Luge (since November 12, 2019 until January 31, 2020 and since February 11, 2020)	—	45,833	—	18,750	—	7,000	—	—	—	71,583
Tekin Nasikkol (until February 1, 2019 and since August 4, 2020)	20,833	8,333	—	2,083	1,000	1,500	1,565	3,000	23,398	14,916
Prof. Dr. Bernhard Pellens (until January 31, 2020)	112,500	16,667	45,208	25,833	40,500	11,000	—	—	198,208	53,500
Peter Remmler	50,000	50,000	12,500	12,500	6,500	7,000	16,750	17,000	85,750	86,500
Carola v. Schmettow (until January 31, 2020)	50,000	16,667	12,500	4,167	12,500	3,500	—	—	75,000	24,334
Dirk Sievers (since October 2, 2018)	50,000	50,000	57,500	57,500	35,000	27,500	—	—	142,500	135,000
Carsten Spohr (until September 26, 2019)	50,000	—	—	—	3,000	—	—	—	53,000	—
Dr. Lothar Steinebach	50,000	50,000	28,333	20,000	9,500	8,000	—	—	87,833	78,000
Jens Tischendorf (until January 31, 2020)	50,000	16,667	45,000	15,000	19,000	5,000	—	—	114,000	36,667
Friedrich Weber	50,000	50,000	—	—	4,000	5,000	5,300	5,600	59,300	60,600
Isolde Würz	50,000	50,000	—	—	4,000	5,000	—	—	54,000	55,000
Total	**1,241,667**	**1,266,667**	**277,292**	**303,125**	**265,000**	**220,000**	**45,515**	**90,117**	**1,829,473**	**1,879,909**

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

The employee representatives who are members of a trade union have declared they will pass their compensation to the Hans Böckler Foundation in accordance with the guidelines of the German Trade Union Confederation.

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

Group financial statements

thyssenkrupp group – statement of financial position

ASSETS

million €	Note	Sept. 30, 2019	Sept. 30, 2020
Intangible assets	04	5,029	2,075
Property, plant and equipment (inclusive of investment property)	05	8,144	6,319
Investments accounted for using the equity method	06	128	722
Other financial assets	11	39	658
Other non-financial assets	12	240	230
Deferred tax assets	31	1,733	497
Total non-current assets		**15,313**	**10,501**
Inventories	08	7,781	5,922
Trade accounts receivable	09	5,488	4,833
Contract assets	10	1,443	1,575
Other financial assets	11	808	535
Other non-financial assets	12	1,642	1,414
Current income tax assets		293	162
Cash, cash equivalents and time deposits		3,706	11,547
Total current assets		**21,162**	**25,989**
Total assets		**36,475**	**36,490**

See accompanying notes to financial statements.

EQUITY AND LIABILITIES

million €	Note	Sept. 30, 2019	Sept. 30, 2020
Capital stock		1,594	1,594
Additional paid-in capital		6,664	6,664
Retained earnings		(6,859)	1,472
Cumulative other comprehensive income		352	80
Equity attributable to thyssenkrupp AG's stockholders		**1,751**	**9,810**
Non-controlling interest		469	364
Total equity	13	**2,220**	**10,174**
Accrued pension and similar obligations	15	8,947	8,560
Provisions for other non-current employee benefits	16	307	289
Other provisions	16	554	507
Deferred tax liabilities	31	48	58
Financial debt	17	6,529	5,303
Other financial liabilities	19	136	96
Other non-financial liabilities		6	6
Total non-current liabilities		**16,527**	**14,819**
Provisions for current employee benefits	16	357	156
Other provisions	16	1,726	1,188
Current income tax liabilities		260	166
Financial debt	17	886	1,199
Trade accounts payable	18	6,355	3,475
Other financial liabilities	19	1,209	665
Contract liabilities	10	4,561	3,073
Other non-financial liabilities	20	2,373	1,575
Total current liabilities		**17,728**	**11,497**
Total liabilities		**34,255**	**26,316**
Total equity and liabilities		**36,475**	**36,490**

See accompanying notes to financial statements.

thyssenkrupp group – statement of income

million €, earnings per share in €	Note	Year ended Sept. 30, 2019[1)]	Year ended Sept. 30, 2020
Sales	24, 25	34,036	28,899
Cost of sales	04, 05	(30,336)	(29,184)
Gross margin		**3,700**	**(285)**
Research and development cost		(271)	(247)
Selling expenses		(2,298)	(2,195)
General and administrative expenses		(1,710)	(1,881)
Other income	26	290	245
Other expenses	27	(271)	(897)
Other gains/(losses), net	28	46	1
Income/(loss) from operations		**(515)**	**(5,260)**
Income from companies accounted for using the equity method		6	4
Finance income		654	1,188
Finance expense		(999)	(1,525)
Financial income/(expense), net	29	**(340)**	**(333)**
Income/(loss) before tax		**(855)**	**(5,593)**
Income tax (expense)/income	31	(255)	52
Income/(loss) from continuing operations (net of tax)		**(1,110)**	**(5,541)**
Income/(loss) from discontinued operations (net of tax)	03	**851**	**15,134**
Net income/(loss)		**(260)**	**9,592**
Thereof:			
thyssenkrupp AG's shareholders		**(304)**	**9,585**
Non-controlling interest		44	8
Net income/(loss)		**(260)**	**9,592**
Basic and diluted earnings per share based on	32		
Income/(loss) from continuing operations (attributable to thyssenkrupp AG's shareholders)		**(1.85)**	**(8.91)**
Net income/(loss) (attributable to thyssenkrupp AG's shareholders)		**(0.49)**	**15.40**

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

thyssenkrupp group – statement of comprehensive income

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Net income/(loss)	**(260)**	**9,592**
Items of other comprehensive income that will not be reclassified to profit or loss in future periods:		
Other comprehensive income from remeasurements of pensions and similar obligations		
Change in unrealized gains/(losses), net	(1,141)	(246)
Tax effect	326	(1,006)
Other comprehensive income from remeasurements of pensions and similar obligations, net	(815)	(1,252)
Unrealized gains/(losses) from fair value measurement of equity instruments		
Change in unrealized gains/(losses), net	0	2
Tax effect	0	0
Net unrealized (gains)/losses	0	2
Share of unrealized gains/(losses) of investments accounted for using the equity-method	0	0
Subtotals of items of other comprehensive income that will not be reclassified to profit or loss in future periods	**(815)**	**(1,250)**
Items of other comprehensive income that could be reclassified to profit or loss in future periods:		
Foreign currency translation adjustment		
Change in unrealized gains/(losses), net	236	(468)
Net realized (gains)/losses	1	146
Net unrealized (gains)/losses	237	(322)
Unrealized gains/(losses) from fair value measurement of debt instruments		
Change in unrealized gains/(losses), net	(1)	(3)
Net realized (gains)/losses	0	0
Tax effect	0	0
Net unrealized (gains)/losses	(1)	(3)
Unrealized gains/(losses) from impairment of financial instruments		
Change in unrealized gains/(losses), net	(6)	(10)
Net realized (gains)/losses	(3)	5
Tax effect	2	1
Net unrealized (gains)/losses	(6)	(4)
Unrealized gains/(losses) on cash flow hedges		
Change in unrealized gains/(losses), net	1	35
Net realized (gains)/losses	(7)	(13)
Tax effect	5	1
Net unrealized (gains)/losses	(1)	23
Share of unrealized gains/(losses) of investments accounted for using the equity-method	3	(3)
Subtotals of items of other comprehensive income that could be reclassified to profit or loss in future periods	**232**	**(309)**

million €	Year ended Sept. 30, 2019[1)]	Year ended Sept. 30, 2020
Other comprehensive income	**(582)**	**(1,559)**
Total comprehensive income	**(842)**	**8,034**
Thereof:		
thyssenkrupp AG's shareholders	(898)	8,061
Non-controlling interest	56	(28)
Total comprehensive income attributable to thyssenkrupp AG's stockholders refers to:		
Continuing operations	(1,771)	(6,772)
Discontinued operations[1)]	874	14,833

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

thyssenkrupp group – statement of changes in equity

million €, (except number of shares)	Number of shares outstanding	Capital stock	Additional paid-in capital	Retained earnings
	Equity attributable to thyssenkrupp AG's stockholders			
Balance as of Sept. 30, 2018	**622,531,741**	**1,594**	**6,664**	**(5,606)**
Adjustment due to the adoption of IFRS 9				(43)
Balance as of Oct. 1, 2018	**622,531,741**	**1,594**	**6,664**	**(5,649)**
Net income/(loss)				(304)
Other comprehensive income				(811)
Total comprehensive income				**(1,114)**
Profit attributable to non-controlling interest				
Payment of thyssenkrupp AG dividend				(93)
Other changes				(2)
Balance as of Sept. 30, 2019	**622,531,741**	**1,594**	**6,664**	**(6,859)**
Adjustment due to the adoption of IFRS 16				(1)
Balance as of Oct. 1, 2019	**622,531,741**	**1,594**	**6,664**	**(6,860)**
Net income/(loss)				9,585
Other comprehensive income				(1,251)
Total comprehensive income				**8,333**
Profit attributable to non-controlling interest				
Other changes				0
Balance as of Sept. 30, 2020	**622,531,741**	**1,594**	**6,664**	**1,472**

See accompanying notes to financial statements.

	Equity attributable to thyssenkrupp AG's stockholders									
	Cumulative other comprehensive income									
					Cash flow hedges					
	Foreign currency translation adjustment	Fair value measurement of debt instruments	Fair value measurement of equity instruments	Impairment of financial instruments	Designated risk component	Hedging costs	Share of investments accounted for using the equity method	Total	Non-controlling interest	Total equity
	(34)	**8**		**—**	**69**	**—**	**40**	**2,734**	**468**	**3,203**
				53				9	(5)	5
	(34)	**8**		**53**	**69**	**0**	**40**	**2,744**	**463**	**3,208**
								(304)	44	(260)
	222	0		(6)	0	(1)	3	(594)	12	(582)
	222	**0**		**(6)**	**0**	**(1)**	**3**	**(898)**	**56**	**(842)**
								0	(55)	(55)
								(93)	0	(93)
								(2)	4	2
	187	**7**	**0**	**46**	**68**	**(1)**	**43**	**1,751**	**469**	**2,220**
								(1)	0	(1)
	187	**7**	**0**	**46**	**68**	**(1)**	**43**	**1,750**	**469**	**2,219**
								9,585	8	9,592
	(280)	(2)	2	(4)	15	0	(3)	(1,523)	(36)	(1,559)
	(280)	**(2)**	**2**	**(4)**	**15**	**0**	**(3)**	**8,061**	**(28)**	**8,034**
								0	(40)	(40)
								0	(38)	(38)
	(93)	**6**	**2**	**42**	**84**	**(1)**	**40**	**9,810**	**364**	**10,174**

thyssenkrupp group – statement of cash flows

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Net income/(loss)	**(260)**	**9,592**
Adjustments to reconcile net income/(loss) to operating cash flows:		
(Income)/loss from discontinued operations (net of tax)	(851)	(15,134)
Deferred income taxes, net	135	(185)
Depreciation, amortization and impairment of non-current assets	1,163	4,180
Reversals of impairment losses of non-current assets	0	(3)
Income/(loss) from companies accounted for using the equity method, net of dividends received	(6)	(4)
(Gain)/loss on disposal of non-current assets	(49)	(16)
Changes in assets and liabilities, net of effects of acquisitions and divestitures and other non-cash changes		
– Inventories	(376)	1,132
– Trade accounts receivable	(158)	(932)
– Contract assets	331	(583)
– Accrued pension and similar obligations	(60)	(226)
– Other provisions	47	(81)
– Trade accounts payable	(180)	(2,089)
– Contract liabilities	(662)	339
– Other assets/liabilities not related to investing or financing activities	262	(216)
Operating cash flows – continuing operations	**(664)**	**(4,224)**
Operating cash flows – discontinued operations	736	898
Operating cash flows	**72**	**(3,326)**
Purchase of investments accounted for using the equity method and non-current financial assets	(5)	(4)
Capital expenditures for property, plant and equipment (inclusive of advance payments) and investment property	(1,101)	(1,265)
Capital expenditures for intangible assets (inclusive of advance payments)	(105)	(69)
Capital expenditures in time deposits	0	(850)
Proceeds from disposals of investments accounted for using the equity method and non-current financial assets	3	5
Proceeds from disposals of previously consolidated companies net of cash disposed[2]	0	14,697
Proceeds from disposals of property, plant and equipment and investment property	87	57
Proceeds from disposals of intangible assets	12	25
Cash flows from investing activities – continuing operations	**(1,109)**	**12,595**
Cash flows from investing activities – discontinued operations	(226)	(181)
Cash flows from investing activities	**(1,335)**	**12,414**

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Proceeds from issuance of bonds	2,500	0
Repayments of bonds	(1,250)	(750)
Proceeds from liabilities to financial institutions	2,538	4,564
Repayments of liabilities to financial institutions	(2,384)	(4,642)
Lease liabilities	0	(143)
Proceeds from/(repayments on) loan notes and other loans	678	(721)
(Increase)/decrease in current securities	0	(1)
Payment of thyssenkrupp AG dividend	(93)	0
Profit attributable to non-controlling interest	(55)	(40)
Financing of discontinued operations	443	937
Other financing activities	(5)	(155)
Cash flows from financing activities – continuing operations	**2,372**	**(952)**
Cash flows from financing activities – discontinued operations	(446)	(1,010)
Cash flows from financing activities	**1,926**	**(1,963)**
Net increase/(decrease) in cash and cash equivalents	663	7,125
Effect of exchange rate changes on cash and cash equivalents	36	(134)
Cash and cash equivalents at beginning of year	3,006	3,706
Cash and cash equivalents at end of year	**3,706**	**10,697**
Additional information regarding cash flows from interest, dividends and income taxes which are included in operating cash flows of continuing operations:		
Interest received	23	16
Interest paid	(208)	(222)
Dividends received	19	15
Income taxes (paid)/received[3]	(147)	(130)

See accompanying notes to financial statements.
[1] Figures have been adjusted (cf. Note 03).
[2] In 2019/2020 the line item includes transaction costs of €94 million.
[3] Therof €(29) million in 2019/2020 (previous year: €49 million) included in cash flows from financing of discontinued operations.

thyssenkrupp group – Notes to the 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, 2020, were authorized for issuance in accordance with a resolution of the Executive Board on November 16, 2020.

Statement of compliance

Applying Art. 315e of the German Commercial Code (HGB), the group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations of the International Accounting Standards Board (IASB) effective within the EU in accordance with the Regulation No. 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards.

01 Summary of significant accouting policies

The consolidated financial statements are presented in euros since this is the currency in which the majority of the group’s transactions are denominated, with all amounts rounded to the nearest million except when otherwise indicated; this may result in differences compared to the unrounded figures.

Consolidation

The group’s consolidated financial statements include the accounts of thyssenkrupp AG and all significant entities which are directly or indirectly controlled by thyssenkrupp AG (subsidiaries). This typically occurs when thyssenkrupp AG possesses more than half of the voting rights of a company. As far as structured entities are concerned, the ability to control does not result from a majority of voting rights but from contractual agreements.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Capital consolidation is performed by offsetting the carrying amounts of subsidiaries against their attributable equity. On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

The interest of minority shareholders (non-controlling interest) is stated at the minority’s proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognized.

All significant intercompany transactions and balances between group entities are eliminated on consolidation.

Joint arrangements where two or more parties jointly control an activity either classify as joint operations or as joint ventures. Joint operations result in including the assets and liabilities as well as the related income and expense on a pro rata basis in the group’s consolidated financial statements. Joint ventures are accounted for using the equity method of accounting. Where the group transacts with its joint operations or joint ventures, unrealized profits and losses are eliminated to the extent of the group’s interest.

Investments in associates are also accounted for using the equity method of accounting. Here the group is in a position to exercise significant influence that is presumed when the group holds between 20% and 50% of the voting rights (“Associated Companies”). Where a group entity transacts with an associate of the group, unrealized profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Subsidiaries, joint operations, joint ventures and associates which influence the group's net assets, financial position and results of operations are only immaterial. Such entities are measured at fair value or at cost when the fair value of unlisted equity instruments cannot be reliably measured; they are presented under the "Other financial assets, non-current" line item. Goodwill arising on acquisition is recognized as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

Goodwill arising on the acquisition of a joint venture or an associate is included within the carrying amount of the joint venture or the associate, respectively. Goodwill arising on the acquisition of subsidiaries or joint operations is presented separately in the balance sheet.

Foreign currency translation

The functional and reporting currency of thyssenkrupp AG and its relevant European subsidiaries is the euro (€). Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

Financial statements of the foreign subsidiaries included in the group consolidated financial statements where the functional currency is other than the euro are translated using their functional currency which is generally the respective local currency. The translation is performed using the current rate method. Net exchange gains or losses resulting from the translation of foreign financial statements are accumulated and included in equity. Such translation differences are recognized as income or as expenses in the period in which the subsidiary is disposed of.

Companies that manage their sales, purchases, and financing substantially not in their local currency use the currency of their primary economic environment as their functional currency. Financial statements prepared in local currency are translated into the functional currency using the temporal method. The resulting translation differences are included in the consolidated statement of income as "Other income or expenses". Thereafter, the functional currency financial statements are translated into the reporting currency using the current rate method.

The exchange rates of those currencies significant to the group have developed as follows:

CURRENCIES

	Exchange rate as of (Basis €1)		Annual average exchange rate for the year ended (Basis €1)	
	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2020
US Dollar	1.09	1.17	1.13	1.12
Chinese Renminbi Yuan	7.78	7.97	7.76	7.85
Swiss Franc	1.08	1.08	1.12	1.07
Polish Zloty	4.38	4.55	4.30	4.39

Intangible assets

Intangible assets with finite useful lives are capitalized at cost and amortized on a straight-line basis generally over a period of 3 to 15 years, depending on their estimated useful lives. Useful lives are examined on an annual basis and adjusted when applicable on a prospective basis. The amortization expense of intangible assets is primarily included in cost of sales in the consolidated statement of income.

Goodwill is stated at cost and tested for impairment annually or on such other occasions that events or changes in circumstances indicate that it might be impaired. Goodwill impairment losses are included in other expenses.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and impairment losses. Capitalized production costs for self-constructed assets include costs of material, direct labor, and allocable material and manufacturing overhead. Borrowing costs directly attributable to the production of assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Administrative costs are capitalized only if such costs are directly related to production. Maintenance and repair costs (day-to-day servicing) are expensed as incurred. The group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing parts and major inspection of such an item if it is probable that the future economic benefits embodied within the item will flow to the group and the cost of the item can be measured reliably. Where fixtures and equipment comprise of significant parts having different useful lives those parts are depreciated separately.

Fixtures and equipment are depreciated over the customary useful life using the straight-line method. The following useful lives are used as a basis for calculating depreciation:

	Useful lives
Buidlings (inclusive of investment property)	10 to 50 years
Buildings and land improvements	15 to 25 years
Technical machinery and equipment	8 to 25 years
Factory and office equipment	3 to 10 years

Investment property consists of investments in land and buildings that are held to earn rental income or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. Investment property is stated at cost less accumulated depreciation and impairment losses. The fair value of the group’s investment property is stated in Note 05.

Impairment of non-financial assets

At each balance sheet date, the group reviews the carrying amounts of its intangible assets, property, plant and equipment and investment property to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the Cash Generating Unit to which the asset belongs.

Goodwill arising on acquisition is allocated to the Cash Generating Units that are expected to benefit from the synergies of the acquisition. Those groups of Cash Generating Units represent the lowest level within the group at which goodwill is monitored for internal management purposes. The recoverable amount of the Cash Generating Unit that carries a goodwill is tested for impairment annually as of September 30, or on such other occasions that events or changes in circumstances indicate that it might be impaired. For more details refer to Note 04.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

In case of impairment losses related to Cash Generating Units that carry a goodwill the carrying amount of any goodwill allocated to the Cash Generating Unit is reduced first. If the amount of impairment losses exceeds the carrying amount of goodwill, the difference is generally allocated proportionally to the remaining non-current assets of the Cash Generating Unit to reduce their carrying amounts accordingly.

Where an impairment loss subsequently reverses, the carrying amount of the asset (Cash Generating Unit) is increased to the revised estimate of its recoverable amount. The revised amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (Cash Generating Unit) in prior years. A reversal of an impairment loss is recognized as income immediately. However, impairment losses of goodwill may not be reversed.

Leases

A contract constitutes a lease if the contract conveys the lessee

– the right to control the use of an identified asset (the leased asset)
– for a specific period
– in exchange for a consideration.

Since October 1, 2019, the group as a lessee recognizes in general for all leases within the statement of financial position an asset for the right of use of the leased assets and a liability for the lease payment commitments at present value. These are primarily rentals of property and buildings, technical equipment and machinery, other plants and operating and office equipment. The right of use assets reported under property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses. Payments for non-lease components are not included in the determination of the lease liability. The lease liabilities reported under financial liabilities reflect the present value of the outstanding lease payments at the time the asset is made available for use. Lease payments are discounted at the interest rate implicit in the lease if it can be readily determined. Otherwise, they are discounted at the lessee's incremental borrowing rate. The derivation of the interest rate is based on the assumption that an adequate amount of funds will be raised over an adequate period of time, taking into account the respective currency area.

The lease liabilities include the following lease payments:

– Fixed payments, less lease incentives to be paid by the lessor,
– variable lease payments that are based on an index or an interest rate,
– expected amounts to be payable by the lessee under residual value guarantees,
– the exercise price of a purchase option, if the exercise is reasonably certain and
– payment of penalties for the termination of the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Right-of-use assets are measured at cost, which are comprised as follows:

– Lease liability,
– lease payments made at or before the commencement date less any lease incentives received,
– initial direct costs and
– dismantling obligations.

Subsequent measurement is performed at amortized cost. Right-of-use assets are depreciated on a straight-line basis over the lease term, unless the useful life of the underlying asset is shorter. If the lease agreement contains reasonably certain purchase options, the right of use is depreciated over the economic life of the underlying asset.

In subsequent measurement, the lease liability is compounded, and the corresponding interest expense is recognized in the financial result. The lease payments made reduce the carrying amount of the lease liability.

In accordance with the recognition exemptions, low-value leases of and short-term leases (less than twelve months) are recognized in the statement of income. thyssenkrupp has identified certain asset classes (e.g. PCs, telephones, printers, copiers) which regularly contain leased assets of low value. Outside these asset classes, only leased assets with a value of up to €5,000 are classified as low-value leased assets. Furthermore, the new regulations are not applied to leases of intangible assets. For contracts comprising a non-lease component as well as a lease component, each lease component must be accounted for separately from non-lease component as a lease. The lessee must allocate the contractually agreed-upon payment to the separate lease components based on the relative standalone selling price of the lease component and the aggregated standalone selling price of the non-lease components. In addition, intragroup leases will continue to be presented in the segment report according to IFRS 8 as operating leases in accordance with IAS 17.

The term of the lease is determined based on the non-cancellable lease term. Especially real estate leases contain extension and termination options. Such contractual conditions offer the greatest possible operational flexibility to the group. In determining the lease term, all facts and circumstances are considered that provide an economic incentive to exercise renewal options or not to exercise termination options. Lease term modifications from the exercise or non-exercise of such options are only considered in the lease term if they are reasonably certain and are based on an event that is within the control of the lessee.

As a lessor in an operating lease, the group recognizes the leased asset as an asset at amortized cost under property, plant and equipment. The lease payments received during the period are recognized as lease income under sales and are amortized on a straight-line basis over the term of the lease.

As a lessor in a finance lease, the group recognizes a receivable in the statement of financial position at the amount equal to the present value of the discounted net investment in the lease adjusted for the unguaranteed residual value.

Inventories

Inventories are stated at the lower of acquisition/manufacturing cost or net realizable value. 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.

Financial assets

In particular, financial assets include trade accounts receivable, cash, cash equivalents and time deposits, derivative financial assets, as well as equity and debt instruments. Financial assets are initially recognized at fair value. This includes any transaction costs directly attributable to the acquisition of financial assets, which are not carried at fair value through profit or loss in future periods. The fair values recognized on the balance sheet usually reflect the market prices of the financial assets.

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

If a debt instrument is held with the objective of collecting contractual cash flows and if the cash flows are solely payments of principal and interest, the instrument is recognized at amortized cost. At thyssenkrupp this mainly concerns trade accounts receivable, contract assets, and cash, cash equivalents and time deposits as well as the interest-free loans resulting from the reinvestment (cf. Note 03).

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

For equity instruments not held for trading – with the exemption of the preference shares of the reinvestment – thyssenkrupp has consistently exercised the option to recognize future changes in fair value in profit or loss. However changes in fair value of the preference shares are directly recognized in equity (without recycling). Derivatives that do not qualify for hedge accounting are also recognized at fair value in profit or loss.

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

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

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

Receivables that do not bear interest or bear below market interest rates and have an expected term of more than one year are discounted with the discount subsequently amortized to interest income over the term of the receivable.

Cash, cash equivalents and time deposits 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 as well as current time deposits with a maximum term of 12 months. Cash, cash equivalents and time deposits are measured at amortized cost.

Financial liabilities

Financial liabilities are liabilities that must be settled in cash or other financial assets. Financial liabilities are initially carried at fair value. This includes any transaction costs directly attributable to the acquisition of financial liabilities, which are not carried at fair value through profit or loss in future periods.

Trade accounts payable and other non-derivative financial liabilities

Trade accounts payable and other non-derivative financial liabilities are in general measured at amortized cost using the effective interest method. Finance charges, including premiums payable on redemption or settlement, are periodically accrued using the effective interest method and increase the liabilities' carrying amounts unless they have already been settled in the period in which they were incurred.

Derivative financial instruments

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

Hedging relationships are mainly used to hedge foreign currency risks of firm commitments, future receivables and liabilities denominated in foreign currency, commodity price risks arising from sales and purchase transactions, and interest rate and foreign currency risks from non-current financings. In the case of cash flow hedges, the fluctuations in fair value are divided into an effective and an ineffective portion. The effective portion of fluctuations in fair value is recognized initially directly in equity within cumulative other comprehensive income. thyssenkrupp uses the option of separately reporting hedging costs (forward element and currency basis spread) in connection with designated foreign currency derivatives in other comprehensive income. Reclassification to profit or loss takes place when the hedged item affects profit or loss. The ineffective portion of fluctuations in fair value is recognized directly in profit or loss.

Fair value hedges are mainly used to hedge the exposure to changes in fair value of a firm commitment and exposure to inventory price risks as well as to hedge interest rate risks. In addition to the fluctuations in fair value of the derivative, the offsetting fluctuations in the fair value of the hedged item are also recognized in profit or loss insofar as they relate to the hedged risk.

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

More information about financial instruments is provided in Note 22.

Income taxes

Income taxes comprise all current and deferred taxes based on taxable profit. They are calculated taking into account the statutory provisions applying in the countries in which thyssenkrupp operates. Interest and other surcharges in connection with income taxes are not recognized in income tax expense.

In this connection management judgments are required which may differ from the interpretations of local tax authorities. If this results in changes to income taxes from the past, these are reported in the period in which sufficient information is available for an adjustment. Generally income taxes are calculated on the basis of the profits reported for the fiscal year.

To the extent that items are credited or charged directly to other comprehensive income in equity, the corresponding income tax is also recognized directly in equity.

Current income taxes are recognized in the amount in which it is assumed they will be paid to the tax authorities in the future.

Deferred taxes are accounted for in respect of temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax bases. They also include unused tax losses carried forward and credits. Where deferred tax assets occur, they are measured and adjusted according to an assessment of their future recoverability using forecast calculations and realizable tax strategies. Deferred taxes are calculated at the enacted or substantially enacted tax rates that are expected to apply when the asset or liability is settled.

Cumulative other comprehensive income

The equity line item “Cumulative other comprehensive income” presents changes in the equity of the group that were not recognized in the consolidated statement of income of the period, except those resulting from capital transactions with the owners. Cumulative other comprehensive income includes foreign currency translation adjustments, unrealized gains and losses on fair value measurement of debt and equity instruments and on derivative financial instruments in cash flow hedging, hedging costs in connection with designated foreign currency derivatives, impairment losses on financial instruments recognized at fair value in equity, as well as the share of the other comprehensive income attributable to associates and joint ventures accounted for using the equity method. Remeasurements of pensions and similar obligations are reported in retained earnings in the period that they are recognized as other comprehensive income.

Accrued pension and similar obligations

The group’s net obligation for defined benefit and other postretirement benefit plans have been calculated for each plan using the projected unit credit method as of the balance sheet date. A quarterly valuation of pensions is performed on the basis of updated interest rates and fair values of plan assets.

As far as the fair value of plan assets related to pensions or similar obligations exceeds the corresponding obligation, the recognition of an asset in respect to such surplus is limited. As far as in connection with plan assets minimum funding requirements related to past service exist, an additional liability may need to be recognized in case the economic benefit of a surplus – already taking into account the contributions to be made in respect of the minimum funding requirements – is limited. The limit is determined by the present value of any future refunds from the plan or reductions in future contributions to the plan asset (asset ceiling).

With the exception of net interest, all income and expenses related to defined benefit plans are recognized in income/(loss) from operations. Net interest included in net periodic pension cost is recognized in net financial income/(expense) in the group's statement of income.

The group's obligations for contributions to defined contribution plans are recognized as expense in income/(loss) from operations as incurred.

The effects of remeasurements of pensions and similar obligations are recognized in other comprehensive income and reported in retained earnings. They consist of actuarial gains and losses, the return on plan assets and changes in the effects of asset ceiling excluding amounts already included in net interest. Deferred taxes relating to remeasurements are also recognized in other comprehensive income.

The group also maintains multi-employer plans. In principle, these multi-employer plans contain defined benefit plans as well as defined contribution plans. With respect to defined benefit multi-employer plans these are accounted for in the same way as any other defined benefit plan in case the required information is available. Otherwise these plans are accounted for as defined contribution plans. In particular in the USA and in the Netherlands, there exist multi-employer defined benefit plans that are accounted for as defined contribution plans due to the fact that the pension obligations and the plan assets cannot be assigned to the participating employers.

Other provisions

Provisions are recognized when the group has a present obligation as a result of a past event which will result in a probable outflow of economic benefits that can be reasonably estimated. The amount recognized represents best estimate of the settlement amount of the present obligation as of the balance sheet date. Expected reimbursements of third parties are not offset but recorded as a separate asset if it is virtually certain that the reimbursements will be received. Where the effect of the time value of money is material, provisions are discounted using a market rate.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Provisions for restructuring costs are recognized when the group has a detailed formal plan for the restructuring and has notified the affected parties.

A provision for onerous contracts is recognized when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Share-based compensation

The group has management incentive plans which grant stock rights to executive and senior employees that are exclusively settled in cash after the end of the respective performance period. The fair value of these rights is calculated on the date of grant and on each balance sheet date and recognized as an expense on a straight-line basis over the vesting period with a corresponding increase in provisions. The provision is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the provision are recognized as part of income from operations.

See also information provided in Note 14.

Revenue recognition

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

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

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

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

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

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

Research and development costs

Research costs are expensed as incurred.

Development costs, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if the product or process is technically and commercially feasible, it is intended to complete the intangible asset, there is a market for the output of the intangible asset, the attributable expenditure can be measured reliably, and the group has sufficient resources to complete development. Other development costs are expensed as incurred. Capitalized development costs of completed projects are stated at cost less accumulated amortization and impairment losses.

Earnings per share

Basic earnings per share amounts are calculated by dividing net income/(loss) attributable to thyssenkrupp AG's shareholders by the weighted average number of shares outstanding. Shares issued during the period are weighted for the portion of the period that they were outstanding.

Segment reporting

In accordance with the so-called management approach, segment reporting of the thyssenkrupp group is based on the internal organizational and reporting structure. The data used to determine the internal key figures are derived from the IFRS consolidated financial statements with the exemption of intragroup leases that are classified as operating leases according to IAS 17.

Single assets held for sale, disposal groups and discontinued operations

A single non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The group reports assets and liabilities as a disposal group, that will be disposed of by sale or otherwise in a single transaction, which collectively meet the held for sale criteria as specified in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The Group reports the assets and liabilities of a disposal group separately in the balance sheet line item "assets held for sale/disposal" and "liabilities associated with assets held for sale/disposal", respectively. Unless a disposal group qualifies for discontinued operations reporting, the revenues and expenses of the disposal group remain within continuing operations until the date of disposal. The group reports the results of a disposal group that also qualifies as a component of the group as discontinued operations if it represents a separate major line of business or geographical area of operations. The group reports the results of discontinued operations in the period in which they occur separately within the consolidated statement of income as "discontinued operations (net of tax)". All prior period consolidated statements of income are adjusted to report the results of the component within discontinued operations. In the consolidated statement of cash flows the cash flows resulting from discontinued operations are presented separately from cash flows resulting from continuing operations; prior year presentation has been adjusted accordingly.

On initial classification as held for sale, non-current assets are recognized at the lower of the carrying amount and fair value less costs to sell and depreciation and amortization ceases. A disposal group is initially measured in line with the respective IFRS standards to determine the carrying amount of the disposal group which is then compared to the fair value less costs to sell of the group in order to recognize the group at the lower of both amounts. Impairment losses on initial classification as held for sale are included in profit or loss, as are gains and losses on subsequent remeasurement, but not in excess of the cumulative impairment loss.

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

Financial statement classification

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

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

Estimates and judgments

The preparation of the group financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. All estimates and assumptions are made to the best of management's knowledge and belief in order to fairly present the group's financial position and results of operations; they are reviewed on an ongoing basis. This applies in particular with regard to the possible impacts of the current global coronavirus pandemic. Actual results may differ from these estimates.

Accounting estimates and judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements are in particular relevant for the following issues:

Business combinations

As a result of acquisitions the group recognized goodwill in its balance sheet. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair value. One of the most significant estimates relates to the determination of the fair value of these asset and liabilities. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market price. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the group either consults with an independent external valuation expert or develops the fair value internally, using an appropriate valuation technique which is generally based on a forecast of the total expected future net cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Recoverability of goodwill

As stated in the accounting policy, the group tests annually and in addition if any indicators exist, whether goodwill has suffered an impairment loss. If there is an indication, the recoverable amount of the cash-generating unit has to be estimated which is the greater of the fair value less costs to sell and the value in use. The determination of the value in use involves making adjustments and estimates related to the projection and discounting of future cash flows (cf. Note 04). Although management believes the assumptions used to calculate recoverable amounts are appropriate, any unforeseen changes in these assumptions could result in impairment charges to goodwill which could adversely affect the future financial position and operating results.

Recoverability of assets

At each balance sheet date, the group assesses whether there is any indication that the carrying amounts of its property, plant and equipment, investment property or intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In assessing the value in use, discounted future cash flows from the related assets have to be determined. Estimating the discounted future cash flows involves significant assumptions, including particularly those regarding future sale prices and sale volumes, costs and discount rates (cf. Note 04 and 05). Although management believes that its estimates of the relevant expected useful lives, its assumptions concerning the economic environment and developments in the industries in which the group operates and its estimations of the discounted future cash flows are appropriate, changes in the assumptions or circumstances could require changes in the analysis. This could lead to additional impairment charges in the future or to reversal of impairments if the trends identified by management reverse or the assumptions or estimates prove incorrect.

Leases

Some leases contain extension and termination options. These contractual conditions offer thyssenkrupp as lessee maximum operational flexibility. In determining the lease term, all facts and circumstances are considered that provide an economic incentive to exercise renewal options or not to exercise termination options. In determining the lease term, possible options are only taken into account if they are considered reasonably certain. Where facts and circumstances change over time, exercise of the option is re-assessed.

Other provisions

The recognition and measurement of other provisions are based on the estimation of the probability of a future outflow of resources as well as empirical values and the circumstances known at the reporting date. This means that the actual later outflow of resources may differ from the other provisions, cf. also the remarks under Note 16.

Measurement of single assets held for sale, disposal groups and discontinued operations

Single assets held for sale as well as disposal groups and discontinued operations are measured at fair value less costs to sell. The determination of fair value less costs to sell can be based on estimations and assumptions of the management that carry a certain degree of uncertainty.

Revenue recognition from contracts with customers

Certain group companies, particularly at Elevator Technology, Plant Technology and at Marine Systems, report some of their business transactions as construction contracts, in which revenue is recognized over time using the percentage-of-completion method. This method requires accurate estimates of the extent of progress towards completion. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgments. The managements of the operating companies continually review all estimates involved in such contraction contracts and adjust them as necessary.

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

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

Income taxes

The recognition and measurement of current and deferred tax receivables and liabilities depend on management estimates of tax uncertainties and future business performance. This includes both the interpretation of existing tax regulations and the testing of deferred tax assets for impairment. These estimates are adjusted when there is sufficient evidence of the need for such adjustment.

Employee benefits

The group accounts for pension and other postretirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions including the discount rate, expected salary increases, mortality rates and health care cost trend rates. These actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in postretirement employee benefit obligations, of equity and the related future expense. (Cf. Note 15 for further information).

Legal contingencies

thyssenkrupp companies are parties to litigations related to a number of matters as described in Note 21. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. For the assessments internal and external lawyers are used. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against thyssenkrupp companies or the disclosure of any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.

Effects of the coronavirus pandemic

Against the background of the current global coronavirus pandemic an impairment test was conducted on the critical items goodwill, other intangible assets and property, plant and equipment (cf. Note 04 and 05), deferred tax assets (cf. Note 31), trade accounts receivable and contract assets (cf. Note 09 and 10).

In the reporting year the thyssenkrupp group was impacted in particular by the effects of the coronavirus pandemic on demand and thus capacity utilization in addition to already prevailing volatility and weaker demand in the materials and automotive components businesses.

As a result of the sharp slump in shipments and persistent cost pressure, Steel Europe's adjusted EBIT slid deep into loss-making territory and was largely responsible for the negative earnings of the group. In this environment Materials Services' adjusted EBIT was likewise negative: falling market prices and very weak demand particularly from March outweighed strong growth in plastics and positive effects from commodity and currency hedges. In the automotive components business, gains from the ramp-up of new projects and plants were overshadowed by demand losses combined with production and plant shutdowns worldwide. In addition earnings were severely impacted by the revaluation of orders for automotive production lines as well as allocations to order-related provisions and impairment losses on operating assets, with the result that Automotive Technology reported strongly negative adjusted EBIT overall. Industrial Components achieved significant volume and structure-related gains in bearings, but these were tempered by lower volumes in forgings due to demand losses but also partly for cyclical reasons. At Plant Technology delayed progress on projects and postponed contract awards were only partly compensated by sales increases in chemical plant construction, robust service business, and proceeds from the sale of a building. Primarily as a result of higher costs in connection with the carve-out as well as negative pandemic effects, earnings of the discontinued elevator operations declined, above all in Europe and at Access Solutions. Marine Systems and Corporate Headquarters reported no material pandemic effects.

Recently adopted accounting standards

In fiscal year 2019 / 2020 thyssenkrupp adopted the following standards, interpretations and amendments to already existing standards that, with the exemption of IFRS 16, did not have a material impact on the group's financial statements:

In January 2016, the IASB published the new accounting standard IFRS 16 Leases. The new standard replaces the previous classification of leases into operating and finance leases as a lessee and introduces a uniform accounting model for the lessee. Under the previous standard (IAS 17), lease obligations for operating leases were only to be disclosed in the notes. In accordance with IFRS 16, the rights and obligations resulting from leases must be recognized as a right-of-use of the leased asset and a corresponding lease liability in the lessee's statement of financial position.

thyssenkrupp applies IFRS 16 for the first time for fiscal year 2019 / 2020 beginning on October 1, 2019. Use is made of the exemption option to apply IFRS 16 to all agreements that were previously identified as leases by applying IAS 17 and IFRIC 4.

The group has applied the modified retrospective approach in accordance with IFRS 16.C5(b). In accordance with this approach the comparative prior-year figures do not have to be adjusted and the first-time adoption effects are recognized in retained earnings of thyssenkrupp as of October 1, 2019.

The group recognized new assets and liabilities for its operating leases at the date of transition to IFRS 16. When applying the modified retrospective method, right of use assets were recognized at the initial recognition date at the carrying amounts of the lease liabilities adjusted for deferred lease payments. The lease liabilities were recognized at the present value of the lease payments outstanding at the date of first-time application, discounted at the lessee's incremental borrowing rate at the date of first-time application. thyssenkrupp made use of exemption options in the transition to IFRS 16 and treated leases with a remaining term of up to twelve months as short-term leases, left initial direct costs unaffected in the initial measurement of the right-of-use asset, and took current knowledge into account in determining the lease terms for agreements with extension and/or termination options. No impairment test in accordance with IAS 36 was carried out at the time of initial application. Instead, leases entered into immediately prior to October 1, 2019, were assessed in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" to determine whether they were onerous. No onerous contracts were identified.

The effects on the group's previous finance leases were insignificant.

As of October 1, 2019, additional right-of-use assets in the amount of €1.0 billion and additional lease liabilities in the amount of €1.0 billion were recognized as part of the transition to IFRS 16.

Based on the operating lease commitments as of September 30, 2019, the reconciliation to the carrying amounts of the opening balance of the lease liabilities as of October 1, 2019 is as follows:

RECONCILIATION – IFRS 16

million €	
Operating lease commitments as of Sept. 30, 2019	**1,326**
Minimum lease payments (gross) finance lease as of Sept. 30, 2019	50
Practical expedient for short-term leases	(21)
Practical expedient for low-value leases	(10)
IAS 17 commitments not to be considered according to IFRS 16	(102)
Others	13
Gross lease liability as of Oct. 1, 2019	**1,256**
Interest charges	(200)
Lease liabilities as of Oct. 1, 2019	**1,056**
Finance lease liabilities as of Sept. 30, 2019	(37)
Additional lease liability due to initial application of IFRS 16 as of Oct. 1, 2019	**1,019**

Based on the operating lease commitments, payments for short-term leases in the amount of €21 million, payments for leases of low-value assets in the amount of €10 million, and payment obligations in accordance with IAS 17 for leases already signed as of September 30, 2019 in which the commencement of the underlying assets will take place at a later date in the amount of €102 million, were deducted.

The lease liabilities were discounted as of October 1, 2019 using the lessee's incremental borrowing rate. The weighted average interest rate was 3.5%. For each term a credit margin is first determined that reflects the price for the thyssenkrupp group's credit default risk and is derived from existing refinancing instruments of thyssenkrupp AG and market-traded credit default swaps. In a second step the credit margins are added to risk-free interest rates with matching maturities for each currency.

The effects of the first-time adoption of the new standards were recognized directly in equity at the date of transition but were not material for thyssenkrupp. This also applies to the effects in regard to deferred tax assets and deferred tax liabilities.

Furthermore in fiscal year 2019 / 2020 thyssenkrupp adopted the following interpretations and amendments to already existing standards that did not have a material impact on the group's consolidated financial statements:

- IFRIC 23: "Uncertainty over Income Tax Treatments", issued in June 2017
- Amendments to IFRS 9: "Financial Instruments", issued in October 2017
- Amendments to IAS 28: "Investments in Associates and Joint Ventures", issued in October 2017
- Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017
- Amendments to IA 19: "Plan Amendment, Curtailment or Settlement", issued in February 2018

Issued accounting standards that have not been adopted in fiscal year 2019 / 2020

The IASB has issued the following interpretations and amendments to standards and interpretations whose application is not yet mandatory and which in part require EU endorsement before they can be applied. Management currently assumes that the application of these standards, interpretations and amendments will not have a material impact on the presentation of the consolidated financial statements:

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures (2011)": "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture", issued in September 2014, initial application deferred indefinitely

- Amendments to IFRS Framework: “Amendments to References to the Conceptual Framework in IFRS Standards”, issued in March 2018, initial application in fiscal year 2020 / 2021
- Amendments to IFRS 3: “Definition of a Business (Amendments to IFRS 3)”, issued in October 2018, initial application to acquisitions that occur on or after January 1, 2020
- Amendments to IAS 1 and IAS 8: “Amendments to IAS 1 and IAS 8: Definition of Material”, issued in October 2018, initial application in fiscal year 2020 / 2021
- Amendments to IFRS 9, IAS 39 and IFRS 7: “Interest Rate Benchmark Reform”, issued in September 2019, initial application in fiscal year 2020 / 2021
- Amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”, issued in January 2020, not yet endorsed, expected initial application in fiscal year 2023 / 2024
- Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements to IFRSs 2018–2020 Cycle, issued in May 2020, not yet endorsed, expected initial application in fiscal year 2022 / 2023
- Amendments to IFRS 16 “Leases Covid-19-Related Rent Concessions”, issued in May 2020, initial application in fiscal year 2020 / 2021; thyssenkrupp is not expected to apply the amendment giving lessees an optional practical expedient to account for covid-19-related rent concessions such as rent holidays and temporary rent reductions.
- Amendments to IFRS 4 “Insurance Contracts – deferral of IFRS 9”, issued in June 2020, not yet endorsed, expected initial application in fiscal year 2021 / 2022
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”, issued in August 2020, not yet endorsed, expected initial application in fiscal year 2021 / 2022,

02 Consolidated companies and equity interests

Composition of the scope of consolidation

The changes in the scope of consolidation in fiscal years 2018 / 2019 und 2019 / 2020, respectively are presented in the table below:

ACQUISITIONS/DIVESTITURES OF BUSINESSES

Number of consolidated companies	Germany	Abroad	Total
Balance as of Sept. 30, 2018	**103**	**346**	**449**
Additions	14	20	34
Disposals	(9)	(18)	(27)
Balance as of Sept. 30, 2019	**108**	**348**	**456**
Additions	2	6	8
Disposals	(17)	(116)	(133)
Balance as of Sept. 30, 2020	**93**	**238**	**331**

The additions in 2019 / 2020 mainly result from incorporations, while the disposals mainly result from the deconciliation of Elevator Technology. To further details see "acquisitions" in this Note and "discontinued operations" in Note 03.

2 (prior year: 3) 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 0.005%, their income/(loss) before tax amounts to 0.002% and their total equity amounts to 0.009% of the group's respective balances.

The group has 12 (prior year: 11) associated companies and 11 (prior year: 11) joint ventures that are accounted for using the equity method of accounting. Another 6 (prior year: 5) associated companies are not accounted for using the equity method of accounting because their combined influence on the group's net assets, financial position and results of operations is not material. The income before tax of the immaterial associated companies amounts to 0.02% and their total equity to 0.09% of the group's respective balances.

A complete listing of the group's subsidiaries and equity interests is published in the German Federal Gazette and is available on the thyssenkrupp website at **www.thyssenkrupp.com.**

Structured entities

thyssenkrupp includes 3 (prior year: 3) structured entities in the consolidated financial statements. One of the structured entities is a special purpose leasing company established to realize the second construction phase of the thyssenkrupp Quarter. The lease object and the corresponding liabilities are included in the consolidated financial statements. There are no obligations to provide financial support. The two other structured entities do not have a material influence on the group's net assets, financial position and results of operations.

thyssenkrupp also has contractual relationships with 2 (prior year: 2) non-controlled structured entities. The group holds a maximum 1% share in these entities. Under factoring programs, contractual relationships exist with a structured entity in which the company holds no interests. The other non-controlled structured entity has a supply contract with a group company. Potential losses from this contract are already included in the purchasing commitments stated under commitments (cf. Note 21).

Acquisitions

Fiscal year 2019 / 2020

In fiscal year 2019 / 2020 completed minor acquisitions at Elevator Technology which, on an individual basis and in total, were immaterial.

03 Discontinued operations

On February 27, 2020 thyssenkrupp signed an agreement with a consortium led by Advent International and Cinven on the full sale of its elevator business Elevator Technology. The closing of the transaction together with the deconsolidation of Elevator Technology took place on July 31, 2020 after all the responsible authorities had approved the sale to a bidding consortium led by Advent International and Cinven. The sale created the financial conditions for the strategic realignment concretized in May 2020 to establish a powerful group of companies with independent businesses, competitive profitability and cash flow generation, and a lean holding company.

With the closing, the company received the purchase price in accordance with this contractual agreement. Alongside a payment of cash in the amount of €15.53 billion, the purchase price also comprised several financing instruments ("reinvestment") worth around €1.25 billion, which are accounted for as follows:

- Ordinary shares (with voting rights) in Vertical Topco I S.A., Luxembourg. Due to the existence of significant influence, the ordinary shares are treated and reported as an investment accounted for using the equity method in accordance with the requirements of IAS 28. Amortization of the acquisition cost is recognized in financial income from companies accounted for using the equity method in the statement of income. Disclosures required under IFRS 12 are included in Note 06. Regarding treatment in connection with segment reporting, we refer to Note 24.
- Preference shares (with voting rights) in Vertical Topco I S.A., Luxembourg. The preference shares are treated as an equity instrument in accordance with IAS 32 and IFRS 9 and reported under other non-current financial assets. Subsequent measurement is at fair value, with changes in fair value recognized directly in equity (without recycling). Regarding treatment in connection with segment reporting, we refer to Note 24.
- Interest-free loans (borrower: Vertical Topco I S.A., Luxembourg). The interest-free loans are treated as debt instruments in accordance with IAS 32 and IFRS 9 and likewise reported under other non-current financial assets. They are measured at amortized cost, with income effects from subsequent measurement recognized in finance income/finance expense under financial income/expense in the statement of income. The disclosures required under IFRS 7 are included in Note 22. Regarding treatment in connection with segment reporting, we refer to Note 24.

The transaction meets the criteria for presentation as a discontinued operation under IFRS 5. It encompasses the Elevator Technology business area and individual units from Corporate Headquarters. In accordance with IFRS 5, in the current reporting period until deconsolidation all expense and income of the discontinued elevator operations are reported separately in the income statement and all cash flows are reported separately in the statement of cash flows; prior-period figures are adjusted accordingly. As a consequence of the sale at the end of July 2020, it is not necessary to report the assets and liabilities of Elevator Technology separately on the balance sheet at the current reference date.

In connection with the initiated disposal, the assets and liabilities continue to be measured at their carrying amount as this is lower than the fair value less costs of disposal. On the classification as a discontinued operation, non-current assets are no longer amortized or depreciated; the effect thereof amounts to €83 million (before tax) for the period from the end of February 2020 to the end of July 2020.

The following table shows the assets and liabilites of the discontinued elevator operations at the time of disposal:

DISCONTINUED ELEVATOR OPERATIONS

million €	
Intangible assets	1,853
Property, plant and equipment (inclusive of investment property)	788
Investments accounted for using the equity method	2
Other financial assets	110
Other non-financial assets	43
Deferred tax assets	153
Inventories	635
Trade accounts receivable	1,368
Contract assets	504
Other current financial assets	32
Other current non-financial assets	232
Current income tax assets	102
Cash, cash equivalents and time deposits	736
Total assets disposed of	**6,558**
Accrued pension and similar obligations	396
Provisions for other employee benefits	15
Other non-current provisions	138
Deferred tax liabilities	163
Non-current financial debt	227
Provisions for current employee benefits	158
Other current provisions	351
Current income tax liabilities	98
Current financial debt	70
Trade accounts payable	669
Other current financial liabilities	54
Contract liabilities	1,846
Other current non-financial liabilities	867
Total liabilities disposed of	**5,052**
Net assets disposed of	**1,506**
Cumulative other comprehensive income	145
Non-controlling interest	(23)
Transaction costs and other effects	141
Gain on disposal	15,010
Selling price / Consideration received	**16,780**
Thereof: paid in cash and cash equivalents	15,527
Thereof: paid in equity instruments	658
Thereof: paid in debt instruments	595

The results until the disposal of the discontinued elevator operations as of July 31, 2020 are as follows:

DISCONTINUED ELEVATOR OPERATIONS

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020
Sales	7,960	6,544
Other income	100	70
Expenses	(7,288)	(5,918)
Ordinary income/(loss) from discontinued operations (before tax)	**772**	**695**
Income tax (expense)/income	79	(572)
Ordinary income/(loss) from discontinued operations (net of tax)	**851**	**124**
Gain/(loss) recognized on disposal of discontinued operations (before tax)	0	15,010
Income tax (expense)/income	0	0
Gain/(loss) recognized on disposal of discontinued operations (net of tax)	**0**	**15,010**
Income/(loss) from discontinued operations (net of tax)	**851**	**15,134**
Thereof:		
thyssenkrupp AG's shareholders	849	15,132
Non-controlling interest	1	2

Intergroup income and expenses between companies of the discontinued elevator operations and the rest of the thyssenkrupp group were eliminated in full. For previous intergroup transactions being continued either with Elevator Technology or with third parties after the deconsolidation of Elevator Technology, the elimination entries were allocated in full to the discontinued operations as part of the consolidation of income and expenses.

Tax expense of the discontinued elevator operations in fiscal year 2019 / 2020 reflects impairment of the deferred tax assets attributable to this area in the amount of €325 million. This mainly relates to the impairment of deferred tax assets related to selected, temporally indefinite rights to use the "thyssenkrupp" mark. In connection with the full sale of the elevator business, an agreement was also made to reverse the transfer of rights of use of the thyssenkrupp mark which were transferred by thyssenkrupp AG to thyssenkrupp Elevator AG in the 2018 / 2019 fiscal year. An impairment loss has to be recognized for this reversal because probably insufficient taxable income will be available in the German tax group of Elevator in the foreseeable future. In the 2018 / 2019 fiscal year the transfer of the rights of use resulted in deferred tax income from the recognition of deferred tax assets for a deductible temporary difference of €332 million.

Notes to the statement of financial position

04 Intangible assets

Changes in the group's intangible assets were as follows:

CHANGES IN INTANGIBLE ASSETS

million €	Franchises, trademarks and similar rights and values as well as licenses thereto	Development costs, internally developed software and website	Goodwill	Total
Gross amounts				
Balance as of Oct. 1, 2018	**2,150**	**887**	**4,430**	**7,466**
Currency differences	32	17	103	152
Acquisitions/divestitures of businesses	36	(2)	81	115
Additions	48	88	0	136
Transfers	14	(1)	0	13
Disposals	(36)	(6)	0	(42)
Balance as of Sept. 30, 2019	**2,244**	**982**	**4,614**	**7,840**
Currency differences	(49)	(1)	(155)	(206)
Acquisitions/divestitures of businesses	2	(15)	5	(8)
Additions	43	43	0	85
Transfers	36	(4)	0	33
Disposals	(87)	(3)	0	(90)
Reclassification due to the presentation as assets held for sale	(706)	(98)	(1,764)	(2,569)
Balance as of Sept. 30, 2020	**1,482**	**904**	**2,700**	**5,085**
Accumulated amortization and impairment losses				
Balance as of Oct. 1, 2018	**1,389**	**605**	**628**	**2,622**
Currency differences	23	13	23	59
Acquisitions/divestitures of businesses	0	0	0	0
Amortization expense	111	47	0	158
Impairment losses	4	3	0	7
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
Disposals	(31)	(5)	0	(36)
Balance as of Sept. 30, 2019	**1,496**	**663**	**652**	**2,811**
Currency differences	(36)	(1)	(30)	(68)
Acquisitions/divestitures of businesses	(1)	0	0	(1)
Amortization expense	100	53	0	153
Impairment losses	23	115	777	915
Reversals of impairment losses	0	0	0	0
Transfers	1	0	0	1
Disposals	(83)	(3)	0	(85)
Reclassification due to the presentation as assets held for sale	(512)	(24)	(180)	(715)
Balance as of Sept. 30, 2020	**988**	**803**	**1,219**	**3,010**
Net amounts				
Balance as of Oct. 1, 2018	**760**	**282**	**3,801**	**4,844**
Balance as of Sept. 30, 2019	**748**	**319**	**3,962**	**5,029**
Balance as of Sept. 30, 2020	**494**	**101**	**1,481**	**2,075**

Impairment of goodwill

Goodwill impairment losses are included in other expenses.

Goodwill

Goodwill (excluding goodwill of equity method investments) has been allocated to cash generating units (CGUs) of all segments. Under IFRS, the recoverable amount of a CGU is the higher of its value in use and fair value less costs of disposal. For the year-end reporting, the higher value for the CGUs was determined by calculating the value in use with the help of the discounted cash flow method using after-tax cash flow projections from financial budgets covering a three-year period prepared by the businesses and approved by thyssenkrupp AG management. For the cash flows beyond the budget period, the third budget year is projected over two further years using business-specific assumptions, and this is then used to calculate the perpetuity based on a sustained growth rate of 1.25% (prior year: 1.35%). The weighted average cost of capital discount rate is based on a risk-free interest rate of 0.0% (prior year: 0.1%, but already 0.0% from the 3rd quarter 2019 / 2020) and a market risk premium of 7.5% (prior year: 6.75%, but already 7.5% from the 1st quarter 2019 / 2020). Moreover for each CGU the beta, the cost of debt and the capital structure is derived individually from the relevant peer group. In addition CGU specific tax rates and country risk premiums are used. To discount cash flows after-tax discount rates are applied. Based on an iterative calculation the following pre-tax discount rates are derived from the after-tax discount rates:

PRE-TAX DISCOUNT RATES

	Ranges	
in %	Sept. 30, 2019	Sept. 30, 2020
Automotive Technology	7.5 – 12.3	9.9 – 11.7
Industrial Components	9.4 – 9.5	9.4 – 10.6
Elevator Technology	8.9 – 12.5	—
Plant Technology	10.2	9.7 – 12.3
Marine Systems	7.6	8.4
Materials Services	5.7 – 10.5	7.9 – 11.7
Steel Europe	6.9	7.6
Corporate Headquarters & Others	6.3	8.2

As of September 30, 2020 the thyssenkrupp group has 18 CGUs, of which seven continue to report goodwill. Total goodwill relating to these CGUs amounts to €1,481 million (prior year: €3,962 million). In the prior year goodwill of €1,691 million related to the Elevator Technology segment, which was deconsolidated at July 31, 2020. In addition, the total goodwill of €777 million allocated to the CGUs Steering, Automotive Systems (both Automotive Technology segment), Forged Technology (Industrial Components segment), Distribution Services, Supply Chain Services (both Materials Services segment) and Steel Europe (Steel Europe segment) was found to be impaired and was written off completely.

IMPAIRED GOODWILL

CGU (segment)	Recoverable amount in € million	Completely impaired goodwill in € million
Steering (Automotive Technology)	1,130	106
Automotive Systems (Automotive Technology)	5	2
Forged Technologies (Industrial Components)	546	60
Distribution Services (Materials Services)	1,441	126
Supply Chain Services (Material Services)	1,032	176
Steel Europe (Steel Europe)	4,028	306

In particular, the increasingly concrete prospect from the summer of a slower recovery in the auto industry compared with other sectors combined with long-term growth rates lower than predicted before the coronavirus pandemic led to a reduction in the medium-term and long-term cash flow expectations in the affected CGUs with the automotive sector as a major end customer industry. As a result of impairment testing at Steel Europe and Steering, impairment losses of €1.2 billion and €127 million, respectively were recognized on non-current assets other than goodwill (cf. Note 05).

As of September 30, 2020 most (86%) of the remaining total goodwill of €1,481 million relates to the CGUs Chemical & Process Technologies (Plant Technology segment) and Marine Systems. For all CGUs with goodwill, the recoverable amount is at least 19% higher than the carrying amount. Therefore critical goodwill does not exist.

SIGNIFICANT GOODWILL

CGU (Segment)	Carrying amount of goodwill allocated to CGU (prior year amount) in million €	Proportion of total goodwill in %	Pre-tax discount rate in %	Growth rate in %	Key assumptions for impairment testing
Chemical & Process Technologies (Plant Technology)	235 (n/a)	16%	12.3%	1.25%	– Profitable progress on contracts won – Realization of planned order intake – Development of servicing – Profit improvement resulting from already implemented restructurings
Marine Systems (Marine Systems)	1,041 (1,041)	70%	8.4%	1.25%	– Profitable progress on major contracts won in surface vessel area – Realization of planned order intake, particularly in submarine area, resulting in significant margin improvement in order backlog portfolio – Efficiency increases along entire value chain based on implemented performance program

Impairment of other intangible assets

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

Impairments recognized on the other intangible assets in 2019 / 2020 are disclosed in Note 05.

05 Property, plant and equipment (inclusive of investment property)

Changes in the group's property, plant and equipment were as follows:

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

million €	Land, leasehold rights and buildings including buildings on third-party land	Technical machinery and equipment	Other equipment, factory and office equipment	Right-of-use assets (pr. year: assets under finance lease)	Assets under operating lease	Construction in progress	Total
Gross amounts							
Balance as of Oct. 1, 2018	**5,667**	**18,665**	**2,388**	**99**	**68**	**865**	**27,751**
Currency differences	40	134	20	1	0	15	209
Acquisitions/divestitures of businesses	(2)	(6)	6	0	(10)	(1)	(12)
Additions	99	541	167	23	2	578	1,411
Transfers	144	429	15	1	(1)	(529)	60
Disposals	(65)	(298)	(106)	(29)	(10)	(1)	(510)
Balance as of Sept. 30, 2019	**5,883**	**19,465**	**2,491**	**94**	**49**	**927**	**28,909**
Effects of the adoption of IFRS 16	0	0	0.000	988	0	0	988
Balance as of Oct. 1, 2019	**5,883**	**19,465**	**2,491**	**1,082**	**49**	**927**	**29,896**
Currency differences	(77)	(253)	(37)	(39)	0	(25)	(432)
Acquisitions/divestitures of businesses	(2)	(11)	1	0	0	19	7
Additions	56	366	112	139	2	683	1,357
Transfers	101	414	11	(11)	4	(482)	36
Disposals	(119)	(161)	(99)	(23)	(1)	(2)	(405)
Reclassification due to the presentation as assets held for sale	(331)	(251)	(364)	(358)	(3)	(72)	(1,378)
Balance as of Sept. 30, 2020	**5,512**	**19,569**	**2,115**	**791**	**49**	**1,047**	**29,082**
Accumulated depreciation and impairment losses							
Balance as of Oct. 1, 2018	**3,229**	**14,874**	**1,802**	**67**	**34**	**15**	**20,021**
Currency differences	18	95	13	1	0	0	127
Acquisitions/divestitures of businesses	0	(8)	6	0	(10)	0	(12)
Depreciation expense	127	686	180	5	0	0	998
Impairment losses	9	50	6	0	0	25	90
Transfers	6	6	(9)	0	4	(7)	0
Disposals	(39)	(286)	(99)	(27)	(8)	0	(459)
Balance as of Sept. 30, 2019	**3,349**	**15,417**	**1,899**	**46**	**20**	**34**	**20,764**
Effects of the adoption of IFRS 16	0	0	0	(23)	0	0	(23)
Balance as of Oct. 1, 2019	**3,349**	**15,417**	**1,899**	**23**	**20**	**34**	**20,741**
Currency differences	(32)	(188)	(27)	(4)	0	(1)	(251)
Acquisitions/divestitures of businesses	(2)	(11)	1	0	0	0	(11)
Depreciation expense	127	705	141	181	1	0	1,154
Impairment losses	349	1,357	102	10	1	174	1,993
Reversals of impairment losses	0	0	0	0	0	(3)	(3)
Transfers	1	4	(4)	(1)	2	(3)	(1)
Disposals	(29)	(145)	(92)	(3)	0	0	(269)
Reclassification due to the presentation as assets held for sale	(131)	(184)	(238)	(37)	0	0	(590)
Balance as of Sept. 30, 2020	**3,633**	**16,955**	**1,783**	**168**	**23**	**201**	**22,763**
Net amounts							
Balance as of Oct. 1, 2018	**2,438**	**3,791**	**586**	**32**	**34**	**850**	**7,730**
Balance as of Sept. 30, 2019	**2,534**	**4,048**	**592**	**49**	**29**	**893**	**8,144**
Balance as of Oct. 1, 2019	**2,534**	**4,048**	**592**	**1,059**	**29**	**893**	**9,155**
Balance as of Sept. 30, 2020	**1,879**	**2,614**	**331**	**622**	**27**	**846**	**6,319**

Impairment losses of property, plant and equipment are for the most part included in cost of sales and to a minor extent in R&D, in selling expenses and in general and administrative expenses.

Fiscal year 2019 / 2020

In the Steering business unit of Automotive Technology, impairment losses in the total amount of €333 million were recognized in the global product group electric steering gears due to the revaluation of demand expectations and higher costs of capital. Of this amount, €272 million relates to technical machinery and equipment, €4 million to buildings, and €57 million to development costs. The relevant recoverable amount used to determine the impairment loss in each case correspond to the respective value in use, which amounted to €459 million in total and was determined applying a discount rate (after taxes) of 8.36%. €95 million of the impairment loss determined that way could not be recognized due to the lower value limit of IAS 36.105.

Also in the Automotive Technology segment, higher costs of capital and coronavirus-related lower earnings expectations in the Dampers business unit in the original equipment manufacturer business in Germany and the USA led to the recognition of impairment losses of altogether €90 million, of which €66 million on technical machinery and equipment, €12 million on other equipment, factory and office equipment, and €12 million on buildings. To determine the value in use – totaling €(19) million – a discount rate (after taxes) of 7.92% (Germany) or 8.05% (USA) was applied. €158 million of the impairment loss determined that way could not be recognized due to the lower value limit of IAS 36.105.

Also at Automotive Technology, impairment losses of €72 million were recognized in the Camshafts business unit, mainly due to the premature termination of a customer project affecting sites in Europe and China as well as the revaluation of demand expectations particularly in view of coronavirus. Of the impairment losses, €45 million relates to assets under construction, €22 million to technical machinery and equipment, and €5 million to development costs. The relevant recoverable amount used to determine the impairment loss in each case correspond to the respective value in use, which amounted to €23 million in total and was determined applying discount rates (after taxes) of between 7.35% and 9.17% depending on region. €12 million of the impairment loss determined that way could not be recognized due to the lower value limit of IAS 36.105.

Further impairment losses at Automotive Technology were recognized on account of lower expectations of future earnings at plants of the Automotive Systems business unit in Mexico, the USA, Hungary, Germany and France (altogether €19 million, value in use €42 million; €13 million could not be recognized due to the lower value limit of IAS 36.105), as well as in the plants of the System Engineering business unit in Germany, China and India (altogether €13 million, value in use €64 million; €121 million could not be recognized due to the lower value limit of IAS 36.105). Further impairment losses at the Springs & Stabilizers business unit were necessary: €7 million in Hungary (value in use €31 million; €9 million could not be recognized due to the lower value limit of IAS 36.105) as well as additional impairments of €8 million in total at the plants in Germany, China and Brazil.

At the Industrial Components business unit Forged Technologies, changed parameters on the Chinese market – triggered directly by coronavirus and also driven by sales reductions mainly attributable to increased localization of procurement on the part of customers and tariff disputes between the USA and China – necessitated the recognition of impairment losses of €5 million on buildings, €64 million on technical machinery and equipment, and €2 million on other equipment, factory and office equipment. The relevant recoverable amount used to determine the impairment loss in each case correspond to the respective value in use, which amounted to €47 million in total and were determined applying a discount rate of (after taxes) of 7.55%.

In the Acciai Speciali Terni (AST) operating unit of Materials Services, revised expectations of future earnings, further lowered by the coronavirus pandemic mainly in Europe, resulted in impairment losses of altogether €107 million, of which €85 million on technical machinery and equipment and €22 million on land and buildings. The relevant recoverable amount used to determine the impairment loss in each case correspond to the respective value in use, which amounted to €48 million in total and was determined applying a discount rate (after taxes) of 8.96%.

The coronavirus pandemic had a significant negative impact on the earnings and cash flow forecasts of the segment/CGU Steel Europe. As a result, in addition to the complete write-off of goodwill of €306 million (cf. Note 04) further impairment losses of altogether €1.2 billion were recognized on other intangible assets and property, plant and equipment. Of this amount, €770 million relates to technical machinery and equipment, €161 million to buildings, €115 million to assets under construction, €85 million to other equipment, factory and office equipment, €62 million to development costs and software, and €7 million to licenses and similar rights. The value in use, which amounted to €4,028 million in total, was determined applying the discount rate from the goodwill impairment test of 7.6% (before taxes) / 5.74% (after taxes).

In addition, in the Special Units unit an impairment loss of €127 million was recognized on assets jointly used in the thyssenkrupp group (corporate assets). For the purpose of impairment testing, these were allocated pro-rata to the CGUs because they do not generate independent cash flows. As a result, €44 million of the impairment loss relates to the CGU Steel, €41 million to the CGU Steering, €14 million to the CGU Damper, and €12 million to the CGU AST.

The incomplete recognition of an impairment loss in line with IAS 36.105 in the above cases results from the fact that it would be possible to sell each non-current asset individually for a higher amount.

Fiscal year 2018 / 2019

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

Property, plant and equipment also include right-of-use assets that are presented below:

CHANGES IN RIGHT-OF-USE ASSETS

million €	Land	Buildings	Technical machinery and equipment	Other equipment, factory and office equipment	Investment property	Total
Gross amounts						
Balance as of Sept. 30, 2019	**5**	**36**	**30**	**24**	**0**	**94**
Effects of the adoption of IFRS 16	147	686	11	141	1	988
Balance as of Oct. 1, 2019	**152**	**723**	**41**	**165**	**1**	**1,082**
Currency differences	0	(29)	(1)	(8)	0	(39)
Acquisitions/divestitures of businesses	0	0	0	0	0	0
Additions	10	68	16	45	0	139
Transfers	(3)	(2)	(6)	0	0	(11)
Disposals	(1)	(16)	(1)	(4)	0	(23)
Reclassification due to the presentation as assets held for sale	(2)	(237)	(1)	(117)	0	(358)
Balance as of Sept. 30, 2020	**155**	**506**	**48**	**81**	**1**	**791**
Accumulated depreciation and impairment losses						
Balance as of Sept. 30, 2019	**0**	**13**	**20**	**12**	**0**	**46**
Effects of the adoption of IFRS 16	0	(8)	(10)	(5)	0	(23)
Balance as of Oct. 1, 2019	**0**	**5**	**10**	**8**	**0**	**23**
Currency differences	0	(2)	0	(2)	0	(4)
Acquisitions/divestitures of businesses	0	0	0	0	0	0
Depreciation expense	7	124	9	41	1	181
Impairment losses	0	10	0	0	0	10
Reversals of impairment losses	0	0	0	0	0	0
Transfers	0	(1)	0	0	0	(1)
Disposals	0	(1)	0	(1)	0	(3)
Reclassification due to the presentation as assets held for sale	0	(22)	0	(14)	0	(37)
Balance as of Sept. 30, 2020	**7**	**112**	**18**	**31**	**0**	**168**
Net amounts						
Balance as of Sept. 30, 2019	**5**	**23**	**9**	**12**	**0**	**49**
Effects of the adoption of IFRS 16	147	695	21	146	1	1,011
Balance as of Oct. 1, 2019	**152**	**718**	**31**	**158**	**1**	**1,059**
Balance as of Sept. 30, 2020	**148**	**393**	**30**	**50**	**1**	**622**

The thyssenkrupp group is the lessee mainly of land and buildings, technical machinery and equipment as well as other equipment, factory and office equipment. The resulting lease liabilities are reported under financial debt (cf. Note 17).

In 2018 / 2019 property, plant and equipment also included assets leased under finance lease according to IAS 17: land and buildings of €28 million, technical machinery and equipment of €9 million and other equipment, factory and office equipment of €12 million that had been capitalized, where the terms of the lease required the group, as lessee, to assume substantially all of the benefits and risks of use of the leased asset.

Property, plant and equipment have been pledged as security for financial debt of €140 million (prior year: €146 million).

Investment property

Investment property located in Germany is primarily determined based on internally prepared valuations using the gross rental method which is regulated in Germany by the "Verordnung über die Grundsätze für die Ermittlung der Verkehrswerte von Grundstücken – (Immobilienwertermittlungsverordnung – ImmoWertV)". Investment property located outside Germany is generally determined by external appraisers.

As of September 30, 2020, the carrying amount of thyssenkrupp's investment property amounts to €33 million (prior year: €40 million). The total fair value of this investment property is €64 million (prior year: €65 million); thereof €18 million (prior year: €20 million) are assigned to level 2 and €45 million (prior year: €45 million) are assigned to level 3 valuations methods of the fair value hierarchy. Of the fair value €17 million (prior year: €14 million) are based on valuations of external appraisers.

06 Investments accounted for using the equity-method

With the exception of the share of the reinvestment in TK Elevator, which is accounted for using the equity method (see Note 03), the investments accounted for using the equity method are, on an individual basis, immaterial. The carrying amount of associates is €621 million (prior year: €28 million) and of joint ventures is €102 million (prior year: €100 million). The increase in the carrying amount of associates results from the share of the reinvestment.

With the closing of the sale of Elevator Technology on July 31, 2020 thyssenkrupp received an 18.95% interest in Vertical Topco I S.A., Luxembourg in the form of ordinary shares with voting rights (see Note 03). Due to the existence of significant influence, this investment is accounted for using the equity method and is considered material for thyssenkrupp. For thyssenkrupp the reinvestment is solely of finance strategical character.

The fair value of this investment as of July 31, 2020 (acquisition date) was €606 million. As a result of the subsequent measurement of the equity investment, the carrying value decreased by €6 million to €600 million as of September 30, 2020. The subsequent measurement is made up of an estimate of the Elevator Technology group's annual net income, an initial measurement of the income effects of the purchase price allocation for the Elevator Technology group in accordance with IFRS 3, and an estimate of the finance expense of the Vertical Topco I S.A. group (in each case for the period from August 1 to September 30, 2020). The fair value of the investment as of September 30, 2020 is €612 million.

Preliminary financial information of the Elevator Technology group is presented below, representing 100% values. This financial information relates only to the operating units of the Elevator Technology group. It includes effects from the preliminary purchase price allocation for the Elevator Technology group in accordance with IFRS 3 for already identified assets and liabilities.

FINANCIAL INFORMATION OF VERTICAL TOPCO I S.A. ACCOUNTED FOR USING THE EQUITY-METHOD

million €	Sept. 30, 2020[1]
Total non-current assets	8,229
Total current assets	3,813
thereof: cash and cash equivalents	736
Total non-current liabilities	2,278
Total current liabilities	4,166

[1] Preliminary amounts as of July 31, 2020

Based on financial information communicated by the Elevator Technology group, net sales for the period August 1 to September 30, 2020 amount to €1,368 million. No dividends were paid to thyssenkrupp for the period August 1 to September 30, 2020.

As part of the purchase price allocation in accordance with IFRS 3, which is still preliminary due to the proximity to the closing of the transaction at July 31, 2020, mainly customer relationships have been identified; the difference is still being analyzed. Due mainly to the proximity to the closing of the transaction at July 31, 2020, no reliable information as per September 30, 2020 was available for the Vertical Topco I S.A. group at the time of preparation of the group financial statements of thyssenkrupp, as the purchase price allocation has not yet been completed. A significant share of the purchase price for the Elevator Technology group was debt-financed by Vertical Topco I S.A.; in particular these liabilities are not included in the above-mentioned breakdown.

Summarized financial information of the immaterial investments accounted for using the equity method at the respective balance sheet date is presented in the table below. The information given represents the group’s interest.

SUMMARIZED FINANCIAL INFORMATION OF IMMATERIAL INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Associates		Joint ventures	
million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020
Income/(loss) from continuing operations (net of tax)	(11)	(6)	14	15
Income/(loss) from discontinued operations (net of tax)	0	0	0	0
Other comprehensive income	0	0	2	(2)
Total comprehensive income	**(12)**	**(6)**	**15**	**12**

In 2019 / 2020, the unrecognized share of losses of associates and joint ventures accounted for using the equity method was €3 million (prior year: €2 million). There were cumulative unrecognized losses of €8 million (prior year: €5 million).

The associates and joint ventures are included in the list of the group’s subsidiaries and equity interests that is published in the German Federal Gazette and is available on the thyssenkrupp website at www.thyssenkrupp.com.

07 Operating lease as lessor

The group is the lessor of various commercial real estates under operating lease agreements.

As of September 30, the future lease payments to be received on non-cancellable operating leases are as follows:

LEASE PAYMENTS

million €	Sept. 30, 2019	Sept. 30, 2020
Up to one year	7	9
More than one year up to two years	5	5
More than two years up to three years	5	5
More than three years up to four years	4	4
More than four years up to five years	4	3
More than five years	13	11
Total	**38**	**37**

08 Inventories

INVENTORIES

million €	Sept. 30, 2019	Sept. 30, 2020
Raw materials	1,808	1,209
Supplies	500	468
Work in process	2,134	1,652
Finished products, merchandise	3,340	2,594
Total	**7,781**	**5,922**

Inventories of €1 million (prior year: €8 million) have a remaining term of more than one year. Inventories of €29,184 million (prior year: €30,336 million) are recognized as cost of sales during the period. Included in cost of sales are write-downs of inventories of €215 million (prior year: €41 million).

09 Trade accounts receivable

Trade accounts receivable in the amount of €0 million (prior year: €74 million) have a remaining term of more than one year. As of September 30, 2020 cumulative impairment losses of €208 million (prior year: €380 million) are recognized for doubtful accounts; for more details refer to the disclosures in Note 22 Financial instruments.

The amount of receivables sold and derecognized from the balance sheet as of September 30, 2020, was €6 million (prior year: €246 million), resulting in net proceeds in the amount of €6 million (prior year: €246 million). In some cases, when the group sells receivables it retains rights and immaterial obligations; these retained interests mainly consist of servicing as well as providing limited cash reserve accounts.

10 Assets and liabilities from contracts with customers

As of September 30, 2020, the group's current assets include contract assets in the amount of €1,575 million (prior year: €1,443 million); of these €871 million (prior year: €558 million) have a remaining term of more than one year. In the 2019 / 2020 fiscal year impairment losses on contract assets were recognized in the amount of €4 million (prior year: €14 million) under selling expenses. The net increase in contract assets in the reporting year included a significant decrease of €413 million due to the deconsolidation of Elevator Technology, which was more than offset by an increase at the plant engineering businesses, in particular at the marine business. The increase at the plant engineering businesses mainly reflected higher contract costs and a slightly lower overall decline in advance payments.

As of September 30, 2020, the group's current liabilities include contract liabilities in the amount of €3,073 million (prior year: €4,561 million); of these €1,895 million (prior year: €1,564 million) have a remaining term of more than one year. The reduction in contract liabilities related in particular to the deconsolidation of Elevator Technology in the amount of €1,778 million. This was partly offset by increases at the plant engineering businesses, mainly due to higher advance payments and at the same time only a smaller overall increase in contract costs. In the course of the 2019 / 2020 fiscal year, sales in the amount of €1,995 million (prior year 2,063 million) was recognized which was included in the contract liability balance at the beginning of the fiscal year. In the 2019 / 2020 fiscal year, sales from performance obligations satisfied or partly satisfied in earlier periods amounted to €45 million (prior year: €166 million).

The total transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied as of September 30, 2020, which – making use of the practical expedients under IFRS 15.121a – have an original expected duration of more than 12 months, amounted to €9,007 million (prior year: €11,298 million). The expected recognition of the corresponding sales over time is as follows:

FUTURE SALES FROM CONTRACTS WITH CUSTOMERS SEPT. 30, 2020

million €	
(for fiscal year)	
2020/2021	2,596
2021/2022 – 2024/2025	5,588
after 2024/2025	822
Total	**9,007**

In the prior year future sales were as follows:

FUTURE SALES FROM CONTRACTS WITH CUSTOMERS SEPT. 30, 2019[1)]

million €	
(for fiscal year)	
2019/2020	2,372
2020/2021 – 2023/2024	7,678
after 2023/2024	1,248
Total	**11,298**

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

As of September 30, 2020 the group's non-current non-financial assets include additional costs of obtaining contracts with customers in the amount of €0 million (prior year: €14 million).

11 Other financial assets

OTHER FINANCIAL ASSETS

		Sept. 30, 2019		Sept. 30, 2020
million €	current	non-current	current	non-current
Miscellaneous other financial assets	549	13	418	586
Equity instruments	0	13	0	66
Debt instruments	7	13	8	6
Derivatives not qualifying for hedge accounting	126	—	62	—
Derivatives qualifying for hedge accounting	126	—	46	—
Total	**808**	**39**	**535**	**658**

Other financial assets in the amount of €682 million (prior year: €49 million) have a remaining term of more than one year. As of September 30, 2020 cumulative impairments amount to €3 million (prior year: €2 million) regarding current other financial assets and €37 million (prior year: €35 million) regarding non-current other financial assets.

12 Other non-financial assets

OTHER NON-FINANCIAL ASSETS

	Sept. 30, 2019		Sept. 30, 2020	
million €	current	non-current	current	non-current
Advance payments on intangible assets	—	10	—	9
Advance payments on property, plant and equipment	—	189	—	205
Advance payments on right-of-use assets	—	0	—	1
Advance payments to suppliers of inventories and to other current non-financial assets	788	—	633	—
Prepayments	204	—	258	—
Miscellaneous	650	41	523	15
Total	**1,642**	**240**	**1,414**	**230**

Other non-financial assets in the amount of €1,246 million (prior year: €1,317 million) have a remaining term of more than one year. As of September 30, 2020 cumulative impairments amount to €57 million (prior year: €28 million) regarding current other non-financial assets and €4 million (prior year: €8 million) regarding non-current other non-financial assets.

13 Total equity

Capital stock

The capital stock of thyssenkrupp AG consists of 622,531,741 (prior year: 622,531,741) no-par bearer shares of stock, all of which have been issued and are fully paid, with 622,531,741 outstanding as of September 30, 2020 and 2019, respectively. Each share of common stock has a stated value of €2.56.

All shares grant the same rights. The stockholders are entitled to receive dividends as declared and are entitled to one vote per share at the stockholders' meetings.

Additional paid-in capital
Additional paid-in capital includes the effects of the business combination of Thyssen and Krupp as well as premiums resulting from capital increases at subsidiaries with non-controlling interest.

Retained earnings
Retained earnings include prior years' undistributed consolidated income. In addition, this line item includes the remeasurement effects of pensions and similar obligations.

Management of capital
As of September 30, 2020 the group's equity ratio was 27.9% (prior year: 6.1%) and its gearing was due to net financial assets negative (prior year: 166.8%). As in the previous year, the gearing agreed upon was met as of September 30, 2020. Among the thyssenkrupp group's most important financial goals are a sustainable appreciation of entity value and ensuring solvency at all times. Creating sufficient liquidity reserves is therefore of great importance.

Currently the thyssenkrupp group has the following ratings:

RATING

	Long-term rating	Short-term rating	Outlook
Standard & Poor's	BB-	B	stable
Moody's	B1	Not Prime	developing
Fitch	BB-	B	stable

In the past fiscal year Moody's and Fitch downgraded our rating, respectively, to B1 with outlook "developing" and BB- with outlook "stable". While the outlook "developing" at Moody's does not indicate the direction of a possible rating change, the outlook "stable" at Fitch indicates no rating change in the short to medium term. In connection with the signing of the elevator transaction in March 2020, Standard & Poor's initially improved the outlook for the BB- rating from "developing" to "positive". Due to the worsened business prospects as a result of the coronavirus pandemic, Standard & Poor's then changed the outlook from "positive" to "stable" in October 2020.

Currently, all ratings are below investment grade. For the financing of the thyssenkrupp Group, an investment grade rating in the "BBB" range leads to an optimum of capital costs. Capital management at thyssenkrupp is based on debt ratios published by rating agencies, which measure cash-flow-to-debt ratios for a specific period. thyssenkrupp is not subject to capital requirements under its articles of association.

Authorizations
Through resolution of the Annual General Meeting of January 30, 2015, the Executive Board of thyssenkrupp AG was authorized to acquire treasury shares up to a total of 10% of the capital stock at the time of the resolution or – if lower – at the time the authorization is exercised and use them for the purposes expressly stated in the authorization resolution and for all legally permissible purposes. The authorization ended on January 29, 2020.

Dividend
Determined in conformity with the principles of the German Commercial Code (HGB), thyssenkrupp AG reports an unappropriated loss for the 2019 / 2020 fiscal year; therefore no dividend proposal will be presented for approval to the Annual General Meeting. No dividend was paid for fiscal year 2018 / 2019 (2017 / 2018: €0.15).

14 Share-based compensation

Management incentive plans

The long-term incentive plan (LTI) is a long-term oriented compensation component which issues stock rights to eligible participants. Plan participants are Executive Board members and several other selected executive employees. As of September 30, 2020, 1,416,977 stock rights were issued in the 8th installment, 1,942,342 stock rights in the 9th installment and 2,766,432 stock rights in the 10th installment of the LTI.

The number of stock rights issued will be adjusted at the end of the respective three-year tkVA performance period based on the average tkVA over this period compared with a tkVA target value set in advance. The amount of payment for an installment is calculated by multiplying the adjusted number of stock rights by the average price of thyssenkrupp's stock in the first three months after the end of the tkVA performance period, with the result that the term of each installment extends over four fiscal years in total.

To determine the fair value of the stock rights used to calculate the pro-rata liability as of the balance sheet date forward prices of the thyssenkrupp stock are calculated taking into account the existing caps. The forward calculation is carried out for predefined periods (averaging periods) taking into account the thyssenkrupp stock price and the euro interest rate curve as of the balance sheet date and the dividends assumed to be paid until the maturity of the stock rights. The following assumptions were used for the determination of the fair values as of September 30, 2019 and as of September 30, 2020, respectively:

INCENTIVE PLANS – YEAR ENDED SEPT. 30, 2019

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

INCENTIVE PLANS – YEAR ENDED SEPT. 30, 2020

	8th installment LTI	9th installment LTI	10th installment LTI
Maturity	12/31/2020	12/31/2021	12/31/2022
Averaging period	1.10. – 31.12.2020	1.10. – 31.12.2021	1.10. – 31.12.2022
thyssenkrupp stock price as of balance sheet date	4.31	4.31	4.31
Assumed dividend payment(s) per stock until maturity	—	—	—
Average dividend yield	—	—	—
Average interest rate (averaging period)	(0.49)%	(0.48)%	(0.49)%
Fair value as of Sept. 30, 2020			
– without caps	**4.31 €**	**4.31 €**	**4.31 €**
– with caps	**4.31 €**	**4.31 €**	**4.31 €**

In the 2nd quarter of 2019 / 2020, the 7th installment of the LTI was settled with a payment of €12.50 per stock right and a payment of €8.7 million in total, respectively. In the 2nd quarter of 2018 / 2019, the 6th installment of the LTI was settled with a payment of €17.69 per stock right and a payment of €27.8 million in total, respectively. Also in fiscal 2019 / 2020 the 10th installment of the LTI was granted to the Executive Board and additional executive employees. In total in fiscal year 2019 / 2020 the group recorded an expense of €18 million from the incentive plans (prior year: income of €57 million). The liability arising from the LTI amounts to €37 million as of September 30, 2020 (prior year: €28 million).

In fiscal year 2014 / 2015, for selected executives the last conversion into stock rights took place, i.e. 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. This resulted in 2018 / 2019 in a last payment of €2 million occurred relating to the stock rights granted in 2014 / 2015.

15 Accrued pension and similar obligations

ACCRUED PENSION AND SIMILAR OBLIGATIONS

million €	Sept. 30, 2019	Sept. 30, 2020
Accrued pension obligations	8,688	8,274
Partial retirement	209	242
Other accrued pension-related obligations	50	45
Total	**8,947**	**8,560**

Accrued pension liability

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

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

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

The major obligations from defined benefit plans exist in Germany, the USA, Great Britain and Liechtenstein. These countries represent approx. 96% (prior year: 94%) of the group's pension obligations and 89% (prior year: 84%) of the respective plan assets.

For historical reasons a wide variety of voluntary defined benefit pension plans (DB plans) exist in Germany based on different risk profiles. As a rule they provide benefits in the event of invalidity and/or death or on reaching a specified age limit, and are mainly based on individual or collective arrangements. In the past the employer-funded pension plans in Germany generally provided a life-long pension based on defined benefits.

These defined benefit plans (including final-salary pension plans, career-average pension plans, etc.) were created many years ago and replaced at the turn of the millennium by defined contribution pension plans with a risk-optimized payout form (lump sum, installments, or life-long pension). Particularly for newly recruited professionals and managers, the “flexplan” was introduced at January 1, 2017 and replaces the last open “benefits plan” at thyssenkrupp. The “flexplan” is a share-based pension plan in which a minimum of 1% interest per annum is guaranteed by the employer.

A key element in increasing employees’ share in responsibility for their company retirement benefits is salary conversion, which is an option under all pension schemes currently open and for which employer-funded matching contributions are offered as an incentive. With regard to the funding of the company pension plans, particularly the “flexplan” is to be funded through the group’s Contractual Trust Agreement (CTA), which will have a positive effect on the external funding level. At the same time payments under the former pension plans are funded through the CTA insofar as they exceed the protection limits of the mutual pension guarantee association (Pensionssicherungsverein a.G. (PSV)).

The majority of group companies outside Germany also provide pension plans for their employees. These plans are in some cases based on statutory requirements or collective agreements, but in other cases they are provided by the group companies on a voluntary basis. The range of benefits provided under the plans differs widely depending on local arrangements, extending from DC plans to final-salary defined-benefit schemes with regular pension payment.

Outside Germany pension obligations mainly exist in the form of DB plans in the USA, Great Britain, and Liechtenstein. Under statutory requirements in Liechtenstein, pension plans have to be offered to all employees in the mandatory social insurance scheme and are therefore also available to new employees of thyssenkrupp. By contrast, the mainly voluntary DB plans offered in Great Britain and the USA have now been closed to new employees and as far as possible frozen in respect of future service years. This means that the obligations under the DB plans relate mainly to the vested rights of former employees and pensioners. As a rule all active employees in Great Britain and the majority of employees in the USA now only accrue company benefit rights under DC plans.

In addition to the defined contribution plans, the companies of the elevator business in the USA participate in a union-organized multi-employer plan (National Elevator Industry Pension Plan – NEIPP) for their unionized employees on the basis of a collective agreement. This plan is a defined benefit plan, but is accounted for as a defined contribution plan due to insufficient information about the allocation of assets. The risks from the NEIPP differ from company-specific plans with regard to the jointly managed pension assets which can potentially also be used to cover obligations of other participating employers. When participating plan sponsors stop making ongoing contributions, the remaining plan sponsors collectively make up the unfunded deficit, with withdrawal from the plan regularly requiring the payment of a withdrawal contribution in order to limit the risk for the remaining plan sponsors. Until the deconciliation of Elevator Technology at end of July 2020, the impacts of NEIPP are included in the group’s consolidated financial statements.

To secure the payment obligations, the pension funds outside Germany are funded to a much greater extent by externally separated assets. This is due in part to legal minimum funding standards, which require full external funding of the obligations or a financing under a capital funding system. For further information regarding the composition and investment strategy refer to the disclosures of the plan assets.

Material risks associated with the different types of pension plans include above all financial risks as well as risks in the areas of inflation and biometrics.

Inflation risks which could lead to an increase in benefit obligations of DB plans exist because some of the plans are based on (final) salary and in some cases annual pension modules are directly linked to current salaries (defined contribution plans). To this extent a rise in salaries above the salary/career trends assumed in the valuation of the obligation would also require a direct increase in the provisions (past service effect in the case of (final) salary pensions) or the future service cost (defined contribution plans).

In addition, further charges could result from the need for a cost-of-living adjustment in excess of the assumed pension trend during the pension payment phase, which would lead to an immediate increase in the provisions. A significant number of the pension plans in Germany are required by law to provide a cost-of-living adjustment. A cost-of-living adjustment may also be required under (collective bargaining) agreements or agreed on a voluntary/discretionary basis.

Biometric risks can result either from early benefit claims (risk of sudden changes to the balance sheet after death or invalidity) or from underestimated life expectancies (longevity risk) and could likewise result in costs to the company due to unexpected increases in provisions and early cash outflows.

Risks from changes to the discount rate are purely balance sheet-related, i.e. the provisions are adjusted directly against equity without affecting income. Cash outflows are not affected.

Under the pension plans in Germany, individual beneficiaries are in part counted more than once due to entitlements under different components of the pension systems. The breakdown of total of pension plans is as follows:

BREAKDOWN OF THE TOTAL OF PENSION PLANS BY BENEFICIARIES

	Sept. 30, 2019			Sept. 30, 2020		
	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Active employees	120,612	29,334	149,946	109,414	24,068	133,482
Terminated employees with vested benefits	23,806	4,199	28,005	23,194	4,004	27,198
Pensioners	97,599	11,656	109,255	91,907	11,424	103,331
Total	**242,017**	**45,189**	**287,206**	**224,515**	**39,496**	**264,011**

Changes in defined benefit obligations and plan assets

The reconciliation of the changes in the defined benefit obligations and the fair value of plan assets are as follows:

CHANGE IN DEFINED BENEFIT OBLIGATIONS AND PLAN ASSETS

	Sept. 30, 2019			Sept. 30, 2020		
million €	Germany	Outside Germany	Total	Germany	Outside Germany	Total
Change in defined benefit obligations (DBO):						
DBO at beginning of fiscal year	7,389	2,384	9,773	8,232	2,836	11,067
Service cost	149	46	195	177	54	230
Interest expense	121	59	180	55	40	95
Remeasurement: Actuarial (gains)/losses from experience adjustments	(5)	(8)	(13)	(52)	34	(18)
Remeasurement: Actuarial (gains)/losses from changes in demographic assumptions	58	(2)	56	0	(19)	(19)
Remeasurement: Actuarial (gains)/losses from changes in financial assumptions	913	394	1,307	290	46	336
Past service cost (inclusive of curtailments)	0	8	8	0	(32)	(32)
Settlements	0	(1)	(1)	0	0	0
Currency differences	0	86	86	0	(80)	(80)
Participant contributions	0	21	21	0	22	22
Benefit payments	(393)	(136)	(529)	(386)	(141)	(528)
Acquisitions/divestitures of businesses	0	0	0	(302)	(192)	(493)
Others	0	(17)	(17)	0	0	0
DBO at end of fiscal year	**8,232**	**2,836**	**11,067**	**8,013**	**2,567**	**10,580**
Change in plan assets:						
Fair value of plan assets at beginning of fiscal year	214	2,025	2,238	181	2,267	2,448
Interest income	3	51	55	1	34	35
Remeasurement: Actuarial gains/(losses) on plan assets, excluding amounts included in interest income	1	198	199	(6)	85	79
Currency differences	0	64	64	0	(73)	(73)
Employer contributions	7	61	67	24	181	204
Participant contributions	4	21	25	7	22	28
Benefit payments	(48)	(128)	(176)	0	(132)	(132)
Acquisitions/divestitures of businesses	0	0	0	(4)	(108)	(112)
Administration cost	0	(8)	(8)	0	(5)	(5)
Others	0	(17)	(17)	0	0	0
Fair value of plan assets at end of fiscal year	**181**	**2,267**	**2,448**	**203**	**2,269**	**2,472**

As of the balance sheet date, defined benefit obligations of €10,580 million (prior year: €11,067 million) in total related to plans that are wholly unfunded in the amount of €6,924 million (prior year: €7,122 million) and to plans that are wholly or partly funded in the amount of €3,657 million (prior year: €3,945 million).

Changes of net defined liability and asset ceiling

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

CHANGE IN NET DEFINED BENEFIT LIABILITY

million €	Sept. 30, 2019 Germany	Outside Germany	Total	Sept. 30, 2020 Germany	Outside Germany	Total
Net defined benefit liability at beginning of fiscal year	**7,176**	**383**	**7,559**	**8,050**	**584**	**8,634**
Service cost plus net interest income/(expense)	267	55	322	231	60	291
Remeasurements	964	177	1,142	244	2	246
Currency differences	0	22	22	0	(9)	(9)
Past service cost (inclusive of curtailments)	0	8	8	0	(32)	(32)
Settlements	0	(1)	(1)	0	0	0
Employer contributions	(7)	(61)	(67)	(24)	(181)	(204)
Participant contributions	(4)	0	(4)	(7)	0	(7)
Benefit payments	(345)	(8)	(353)	(386)	(9)	(395)
Acquisitions/divestitures of businesses	0	0	0	(298)	(84)	(382)
Administration cost	0	8	8	0	5	5
Net defined benefit liability at end of fiscal year	**8,050**	**584**	**8,634**	**7,811**	**337**	**8,147**
thereof: accrued pension liability	8,050	638	8,688	7,811	463	8,274
thereof: other non-financial assets	0	(54)	(54)	0	(126)	(126)

The amount calculated in accordance with the asset ceiling rules and minimum funding requirements changed as follows:

CHANGE IN ASSET CEILING (INCLUSIVE OF MINIMUM FUNDING)

million €	Sept. 30, 2019 Germany	Outside Germany	Total	Sept. 30, 2020 Germany	Outside Germany	Total
Net amount at beginning of fiscal year	**0**	**24**	**24**	**0**	**15**	**15**
Interest expense/(income)	0	1	1	0	0	0
Remeasurement: Limitation of asset ceiling exclusive of amounts included in interest expense/income	0	(9)	(9)	0	25	25
Currency differences	0	0	0	0	(1)	(1)
Net amount at end of fiscal year	**0**	**15**	**15**	**0**	**39**	**39**

Net periodic pension cost

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

NET PERIODIC PENSION COST

million €	Year ended Sept. 30, 2019 Germany	Outside Germany	Total	Year ended Sept. 30, 2020 Germany	Outside Germany	Total
Service cost	149	46	195	177	54	230
Net interest cost	118	9	126	54	6	60
Administration cost	0	8	8	0	5	5
Past service cost (inclusive of curtailments)	0	8	8	0	(32)	(32)
Settlement loss/(gain)	0	(1)	(1)	0	0	0
Net periodic pension cost	**267**	**70**	**337**	**231**	**33**	**264**

The above presented net periodic pension cost for defined benefit plans in the amount of €231 million (prior year: €267 million) in Germany and of €33 million (prior year: €70 million) outside Germany include €15 million (prior year: €16 million) and €12 million (prior year: €13 million), respectively, attributable to discontinued operations. These costs are presented in income/(loss) from discontinued operations in the 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. As of September 30, 2020, the discount rate for pension obligations in Germany was 0.7% as in the prior year. Due to increased inflation expectations for Germany, the rate of pension progression was adjusted from 1.35% in the prior year to 1.80% at September 30, 2020.

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

WEIGHTED AVERAGE ASSUMPTIONS

in %	Sept. 30, 2019 Germany	Outside Germany	Total	Sept. 30, 2020 Germany	Outside Germany	Total
Discount rate	0.70	1.42	0.88	0.70	1.25	0.83
Rate of compensation increase	2.50	1.72	2.37	2.50	1.35	2.35
Rate of pension progression	1.35	1.76	1.40	1.80	1.78	1.79

Accrued pension obligations in Germany are recognized on the basis of the “2018 G tables” of Prof. Dr. Klaus Heubeck, adapted to group-specific circumstances. In the other countries the following biometric tables were generally used: USA: Modified version of the RP-2014 Mortality Base Table and MP-2014 Mortality Projection Scale; Great Britain: Series Tables adjusted to the CMI2019 Model, and Liechtenstein: BVG2015 Gen.

Alternative assumptions (in each case weighted-average rate of all domestic and foreign pension obligations) would result in the following changes in the defined benefit obligation and the corresponding reverse changes in equity. The table shows the effects of the change in one assumption with all other assumptions remaining unchanged:

SENSITIVITY ANALYSIS

		Sept. 30, 2019		Sept. 30, 2020	
		Change of defined benefit obligation (€ million)		Change of defined benefit obligation (€ million)	
		Germany	Outside Germany	Germany	Outside Germany
Discount rate	Increase by 0.5 percentage points	(544)	(212)	(529)	(190)
	Decrease by 0.5 percentage points	596	231	578	208
Rate of compensation increase	Increase by 0.5 percentage points	14	18	12	9
	Decrease by 0.5 percentage points	(14)	(18)	(12)	(9)
Rate of pension progression	Increase by 0.25 percentage points	174	34	173	33
	Decrease by 0.25 percentage points	(171)	(34)	(169)	(33)
Mortality probability	Decrease by 10.0 percentage points	297	116	303	112

To test the sensitivity of the defined benefit obligation due to a change in the mortality and life expectancy assumptions, an alternative analysis was carried out on the basis of 10% lower mortality probabilities from retirement age. For beneficiaries currently aged 63 to 65, this roughly corresponds to a one year increase in life expectancy on entering retirement.

Plan assets

In the group, the majority of reported plan assets associated with the funded pension plans are located in the USA, Great Britain, Liechtenstein and to a lesser extent in Germany and some other European countries. The group invests in diversified portfolios consisting of an array of asset classes that attempt to maximize returns while minimizing volatility. The asset classes mainly include national and international stocks, fixed income government and non-government securities, real estate and shares in highly diversified funds. Plan assets do not include any direct investments in thyssenkrupp debt securities, treasury shares or real estate used on its own.

The group uses professional investment managers to invest plan assets based on specific investment guidelines. The Investment Committees of the respective plan consist of senior financial management especially from treasury and other appropriate executives. The Investment Committees meet regularly to review the risks and performance of the major assets and approve the selection and retention of external managers.

For the group's main pension assets, regular asset liability studies are also carried out, in which actuaries conduct a detailed analysis of the structure of the pension obligations (among other things in terms of age structure, duration, possible interest rate/inflation risks). On this basis the investment strategy and target portfolio of the pension assets are then defined and updated. For risk management purposes, liability-driven investment strategies may be used through which assets are geared towards the pension liabilities.

The processes established for managing and monitoring the plan assets as described above are used to counter the usual risks associated with capital market investment – counterparty, liquidity/market and other risks.

As described above, the major pension obligations exist in Germany, the USA, Great Britain and Liechtenstein. The plan assets in these countries amount to 89% of the total plan assets as of September 30, 2020 (prior year: 84%). As of the balance sheet date the portfolio of these major plan assets comprises the following asset categories:

ASSET ALLOCATION OF MAJOR PLAN ASSETS

	Sept. 30, 2019				Sept. 30, 2020			
		Fair value (€ million)				Fair value (€ million)		
Asset categories	Total	Quoted market price in an active market	No quoted market price in an active market	Portion of major plan assets (in %)	Total	Quoted market price in an active market	No quoted market price in an active market	Portion of major plan assets (in %)
Equity securities	689	674	15	33	713	705	8	32
Bonds	1,013	1,009	4	49	978	972	6	44
Derivatives	20	20	0	1	14	14	0	1
Cash, cash equivalents and time deposits	116	116	0	6	240	240	0	11
Others	219	169	50	11	261	176	85	12
Total	**2,057**	**1,988**	**69**	**100**	**2,206**	**2,107**	**99**	**100**

In general, the group's funding policy is to contribute amounts to the plans sufficient to meet the minimum statutory funding requirements relevant in the country in which the plan is located. In the USA, minimum funding is partially based on collective bargaining agreements. The group may from time to time make additional contributions at its own discretion. thyssenkrupp's expected contribution in fiscal year 2020 / 2021 is €38 million (prior year: €107 million) related to its plan assets.

Pension benefit payments

In fiscal year 2019 / 2020, pension benefit payments for plans in Germany of €386 million (prior year: €393 million) were mainly from provisions, and pension benefit payments for non-German plans of €141 million (prior year: €136 million) were made mainly from plan assets. The estimated future pension benefits to be paid by the group's defined benefit pension plans are as follows:

ESTIMATED FUTURE PENSION BENEFIT PAYMENTS

million €	Germany	Outside Germany	Total
(for fiscal year)			
2020/2021	440	124	565
2021/2022	395	123	518
2022/2023	397	122	520
2023/2024	385	123	507
2024/2025	383	122	505
2025/2026 – 2029/2030	1,816	616	2,432
Total	**3,817**	**1,230**	**5,047**

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

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 €163 million (prior year: €173 million). In addition, contributions paid to public/state pension insurance institutions amounted to €571 million (prior year: €649 million).

Multi-employer plans

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

Unless otherwise indicated, the assessment of risk (“zone status”) under Internal Revenue Code Section 432 and the Multi-Employer Pension Reform Act 2014 relates to the reporting dates June 30, 2019 and June 30, 2020, respectively. The NEIPP was not in critical or endangered status on either of these dates. The zone status is based on data provided by the NEIPP and certified by the plan actuary. The NEIPP is currently classified as “green zone” with a funding level of at least 80%. Due to the sufficient level of funding, there has been no need for either a financial improvement plan or a rehabilitation plan in recent years.

Until the deconciliation of Elevator Technology end of July 2020, thyssenkrupp is one of the four biggest sponsors of the NEIPP, paying more than 5% of total annual contributions to the NEIPP. For 2019 / 2020 thyssenkrupp paid a contribution to the NEIPP of €73 million (prior year: €87 million).

Partial retirement

In particular German companies have obligations resulting from partial retirement agreements. Under these agreements, employees work additional time prior to retirement, which is subsequently paid for in installments after retirement. In addition, employees receive a supplement on top of their pay. For these obligations, accruals were recognized in accordance with IAS 19 “Employee Benefits”.

16 Provisions for employee benefits and other provisions

PROVISIONS FOR EMPLOYEE BENEFITS AND OTHER PROVISIONS

million €	Employee benefits	Product warranties and product defects	Other contractual costs	Restructuring	Decom-missioning obligations	Others	Total
Balance as of Sept. 30, 2019	**664**	**438**	**349**	**200**	**263**	**1,030**	**2,944**
Currency differences	(22)	(11)	(7)	(4)	0	(30)	(74)
Acquisitions/divestitures of businesses	9	5	9	(4)	0	31	49
Additions	675	131	371	504	47	331	2,058
Accretion	2	0	0	0	1	1	5
Amounts utilized	(605)	(143)	(288)	(192)	(6)	(549)	(1,784)
Reversals	(105)	(60)	(74)	(52)	(13)	(91)	(396)
Reclassification due to the presentation as liabilities associated with assets held for sale	(173)	(114)	(48)	(62)	(1)	(264)	(662)
Balance as of Sept. 30, 2020	**445**	**246**	**311**	**389**	**291**	**458**	**2,141**

As of September 30, 2020, €1,344 million (prior year: €2,083 million) of the total of provisions for employee benefits and other provisions are current, while €796 million (prior year: €861 million) are non-current. Provisions of €1,122 million (prior year: €1,099 million) have a remaining term of more than one year.

Provisions for employee compensation and benefit costs primarily represent employment anniversary bonuses and obligations for the management incentive plans, while social plan and related costs pertaining to personnel related structural measures are reflected in the provision for restructuring activities. Pension related obligations for partial retirement agreements and early retirement programs, partly resulting from restructurings, are part of the provision for pensions and similar obligations.

Product warranties and product defects represent the group's responsibility for the proper functioning of the goods sold (product warranty) as well as the obligation that arise from the use of the products sold (product defect).

Provisions for other contractual costs represent pending losses from uncompleted contracts.

The provision for restructurings consists of provisions for employee termination benefits and exit costs which have been established by operating divisions for costs incurred in connection with activities which do not generate any future economic benefits for the group. Restructurings are being carried out in all segments. The additions to restructuring provisions in the fiscal year in the amount of €504 million in total consists of €224 million at Automotive Technology, €96 million at Steel Europe, €85 million at Materials Services, €21 million at Corporate Headquarters, €20 million at Industrial Components, €19 million at Plant Technology and €24 million at the discontinued Elevator activities.

The provision for decommissioning obligations mainly consists of obligations associated with mining activities and recultivating landfills. Obligations associated with mining activities and recultivating landfills are generally handled over long periods of time, in some cases more than 30 years. The technical parameters are very complex. As a result, uncertainty exists with regard to the timing and concrete amount of the expenses.

Other provisions include provisions for litigation risks, environmental obligations and other risks from individual items not allocable to other positions. Provisions for the following items are included:

As of September 30, 2019 other provisions included the provision recognized in connection with the investigations by the Federal Cartel Office into thyssenkrupp Steel Europe AG in the heavy plate case. Following receipt of the fine notice in the amount of €370 million in December 2019, the provision was utilized in full in the 1st quarter ended December 31, 2019 through payment of the fine. The proceedings with the Federal Cartel Office authorities have thus been terminated by mutual agreement.

17 Financial debt

FINANCIAL DEBT

Carrying amounts in million €	Sept. 30, 2019	Sept. 30, 2020
Bonds	5,922	4,332
Loan notes	238	112
Liabilities to financial institutions	118	132
Lease liabilities	34	521
Other loans	217	206
Non-current financial debt	**6,529**	**5,303**
Bonds	0	849
Loan notes	9	130
Commercial paper	704	5
Liabilities to financial institutions	155	82
Lease liabilities	3	126
Other loans	15	6
Current financial debt	**886**	**1,199**
Financial debt	**7,415**	**6,502**

Current financial debt includes financial debt with a remaining term up to one year, while non-current financial debt has a remaining term of more than one year.

The increase of lease liabilities results from the adoption of IFRS 16.

Financial debt in the amount of €140 million (prior year: €146 million) is collateralized by real estate.

As of September 30, 2020, the financial debt reflects a total discount in the amount of €19 million (prior year: €29 million), which is offset by a total premium in the amount of €0 million (prior year: €0 million). Amortization of discounts and premiums of financial debt is included in “financial income/(expense), net”.

BONDS AND LOAN NOTES

	Carrying amount in million € as of Sept. 30, 2019	Carrying amount in million € as of Sept. 30, 2020	Notional amount in million € as of Sept. 30, 2020	Interest rate in %	Fair value in million € as of Sept. 30, 2020	Maturity
thyssenkrupp AG bond (€750 million) 2015/2020 (original term until 11/25/2020)	748	—	—	—	—	09/02/2020
thyssenkrupp AG bond (€600 million) 2015/2025	595	596	600	2.5000	551	02/25/2025
thyssenkrupp AG bond (€850 million) 2016/2021 (original term until 03/08/2021)	848	849	850	2.7500	849	12/08/2020
thyssenkrupp AG bond (€1,250 million) 2017/2022	1,245	1,247	1,250	1.3750	1,218	03/03/2022
thyssenkrupp AG bond (€1,500 million) 2019/2024	1,492	1,494	1,500	2.8750	1,410	02/22/2024
thyssenkrupp AG bond (€1,000 million) 2019/2023	994	995	1,000	1.8750	936	03/06/2023
thyssenkrupp AG loan note (€4 million) 2014/2019	4	—	—	—	—	12/30/2019
thyssenkrupp AG loan note (€150 million) 2016/2021	135	130	130	1.7500	132	03/11/2021
thyssenkrupp AG loan note (€100 million) 2019/2021	100	100	100	1.1500	101	12/14/2021
thyssenkrupp AG loan note (€8 million) 2019/2022	8	8	8	1.5000	8	06/30/2022
thyssenkrupp AG loan note (€4 million) 2019/2024	—	4	4	2.3000	3	12/30/2024
Total	**6,169**	**5,423**	**5,442**		**5,208**	

The €750 million bond originally due on November 25, 2020 was redeemed early on September 2, 2020. The €850 million bond originally due on March 8, 2021 will also be redeemed early on December 8, 2020. In both cases thyssenkrupp AG is exercising its right to early redemption under the terms and conditions of issue.

Against the background of the elevator transaction and the associated significant cash inflow it was decided to terminate our €2.0 billion syndicated credit facility (multi-currency facility agreement) with a regular term until March 14, 2021 early on September 18, 2020.

In May 2020 thyssenkrupp entered into a €1 billion credit facility under the KfW special program with a consortium of KfW and other banks. This additionally secured liquidity during the coronavirus pandemic until the cash inflow from the sale of Elevator Technology. The credit facility was not drawn and ended with the closing of the elevator transaction at the end of July 2020.

thyssenkrupp AG has entered into revolving credit agreements of €1.6 billion in total with banking institutions whereby thyssenkrupp AG can borrow in euros or US dollars. As of September 30, 2020 these credit agreements had not been utilized, so at the reporting date thyssenkrupp had unused and committed credit facilities in the amount of €1.6 billion.

Additional financing is also available under the group's Commercial Paper Program with a maximum of €3.0 billion. Commercial papers are debt instruments which can be issued under our program with a term of up to 364 days depending on investor demand. As of September 30, 2020, the program was used in the amount of €5 million.

Maturity of financial debt (excluding lease liabilities) is as follows:

MATURITY OF FINANCIAL DEBT (EXCLUDING LEASE LIABILITIES)

million € (for fiscal year)	Total financial debt (excluding lease liabilities)	Thereof: Liabilities to financial institutions
2020/2021	1,073	82
2021/2022	1,496	28
2022/2023	1,028	26
2023/2024	1,518	22
2024/2025	617	18
after 2024/2025	123	38
Total	**5,855**	**214**

Furthermore lease liabilities of €647 million exist.

18 Trade accounts payable

Trade accounts payable in the amount of €163 million (prior year: €307 million) have a remaining term of more than one year.

19 Other financial liabilities

OTHER FINANCIAL LIABILITIES

	Sept. 30, 2019		Sept. 30, 2020	
million €	current	non-current	current	non-current
Financial liabilities measured at amortized cost	1,007	136	597	96
Derivatives not qualifying for hedge accounting	161	—	50	—
Derivatives qualifying for hedge accounting	40	—	18	—
Total	**1,209**	**136**	**665**	**96**

Other financial liabilities amounting to €97 million (prior year: €139 million) have a remaining term of more than one year.

20 Other non-financial liabilities

OTHER NON-FINANCIAL LIABILITIES

	Sept. 30, 2019		Sept. 30, 2020	
million €	current	non-current	current	non-current
Selling and buying market related liabilities	723	—	454	—
Liabilities due to put options	17	0	16	0
Liabilities to the employees	932	—	661	—
Liabilities for social security	86	—	61	—
Deferred income	39	—	25	—
Tax liabilities (without income taxes)	273	—	135	—
Miscellaneous	302	6	222	6
Total	**2,373**	**6**	**1,575**	**6**

Other non-financial liabilities amounting to €9 million (prior year: €7 million) have a remaining term of more than one year.

21 Contingencies and commitments

Contingencies

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

CONTINGENCIES

	Maximum potential amount of future payments as of		Provision as of	
million €	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2020
Advance payment bonds	20	93	1	0
Performance bonds	1	142	0	0
Third party credit guarantees	0	4	0	0
Other guarantees	1	8	0	0
Total	**22**	**247**	**1**	**1**

The increase in contingencies is connected with the sale of Elevator Technology. The thyssenkrupp group has issued or has had issued guarantees for TK Elevator GmbH and its subsidiaries in favor of their customers in the amount of €222 million. The buyer consortium has undertaken to indemnify thyssenkrupp against expenses in connection with the guarantees until they are fully discharged. As additional security, thyssenkrupp has received guarantees in the same amount from the buyer.

The terms of these guarantees depend on the type of guarantee and may range from three months to ten years (e.g. rental payment guarantees).

The basis for possible payments under the guarantees is the non-performance of the principal debtor under a contractual agreement, e.g. late delivery, delivery of non-conforming goods under a contract or non-performance with respect to the warranted quality.

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

thyssenkrupp bears joint and several liability as a member of certain civil law partnerships, ordinary partnerships and consortiums.

thyssenkrupp has contingencies for the following material legal disputes:

In 2012 the company SysCo filed a lawsuit in the High Court of Sindh at Karachi in Pakistan against thyssenkrupp Marine Systems GmbH, Atlas Elektronik GmbH and seven other defendants from the tk group for payment of €139 million. SysCo is asserting contractual claims and damages arising from an unsuccessfully completed distribution project. For procedural reasons, the court dismissed two of the other defendants from the proceedings in 2014. A hearing in the matter has not yet taken place, as the plaintiff has not pursued the case since 2014.

The Republic of Korea is claiming damages in the amount of €201 million from thyssenkrupp Marine Systems GmbH in arbitration proceedings before the ICC for delayed delivery of submarines built by Korean shipyards using material packages from thyssenkrupp Marine Systems and supplied to the Republic of Korea. As the material packages were delivered to the shipyards on time, thyssenkrupp Marine Systems believes responsibility lies with the Korean shipyards, which were under a construction and delivery obligation to the Republic of Korea under their own bilateral contracts. The Republic of Korea is asserting claims against the shipyards in separate proceedings.

In connection with the majority interest previously held by Industrial Solutions in the Greek shipyard Hellenic Shipyards (HSY) and the construction of submarines for the Greek Navy, the Greek government has filed legal and arbitration actions to claim compensation of €2.2 billion from thyssenkrupp Industrial Solutions AG and thyssenkrupp Marine Systems GmbH as well as from HSY and the current majority shareholder of HSY. To date the Greek government has only concretized the receivables to a minor extent, relating exclusively to its contract with HSY. The claims asserted against the thyssenkrupp companies appear unfounded. All contractual obligations of thyssenkrupp Marine Systems and other thyssenkrupp companies vis-à-vis the Greek government have been fulfilled since 2010. In the before-mentioned proceedings, the Greek government also filed legal and arbitration actions demanding reimbursement of an installment payment of €115 million. These proceedings were finally and legally terminated at the end of 2019 without any payment obligation for the aforementioned thyssenkrupp companies.

Al-Jafr Trading Contracting Company, co-shareholder of a company in Saudi Arabia, has filed claims for damages of €70 million against thyssenkrupp Industrial Solutions AG for infringement of shareholder rights. The prospects of success of the claims, assessed as low by thyssenkrupp, are currently being examined under Saudi law.

In addition further legal and arbitration actions and official investigations and proceedings as well as claims have been filed against thyssenkrupp companies or may be initiated or filed in the future. Disputes in connection with the acquisition or disposal of companies or company units which may lead to partial repayment of the purchase price or to the payment of damages or to tax charges. Furthermore, damage claims may be payable to contractual partners, customers, consortium partners and subcontractors under performance contracts. Predicting the progress and results of lawsuits involves considerable difficulties and uncertainties. This means that lawsuits, official investigations and proceedings as well as claims not disclosed separately could also individually or together with other legal disputes, official investigations and proceedings as well as claims have a negative and also potentially major future impact on the group's net assets, financial position and results of operations. This also applies to a case in which the transmission grid operator Amprion GmbH has filed a claim for payment for the calendar year 2016 and a claim for information for further calendar years against thyssenkrupp Steel Europe AG in connection with the electricity produced in-house by the Huckingen power plant. With reference to IAS 37.92, we do not provide any further information on this contingency as there is no supreme court ruling on the underlying EEG legal issue and the extent of the dispute has yet to be clarified in the legal proceedings. However, at present thyssenkrupp does not expect pending lawsuits, official investigations and proceedings as well as claims not explained separately in this section to have a major negative impact on the Group's net assets, financial position and results of operations.

Commitments and other contingencies

The group is the lessee to property, plant and equipment under rental contracts, long-term leases and leasing contracts classified as operating leases according to IAS 17. Under the accounting for these leases according to IAS 17 up to September 30, 2019 this resulted in net expenses of €311 million in 2018 / 2019, which broke down as follows:

EXPENSE RESULTING FROM OPERATING LEASE CONTRACTS ACCORDING TO IAS 17

million €	Year ended Sept. 30, 2019
Minimum rental payments	306
Contingent rentals	6
less income from sublease agreements	(1)
Total	**311**

The future minimum rental payments, excluding accrued interest from such non-cancellable contracts that had an initial or remaining term of more than one year as of September 30, 2019 were (at face amounts):

FUTURE MINIMUM LEASE PAYMENTS ACCORDING TO IAS 17

million €	Sept. 30, 2019
Up to one year	262
Between one and five years	596
Later than five years	468
Total	**1,326**

The commitment to enter into investment projects amounts to €821 million (prior year: €709 million) as of September 30, 2020 and relates mainly to property, plant and equipment of Industrial Components and Steel Europe.

Other financial commitments exist in the amount of €1,771 million (prior year: €1,945 million), primarily from the purchasing commitments resulting from the group's long term electricity and gas supply contracts. Furthermore, other financial obligations in 2019 / 2020 include obligations of €22 million from leases for which no right-of-use or lease liability has yet been recognized in accordance with IFRS 16. In addition, at Steel Europe long term iron ore and iron ore pellets supply contracts exist which will result in purchasing commitments over a period of up to three years. Due to the high volatility of iron ore prices, the measurement of the complete purchasing commitments is based on the iron ore price as of the current balance sheet date resulting in purchasing commitments of €967 million (prior year: €1,322 million).

Based on the risk bearing ability of the group or the group companies, there exist adequate deductibles in the various classes of insurance. One or more damages at these units could impact the group's net assets, financial position and results of operations.

22 Financial instruments

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

FINANCIAL INSTRUMENTS AS OF SEPT. 30, 2019

		Measurement category in accordance with IFRS 9			Measurement in accordance with IAS 17/IFRS 15	
million €	Carrying amount on balance sheet as of Sept. 30, 2019	(Amortized) cost	Fair value recognized in profit or loss	Fair value recognized in equity (with recycling)	Amortized cost	Fair value as of Sept. 30, 2019
Trade accounts receivable (excluding finance lease)	5,488	4,301		1,187		5,551
Contract assets	1,443				1,443	0
Finance lease receivables	1				1	1
Other financial assets	847	562	146	140		847
Miscellaneous other financial assets		562				562
Equity instruments			13			13
Debt instruments				20		20
Derivatives not qualifying for hedge accounting			126			126
Derivatives qualifying for hedge accounting			7	120		126
Cash, cash equivalents and time deposits	3,706	3,706				3,706
Total of financial assets	**11,485**					
Financial debt (excluding finance lease liabilities)	7,378	7,378				7,497
Finance lease liabilities	37				37	37
Trade accounts payable	6,355	6,355				6,355
Other financial liabilities	1,344	1,143	181	20		1,344
Miscellaneous other financial liabilities		1,143				1,143
Derivatives not qualifying for hedge accounting			161			161
Derivatives qualifying for hedge accounting			20	20		40
Total of financial liabilities	**15,115**					

FINANCIAL INSTRUMENTS AS OF SEPT. 30, 2020

million €	Carrying amount on balance sheet as of Sept. 30, 2020	Measurement category in accordance with IFRS 9				Measurement in accordance with IFRS 16/IFRS 15	Fair value as of Sept. 30, 2020
		(Amortized) cost	Fair value recognized in profit or loss	Fair value recognized in equity (with recycling)	Fair value recognized in equity (without recycling)	Amortized cost	
Trade accounts receivable (excluding finance lease)	4,833	2,654		2,179			4,891
Contract assets	1,575					1,575	0
Finance lease receivables	0					0	0
Other financial assets	1,193	1,004	74	61	54		1,239
Miscellaneous other financial assets		1,004					1,051
Equity instruments			12		54		66
Debt instruments				14			14
Derivatives not qualifying for hedge accounting			62				62
Derivatives qualifying for hedge accounting			0	46			46
Cash, cash equivalents and time deposits	11,547	11,547					11,547
Total of financial assets	**19,148**						
Financial debt (excluding lease liabilities)	5,855	5,855					5,651
Lease liabilities	647					647	647
Trade accounts payable	3,475	3,475					3,475
Other financial liabilities	761	693	50	18			761
Miscellaneous other financial liabilities		693					693
Derivatives not qualifying for hedge accounting			50				50
Derivatives qualifying for hedge accounting			0	18			18
Total of financial liabilities	**10,737**						

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

For the preference shares in connection with the reinvestment, which are classified as equity instruments, the option was exercised to recognize them at fair value in equity (without recycling) due to their significance. Debt instruments include the loans from the elevator transaction, which are measured at amortized cost; see also Note 03. The other equity and debt instruments are in general measured at fair value income-effective, which is based to the extent available on market prices as of the balance sheet date. When no quoted market prices in an active market are available, equity and debt instruments are measured by discounting future cash flows based on current market interest rates over the remaining term of the financial instruments.

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

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

The fair value of commodity futures is based on published price quotations. It is measured as of the balance sheet date, both internally and by external financial partners.

The carrying amounts of trade accounts payable and other current liabilities equal their fair values due to the short remaining terms. The fair value of fixed rate non-current financial liabilities equals the present value of expected cash flows. Discounting is based on interest rates applicable as of the balance sheet date. The carrying amounts of floating rate liabilities approximately equal their fair values.

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

FAIR VALUE HIERARCHY AS OF SEPT. 30, 2019

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

FAIR VALUE HIERARCHY AS OF SEPT. 30, 2020

million €	Sept. 30, 2020	Level 1	Level 2	Level 3
Financial assets at fair value				
Fair value recognized in profit or loss				
Derivatives not qualifying for hedge accounting	62	0	62	0
Derivatives qualifying for hedge accounting	0	0	0	0
Equity instruments	12	7	5	0
Fair value recognized in equity				
Trade accounts receivable	**2,179**			**2,179**
Equity instruments	54			54
Debt instruments	14	14	0	0
Derivatives qualifying for hedge accounting	46	0	46	0
Total	**2,368**	**21**	**114**	**2,232**
Financial liabilities at fair value				
Fair value recognized in profit or loss				
Derivatives not qualifying for hedge accounting	50	0	50	0
Derivatives qualifying for hedge accounting	0	0	0	0
Fair value recognized in equity				
Derivatives qualifying for hedge accounting	18	0	18	0
Total	**68**	**0**	**68**	**0**

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

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

Changes of the equity instruments included in level 3 were as follows:

RECONCILIATION LEVEL 3 FINANCIAL INSTRUMENTS

million €	
Balance as of July 31, 2020	51
Changes income non-effective	2
Balance as of Sept. 30, 2020	**54**

The equity instruments based on individual measurement parameters and recognized at fair value include only the preference shares from the reinvestment. The shares were measured taking into account expected cash flows on the basis of recognized financial mathematical models and taking into account the market data available at the balance sheet date. The effect resulting from the measurement is reported directly in equity under other comprehensive income under the item “Fair value measurement of equity instruments”.

Financial liabilities measured at amortized cost with a carrying amount of €10,023 million (prior year: €14,876 million) have a fair value of €9,819 million (prior year: €14,995 million) that was determined based on fair value measurement attributable to level 2.

Netting of financial assets and financial liabilities

In general, master netting arrangements exist only for derivative financial instruments in the thyssenkrupp group that however totally or partially do not meet the offsetting criteria under IAS 32.

In these cases a right of offsetting is enforceable only on termination of the contract on the grounds of a major breach of contract or insolvency of one of the contractual parties. The gross amounts for these derivatives are therefore presented separately in the statement of financial position. Potential offsetting exists in the amount of €41 million (prior year: €117 million). An exception from this are futures, for which the fair values are settled daily on the basis of margin calls. These derivatives meet the offsetting criteria under IAS 32 and are therefore shown as net amounts in the statement of financial position; they amount to €0 million (prior year: €13 million). Cash collateral exists in the amount of €1 million (prior year: €2 million).

The following tables show net result from financial instruments by measurement categories under IFRS 9:

NET RESULT FROM FINANCIAL INSTRUMENTS

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Financial assets at amortized cost	87	(125)
Financial assets / liabilities at fair value recognized in equity (with recycling)	(14)	(12)
Financial assets / liabilities at fair value recognized in equity (without recycling)	0	2
Financial assets / liabilities at fair value recognized in profit or loss	(28)	(3)
Financial liabilities at amortized cost	(291)	(162)

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

Net gains under “Financial assets at amortized cost” mainly comprise interest income on financial receivables, allowances for trade accounts receivable, impairments of the non-current loan resulting from the reinvestment as well as gains and losses on foreign currency receivables.

The category “Financial assets/liabilities at fair value recognized in equity (with recycling)” mainly includes impairment losses on trade accounts receivable as well as results from the sale of receivables.

The category “Financial assets/liabilities at fair value recognized in equity (without recycling)” includes the fair value changes of the preference shares from the reinvestment.

Gains and losses arising from changes in fair value of foreign currency, interest rate and commodity derivatives that do not comply with the hedge accounting requirements under IFRS 9 are included in the category “Financial assets/liabilities at fair value through profit and loss”. Current income and expenses from equity instruments are also presented in this category.

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

Included in net result (prior year: net gains and losses) are exchange differences of €7 million (prior year: €(14) million).

Impairment of financial assets

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

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

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

million €	Gross carrying amount	Expected credit loss	Individual allowances	Total of impairments	Carrying amount
Balance as of Sept. 30, 2018	**7,242**	**0**	**(349)**	**(349)**	**6,892**
Effects of IFRS 9	(1,218)	(51)	64	13	(1,205)
Balance as of Oct. 1, 2018	**6,023**	**(51)**	**(285)**	**(336)**	**5,688**
Currency differences	141	(2)	(6)	(8)	132
Acquisitions/divestitures of businesses	5	0	(9)	(9)	(3)
Additions		(33)	(65)	(98)	(98)
Amounts utilized		2	56	57	57
Reversals		20	31	51	51
Transfer between impairment stages		9	(8)	1	1
Other changes	(83)	0	0	0	(83)
Balance as of Sept. 30, 2019	**6,086**	**(55)**	**(286)**	**(341)**	**5,744**
Currency differences	(281)	4	16	20	(260)
Acquisitions/divestitures of businesses	(2,051)	35	145	179	(1,872)
Additions		(19)	(69)	(88)	(88)
Amounts utilized		1	45	46	46
Reversals		10	11	21	21
Transfer between impairment stages		0	0	0	0
Other changes	638	0	0	0	638
Balance as of Sept. 30, 2020	**4,392**	**(24)**	**(139)**	**(163)**	**4,229**

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

IMPAIRMENT OF TRADE ACCOUNTS RECEIVABLE RECOGNIZED AT FAIR VALUE IN EQUITY

million €	Carrying amount	Expected credit loss	Individual allowances	Total of impairments
Balance as of Sept. 30, 2018	**0**	**0**	**0**	**0**
Effects of IFRS 9	1,281	(7)	(65)	(72)
Balance as of Oct. 1, 2018	**1,281**	**(7)**	**(65)**	**(72)**
Currency differences	9	0	0	0
Acquisitions/divestitures of businesses	0	0	0	0
Additions		(3)	(3)	(6)
Amounts utilized		0	6	6
Reversals		6	3	9
Transfer between impairment stages		0	0	0
Other changes	(104)		0	0
Balance as of Sept. 30, 2019	**1,187**	**(4)**	**(59)**	**(63)**
Currency differences	(21)	0	0	0
Acquisitions/divestitures of businesses	0	0	0	0
Additions		(3)	(7)	(11)
Amounts utilized		0	10	10
Reversals		2	4	5
Transfer between impairment stages		0	0	0
Other changes	1,013		0	0
Balance as of Sept. 30, 2020	**2,179**	**(6)**	**(53)**	**(59)**

For the loans from the reinvestment received in the fiscal year, expected impairment losses of €36 million were recognized at the time of receipt, which are nearly unchanged as of the reporting date. The calculation of the probability of default is based on the credit spread included in the discount rate when determining the fair value of the loans.

On the other financial assets measured at amortized cost or at fair value through other comprehensive income or on finance lease receivables there were no significant changes in impairment losses in the 2018 / 2019 and in the 2019 / 2020 fiscal year, respectively.

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

In the group's leading valuation model, the expected default rates are mainly derived from external credit information and ratings for each counterparty, which allows more accurate calculation of the probability of default compared with the formation of rating classes. The customer risk numbers assigned by trade credit insurers and the creditworthiness information provided by credit agencies are translated into an individual probability of default per customer using a central allocation system. This individual probability of default per customer is used uniformly throughout the thyssenkrupp group. The information is updated quarterly. If no rating information is available at counterparty level, an assessment is made based on the average probability of default for each segment plus an appropriate risk premium. For the group financial statements as of September 30, 2020, the latest external credit information and ratings were used, which already take into account current expectations of the possible effects of the coronavirus pandemic. Therefore, no additional adjustment of impairment is necessary in this model. Overall, this model shows a moderate but not significant increase in the valuation of individual customers.

For Elevator Technology (discontinued operation) with its different customer structure compared with the rest of the group, the probability of default was determined on the basis of historical default rates taking into account forward-looking information. Consideration is also given to the respective business model, customer groups, and economic environment of the region. Actual default is generally assumed after 360 days. To take into account the possible effects of the coronavirus pandemic, an adjustment was made on the basis of the increase in insolvencies forecast by external credit insurers, with the main countries being considered individually. A corresponding adjustment to impairment on receivables and contract assets was recorded until deconsolidation as of July 31, 2020.

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

IMPAIRMENTS OF TRADE ACCOUNTS RECEIVABLE AND CONTRACT ASSETS BY SEGMENTS AS OF SEPT. 30, 2019[1)]

million €	Gross carrying amount	Expected credit loss	Individual allowances	Total of impairments	Average probability of default
Automotive Technology	1,161	(6)	(12)	(17)	0.32
Industrial Components	488	(3)	(17)	(20)	0.71
Elevator Technology	2,071	(31)	(148)	(180)	1.40
Plant Technology	886	(11)	(45)	(56)	2.75
Marine Systems	1,020	(2)	(12)	(14)	0.77
Materials Services	868	(4)	(102)	(106)	0.90
Steel Europe	773	(2)	(9)	(11)	0.71
Corporate Headquarters	1	0	0	0	0.79
Reconciliation	6	0	0	0	0.79

1) Figures have been adjusted (cf. Note 24).

IMPAIRMENT OF TRADE ACCOUNTS RECEIVABLE AND CONTRACT ASSETS BY SEGMENTS AS OF SEPT. 30, 2020

million €	Gross carrying amount	Expected credit loss	Individual allowances	Total of impairments	Average probability of default
Automotive Technology	1,153	(6)	(17)	(23)	0.51
Industrial Components	492	(4)	(19)	(23)	1.15
Plant Technology	1,021	(10)	(37)	(47)	2.78
Marine Systems	1,482	(3)	(14)	(17)	1.01
Materials Services	1,516	(4)	(96)	(100)	0.90
Steel Europe	892	(2)	(8)	(11)	0.66
Corporate Headquarters	5	0	(1)	(1)	0.88
Reconciliation	10	0	0	0	0.88

The maximum credit risk exposure of the financial assets subject to the impairment models corresponds to the gross carrying amounts less the recognized impairment losses. The gross carrying amounts were secured by letters of credit, credit insurances, sureties and guarantees amounting to €2,147 million (prior year: €1,559 million).

Derivative financial instruments

The group uses various derivative financial instruments, including foreign currency forward contracts, foreign currency options, interest rate swaps, cross currency swaps and commodity forward contracts. Derivative financial instruments are generally used to hedge existing or anticipated underlying transactions so as to reduce foreign currency, interest rate and commodity price risks. In some cases, the derivatives are designated as hedging instruments for hedge accounting purposes.

The following table shows the notional amounts and fair values of derivatives used within the group:

DERIVATIVE FINANCIAL INSTRUMENTS

million €	Notional amount as of Sept. 30, 2019	Carrying amount as of Sept. 30, 2019	Notional amount as of Sept. 30, 2020	Carrying amount as of Sept. 30, 2020
Assets				
Foreign currency derivatives that do not qualify for hedge accounting	1,358	32	1,333	25
Foreign currency derivatives qualifying as cash flow hedges	250	10	317	30
Embedded derivatives	85	3	23	1
Interest rate derivatives that do not qualify for hedge accounting	8	0	18	2
Commodity derivatives that do not qualify for hedge accounting	1,418	91	578	35
Commodity derivatives qualifying as cash flow hedges	175	109	240	16
Commodity derivatives qualifying as fair value hedges	143	7	0	0
Total	**3,437**	**253**	**2,510**	**109**
Equity and liabilities				
Foreign currency derivatives that do not qualify for hedge accounting	1,504	40	934	16
Foreign currency derivatives qualifying as cash flow hedges	282	11	430	10
Embedded derivatives	50	1	141	4
Interest rate derivatives that do not qualify for hedge accounting	14	1	0	0
Interest rate derivatives qualifying as cash flow hedges[1]	5	0	3	0
Commodity derivatives that do not qualify for hedge accounting	1,228	120	430	30
Commodity derivatives qualifying as cash flow hedges	67	9	142	8
Commodity derivatives qualifying as fair value hedges	219	20	0	0
Total	**3,369**	**202**	**2,079**	**68**

[1] Inclusive of cross currency swaps

Derivatives that qualify for hedge accounting

Fair value hedges

Fair value hedges are mainly used to hedge the exposure to changes in fair value of a firm commitment and exposure to inventory price risks as well as to hedge interest rate risks. The income/expense from these hedges and the hedged underlying transactions are generally shown in the same profit and loss item.

Cash-flow hedges

Cash flow hedges are mainly used to hedge future cash flows against foreign currency and commodity price risks arising from future sales and purchase transactions as well as interest rate and foreign currency risks from non-current liabilities. In the case of cash flow hedges too, the earnings effect of the hedging instruments is generally also shown in the same profit and loss item as the hedged underlying transaction.

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

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

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

[1] Inclusive of cross currency swaps

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

	Carrying amount on balance sheet as of Sept. 30, 2020			
million €	Derivative assets	Derivative liabilities	Designated part of hedging instruments	Fair value change of hedged item
Hedging of foreign currency risk	30	10	**21**	**(21)**
Foreign currency derivatives qualifying as cash flow hedges	30	10	21	(21)
Hedging of interest risk[1]	0	0	**(1)**	**1**
Interest rate derivatives qualifying as cash flow hedges[1]	0	0	(1)	1
Interest rate derivatives qualifying as fair value hedges	0	0	0	0
Hedging of commodity risk	16	8	**58**	**(58)**
Commodity derivatives qualifying as cash flow hedges	16	8	58	(58)
Commodity derivatives qualifying as fair value hedges	0	0	0	0

[1] Inclusive of cross currency swaps

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

During the current fiscal year, €(7) million (prior year: €(3) million) of cumulative other comprehensive income was reclassified to sales in profit or loss as a result of the underlying transactions being realized during the year. In addition, €7 million of cumulative other comprehensive income was reclassified to increase cost of inventories (prior year: €10 million to decrease cost of inventories) as the hedged commodities were recognized, although the underlying transaction had not yet been taken to profit or loss. This resulted in increased expenses of €2 million. Furthermore, €9 million will impact earnings in 2020 / 2021.

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

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

million €	Total	Foreign currency risk	Interest risk[1]	Commodity price risk
Balance as of Oct. 1, 2018	**62**			
Net unrealized (gains)/losses on designated risk component	2	3	0	(1)
Net unrealized (gains)/losses on hedging costs	(1)	(1)	—	—
Net realized (gains)/losses	(7)	(4)	0	(3)
Tax effect	5			
Balance as of Sept. 30, 2019	**60**			
Net unrealized (gains)/losses on designated risk component	36	48	0	(13)
Net unrealized (gains)/losses on hedging costs	0	0	—	—
Net realized (gains)/losses	(13)	(10)	0	(3)
Tax effect	1			
Balance as of Sept. 30, 2020	**84**			

[1] Inclusive of cross currency swaps

As of September 30, 2020, net income from the ineffective portions of derivatives classified as cash flow hedges totaled €0 million (prior year: €0 million).

In the subsequent fiscal year fluctuations in fair value of derivatives included in cumulative other comprehensive income as of the reporting date is expected to impact earnings by income of €96 million. During the 2021 / 2022 fiscal year, earnings are expected to be impacted by income of €10 million, in the 2022 / 2023 fiscal year by income of €2 million and in the following fiscal years by income of €4 million.

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

HEDGING RATES AND REMAINING TERMS OF DERIVATIVES QUALIFYING FOR HEDGE ACCOUNTING AS OF SEPT. 30, 2019

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

HEDGING RATES AND REMAINING TERMS OF DERIVATIVES QUALIFYING FOR HEDGE ACCOUNTING AS OF SEPT. 30, 2020

million €	Remaining term up to 1 year	Remaining term 1 to 2 years	Remaining term above 2 years	Notional amount as of Sept. 30, 2020	Average hedging rate
Hedging of foreign currency risk	**665**	**63**	**20**	**747**	
thereof:					
Foreign currency contracts USD	576	7	0	583	USD1.14/€
Foreign currency contracts BRL	35	52	20	107	BRL4.54/€
Foreign currency contracts AUD	27	0	0	27	AUD1.70/€
Foreign currency contracts PLN	10	3	0	14	PLN4.48/€
Hedging of commodity price risk	**382**	**0**	**0**	**382**	
thereof:					
CO_2 forward contracts	175	0	0	175	€25.1/ton
Nickel forward contracts	158	0	0	158	€12,848/ton
Tin forward contracts	49	0	0	49	€14,561/ton

Derivatives that do not qualify for hedge accounting

If a hedging relationship does not meet the requirements for hedge accounting in accordance with the conditions under IFRS 9 or hedge accounting is economically not reasonable, the derivative financial instrument is recognized as a derivative that does not qualify for hedge accounting. The resulting impact on profit or loss is shown in the table on net gains and losses from financial instruments by measurement categories. This item also includes embedded derivatives. They exist in the thyssenkrupp group in the way that regular supply and service transactions with suppliers and customers abroad are not concluded in the functional currency (local currency) of either of the two contracting parties.

Financial risk

As a global group, thyssenkrupp is exposed to financial risks in the form of credit risks (default risk), liquidity risks and market risks (foreign currency, interest rate and commodity price risks) during the course of ordinary activities. The aim of risk management is to limit the risks arising from operating activities and associated financing requirements by applying selected derivative and non-derivative hedging instruments. Within the framework of risk management, financial risks and credit risks must be avoided as far as possible, compensated by a risk portfolio, passed on to third parties or limited (principle of risk aversion). Details are provided in the opportunity and risk report contained in the management report.

Credit risk

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

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

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

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

Maturity analysis

Liquidity risk is the risk that the group is unable to meet its existing or future obligations due to insufficient availability of cash or cash equivalents.

The following table shows future undiscounted cash outflows from financial liabilities based on contractual agreements:

FUTURE UNDISCOUNTED CASH OUTFLOWS AS OF SEPT. 30, 2019

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

FUTURE UNDISCOUNTED CASH OUTFLOWS AS OF SEPT. 30, 2020

million €	Carrying amount Sept. 30, 2020	Cash flows in 2020/2021	Cash flows in 2021/2022	Cash flows between 2022/2023 and 2024/2025	Cash flows after 2024/2025
Bonds	5,182	962	1,344	3,250	0
Liabilities to financial institutions	214	91	30	73	41
Lease liabilities	647	146	119	205	326
Other financial debt	459	156	232	22	89
Trade accounts payable	3,475	3,312	156	5	2
Derivative financial liabilities not qualifying for hedge accounting	50	48	2	0	0
Derivative financial liabilities qualifying for hedge accounting	18	17	1	0	0
Other financial liabilities	693	604	64	36	0

Cash flows from derivatives are offset by cash flows from hedged underlying transactions, which have not been considered in the analysis of maturities. If cash flows from the hedged underlying transactions were also considered, the cash flows shown in the table would be accordingly lower.

Sensitivity analysis

Market risk is the risk that fair values or future cash flows of non-derivative or derivative financial instruments will fluctuate due to changes in risk factors. Among market risks relevant to thyssenkrupp are foreign currency, interest rate, procurement (commodity price), and especially raw material price risks. Associated with these risks are fluctuations in income, equity and cash flow.

The following analyses and amounts determined by means of sensitivity analyses represent hypothetical, future-oriented data that can differ from actual outcomes because of unforeseeable developments in financial markets. Moreover, non-financial or non-quantifiable risks, such as business risks, are not considered here.

Foreign currency risk exposure – Foreign currency hedging is used to fix prices on the basis of hedging rates as protection against any unfavorable exchange rate fluctuations in the future. Hedging periods are generally based on the maturities of underlying transactions. Foreign currency derivative contracts usually have maturities of twelve months or less, but can also be up to six years in single exceptional cases.

The US dollar is the only relevant risk variable for sensitivity analyses under IFRS 7, as the vast majority of foreign currency cash flows occurs in US dollars. As hedging transactions are generally used to hedge underlying transactions, opposite effects in underlying and hedging transactions are almost entirely offset over the total period. Thus, the currency risk exposure described here results from hedging relationships with off-balance sheet underlying transactions, i.e. hedges of firm commitments and forecasted sales. Based on our analysis, the US dollar exposure as of September 30, 2020 was as follows:

If the euro had been 10% stronger against the US dollar as of September 30, 2020, the hedge reserve in equity and fair value of hedging transactions would have been €6 million higher (prior year: €6 million lower) and earnings resulting from the measurement as of the balance sheet date €3 million lower (prior year: €80 million higher). If the euro had been 10% weaker against the US dollar as of September 30, 2020, the hedge reserve in equity and fair value of hedging transactions would have been €7 million lower (prior year: €8 million higher) and earnings resulting from the measurement as of the balance sheet date €4 million higher (prior year: €98 million lower).

Interest rate risk – To hedge interest rate risk, in some cases the group uses derivatives. These instruments are contracted with the objective of minimizing interest rate volatilities and finance costs for underlying transactions.

As of September 30, 2019 and 2020, respectively, all interest derivatives are immediately and directly allocated to particular financings as cash flow hedges. Cross currency swaps have been contracted in connection with the financing of foreign activities.

Interest rate instruments can result in cash flow risks, opportunity effects, as well as interest rate risks affecting the balance sheet and earnings. Variable-rate financial instruments inclusive of liquid funds 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, 2020, a +100/(20) basis point parallel shift in yield curves is assumed for all currencies in interest analyses. The parallel downward shift is limited to (20) basis points to account for continued low interest rates with in part negative interest rates. Negative interest rates are included in the analysis. The analysis results in the opportunities (positive values) and risks (negative values) shown in the following table:

INTEREST ANALYSIS

	Changes in all yield curves as of			
	Sept. 30, 2019 by		Sept. 30, 2020 by	
million €	+ 100 basis points	(20) basis points	+ 100 basis points	(20) basis points
Cash flow risk	30	(6)	108	(22)
Opportunity effects	209	(43)	140	(29)
Interest rate risks resulting from interest rate derivatives affecting balance sheet	0	0	0	0
Interest rate risks resulting from interest rate derivatives affecting earnings	0	0	0	0

If, as of September 30, 2020, all yield curves combined had been 100 basis points higher, the hedge reserve in equity and fair value of the relevant interest derivatives would have been nearly unchanged and earnings resulting from the measurement as of the balance sheet date €108 million (prior year: €30 million) higher. If, as of September 30, 2020, all yield curves combined had been 20 basis points lower, the hedge reserve in equity and fair value of the relevant interest derivatives would have been nearly unchanged and earnings resulting from the measurement as of the balance sheet date €22 million (prior year: €6 million) lower.

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

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

Only hypothetical changes in market prices for derivatives are included in scenario analysis, required for financial instruments under IFRS 7. Offsetting effects from underlying transactions are not taken into account and would reduce their effect significantly.

As of September 30, 2020 a +20%/(20)% shift in market prices for non-ferrous metals is assumed. If an increase of 20% in market prices for said non-ferrous metals is assumed, the estimated hypothetical impact on profit or loss resulting from the measurement as of the balance sheet date is €(4) million (prior year: €(65) million), and on equity €32 million (prior year: €(35) million). If a decrease of 20% in market prices for said non-ferrous metals is assumed, the estimated hypothetical impact on profit or loss resulting from the measurement as of the balance sheet date is €10 million (prior year: €4 million), and on equity €(41) million (prior year: €(3) million).

23 Related parties

Based on the notification received in accordance with German Securities Trade Act (WpHG) Art. 21 para. 1 as of December 3, 2013, the Alfried Krupp von Bohlen und Halbach Foundation holds an interest of 23.03% in thyssenkrupp AG; based on a voluntary disclosure of the Foundation of September 2020, the interest in thyssenkrupp AG is around 21% as of September 30, 2020. 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 2018 / 2019 and 2019 / 2020, the group has business relations with non-consolidated subsidiaries, associates and joint ventures. Transactions with these related parties result in general from the delivery and service relations in the ordinary course of business; the extent of the business relations is presented in the following table:

RELATED PARTY TRANSACTIONS

	Sales		Supplies and services		Receivables		Total liabilities	
million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2020
Non-consolidated subsidiaries	0	0	1	2	0	0	0	0
Associates	38	57	3	4	5	29	11	45
Joint ventures	17	31	1	3	9	10	1	6

In connection with the sale of the elevator business, several transitional service agreements were entered into with thyssenkrupp companies. These relate to services being provided for a transitional period for Elevator by thyssenkrupp AG and other group companies in Germany and abroad. The expected overall volume will be in the low two-digit million euro range and the term is expected to end in mid-2023, with early terminations and extensions of the services generally possible and key parts of the services expected to end in mid-2021. The agreed services mainly relate to IT and HR. Futhermore the Elevator companies still buy raw materials from Materials Services. The resulting sales are included in the sales with associates in the year ended September 30, 2020.

In the past, claims for damages have been asserted both in and out of court against thyssenkrupp AG and companies of the group by potential injured parties in connection with the elevator cartel. A large number of the cases have already been settled or the actions have been withdrawn or dismissed. As a result of the sale of the elevator business, companies affected have left the group. thyssenkrupp has undertaken to indemnify the purchasers against third-party claims up to a specified maximum amount in connection with proceedings still pending in Austria, Belgium and the Netherlands. For this indemnification, which thyssenkrupp assesses will probably result in cash outflows, thyssenkrupp has recognized a provision for risks. The maximum indemnity amount and the associated provision correspond essentially to the previous provisions for the proceedings.

Also in connection with the sale of Elevator Technology, a time-limited right of use to the “thyssenkrupp” mark in specific mark categories was granted for a fee. After the closing on July 31, 2020 this agreement was amended to provide among other things an unlimited right of use to the “TK” mark for the use of “TK Elevator” and “TKE” in specific mark categories. The agreed fee was not changed.

Moreover in the context of the sale of Elevator Technology the group reported increased contingencies; cf. Note 21.

Compensation of current Executive and Supervisory Board members

The presentation of the Executive Board compensation system and the disclosures required under § 314 (1) no. 6a sentences 5-8 HGB are part of the combined management report.

Total compensation paid to active members of the Executive Board for their work in the reporting year amounted to around €6 million (prior year: €7 million). Alongside fixed salaries, fringe benefits and performance bonuses, this also includes the LTI as a stock-based, long-term, performance-related component. Stock rights were issued in the past fiscal year for the LTI with a fair value of around €1 million (prior year: €3 million) at grant date. The individual variable compensation was determined taking into account the requirement for appropriateness.

Total compensation to former members of the Executive Board of thyssenkrupp AG and its predecessor companies and their surviving dependants amounts to €24 million (prior year: €15 million).

Pension obligations to former members of the Executive Board and their surviving dependants are recognized in the amount of €255 million (prior year: €237 million).

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, 2019	Year ended Sept. 30, 2020
Short-term benefits (excluding share-based compensation)	3,396	5,009
Post-employment benefits	1,809	506
Termination benefits	8,916	802
Share-based compensation[1]	(4,117)	1,746
Total	**10,004**	**8,063**

[1] The figure of 2018/2019 has been adjusted; it represented the fair value at grant date.

Against the background of the effects of the coronavirus pandemic and the associated short-time working in the workforce, the members of the Executive Board of thyssenkrupp AG, in a joint statement on April 1, 2020, each waived 10% of their monthly gross salary for the three months May to July 2020. In addition Executive Board members Martina Merz, Oliver Burkhard and Dr. Klaus Keysberg each received a once-only special payment for their exceptional achievements in the past fiscal year.

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 expense of share-based compensation recognized in the respective fiscal year.

As part of his termination agreement of March 20, 2020, Johannes Dietsch waived all claims to any bonus for the 2019 / 2020 fiscal year. The share of the claim for the period October 1, 2019 to March 31, 2020 covered a target value of €340,000 in the event of 100% target achievement. Due to the effects of the coronavirus pandemic, actual target achievement for the 2019 / 2020 fiscal year is 0%, so in retrospect the waiver had no material effect.

As of September 30, 2019 and 2020, 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.

As of September 30, 2020, 40,948 stock rights were issued in the 8th installment, 98,926 stock rights in the 9th installment and 370,000 stock rights in the 10th installment of the long-term incentive plan LTI for the current Executive Board members of the respective fiscal year (prior year: 134,579 in the 7th installment, 127,155 in the 8th installment and 265,687 stock rights in the 9th installment). The resulting provision amounts to €2,787 thousand (prior year: €3,480 thousand).

Compensation of the current Supervisory Board members is as follows:

COMPENSATION OF SUPERVISORY BOARD MEMBERS

Thousand €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020
Short-term benefits (inclusive of meeting attendance fees)	1,784	1,790

In addition, members of the Supervisory Board of thyssenkrupp AG received compensation of €90 thousand in fiscal year 2019 / 2020 (prior year: €46 thousand) for supervisory board mandates at group subsidiaries.

As of September 30, 2019 and 2020, respectively, no loans or advance payments were granted to members of the Supervisory Board; also as in the previous year no contingencies were assumed for the benefit of Supervisory Board members.

For individualized presentation and further details of Executive and Supervisory Board compensation refer to the compensation report presented in the combined management report.

Compensation of former Executive and Supervisory Board members

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €24.4 million (prior year: €15.8 million). Under IFRS an amount of €323.7 million (prior year: €315.9 million) is accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

24 Segment reporting

thyssenkrupp is organized into the operating business areas described below, which combine the group’s activities around capital goods and materials; as part of the change process at thyssenkrupp the business areas have been referred to as segments since the 4th quarter 2019 / 2020. The business areas/segments correspond to the internal organizational and reporting structure and constitute the segments according to IFRS 8.

As part of the transformation into a powerful “group of companies”, the following changes to the organizational and reporting structure apply for 2019 / 2020: Components Technology has been focused on the automotive business since October 1, 2019 and has been renamed Automotive Technology. A new addition is System Engineering, which among other things develops production lines for the automotive industry and was part of Industrial Solutions until September 30, 2019. The Forged Technologies and Bearings units were taken out of Components Technology and are reported on under the name Industrial Components. Industrial Solutions was renamed Plant Technology; it comprises the businesses concerned with chemical plants, cement plants and mining equipment. The administrative units of Corporate and the regions are presented as Corporate Headquarters. In addition, the service units and special units (including the reinvestment) are combined with consolidation items and presented separately as “Reconciliation”.

The prior-period figures are adjusted accordingly.

Automotive Technology

This segment develops and manufactures high-tech components and systems for the automotive industry and develops automated production systems for the automotive industry (System Engineering).

Industrial Components

This segment manufactures forged components and system solutions for the resource, construction and mobility sectors (Forged Technologies) as well as slewing rings, antifriction bearings and seamless rolled rings for the wind energy and construction machinery sectors (Bearings).

Elevator Technology (discontinued operation)

This segment 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; as of July 31, 2020 it was deconsolidated.

Plant Technology

This segment builds plants for the chemical, cement and mining industries.

Marine Systems

This unit is a system provider in submarine and surface ship building and in the field of maritime electronics and security technology.

Materials Services

This segment is focused on the global distribution of materials and the provision of complex technical services for the production and manufacturing sectors.

Steel Europe

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

Corporate Headquarters

Corporate Headquarters comprises the administrative units of the group at head office in Germany as well as at the regional headquarters.

Reconciliation

The service units and special units (including the reinvestment) are presented here together with consolidation items.

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 except that intragroup leases are accounted for as operating leases in accordance with IAS 17. In accordance with the management approach which is applicable to segment reporting all figures presented are inclusive of disposal groups and discontinued operations. Intersegment pricing is determined on an arm's length basis.

thyssenkrupp's key earnings performance indicator is EBIT (Earnings Before Interest and Taxes) and adjusted EBIT. EBIT is calculated according to economic criteria and is independent from IFRS rules. It provides information on the profitability of a unit and contains all elements of the income statement relating to operating performance. This also includes items of financial income/expense that can be characterized as operational, including income and expense from investments where there is a long-term intention to hold the assets. In connection with the disposal of the elevator activities, thyssenkrupp holds a reinvestment which is accounted for inter alia using the equity method (see Note 03). This investment has no connection to continuing operations. Accordingly, all earnings effects including the equity method result are not included in EBIT. Adjusted EBIT is EBIT adjusted for special items, i.e. excluding disposal losses/gains from M&A, restructuring expenses, impairment losses/impairment reversals and other non-operating expenses and income. It is more suitable than EBIT for comparing operating performance over several periods.

Capital employed is the key indicator for capital tied up in operating activities. It mainly comprises fixed assets, inventories and receivables. Deducted from this are certain non-interest-bearing liability items such as trade accounts payable; cf. the following reconciliation.

SEGMENT INFORMATION FOR THE YEAR ENDED SEPT. 30, 2019[1)]

million €	Automotive Technology	Industrial Components	Elevator Technology[2)]	Plant Technology	Marine Systems	Materials Services	Steel Europe	Corporate Headquarters[3)]	Reconciliation	Group
For the fiscal year year ended Sept. 30, 2019										
Net sales	5,411	2,502	7,959	2,931	1,800	13,607	7,768	0	19	41,996
Internal sales within the group	(4)	20	1	12	1	273	1,297	4	(1,605)	0
Total sales	5,407	2,522	7,960	2,943	1,800	13,880	9,065	5	(1,586)	41,996
Income from companies accounted for using the equity method	0	0	3	0	0	(2)	8	0	0	9
Aggregate investment in investees accounted for using the equity method	0	0	3	0	4	37	84	0	0	128
EBIT	(126)	201	791	(164)	0	66	(123)	(293)	(80)	272
Adjusted EBIT	(22)	230	907	(145)	1	107	31	(252)	(56)	802
Average capital employed	3,006	1,391	1,292	(152)	927	3,866	5,447	(116)	1,087	16,749
Depreciation and amortization expense	246	123	88	36	52	113	443	19	36	1,156
Impairment losses of intangible assets, property, plant and equipment inclusive of investment property	89	1	1	1	0	1	0	3	0	97
Reversals of impairment losses of intangible assets, property, plant and equipment inclusive of investment property	0	0	0	0	0	0	0	0	0	0
Significant non-cash items	(120)	(60)	(951)	(169)	(71)	(48)	(286)	(99)	(13)	(1,816)
Capital expenditures (intangible assets, property, plant and equipment inclusive of investment property)	396	103	173	35	59	135	477	16	(3)	1,391

1) Figures have been adjusted.
2) Discontinued operation
3) Includes discontinued elevator operations

SEGMENT INFORMATION FOR THE YEAR ENDED SEPT. 30, 2020

million €	Automotive Technology	Industrial Components	Elevator Technology[1]	Plant Technology	Marine Systems	Materials Services	Steel Europe	Corporate Headquarters[2]	Reconciliation[3]	Group
For the fiscal year year ended Sept. 30, 2020										
Net sales	4,697	2,082	6,543	2,871	1,750	11,049	6,426	5	18	35,443
Internal sales within the group	5	17	3	27	0	250	843	4	(1,148)	0
Total sales	4,702	2,099	6,546	2,897	1,750	11,300	7,269	9	(1,130)	35,443
Income from companies accounted for using the equity method	0	0	2	0	(1)	(5)	16	0	(6)	6
Aggregate investment in investees accounted for using the equity method	0	0	0	0	4	31	87	0	600	722
EBIT	(1,157)	(29)	15,784	(265)	13	(733)	(2,656)	(354)	(128)	10,475
Adjusted EBIT	(260)	138	693	(235)	18	(110)	(946)	(210)	53	(860)
Average capital employed	3,110	1,504	1,507	(141)	1,266	3,901	5,352	(60)	1,089	17,526
Depreciation and amortization expense	300	115	156	45	59	179	465	17	(30)	1,307
Impairment losses of intangible assets, property, plant and equipment inclusive of investment property	650	142	(1)	2	0	432	1,555	1	128	2,908
Reversals of impairment losses of intangible assets, property, plant and equipment inclusive of investment property	3	0	0	0	0	0	0	0	0	3
Significant non-cash items	(274)	(100)	(603)	(179)	(46)	(142)	(208)	(64)	(52)	(1,667)
Capital expenditures (intangible assets, property, plant and equipment inclusive of investment property)	372	176	151	36	73	164	498	10	(14)	1,467

[1] Discontinued operation
[2] Includes discontinued elevator operations
[3] Includes the effect of the non-current assets that are no longer amortized or depreciated at Elevator Technology

The column „Reconciliation“ breaks down as following:

BREAKDOWN RECONCILIATION FOR THE YEAR ENDED SEPT. 30, 2019

million €	Service Units	Special Units	Consolidation	Reconciliation
For the fiscal year year ended Sept. 30, 2019				
Net sales	14	5	0	19
Internal sales within the group	289	148	(2,042)	(1,605)
Total sales	303	153	(2,042)	(1,586)
Income from companies accounted for using the equity method	0	0	0	0
Aggregate investment in investees accounted for using the equity method	0	0	0	0
EBIT	(50)	(26)	(4)	(80)
Adjusted EBIT	(37)	(18)	(1)	(56)
Average capital employed	(28)	641	475	1,087
Depreciation and amortization expense	0	0	36	36
Impairment losses of intangible assets, property, plant and equipment inclusive of investment property	0	0	0	0
Reversals of impairment losses of intangible assets, property, plant and equipment inclusive of investment property	0	0	0	0
Significant non-cash items	0	0	(13)	(13)
Capital expenditures (intangible assets, property, plant and equipment inclusive of investment property)	4	21	(28)	(3)

BREAKDOWN RECONCILIATION FOR THE YEAR ENDED SEPT. 30, 2020

million €	Service Units	Special Units	Consolidation	Reconciliation
For the fiscal year year ended Sept. 30, 2020				
Net sales	15	4	0	18
Internal sales within the group	261	112	(1,522)	(1,148)
Total sales	276	116	(1,522)	(1,130)
Income from companies accounted for using the equity method	0	(6)	0	(6)
Aggregate investment in investees accounted for using the equity method	0	600	0	600
EBIT	(35)	(189)	97	(128)
Adjusted EBIT	(26)	(19)	97	53
Average capital employed	(10)	615	484	1,089
Depreciation and amortization expense	18	38	(86)	(30)
Impairment losses of intangible assets, property, plant and equipment inclusive of investment property	0	128	0	128
Reversals of impairment losses of intangible assets, property, plant and equipment inclusive of investment property	0	0	0	0
Significant non-cash items	(12)	(41)	0	(52)
Capital expenditures (intangible assets, property, plant and equipment inclusive of investment property)	1	3	(17)	(14)

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

RECONCILIATION NET SALES

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020
Net sales as presented in segment reporting	**41,996**	**35,443**
– Net sales discontinued elevator operations	(7,960)	(6,544)
Net sales as presented in the statement of income	**34,036**	**28,899**

RECONCILIATION EBIT TO EBT

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Adjusted EBIT as presented in segment reporting	**802**	**(860)**
Special items[2]	(530)	11,334
EBIT as presented in segment reporting	**272**	**10,475**
+ Non-operating income/(expense) from companies accounted for using the equity method	0	(6)
+ Finance income	697	1,208
– Finance expense	(1,054)	(1,569)
– Items of finance income assigned to EBIT based on economic classification	(6)	(5)
+ Items of finance expense assigned to EBIT based on economic classification	9	10
EBT group	**(83)**	**10,112**
– EBT discontinued elevator operations	(772)	(15,705)
EBT from continuing operations as presented in the statement of income	**(855)**	**(5,593)**

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

Total assets in accordance with the consolidated statement of financial position can be reconciled to average capital employed as follows:

RECONCILIATION TOTAL ASSETS TO CAPITAL EMPLOYED

million €	Sept. 30, 2019	Sept. 30, 2020
Total assets	**36,475**	**36,490**
Deferred tax assets	(1,733)	(497)
Current income tax assets	(293)	(162)
Cash, cash equivalents and time deposits	(3,706)	(11,547)
Adjustments due to included assets classified as non-operating items	(330)	(1,503)
Liability items reducing capital employed:		
Provisions for other non-current employee benefits	(307)	(289)
Other provisions, non-current	(554)	(507)
Other non-financial liabilities, non-current	(6)	(6)
Provisions for current employee benefits	(357)	(156)
Other provisions, current	(1,726)	(1,188)
Trade accounts payable	(6,355)	(3,475)
Other financial liabilities, current	(1,209)	(665)
Contract liabilities	(4,561)	(3,073)
Other non-financial liabilities, current	(2,373)	(1,575)
Adjustments due to included liabilities classified as non-operating items	527	258
Adjustments of assets/liabilities due to presentation of discontinued operations	0	0
Capital employed as of balance sheet date	**13,493**	**12,105**
Impact from adjusting average capital employed to capital employed as of balance sheet date	919	3,443
Average capital employed (5-points-average)	**14,412**	**15,548**
Correction factors with increasing impact on performance requirements for positive value added	2,337	1,978
Average capital employed as presented in segment reporting	**16,749**	**17,526**

In presenting information for geographical areas, allocation of sales is based on the location of the customer. Allocation of segment assets and capital expenditures is based on the location of the assets. Capital expenditures are presented in line with the definition of the cash flow statement.

There are no individual customers that generate sales values that are material to the group's consolidated net sales.

EXTERNAL SALES BY REGIONS

million €	Germany	USA	China	Outside Germany	Group
External sales (location of customer)					
Year ended Sept. 30, 2019	11,775	7,071	3,035	20,115	**41,996**
Year ended Sept. 30, 2020	9,556	5,844	2,959	17,083	**35,443**

NON-CURRENT ASSETS BY REGIONS

million €	Germany	USA	China	Outside Germany	Group
Non-current assets (intangible assets, property, plant and equipment inclusive of investment property and other non-financial assets) (location of assets)					
Sept. 30, 2019	7,272	1,578	909	3,654	**13,413**
Sept. 30, 2020	5,323	379	525	2,398	**8,624**

Notes to the statement of income

25 Sales

Sales and sales from contracts with customers are presented below:

SALES

million €	Automotive Technology	Industrial Components	Plant Technology	Marine Systems	Materials Services	Steel Europe	Corporate Headquarters	Reconciliation	Group
Year ended Sept. 30, 2019[1)]									
Sales from sale of finished products	3,604	2,139	407	41	3,014	8,270	2	(1,258)	16,220
Sales from sale of merchandise	547	307	37	17	10,153	257	0	(168)	11,150
Sales from rendering of services	271	12	542	38	689	162	2	(160)	1,556
Sales from construction contracts	964	0	1,893	1,682	0	0	0	(24)	4,515
Other sales from contracts with customers	24	67	66	22	120	381	0	(9)	669
Subtotal sales from contracts with customers	**5,409**	**2,525**	**2,945**	**1,800**	**13,976**	**9,070**	**5**	**(1,620)**	**34,109**
Other sales	(2)	(3)	(1)	1	(96)	(5)	0		(73)
Total	**5,407**	**2,522**	**2,943**	**1,800**	**13,880**	**9,065**	**5**	**(1,620)**	**34,036**
Year ended Sept. 30, 2020									
Sales from sale of finished products	3,412	1,815	146	59	2,490	6,731	0	(807)	13,847
Sales from sale of merchandise	389	241	42	16	8,036	179	0	(124)	8,780
Sales from rendering of services	204	8	378	42	587	134	9	(143)	1,220
Sales from construction contracts	683	0	2,281	1,626	0	0	0	(14)	4,576
Other sales from contracts with customers	14	42	42	7	77	226	0	(12)	396
Subtotal sales from contracts with customers	**4,702**	**2,106**	**2,890**	**1,750**	**11,190**	**7,271**	**9**	**(1,099)**	**28,819**
Other sales	0	(7)	8	0	110	(1)	0		79
Total	**4,702**	**2,099**	**2,897**	**1,750**	**11,300**	**7,269**	**9**	**(1,099)**	**28,899**

[1)] Figures have been adjusted (cf. Note 03 and 24).

SALES FROM CONTRACTS WITH CUSTOMERS BY CUSTOMER GROUP

million €	Automotive Technology	Industrial Components	Plant Technology	Marine Systems	Materials Services	Steel Europe	Corporate Headquarters	Reconciliation	Group
Year ended Sept. 30, 2019[1)]									
Automotive	5,045	991	0	0	2,206	2,658	2	(182)	10,719
Trading	253	96	0	17	1,820	1,977	0	(865)	3,298
Engineering	36	1,309	1,290	21	1,330	306	0	(119)	4,173
Steel and related processing	5	25	41	0	2,734	2,087	2	(425)	4,469
Construction	0	30	0	0	684	17	0	0	732
Public sector	0	6	0	1,724	66	1	0	4	1,800
Packaging	0	1	9	0	102	1,321	0	1	1,435
Energy and utilities	0	14	138	0	194	277	0	0	623
Other customer groups	70	52	1,466	38	4,840	426	0	(33)	6,860
Total	**5,409**	**2,525**	**2,945**	**1,800**	**13,976**	**9,070**	**5**	**(1,620)**	**34,109**
Year ended Sept. 30, 2020									
Automotive	4,382	633	0	0	1,566	2,033	2	(45)	8,571
Trading	229	74	18	6	1,856	1,741	1	(726)	3,198
Engineering	30	1,271	1,430	12	1,025	257	0	(90)	3,934
Steel and related processing	5	31	22	0	2,146	1,494	0	(247)	3,451
Construction	0	15	0	0	645	25	0	(5)	681
Public sector	0	4	1	1,687	50	0	0	(2)	1,741
Packaging	0	1	2	0	89	1,199	0	(2)	1,289
Energy and utilities	0	22	0	0	135	207	0	0	364
Other customer groups	56	55	1,417	47	3,677	315	6	17	5,590
Total	**4,702**	**2,106**	**2,890**	**1,750**	**11,190**	**7,271**	**9**	**(1,099)**	**28,819**

1) Figures have been adjusted (cf. Note 03 and 24).

SALES FROM CONTRACTS WITH CUSTOMERS BY REGION

million €	Automotive Technology	Industrial Components	Plant Technology	Marine Systems	Materials Services	Steel Europe	Corporate Headquarters	Reconciliation	Group
Year ended Sept. 30, 2019[1]									
German-speaking area[2]	1,932	508	167	516	4,809	4,945	4	(966)	11,914
Western Europe	713	545	110	93	3,541	1,955	1	(365)	6,592
Central and Eastern Europe	342	47	316	2	1,690	604	0	(130)	2,870
Commonwealth of Independent States	18	24	142	1	55	66	0	0	305
North America	1,104	683	366	12	3,112	767	0	(134)	5,911
South America	144	170	199	6	44	113	0	1	677
Asia / Pacific	66	72	593	388	374	83	0	(3)	1,574
Greater China	1,015	402	200	1	77	136	0	1	1,830
India	25	55	225	37	34	65	0	0	440
Middle East & Africa	50	18	626	745	242	337	0	(23)	1,996
Total	**5,409**	**2,525**	**2,945**	**1,800**	**13,976**	**9,070**	**5**	**(1,620)**	**34,109**
Year ended Sept. 30, 2020									
German-speaking area[2]	1,392	403	215	322	4,123	3,970	8	(827)	9,606
Western Europe	761	400	117	123	2,542	1,535	0	(101)	5,377
Central and Eastern Europe	282	39	490	0	1,379	547	0	(56)	2,681
Commonwealth of Independent States	12	17	163	0	35	55	0	0	283
North America	1,039	437	207	7	2,368	554	1	(90)	4,522
South America	91	113	197	11	35	99	0	(3)	543
Asia / Pacific	41	68	598	373	371	55	0	(3)	1,503
Greater China	1,008	585	191	0	102	139	0	(8)	2,018
India	12	29	249	37	51	43	0	(1)	420
Middle East & Africa	64	16	464	877	185	272	0	(11)	1,866
Total	**4,702**	**2,106**	**2,890**	**1,750**	**11,190**	**7,271**	**9**	**(1,099)**	**28,819**

[1] Figures have been adjusted (cf. Note 03 and 24).
[2] Germany, Austria, Switzerland, Liechtenstein

Of the sales from contracts with customers, €5,534 million (prior year: €6,351 million) results from long-term contracts and €23,285 million (prior year: €27,758 million) from short-term contracts, €6,212 million (prior year: €7,315 million) relates to sales recognized over time, and €22,607 million (prior year: €26,794 million) to sales recognized at a point in time.

26 Other income

OTHER INCOME

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Gains from premiums and from grants	17	51
Insurance compensation	99	31
Miscellaneous	174	163
Total	**290**	**245**

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

Gains from premiums and from grants mainly include refunds of social security contributions in connection with the utilization of short-time work allowance in Germany, which the group received from the public sector for the continuing operations. Miscellaneous other income includes a multitude of minor single items resulting from the 331 (prior year: 335 without the discontinued elevator operations) consolidated companies.

27 Other expenses

OTHER EXPENSES

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Additions to/reversals of provisions	127	5
Goodwill impairment	0	777
Other taxes	19	18
Miscellaneous	125	98
Total	**271**	**897**

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

Miscellaneous other expenses include a multitude of minor single items resulting from the 331 (prior year: 335 without the discontinued elevator operations) consolidated companies.

28 Other gains/(losses), net

OTHER GAINS/(LOSSES), NET

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Gain/(loss) on disposal of intangible assets, net	5	2
Gain/(loss) on disposal of property, plant and equipment, net (without investment property)	36	13
(Gain)/loss on disposal of right-of-use assets	0	0
Gain/(loss) on disposal of investment property, net	5	1
Gain/(loss) on disposal of subsidiaries, net	1	0
Miscellaneous	(2)	(15)
Total	**46**	**1**

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

29 Financial income/(expense), net

FINANCIAL INCOME/(EXPENSE), NET

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Income from companies accounted for using the equity method	**6**	**4**
Interest income from financial receivables	22	14
Income from investments	6	5
Other finance income	626	1,170
Finance income	**654**	**1,188**
Interest expense from financial debt	(171)	(203)
Net interest cost of pensions and similar obligations	(122)	(59)
Expense from investments	0	0
Other finance expenses	(706)	(1,264)
Finance expense	**(999)**	**(1,525)**
Total	**(340)**	**(333)**

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

For the investments accounted for using the equity method of accounting cf. also Note 06.

The line items “interest income from financial receivables” and “other finance income” include interest income from financial assets that are not measured at fair value through profit or loss of €14 million (prior year: €22 million) and the line items “interest expense from financial debt” and “other finance expenses” include interest expense from financial liabilities that are not measured at fair value through profit or loss of €201 million (prior year: €169 million).

30 Leases in the statement of income

The following table presents income and expenses resulting from leases:

LEASES IN THE STATEMENT OF INCOME – CONTINUING OPERATIONS

million €	Year ended Sept. 30, 2020
Other sales	
Income from operating lease	3
Lease expense	
Expense from short-term leases	31
Expense from leases for low-value assets	2
Expense from off-balance variable lease payments	2
Depreciation and amortization expense	
Depreciation of right-of-use assets	145
Impairment of right-of-use assets	10
Other gains/(losses), net	
(Gain)/loss on disposal of right-of-use assets	0
Financial income/(expense), net	
Interest expense from lease liabilities	22

There wasn't any income from sublease contracts or any gain or loss from sale and lease back transactions.

Furthermore lease effects exist at the discontinued elevator operations that in the 10 months of 2019 / 2020 until deconsolidation mainly result from the depreciation of the right-of-use assets in the amount of €35 million, expense from short-term lease of €10 million and interest expense from lease liabilities of €9 million; these effects are included in the line item "income/(loss) from discontinued operations (net of tax)".

31 Income taxes

Income tax expense/(benefit) of the group consists of the following:

BREAKDOWN OF INCOME TAX EXPENSE/(BENEFIT)

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Current income tax expense/(benefit)	121	133
Deferred income tax expense/(benefit)	135	(185)
Total	**255**	**(52)**

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

The components of income taxes recognized in total equity are as follows:

INCOME TAXES RECOGNIZED IN TOTAL EQUITY

million €	Year ended Sept. 30, 2019[1]	Year ended Sept. 30, 2020
Income tax expense/(benefit) as presented on the statement of income	255	(52)
Income tax expense on discontinued operations	(79)	572
Income non-effective tax effect on other comprehensive income		
Continuing operations	(316)	966
Discontinued operations	(17)	38
Total	**(156)**	**1,524**

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

As of September 30, 2020, 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 €813 million (prior year: €452 million).

Components of the deferred tax assets and liabilities are as follows:

INVENTORY OF DEFERRED TAX ASSETS AND LIABILITIES

million €	Sept. 30, 2019		Year ended Sept. 30, 2020		Sept. 30, 2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax benefit (+) / expense (-)	Miscellaneous	Deferred tax assets	Deferred tax liabilities
Deferred income taxes on non-current items						
Intangible assets	376	431	186	(73)	201	142
Property, plant and equipment (inclusive of investment property)	112	445	429	1	240	142
Financial assets	62	23	38	(3)	86	12
Other assets	0	68	(10)	23	1	55
Accrued pension and similar obligations	1,510	8	(106)	28	1,432	7
Other provisions	92	31	57	(1)	137	22
Other liabilities	194	89	(308)	(16)	65	284
Deferred income taxes on current items						
Inventories	356	78	42	(56)	313	49
Other assets	668	1,092	147	43	636	871
Other provisions	206	325	13	(66)	71	243
Other liabilities	901	472	118	(137)	763	353
Valuation allowance – temporary differences	(27)	—	(354)	(1,054)	(1,435)	—
Subtotal	**4,450**	**3,062**	**252**	**(1,310)**	**2,511**	**2,181**
Tax loss carried forward	1,214	—	1,038	(155)	2,097	—
Interest carried forward	225	—	54	0	278	—
Foreign tax credits	26	—	0	(4)	22	—
Valuation allowance – tax loss carried forward etc.	(1,168)	—	(1,158)	37	(2,288)	—
Subtotal	**297**	**0**	**(66)**	**(122)**	**109**	**0**
Gross amount before offsetting	**4,747**	**3,062**	**185**	**(1,431)**	**2,620**	**2,181**
Offsetting	(3,014)	(3,014)	—	—	(2,124)	(2,124)
Balance sheet amount	**1,733**	**48**	**—**	**—**	**497**	**58**

As of September 30, 2020, tax losses carried forward for which no deferred tax asset is recognized amount to €7,760 million (prior year: €4,160 million). According to tax legislation as of September 30, 2020, an amount of €7,478 million (prior year: €4,027 million) of these tax losses may be carried forward indefinitely and in unlimited amounts whereas an amount of €282 million (prior year: €133 million) of these tax losses carried forward will expire over the next 20 years if not utilized.

As of September 30, 2020, based on the existing tax losses carried forward, the following deferred tax assets are recognized among others, because these are supported by substantial evidence for sufficient future taxable income: Acciai Speciali Terni S.p.A. €10 million (prior year: €79 million), thyssenkrupp NA Holding Corp. €12 million (prior year: €0 million), thyssenkrupp Components Technology de México, S.A. de C.V. €12 million (prior year: €0 million), thyssenkrupp Industrial Solutions (Australia) Pty. Ltd. €13 million (prior year: €10 million), thyssenkrupp France S.A.S. €15 million (prior year: €0 million), thyssenkrupp rothe erde USA Inc. €17 million (prior year: €18 million).

In Germany, deferred tax assets for deductible temporary differences (esp. in connection with pensions and similar obligations) in the amount of €1,359 million are not recognized because management cannot expect with sufficient probability that taxable income will be available in Germany in the future. In the prior year deferred tax assets for deductible temporary differences in the amount of €838 million were recognized. The write-off of the deferred tax assets that were recognized as of September 30, 2019 resulted in deferred tax expense in the amount of €102 million and an income non-effective tax effect on other comprehensive income in the amount of €736 million. In fiscal year ended September 30, 2020 the release of deferred tax liabilities resulted in deferred tax benefit in the amount of €268 million as well as an additional write-off of deferred tax assets with deferred tax expense in the amount of €31 million and an income non-effective tax effect on other comprehensive income in the amount of €237 million. Beyond that, deferred tax assets in an additional amount of €253 million were not recognized.

The German corporate income tax law applicable for 2019 / 2020 sets a statutory income tax rate of 32.3% (prior year: 32.0%) taking into account the different German municipal tax rates. The applicable tax rates for companies outside Germany range from 9.0% to 37.5% (prior rate: 9.0% to 37.5%).

TAX RATE RECONCILIATION

million €	Year ended Sept. 30, 2019[1]	in %	Year ended Sept. 30, 2020	in %
Expected income tax expense/(benefit)	(274)	32.0	(1,806)	32.3
Tax rate differentials to the German combined income tax rate	24	(2.8)	123	(2.2)
Changes in tax rates or laws	7	(0.8)	6	(0.1)
Change in valuation allowance	411	(48.1)	1,291	(23.1)
Permanent items	90	(10.5)	261	(4.7)
Tax consequences of disposal of businesses	(1)	0.1	0	0.0
Income/(loss) from companies accounted for using the equity method	(2)	0.2	(1)	0.0
Non-creditable withholding taxes	30	(3.5)	30	(0.5)
Tax expense/(benefit) related to prior periods	(33)	3.9	41	(0.7)
Others	2	(0.2)	1	0.0
Income tax expense/(benefit) as presented on the statement of income	**255**	**(29.8)**	**(52)**	**0.9**

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

32 Earnings per share

Basic earnings per share are calculated as follows:

EARNINGS PER SHARE

	Year ended Sept. 30, 2019[1]		Year ended Sept. 30, 2020	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
Income/(loss) from continuing operations (net of tax) (attributable to thyssenkrupp AG's shareholders)	(1,153)	(1.85)	(5,547)	(8.91)
Income/(loss) from discontinued operations (net of tax) (attributable to thyssenkrupp AG's shareholders)	849	1.36	15,132	24.31
Net income/(loss) (attributable to thyssenkrupp AG's shareholders)	**(304)**	**(0.49)**	**9,585**	**15.40**
Weighted average shares	622,531,741		622,531,741	

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

There were no dilutive securities in the periods presented.

33 Additional disclosures on the statement of income

Personnel expenses included in the statement of income are comprised of:

PERSONNEL EXPENSES

million €	Year ended Sept. 30, 2019	Year ended Sept. 30, 2020
Wages and salaries	7,766	7,065
Social security taxes	1,330	1,304
Net periodic pension cost – defined benefit [1]	210	203
Net periodic pension costs – defined contribution	173	163
Other expenses for pensions and retirements	213	546
Related fringe benefits	402	328
Total	**10,094**	**9,610**

[1] Excluding net interest that is recognized as part of financial expenses.

The annual average number of employees is as follows:

ANNUAL AVERAGE NUMBER OF EMPLOYEES

	Year ended Sept. 30, 2019 [1]	Year ended Sept. 30, 2020
Automotive Technology	25,184	25,303
Industrial Components	14,257	13,080
Elevator Technology	53,082	43,472
Plant Technology	11,237	11,102
Marine Systems	5,870	6,148
Materials Services	20,321	19,696
Steel Europe	27,875	27,771
Corporate Headquarters	1,132	923
Reconciliation	2,651	2,394
Total	**161,609**	**149,889**
Thereof:		
Wage earners	84,334	77,761
Salary earners	73,417	68,361
Trainees	3,858	3,767

[1] Figures have been adjusted to the new segmentation (cf. Note 24)

Auditors’ fees and services

For the services performed by the auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and the companies of the worldwide PricewaterhouseCoopers association the following fees (including expenses) were recognized as expenses:

FEES OF AUDITOR

million €	Year ended Sept. 30, 2019 Total	Year ended Sept. 30, 2019 thereof Germany	Year ended Sept. 30, 2020 Total	Year ended Sept. 30, 2020 thereof Germany
Audit fees	17	10	15	9
Audit-related fees	1	1	9	7
Tax fees	0	0	1	0
Fees for other services	0	0	1	0
Total	**18**	**11**	**25**	**17**

The audit fees include primarily fees for the year-end audit of the consolidated financial statements, the auditors' review of the interim consolidated financial statements and the statutory auditing of thyssenkrupp AG and the subsidiaries included in the group's consolidated financial statements. The audit-related fees mainly relate to services performed in the context of the disposal of Elevator. The tax fees include in particular fees for the preparation of tax returns as well as for tax advice in connection with projects and group-internal reorganizations. The fees for other services are mainly fees for project-related consulting services.

Notes to the statement of cash flows

34 Additional information on the statement of cash flows

The liquid funds considered in the consolidated statement of cash flows can be derived from the balance sheet position "Cash, cash equivalents and time deposits" as following:

RECONCILIATION OF LIQUID FUNDS

million €	Sept. 30, 2019	Sept. 30, 2020
Cash, cash equivalents and time deposits according to the balance sheet	3,706	11,547
– Time deposits	–	(850)
Liquid funds according to statement of cash flows	3,706	10,697

Time deposits are not classified as cash equivalents. Time deposits have a term of more than three months up to 12 months. The maximum risk exposure equals the book value of the time deposit.

As of September 30, 2020 cash and cash equivalents of €101 million (prior year: €0 million) result from the joint operation HKM.

Non-cash investing activities

In the year ended September 30, 2020 a non-cash addition of €139 million results from of right-of-use assets according to IFRS 16.

Non-cash financing activities

In the year ended September 30, 2020 a non-cash decrease of financial debt of €297 million results from the deconsolidation of Elevator Technology.

Changes of liabilities/assets from financing activities

The following tables show the changes of liabilities/assets from financing activities including the changes of cash flows and non-cash items:

RECONCILIATION IN ACCORDANCE WITH IAS 7

million €	Year ended Sept. 30, 2018	Cash flows from financing activities	Non-cash changes: Acquisitions/ divestitures of businesses	Currency differences	Fair value changes	Other changes	Year ended Sept. 30, 2019
Bonds	4,678	1,250	0	0	0	(6)	5,922
Loan notes / other loans	485	678	(14)	0	0	34	1,183
Liabilities to financial institutions	192	150	14	(50)	0	(33)	273
Other financial liabilities	21	16	0	0	0	0	37
Subtotal financial debt	**5,377**	**2,094**	**0**	**(50)**	**0**	**(5)**	**7,415**
Assets/liabilities from other financing activities	205	(21)	0	35	37	0	256
Total	**5,582**	**2,073**	**0**	**(14)**	**37**	**(5)**	**7,672**

RECONCILIATION IN ACCORDANCE WITH IAS 7

million €	Year ended Sept. 30, 2019	Cash flows from financing activities	Non-cash changes: Acquisitions/ divestitures of businesses	Currency differences	Fair value changes	Other changes	Year ended Sept. 30, 2020
Bonds	5,922	(750)	0	0	0	9	5,182
Loan notes / other loans	1,183	(721)	(3)	0	0	0	459
Liabilities to financial institutions	273	(80)	(2)	23	0	0	214
Lease liabilities	37	(209)	(292)	(34)	0	1,145	647
Other financial liabilities	0	0	0	0	0	0	0
Subtotal financial debt	**7,415**	**(1,761)**	**(296)**	**(11)**	**0**	**1,154**	**6,502**
Assets/liabilities from other financing activities	286	(123)	2	(51)	(4)	0	110
Total	**7,701**	**(1,884)**	**(294)**	**(62)**	**(4)**	**1,154**	**6,611**

The column “Other changes” mainly includes the effects of the adoption of IFRS 16.

Leases in the statement of cash flows

In the statement of cash flows, the interest component of the leases carried in the balance sheet is shown under operating cash flows and the repayment component under cash flows from financing activities. In the year ended September 30, 2020, the total cash outflows of the group as a lessee amounted to €181 million for the continuing operations and to €90 million for the discontinued operations.

The following possible cash outflows at the lessee were not included in the lease liability and will only be included in the statement of cash flows if they actually result in outflows in future periods:

POTENTIAL FUTURE LEASE PAYMENTS

million €	Sept. 30, 2020
Extension and/or termination options as well as call options	(182)
Residual value guarantees	(2)
Lease commitments	(22)
Total	**(206)**

Possible future lease payments by the lessee arising from the exercise of options were not included in the lease liability if the exercise of the respective options was not considered reasonably certain. These options include lease payments from lease extension options, penalties from the exercise of termination options and payments from purchase options. Only if there is a high probability that the options will be exercised are they considered to be exercisable and recognized as lease liabilities. If facts and circumstances change, a reassessment of the exercise of the options is undertaken.

If infinitely revolving lease extension options exist for leasehold contracts in individual cases, their payments are not included in the possible future lease payments. An estimate of the term was made when determining the corresponding lease liability.

Individual leases can contain several options. The thyssenkrupp group uses options to achieve the greatest possible operating flexibility. Such options can generally only be exercised by the thyssenkrupp group as lessee. In addition, the leases do not contain any clauses that significantly restrict the group by requiring it to meet certain commitments.

Subsequent events

35 Subsequent events

The economic situation in Germany and Europe continues to be dominated by the coronavirus pandemic. Case numbers have been rising again significantly since mid-October 2020, causing the German government to introduce new restrictions for November 2020 aimed at reducing contacts and thus the overall risk of infection. Based on the experience gained since spring 2020 the company is prepared for this situation in terms of organization and processes. Due to the uncertainties associated with the pandemic, further impacts on the results of operations and financial position of the company cannot be ruled out.

Other information

36 Declarations of conformity with the German Corporate Governance Code in accordance with Art. 161 of the German Stock Corporation Act (AktG)

The Executive Board and the Supervisory Board of thyssenkrupp AG issued the declaration of conformity in accordance with Art. 161 of the Stock Corporation Act (AktG) and made it publicly available to the shareholders on the company's website on October 1, 2020.

The declaration of conformity of our exchange-listed subsidiary Eisen- und Hüttenwerke AG was issued on October 1, 2020 and is now publicly available to the shareholders on the company's website.

37 Application of Art. 264 Par. 3 and Art. 264b of German Commercial Code (HGB)

The following domestic subsidiaries in the legal form of a capital corporation or a commercial partnership as defined in Art. 264a partly made use of the exemption clause included in Art. 264 Par. 3 and Art. 264b of German Commercial Code:

A	
ATLAS ELEKTRONIK GmbH	Bremen
B	
Becker & Co. GmbH	Neuwied
BERCO Deutschland GmbH	Ennepetal
Blohm + Voss Shipyards & Services GmbH	Hamburg
D	
DWR – Deutsche Gesellschaft für Weißblechrecycling mbH	Andernach
E	
EH Güterverkehr GmbH	Duisburg
G	
German Marine Systems GmbH	Hamburg
H	
Hagenuk Marinekommunikation GmbH	Flintbek
J	
Jacob Bek GmbH	Ulm
K	
KBS Kokereibetriebsgesellschaft Schwelgern GmbH	Duisburg
M	
Max Cochius GmbH	Berlin
P	
PSL Wälzlager GmbH	Dietzenbach
R	
Rasselstein Verwaltungs GmbH	Neuwied
Reisebüro Dr. Tigges GmbH	Essen

T	
Thyssen Stahl GmbH	Düsseldorf
thyssenkrupp Academy GmbH	Düsseldorf
thyssenkrupp Aerospace Germany GmbH	Rodgau
thyssenkrupp Automotive Systems GmbH	Essen
thyssenkrupp Bilstein GmbH	Ennepetal
thyssenkrupp Business Services GmbH (ab 01.10.2020 thyssenkrupp Information Management GmbH)	Essen
thyssenkrupp Components Tech GmbH	Essen
thyssenkrupp DeliCate GmbH	Düsseldorf
thyssenkrupp Dritte Beteiligungsgesellschaft mbH	Duisburg
thyssenkrupp Edelstahl-Service-Center GmbH	Willich
thyssenkrupp Electrical Steel GmbH	Gelsenkirchen
thyssenkrupp Electrical Steel Verwaltungsgesellschaft mbH	Gelsenkirchen
thyssenkrupp Facilities Services GmbH	Essen
thyssenkrupp Federn GmbH	Hagen
thyssenkrupp Federn und Stabilisatoren GmbH	Hagen
thyssenkrupp Fertilizer Technology GmbH	Dortmund
thyssenkrupp Fünfte Beteiligungsgesellschaft mbH	Essen
thyssenkrupp Gerlach GmbH	Homburg/Saar
thyssenkrupp GfT Gleistechnik GmbH	Essen
thyssenkrupp Grundbesitz Verwaltungs GmbH	Essen
thyssenkrupp Hohenlimburg GmbH	Hagen
thyssenkrupp Hohenlimburg Kompetenzwerkstatt GmbH	Hagen
thyssenkrupp Immobilien Verwaltungs GmbH	Essen
thyssenkrupp Industrial Crankshafts GmbH	Homburg/Saar
thyssenkrupp Industrial Solutions AG	Essen
thyssenkrupp Infrastructure GmbH	Essen
thyssenkrupp Intellectual Property GmbH	Essen
thyssenkrupp Management Consulting GmbH	Düsseldorf
thyssenkrupp Marine Systems GmbH	Kiel
thyssenkrupp Materials Business Services GmbH	Essen
thyssenkrupp Materials IoT GmbH	Essen

T	
thyssenkrupp Materials Processing Europe GmbH	Krefeld
thyssenkrupp Materials Services GmbH	Essen
thyssenkrupp Materials Trading GmbH	Essen
thyssenkrupp Plastics GmbH	Essen
thyssenkrupp Presta Chemnitz GmbH	Chemnitz
thyssenkrupp Presta Ilsenburg GmbH	Ilsenburg
thyssenkrupp Presta Mülheim GmbH	Mülheim
thyssenkrupp Presta Schönebeck GmbH	Schönebeck
thyssenkrupp Rasselstein GmbH	Andernach
thyssenkrupp Regional Services Germany GmbH ab 01.10.2020: thyssenkrupp Services GmbH)	Essen
thyssenkrupp rothe erde Germany GmbH	Dortmund
thyssenkrupp Schulte GmbH	Essen
thyssenkrupp Senior Experts GmbH	Essen
thyssenkrupp smart steel GmbH	Duisburg
thyssenkrupp Stainless GmbH	Essen
thyssenkrupp Steel Business Services GmbH	Duisburg
thyssenkrupp Steel Europe AG	Duisburg
thyssenkrupp System Engineering GmbH	Essen
thyssenkrupp Technologies Beteiligungen GmbH	Essen
thyssenkrupp Transrapid GmbH	Kassel
thyssenkrupp Uhde Engineering Services GmbH	Dortmund
thyssenkrupp USA Holding AG & Co KG	Essen
thyssenkrupp Valvetrain GmbH	Ilsenburg
thyssenkrupp Vermietungs GmbH	Duisburg
U	
Uhde High Pressure Technologies GmbH	Hagen
Uhde Inventa-Fischer GmbH	Berlin
Uhde Services and Consulting GmbH	Dortmund
V	
Vermögensverwaltungsgesellschaft TAUS mbH	Grünwald

The following Dutch subsidiaries made use of the exemption clause included in Art. 2:403 of the Civil Code of the Netherlands:

T	
thyssenkrupp Nederland Holding B.V.	Roermond
thyssenkrupp Veerhaven B.V.	Rotterdam

38 List of the group's subsidiaries and equity investments

A complete listing of the group's subsidiaries and equity interests is published in the German Federal Gazette and is available on the thyssenkrupp website at **www.thyssenkrupp.com**.

Independent Auditor's Report

To thyssenkrupp AG, Duisburg and Essen

Report on the audit of the Consolidated Financial Statements and the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of thyssenkrupp AG, Duisburg and Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2020 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from October 1, 2019 to September 30, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of thyssenkrupp AG, which is combined with the Company's management report, including the non-financial statement pursuant to § [Article] 289b Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and § 315b Abs. 1 HGB for the financial year from October 1, 2019 to September 30, 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § 289f HGB and § 315d HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs.1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at September 30, 2020, and of its financial performance for the financial year from October 1, 2019 to September 30, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537 / 2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from October 1, 2019 to September 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

① Recoverability of goodwill

② Presentation of deferred tax assets

③ Recoverability of property, plant and equipment and other intangible assets (excluding goodwill)

④ Accounting effects of the disposal of the elevator business Elevator Technology

Our presentation of these key audit matters has been structured in each case as follows:

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

Hereinafter we present the key audit matters:

① Recoverability of goodwill

① In the consolidated financial statements of thyssenkrupp AG, goodwill amounting to €1,481 million (15% of Group equity) is reported under the balance sheet item "Intangible assets" of the statement of financial position. The Company allocates the goodwill to the relevant groups of cash-generating units. Goodwill is subject to an impairment test at least once annually as of the balance sheet date and if there are indications of impairment to determine any possible need for write-downs. During the impairment test, the value in use determined for the respective group of cash-generating units is generally compared against the carrying amounts reported for that group of cash-generating units. The discounted cash flow method is used to determine the values in use for the respective group of cash-generating units on the basis of the thyssenkrupp-group's budget projections adopted by the executive directors, which among other things also takes into account the expected effects of the ongoing Corona crisis on the thyssenkrupp-group's business activities. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that even after taking into account the fair value less costs of disposal it was necessary to recognize write-downs amounting to a total of €777 million with respect to five groups of cash-generating units. The result of this measurement depends to a large extent on the executive directors' assessment and assumptions with respect to future cash flows of the respective group of cash-generating units, including in the light of the effects of the Corona crisis, and the discount rate used, and is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the measurement models, this matter was of particular importance for our audit.

② As part of our audit, we evaluated, among other things, the method used for performing impairment tests and assessed the calculation of the weighted average cost of capital. In addition, we assessed the appropriateness of the future cash flows used in the measurement, specifically by reconciling this information to the budget projections and by comparing selected budget projection assumptions with general and sector-specific market expectations. We evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the thyssenkrupp-group's business activities and examined how they were taken into account in the budget projections. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value in use calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. In addition, we carried out a detailed examination of the measurement model and the budget projections for selected groups of cash-generating units as of the balance sheet date. The selection was based on qualitative criteria and the amount by which the value in use exceeded the respective carrying amount. In this connection, among other things, we analyzed on the basis of further evidence the consistency of planning assumptions and the viability of planned measures to increase future cash flows, and discussed this in detail with the management. We assessed the feasibility of the material measures which have an impact on value against the backdrop of, among other things, the business concept to date as well as current and expected market conditions. In addition, we conducted our own sensitivity analyses. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures on goodwill and goodwill impairment are contained in section 04 of the notes to the consolidated financial statements.

② Presentation of deferred tax assets

① After set-offs and impairments, a total of €497 million in deferred tax assets (5% of Group equity) and €58 million in deferred tax liabilities (1% of Group equity) are reported in the consolidated financial statements of thyssenkrupp AG. Deferred tax assets were recognized to the extent that the executive directors consider it probable that taxable profit will be available in future through which deductible temporary differences, unused tax losses and interest carryforwards can be utilized. For this purpose, if insufficient deferred tax liabilities are available, future taxable profits are projected on the basis of the adopted budget projections, which among other things also takes into account the expected effects of the ongoing Corona crisis on the thyssenkrupp-group's business activities. Deferred taxes are calculated using future tax rates, to the extent they have already been enacted or substantively enacted. Of the €6,343 million in the thyssenkrupp-group's total deferred tax assets before impairments and set-offs, €2,097 million was attributable to loss carryforwards and €278 million was attributable to interest carryforwards. €2,288 million of these deferred tax assets for loss carryforwards and interest carryforwards were adjusted, because it was not expected that sufficient taxable profit would be available to the relevant tax payer of the thyssenkrupp-group. In our view, this matter was of particular importance for our audit given the amounts involved and their dependence on the executive directors' estimates and assumptions.

② As part of our audit, we assessed, among other things, the processes and controls implemented for recording tax matters and the appropriateness of the accounting treatment. In instances where sufficient deferred tax liabilities were not available, we have assessed the recoverability of deferred tax assets in relation to interest carryforwards, loss carryforwards and temporary differences between the IFRS and tax accounts, on the basis the tax projections for the thyssenkrupp-group prepared by the executive directors under consideration of the executive directors' assessment regarding the effects of the Corona crisis on the thyssenkrupp-group's business activities, and have evaluated the appropriateness of the underlying budget assumptions. On the basis of our audit procedures, we were able to follow the executive directors' estimates and assumptions relating to the recognition and measurement of deferred taxes and to satisfy ourselves as of the appropriateness of those estimates and assumptions.

③ The Company's disclosures relating to deferred taxes are contained in section 31 of the notes to the consolidated financial statements.

③ Recoverability of property, plant and equipment and other intangible assets (excluding goodwill)

① In the consolidated financial statements of thyssenkrupp AG, property, plant and equipment and other intangible assets (excluding goodwill) of €6,913 million (19% of total assets and 68% of Group equity) are reported. The value of the property, plant and equipment and other intangible assets is mainly attributable to the Steel Europe and Automotive Technology segments. The assets are subject to an impairment test if internal or external indicators suggest a possible impairment. In the current financial year, the impairment tests were triggered in particular by the Corona crisis and the resulting drop in demand and generally clouded market expectations. The impairment test is performed at the level of the cash-generating unit in accordance with IAS 36. The carrying amount of the relevant cash-generating unit is compared with the corresponding recoverable amount for the purposes of the impairment test. The recoverable amount is generally calculated on the basis of the value in use, unless the fair value less costs of disposal is higher. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of measurement. The present values are calculated using discounted cash flow models. For this purpose, the thyssenkrupp-group 's budget projections adopted by the executive directors, which among other things also takes into account the expected effects of the ongoing Corona crisis on the thyssenkrupp-group's business activities, serves as a starting point. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit. The impairment test determined that it was necessary to recognize write-downs amounting to a total of €2,131 million, mainly in the Steel Europe and Automotive Technology segments. The result of this measurement depends to a large extent on the executive directors' assessment and assumptions with respect to future cash flows of the respective group of cash-generating units, including in the light of the effects of the Corona crisis, the discount rate used and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complexity of the measurement, this matter was of particular importance for our audit.

② As part of our audit, we examined, among other things, the existence of indicators of a possible impairment and the methodology used for the impairment tests. For selected impairment tests, which were selected on the basis of qualitative and quantitative factors, we assessed the appropriateness of the future cash flows used in the measurement after reconciling this information to the adopted budget projections of the thyssenkrupp-group, in particular by comparing selected planning assumptions with general and sector-specific market expectations. We evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the thyssenkrupp-group's business activities and assessed how they were taken into account in the budget projections. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value in use calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. In order to account for the uncertainties of the forecast, we have reproduced the sensitivity analyses prepared by the Company. Overall, the measurement parameters and assumptions used by the executive directors are within the ranges considered by us to be reasonable.

③ The Company's disclosures relating to the recoverability of property, plant and equipment and other intangible assets are contained in section 05 of the notes to the consolidated financial statements.

④ Accounting effects of the disposal of the elevator business Elevator Technology

① As part of the thyssenkrupp-group's strategic development, an agreement was signed on February 27, 2020 with a consortium led by Advent International and Cinven on the full sale of the elevator business Elevator Technology. Upon signing, the elevator business was classified as held for sale and discontinued operation in accordance with IFRS 5. Following approval of the sale by the relevant authorities, the transaction was closed and Elevator Technology deconsolidated on July 31, 2020. With the closing, the thyssenkrupp-group received the purchase price in accordance with the contractual agreement. The purchase price comprises cash in the amount of €15.53 billion and a reinvestment in Elevator Technology in the amount of around €1.25 billion, which comprised of several financial instruments. Due to the very significant effects of the transaction on the thyssenkrupp-group's assets, liabilities, financial position and financial performance and the complexity of the contractual provisions, in particular with regard to the accounting treatment of the reinvestment in Elevator Technology, this matter was of particular importance for our audit.

② To assess the appropriate accounting treatment of the disposal of the elevator business Elevator Technology, we examined, among other things, as part of our audit the company law principles as well as the terms of the underlying sale agreement. In this regard, we examined and assessed whether the conditions had been met for designation during the financial year as held for sale and as a disposal group in accordance with IFRS 5, the accounting treatment of the reinvestment in Elevator Technology as well as the deconsolidation of Elevator Technology. Overall, we were able to satisfy ourselves that the presentation and the accounting treatment of the disposal of Elevator Technology was sufficiently documented and that the recognized earnings effects were appropriately calculated.

③ The Company's disclosures on the disposal of the elevator business Elevator Technology and the reinvestment are contained in sections 03 and 06 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB.

The other information comprises further the remaining parts of the annual report, – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit; or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on January 31, 2020. We were engaged by the supervisory board on February 12, 2020. We have been the group auditor of the thyssenkrupp AG, Duisburg and Essen, without interruption since the financial year 2012 / 2013.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the Engagement

The German Public Auditor responsible for the engagement is Michael Preiß.

Essen, November 16, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the 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 16, 2020

thyssenkrupp AG
The Executive Board

Merz

Burkhard

Keysberg

Additional information

4

Multi-year overview

THYSSENKRUPP GROUP

		Full group							Group – continuing operations[1]			
							2019/2020 vs. 2018/2019				2019/2020 vs. 2018/2019	
		2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	Change	in %	2018/2019	2019/2020	Change	in %
Results of operations												
Net sales	million €	39,263	42,971	41,534	41,996	35,443	(6,553)	(16)	34,036	28,899	(5,137)	(15)
Gross profit	million €	6,625	6,210	6,590	5,799	1,480	(4,319)	(74)	3,700	(285)	(3,986)	--
EBIT	million €	1,189	687	937	272	10,475	10,203	++	(511)	(5,255)	(4,744)	--
EBT	million €	652	61	561	(83)	10,112	10,195	++	(855)	(5,593)	(4,739)	--
Net income/(loss)	million €	261	(591)	(12)	(260)	9,592	9,852	++	(1,110)	(5,541)	(4,431)	--
Earnings per share (EPS)	€	0.52	(1.15)	(0.10)	(0.49)	15.40	15.88	++	(1.85)	(8.91)	(7.06)	--
Gross margin	%	16.9	14.5	15.9	13.8	4.2	(9.6)	(70)	10.9	(1.0)	(11.9)	--
EBIT margin	%	3.0	1.6	2.3	0.6	29.6	28.9	++	(1.5)	(18.2)	(16.7)	--
EBT margin	%	1.7	0.1	1.4	(0.2)	28.5	28.7	++	(2.5)	(19.4)	(16.8)	--
Return on equity (before taxes)	%	25.0	1.8	17.5	(3.7)	99.4	103.1	++				
Personnel expense per employee	€	57,476	60,876	60,140	62,459	64,113	1,654	3				
Sales per employee	€	252,356	269,541	259,968	259,862	236,460	(23,402)	(9)				
Assets/liabilities situation												
Non-current assets	million €	16,604	14,502	14,285	15,313	10,501	(4,812)	(31)				
Current assets	million €	18,468	20,546	20,141	21,162	25,989	4,827	23				
Total assets	million €	35,072	35,048	34,426	36,475	36,490	15	0				
Total equity	million €	2,609	3,404	3,203	2,220	10,174	7,954	358				
Liabilities	million €	32,463	31,643	31,223	34,255	26,316	(7,939)	(23)				
Accrued pension and similar obligations	million €	8,754	7,924	7,838	8,947	8,560	(387)	(4)				
Financial debt non-current	million €	6,157	5,326	5,191	6,529	5,303	(1,226)	(19)				
Financial debt current	million €	1,455	1,930	185	886	1,199	313	35				
Financial debt non-current/current	million €	7,611	7,255	5,377	7,415	6,502	(914)	(12)				
Trade accounts payable	million €	5,119	5,729	6,459	6,295	3,402	(2,892)	(46)				
Equity ratio	%	7.4	9.7	9.3	6.1	27.9	21.8	358				
Gearing	%	134.2	57.5	73.8	166.8	—[2]	—	—				
Inventory turnover	days	58.1	58.3	63.8	66.7	60.2	(6.5)	(10)				
Average collection period	days	45.9	48.0	44.7	47.0	49.1	2.0	4				

[1] See preliminary remarks.

[2] Due to the strongly positive total equity and the reported net financial assets, the significance of the gearing key ratio is of no relevance.

THYSSENKRUPP GROUP

		Full group							Group – continuing operations[1]			
							2019/2020 vs. 2018/2019				2019/2020 vs. 2018/2019	
		2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	Change	in %	2018/2019	2019/2020	Change	in %
Value management												
Capital employed (average)	million €	15,933	16,728	15,739	16,749	17,526	778	5				
ROCE	%	7.5	4.1	6.0	1.6	59.8	58.1	++				
Weighted average cost of capital (WACC)	%	8.0	8.0	8.0	8.0	8.0	0.0	0				
Cash flow/financing situation												
Operating cash flows	million €	1,387	610	1,184	72	(3,326)	(3,398)	--	(664)	(4,224)	(3,560)	--
Cash flow for investments	million €	(1,387)	(1,666)	(1,386)	(1,443)	(2,352)	(909)	(63)	(1,210)	(2,188)	(977)	(81)
Free Cashflow before M & A	million €	198	(798)	(134)	(1,140)	(4,835)	(3,695)	--	(1,756)	(5,515)	(3,759)	--
Cash flow from divestments	million €	191	1,545	87	108	14,766	14,658	++	101	14,783	14,681	++
Free cash flow	million €	191	489	(115)	(1,263)	9,088	10,351	++	(1,773)	8,371	10,144	++
Cash flows from financing activities	million €	(658)	784	(2,114)	1,926	(1,963)	(3,889)	--	2,372	(952)	(3,325)	--
Cash and cash equivalents	million €	4,111	5,298	3,012	3,712	11,555	7,842	211				
Net financial debt (net financial assets)	million €	3,500	1,957	2,364	3,703	(5,053)	(8,756)	--				
Internal financing capability		1.2	5.0	0.9	0.1	0.3	0.2	0				
Debt to cash flow ratio		2.5	3.2	2.0	51.5	1.5	(50.1)	(97)				
thyssenkrupp AG												
Net income/(loss)	million €	161	59	1,579	(1,807)	(289)	1,518	84				
Dividend per share	€	0.15	0.15	0.15	—	—	—	—				
Dividend payout	million €	85	93	93	—	—	—	—				

[1] See preliminary remarks.

Executive Board

(as of September 30, 2020)

Martina Merz

Appointed until March 2023 // German
Chairwoman
- ○ SAF-Holland SE, Bessenbach (Deputy Chair)
- ○ Volvo AB, Sweden

Subsidiaries of thyssenkrupp AG:
- □ thyssenkrupp (China) Ltd., PR China (Chair)

Oliver Burkhard

Appointed until September 2023 // German
- □ PEAG Holding GmbH (Chair)

Subsidiaries of thyssenkrupp AG:
- ■ thyssenkrupp Marine Systems GmbH (Chair)
- ■ thyssenkrupp Steel Europe AG

Dr. Klaus Keysberg

Appointed until July 2024 // German

Subsidiaries of thyssenkrupp AG:
- ■ thyssenkrupp Materials Services GmbH (Chair)
- ■ thyssenkrupp Steel Europe AG (Chair)
- □ thyssenkrupp Materials (Shanghai) Co., Ltd., PR China
- □ thyssenkrupp North America, Inc., USA (Chair)

Johannes Dietsch

left the Executive Board at the close of March 31, 2020 // German
- ● Covestro AG
- ■ Covestro Deutschland AG

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2020)

□ Membership of comparable German and non-German control bodies of business enterprises within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2020)

●/○ Company listed on the stock exchange

Supervisory Board

(as of September 30, 2020)

Prof. Dr.-Ing. Siegfried Russwurm, Michelau
Consultant
Appointed until 2023 // German
- ■ Dr. Johannes Heidenhain GmbH
- ■ Voith GmbH & Co. KGaA
  (Chairman of the Shareholders' Committee and Supervisory Board)

Jürgen Kerner, Munich
(since January 31, 2020)
Member of the Executive Committee and Treasurer of IG Metall
Appointed until 2024 // German
- ● MAN SE
- ● Siemens AG
- ● Traton SE
- ● Siemens Energy GmbH
- ■ MAN Truck & Bus SE
- ■ Premium Aerotec GmbH

Birgit A. Behrendt, Cologne
(since January 31, 2020)
Consultant
Appointed until 2023 // German
- ● Kion Group AG
- ■ Ford Werke GmbH
- □ Stulz Verwaltungsgesellschaft mbH
  (Member of the Administrative Board)

Dr. Wolfgang Colberg, Munich
Consultant
Appointed until 2023 // German
- ○ Pernod Ricard SA, France
- □ AMSilk GmbH (Chairman of the Advisory Board)
- ○ Burelle SA, France
- □ ChemicalInvest Holding BV, Netherlands (Chairman)
- □ Efficient Energy GmbH (Chairman of the Advisory Board)

Prof. Dr. Dr. h.c. Ursula Gather, Dortmund
Chairwoman of the Board of Trustees of the Alfried Krupp von Bohlen und Halbach Foundation
Appointed until 2023 // German
- ● Munich Re AG

Angelika Gifford, Kranzberg
Vice President Central Europe Facebook Inc.
Appointed until 2023 // German
- ● TUI AG, Hanover

Dr. Bernhard Günther, Haan
(since January 31, 2020)
CFO and CHRO innogy SE
Appointed until 2023 // German
- ● Uniper SE

Achim Hass, Kiel
Power electronics technician // Chairman of the Works Council of thyssenkrupp Marine Systems GmbH (Kiel) // Chairman of the General Works Council of thyssenkrupp Marine Systems GmbH
Appointed until 2024 // German
- ■ Babcock Pensionskasse VvaG

Subsidiaries of thyssenkrupp AG:
- ■ thyssenkrupp Marine Systems GmbH

Friederike Helfer, Altendorf/Switzerland
(since January 31, 2020)
Partner at Cevian Capital Limited
Appointed until 2023 // Austrian
- ○ Vesuvius plc

Dr. Ingrid Hengster, Frankfurt am Main
Member of the Executive Board of KfW Group
Appointed until 2023 // Austrian
- ■ Deutsche Bahn AG
- □ KfW Capital GmbH & Co. KG

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2020)

□ Membership of comparable German and non-German control bodies of business enterprises within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2020)

●/○ Company listed on the stock exchange

Tanja Jacquemin, Frankfurt am Main

Lecturer for the research and teaching area "Supervisory Boards and Corporate Codetermination" at the Academy of Labour
Appointed until 2024 // German

Dr. Norbert Kluge, Ratingen

Founding Director of the Institute for Codetermination and Corporate Governance (I.M.U.) of the Hans Böckler Foundation
Appointed until 2024 // German

Barbara Kremser-Bruttel, Gelsenkirchen

Office clerk // Chairwoman of the Works Council of thyssenkrupp Electrical Steel GmbH
Appointed until 2024 // German
Subsidiaries of thyssenkrupp AG:
- ■ thyssenkrupp Electrical Steel GmbH

Dr. Ingo Luge, Hanover

(November 12, 2019 – January 31, 2020 and since February 11, 2020)
Director and Management Consultant
Appointed until 2021 // German
- ■ Avacon AG
- ■ E.ON Energie Deutschland GmbH
- ■ PreussenElektra GmbH

Tekin Nasikkol, Ratingen

(since August 4, 2020)
Bachelor of Arts (Business Administration) // Chairman of the Works Council and Chairman of the General Works Council of thyssenkrupp Steel Europe AG
Appointed until 2024 // German
Subsidiaries of thyssenkrupp AG:
- ■ thyssenkrupp Steel Europe AG

Peter Remmler, Wolfsburg

Wholesale and export trader // Vice Chairman of the Works Council of thyssenkrupp Schulte GmbH (Braunschweig) // Chairman of the Works Council Union Materials Services
Appointed until 2024 // German
Subsidiaries of thyssenkrupp AG:
- ■ thyssenkrupp Materials Services GmbH

Dirk Sievers, Bochum

Technical Officer // Chairman of the Works Council of thyssenkrupp Steel Europe AG / Electrical Steel (Bochum) // Chairman of the Group Works Council of thyssenkrupp AG
Appointed until 2024 // German
- □ PEAG Holding GmbH (Member of the Advisory Board)

Dr. Lothar Steinebach, Leverkusen

Former member of the Management Board of Henkel AG & Co. KGaA
Appointed until 2023 // German
- ■ Carl Zeiss AG
- □ Diem Client Partner AG, Switzerland (Member of the Management Board)

Friedrich Weber, Schöndorf

Machine setter // Chairman of the General Works Council of thyssenkrupp Bilstein GmbH // Chairman of the Works Council Union Components Technology // Vice Chairman of the European Works Council of thyssenkrupp AG // Vice Chairman of the Group Works Council of thyssenkrupp AG
Appointed until 2024 // German
Subsidiaries of thyssenkrupp AG:
- ■ thyssenkrupp Bilstein GmbH

Isolde Würz, Mülheim/Ruhr

Attorney // Corporate Lawyer at thyssenkrupp Corporate Function Legal & Compliance // Chairwoman of the Executives' Committee of thyssenkrupp AG and executive member of the Group Executives' Committee
Appointed until 2024 // German

In the course of the fiscal year 2019 / 2020 the following members left the Supervisory Board. Where they held other directorships at the time of departure these are listed below:

Markus Grolms, Dinslaken

(until January 31, 2020)
Vice Chairman // Trade union secretary at IG Metall
Appointed until 2024 // German

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2020)
□ Membership of comparable German and non-German control bodies of business enterprises within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2020)
●/○ Company listed on the stock exchange

Susanne Herberger, Dresden

(until July 31, 2020)
Engineer (FH) – information technology // Vice Chairwoman of the Works Council of thyssenkrupp Aufzüge GmbH (Dresden) // Chairwoman of the Works Council Union Elevator Technology // Vice Chairwoman of the Group Works Council of thyssenkrupp AG
Appointed until 2024 // German
Subsidiaries of thyssenkrupp AG:
- ■ thyssenkrupp Elevator AG

Prof. Dr. Bernhard Pellens, Bochum

(until January 31, 2020)
Professor of Business Studies and International Accounting, Ruhr University Bochum
Appointed until 2020 // German
- ■ LVM Landwirtschaftlicher Versicherungsverein Münster aG
- ■ LVM Krankenversicherungs-AG

Carola v. Schmettow, Düsseldorf

(until January 31, 2020)
CEO of HSBC Trinkaus & Burkhardt AG
Appointed until 2020 // German
- □ HSBC France SA, France

Jens Tischendorf, Zurich

(until January 31, 2020)
Partner at Cevian Capital Ltd.
Appointed until 2020 // German
- ● Bilfinger SE

Supervisory Board Committees

(as of September 30, 2020)

Executive Committee

Prof. Dr. Siegfried Russwurm (Chair)
Dr. Bernhard Günther
Jürgen Kerner
Dirk Sievers

Mediation Committee under § 27 (3) Codetermination Act

Prof. Dr. Siegfried Russwurm (Chair)
Dr. Bernhard Günther
Jürgen Kerner
Dirk Sievers

Personnel Committee

Prof. Dr. Siegfried Russwurm (Chair)
Dr. Bernhard Günther
Jürgen Kerner
Dirk Sievers

Audit Committee

Dr. Bernhard Günther (Chair)
Friederike Helfer
Tanja Jacquemin
Jürgen Kerner
Dirk Sievers
Dr. Lothar Steinebach

Strategy, Finance and Investment Committee

Prof. Dr. Siegfried Russwurm (Chair)
Prof. Dr. Dr. h.c. Ursula Gather
Friederike Helfer
Jürgen Kerner
Dr. Ingo Luge
Tekin Nasikkol
Peter Remmler
Dirk Sievers

Nomination Committee

Prof. Dr. Siegfried Russwurm (Chair)
Prof. Dr. Dr. h.c. Ursula Gather
Dr. Bernhard Günther
Friederike Helfer
Dr. Ingo Luge

■ Membership of supervisory boards within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2020)
□ Membership of comparable German and non-German control bodies of business enterprises within the meaning of § 125 of the German Stock Corporation Act (AktG) (as of September 30, 2020)
●/○ Company listed on the stock exchange

Glossary

List of definitions and abbreviations

Capital Employed
Interest-bearing invested capital

COSO
Committee of Sponsoring Organizations of the Treadway Commission

CSR reporting
Directive expanding the scope of reporting by major capital market-oriented companies. The Directive is aimed in particular at increasing transparency into ecological and social aspects of companies in the EU.

GCGC
German Corporate Governance Code

EBIT
Earnings before Interest and Taxes

EBIT margin
Earning power in the period under review; ratio of EBIT to sales

Equity ratio
Ratio of total equity to balance sheet total
(the higher the ratio, the lower the indebtedness)

EMIR audit
European Market Infrastructure Regulation.
Adopted in August 2012. Designed to make over-the-counter trading in derivatives more transparent and secure. Compliance is audited annually.

FCF before M & A
Free cash flow before mergers and acquisitions = operating cash flows less cash flows from investing activities excluding cash inflows and outflows from major M & A transactions

Continuing operations
Continuing operations are operations not defined as discontinued operations pursuant to IFRS 5.

Gearing
Ratio of net financial debt (assets) to total equity
(the lower the ratio, the higher the share of total equity in capital employed)

FY
Fiscal year

Group
"thyssenkrupp group" or "Group of Companies", comprising thyssenkrupp AG and its subsidiaries. The group continues to comprise the legally consolidated companies.

Greater China
Mainland China, Hong Kong, Mongolia, Macau and Taiwan

IIoT platform toii®
toii® is an Industrial Internet of Things (IIoT) platform for connecting production machinery and systems. It enables the digitization of production – from transparent performance monitoring to entirely paperless production with the partial and full automation of processes.

Internal financing strength
Ratio of operating cash flows to cash flows from investing activities

Weighted average cost of capital (WACC)
Minimum rate of return expected by investors

Long Term Incentive plan (LTI)
Long term variable compensation for Executive Board members and other selected executives through stock rights

Net financial debt/assets
Difference between the cash, cash equivalents and time deposits shown in the statement of financial position plus short-term debt capital instruments, and non-current and current financial debt. The corresponding assets and liabilities of the disposal groups – where applicable – are also taken into account.

Operating cash flows
Inflow/outflow of cash and cash equivalents outside of investing, divesting or financing activities

ROCE
Return on Capital Employed.
EBIT divided by average capital employed

Science Based Targets initiative SBTi
Initiative launched by the World Wide Fund for Nature, the World Resources Institute, the CDP and the United Nations Global Compact which mobilizes companies to set greenhouse gas reduction targets and assesses whether these targets are in line with scientific findings.

Short Term Incentive plan (STI)
One-year variable compensation

tkVA
thyssenkrupp Value Added.
tkVA = EBIT less/plus capital employed

Subsidiaries
Companies controlled indirectly or directly by thyssenkrupp AG which are included in the consolidated financial statements.

Inventory turnover
Inventories divided by sales, multiplied by 360
(the lower the ratio, the faster the inventory turnover)

Average collection period
Trade accounts receivable divided by sales, multiplied by 360
(the lower the ratio, the faster customers pay)

Contact and 2021 / 2022 financial calendar

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2021 / 2022 financial calendar

February 5, 2021
Annual General Meeting

February 10, 2021
Interim report 1st quarter 2020 / 2021 (October to December)

May 12, 2021
Interim report 1st half 2020 / 2021 (October to March)

August 12, 2021
Interim report 9 months 2020 / 2021 (October to June)

November 18, 2021
Annual report 2020 / 2021 (October to September)

February 4, 2022
Annual General Meeting

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