



Growing together

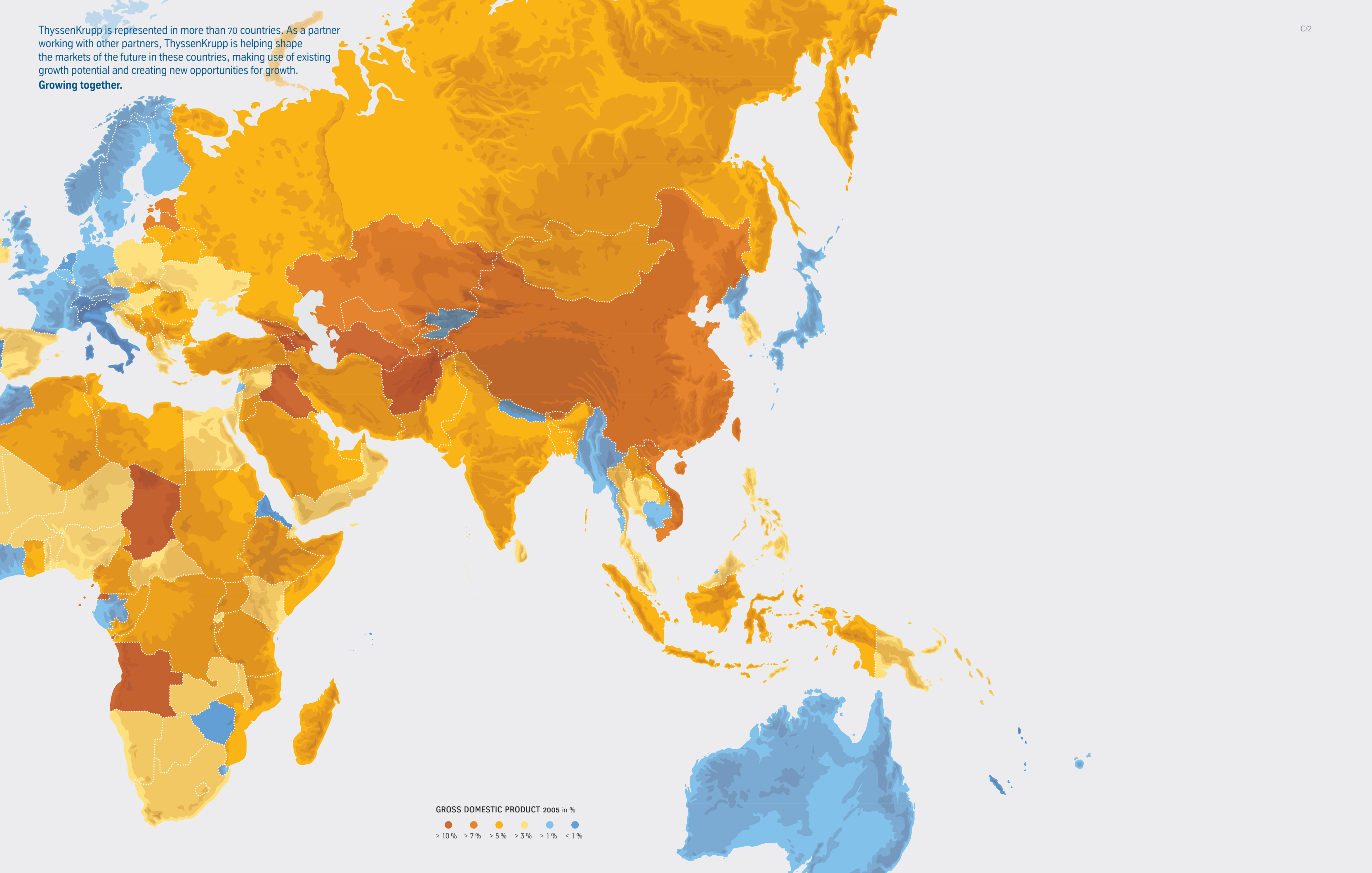
Annual Report 2004\_2005

ThyssenKrupp



ThyssenKrupp is represented in more than 70 countries. As a partner working with other partners, ThyssenKrupp is helping shape the markets of the future in these countries, making use of existing growth potential and creating new opportunities for growth.

**Growing together.**



GROSS DOMESTIC PRODUCT 2005 in %

> 10 %	> 7 %	> 5 %	> 3 %	> 1 %	< 1 %
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## THE GROUP IN FIGURES

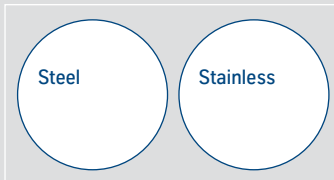
		2003/2004	2004/2005	Change
<b>Continuing operations of the Group</b>				
Order intake	million €	38,823	42,508	3,685
Sales	million €	37,303	42,064	4,761
EBITDA	million €	3,036	3,452	416
EBIT	million €	1,683	2,001	318
EBT (income from continuing operations before taxes and minority interest)	million €	1,477	1,836	359
Return on equity (from continuing operations before taxes and minority interest)	%	17.7	20.9	3.2
Employees (September 30)		174,056	183,729	9,673
<b>Group incl. discontinued operations</b>				
Consolidated net income	million €	904	1,019	115
Earnings per share	€	1.81	2.05	0.24
Distribution	million €	299	399*	100
Dividend per share	€	0.60	0.80*	0.20
Net cash provided by operating activities	million €	2,559	2,183	– 376
Capital expenditures	million €	1,734	1,858	124
ROCE	%	12.0	15.0	3.0
EVA	million €	572	1,087	515
Net financial payables	million €	2,833	– 9	– 2,842
Stockholders' equity	million €	8,327	8,771	444
Gearing	%	34.0	– 0.1	– 34.1
* Proposal to the Annual General Meeting; incl. special dividend of €0.10				

Note: Accounting at the ThyssenKrupp Group is in accordance with US GAAP. Various major disposals in the 2003/2004 and 2004/2005 fiscal years have impacted the key indicators.

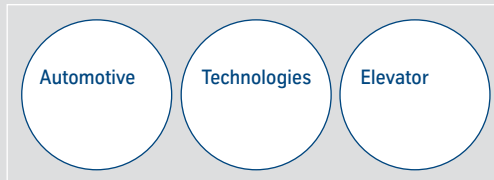
## THYSSENKRUPP IN BRIEF

ThyssenKrupp is a global concern with business activities focused on the areas of Steel, Capital Goods and Services. We have some 184,000 employees in more than 70 countries developing products and services to meet the challenges of the future. In all six segments – Steel, Stainless, Automotive, Technologies, Elevator and Services – they provide high-quality solutions to people's needs and our customers' requirements.

### STEEL



### CAPITAL GOODS



### SERVICES



## THYSSENKRUPP WORLDWIDE

ThyssenKrupp has a strong position on the international markets. 67% of the Group's sales are to customers outside Germany – primarily in countries of the EU and the NAFTA region. One out of two employees are based at one of our foreign locations. The targeted expansion into the markets of the future is being continued. The main focus is on the regions of Southeast Asia, Latin America, Central and Eastern Europe, where ThyssenKrupp is systematically exploiting major growth opportunities.

### SALES

Worldwide
€42 billion
100%

Europe
€27 billion
64%

Germany
€14 billion
33%

### EMPLOYEES

Worldwide
183,729 employees
100%

Europe
129,359 employees
70%

Germany
86,104 employees
47%

### COMPANIES

Worldwide
670 companies
100%

Europe
466 companies
70%

Germany
243 companies
36%

## FINANCIAL DATES

Important dates can also be found in our online financial calendar:

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

If you'd like to be kept up-to-date with news about ThyssenKrupp, subscribe to our newsletter at [www.thyssenkrupp.com/en/newsletter/index.html](http://www.thyssenkrupp.com/en/newsletter/index.html)

January 27, 2006	Annual General Meeting
January 30, 2006	Payment of dividend for the 2004/2005 fiscal year
February 13, 2006	Interim report 1st quarter 2005/2006 (October to December) Conference call with analysts and investors
May 12, 2006	Interim report 2nd quarter 2005/2006 (January to March)
May 15, 2006	Analysts' and investors' meeting
August 11, 2006	Interim report 3rd quarter 2005/2006 (April to June) Conference call with analysts and investors
Dezember 01, 2006	Annual press conference Analysts' and investors' meeting
January 19, 2007	Annual General Meeting

### ThyssenKrupp AG

August-Thyssen-Strasse 1  
40211 Düsseldorf  
Germany  
[www.thyssenkrupp.com](http://www.thyssenkrupp.com)

On November 21, 2005, the Alfried Krupp von Bohlen und Halbach Foundation purchased 15,339,893 treasury shares of ThyssenKrupp AG – equating to 2.98% of the capital stock – from the Company at the market price of €17.44. As a result of this transaction and the issue of employee shares in 2004 and 2005, ThyssenKrupp AG has sold all the treasury stock purchased from IFIC Holding AG in May 2003.

Due to this event, the following data have changed compared with the situation at the balance sheet date and the time the financial statements were drawn up:

- The Alfried Krupp von Bohlen und Halbach Foundation as the largest stockholder now holds 23.58% of the voting rights in ThyssenKrupp AG (previously 20.6%).
- The free float is reduced from 79.4% to 76.4%
- The number of shares eligible for dividend distribution for fiscal 2004/2005 is increased by 15,339,893 from 499,149,151 to 514,489,044 shares

The Executive Board and Supervisory Board will therefore propose to the Annual General Meeting that the unappropriated profit of ThyssenKrupp AG be used as follows:

- €411,591,235.20 to pay a dividend of €0.70 plus a special dividend of €0.10 per eligible share.
- €36,825,768.10 to be appropriated to other retained earnings

The originally proposed distribution amount of €399,319,320.80 is increased by €12,271,914.40 to €411,591,235.20. Correspondingly, the planned carryforward of €12,271,914.40 no longer applies.

The payout ratio is 45% of the net income of ThyssenKrupp AG (instead of 43%) or 40% of consolidated net income (instead of 39%).

**ThyssenKrupp AG**

August-Thyssen-Strasse 1  
40211 Düsseldorf, Germany  
[www.thyssenkrupp.com](http://www.thyssenkrupp.com)

TK 360e 1.12.11.05 DP



*Dear Shareholders,*

This Annual Report informs you about your Company's most successful fiscal year since the merger in 1999. We want you to share in this success and at the same time thank you for your confidence in ThyssenKrupp: We will be proposing to the Annual General Meeting that the dividend for fiscal year 2004/2005 be increased by €0.10 to €0.70 per share. In addition, there will be a special dividend of €0.10 per share as a result of the virtually completed divestment program.

**HOW DID WE PERFORM IN 2004/2005?** The Group achieved sales of €42.1 billion, 13% higher than the year before. Income before taxes increased from €1.5 billion to a new record high of €1.8 billion. Earnings per share climbed from €1.81 to €2.05. ROCE reached 15%, up from 12% in the previous year. Net financial payables were completely eliminated. At September 30, 2005 we report for the first time net financial receivables in the amount of €9 million. These are the highlights of the fiscal year; more detailed information can be found in this Annual Report.

All segments further strengthened their market positions and increased sales. Steel, Technologies and Services recorded pleasing earnings growth. In a difficult market environment, Elevator's operating earnings were unchanged from the year before, while earnings at Automotive were impacted by extensive restructuring measures in the USA. The biggest contribution to Group profit came from Steel. This was not just down to the strong steel market, since raw material and energy prices also increased substantially. Rather, it reflects the continued success of our internal improvement programs to boost productivity and efficiency. But that doesn't just apply to Steel. Performance and efficiency gains were a central theme in all segments, especially in connection with the ThyssenKrupp best program.

**WHAT PROGRESS HAVE WE MADE IN IMPLEMENTING OUR STRATEGY?** In 2003 we launched the "Divest 33+" program to dispose of more than 30 non-strategic interests. We virtually completed this program in the reporting period. Altogether since the merger we have acquired companies with sales of €7.1 billion and disposed of others with the same volume of sales. The biggest projects in the reporting year were the formation of the shipyard alliance following the acquisition of a majority shareholding in Howaldtswerke-Deutsche Werft and the sale of the Residential Real Estate activities. The phase of consolidation is

thus largely completed. We have focused our operations on core businesses and at the same time created new scope for future strategic acquisitions.

**WHAT FURTHER STRATEGIC PLANS DO WE HAVE?** We are now moving out of the consolidation phase into a phase of profitable, sustainable growth. We will further expand our activities in the three key areas Steel, Capital Goods and Services. Our goal remains to continuously increase the earning power and value of your Company.

In the Steel area we have reorganized and focused our activities, creating two separate segments – Steel and Stainless – to take into account the different market conditions and production processes for carbon and stainless steel. This will also allow us to participate in a more targeted way in the consolidation of the international steel industry. For more information on our plans for the steel mill project in Brazil, aimed at exploiting the growth opportunities in North America and in the enlarged EU market, please turn to the section on Steel. At Automotive the restructuring and concentration on core businesses must be continued. In the future the Technologies segment will be based on the high-earning pillars Plant Technology, Marine Systems, and Mechanical Engineering. Elevator will round out its new installation and service businesses and is working to increase its market share. The Services segment aims to achieve further growth, primarily in North America and Eastern Europe.

Through organic growth, strategic acquisitions and an even stronger service focus in all business activities, we aim to boost ThyssenKrupp's sales in the medium term to €45-50 billion. Our target for earnings before taxes remains around €1.5 billion. We aim to achieve this target again in fiscal year 2005/2006 – excluding major nonrecurring effects.

The success and future of a technology-oriented company like ThyssenKrupp ultimately depend on its ability to innovate. Research and development is therefore a top priority. We conduct numerous closely customer-related research projects, cooperate with research institutes and universities, and foster the creativity of our employees with the annual ThyssenKrupp Innovation Contest. R&D expenditures – currently around 1.5% of the Group's sales – will be increased each year in the future to over 2% in the medium term. We are continuing our efforts to increase public acceptance and enthusiasm for

technology. Following the overwhelming response to our Ideas Park in Gelsenkirchen in September 2004, we are now working on the next Ideas Park, which will take place in May 2006 in Hanover.

**WHAT DOES THYSSENKRUPP DO TO EARN YOUR CONFIDENCE?** Six years after the merger of Thyssen and Krupp, it is clear what your Company stands for:

- competency in Steel, Capital Goods and Services with profitable business activities and leading world market positions;
- a solid corporate strategy focused on core businesses and core competencies in the interest of a sustained increase in the value of the enterprise;
- good and responsible corporate governance supported by open and comprehensive communication.

We have already achieved a great deal in all areas of the Group. This spurs us on to do even better in the future – as a creative problem solver for our customers, as an attractive employer, as a responsible corporate citizen, and above all as a long-term profitable investment for you, our stockholders.

Sincerely yours,



Dr.-Ing. Ekkehard D. Schulz, Chairman of the Executive Board  
Düsseldorf, November 2005

Can there be progress without curiosity? More than anything it's the desire for the new that moves people to develop innovations, implement them and lead them to success. One outcome of this process is growth.

Growth is no longer restricted to traditionally strong regions such as Germany, Europe and the USA. Today, growth is being achieved above all by countries that have one thing in common: a vast reservoir of talented young people who are curious about the future and want to change and improve things with new ideas.

ThyssenKrupp is already present on the markets of tomorrow. There – as elsewhere – we focus on partnership and responsibility. Together with people in these countries we want to contribute to the long-term development of both established and emerging markets with our expertise, our commitment and our innovations – prerequisites for future success.

Growing together.

Curiosity.

The talent to see  
the world with  
open eyes.

The imagination  
to ask questions  
never before heard.

The energy to  
make ideas come  
true. The courage  
to dream.

USA  
SPAIN  
CHINA  
UNITED  
ARAB EMIRATES  
GERMANY/  
BRAZIL  
CANADA

Seeing what others don't see:  
the key to unlocking new visions.  
To reinventing the world.

Children have this open mind. Natural curiosity, playfulness and the courage to ask questions make them incredibly creative and give them ideas which could be the innovations of tomorrow.

In various regions of the world we visited children whose parents are working to develop the future with ThyssenKrupp and its partners.

The ideas of these children are like a journey into the future. They tell us what these children are curious about, what questions they have, and what answers they have found for themselves. Their ideas amazed us.

As a snapshot of the present.  
And a preview of the future.



Kerri Hemmelgarn, USA  
I dream of a swing that pushes itself.

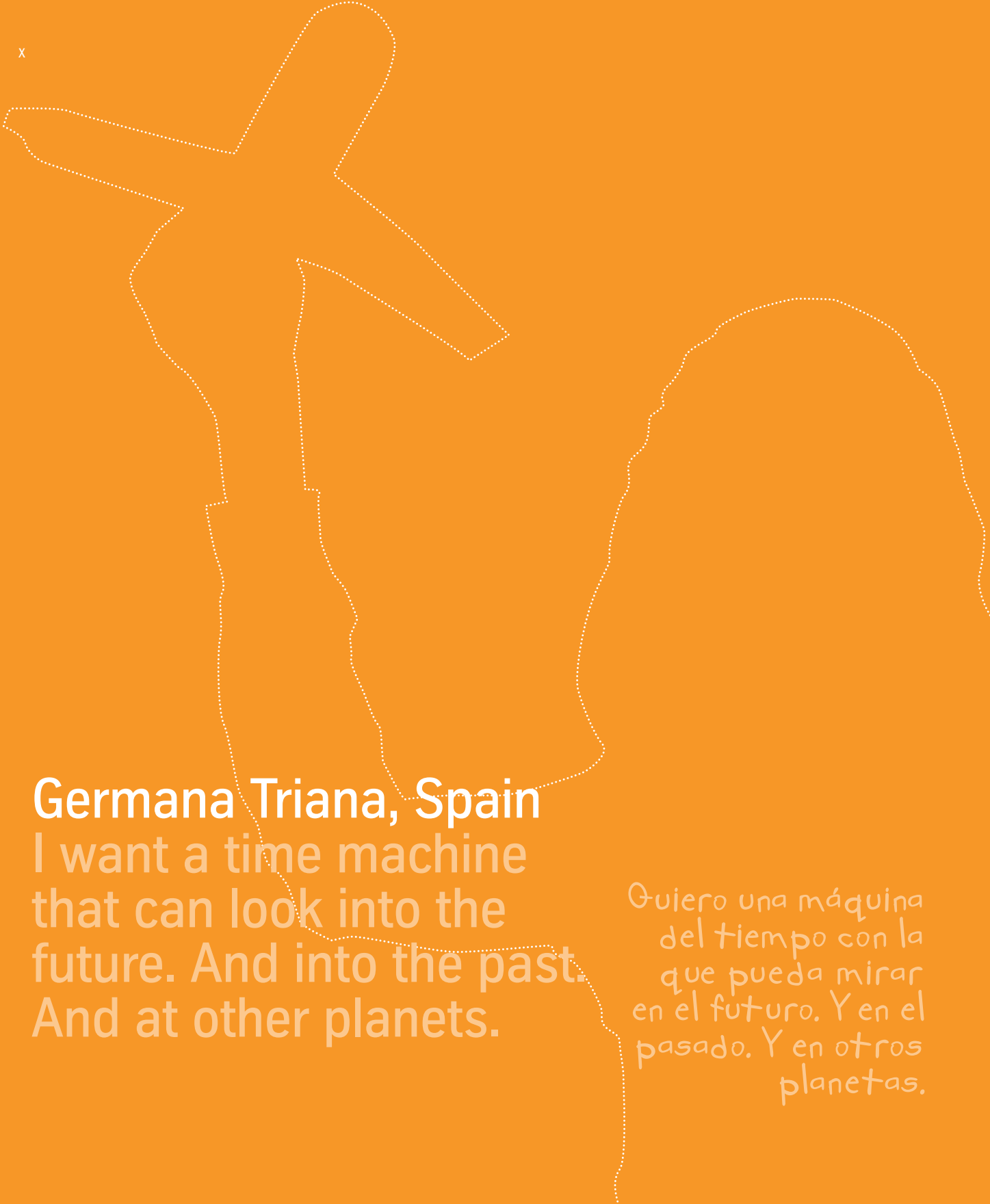
I DREAM OF A SWING THAT PUSHES ITSELF.





**Kerri Hemmelgarn, 10**

Born in Cincinnati, lives in Dayton, Ohio. In her free time she likes singing, dancing and reading. When she grows up, Kerri wants to be a teacher or a doctor. Her father → Ken Hemmelgarn SEE PAGE 04 is Vice President of Norwood Tool Company in Dayton, USA.



Germana Triana, Spain  
I want a time machine  
that can look into the  
future. And into the past.  
And at other planets.

Quiero una máquina  
del tiempo con la  
que pueda mirar  
en el futuro. Y en el  
pasado. Y en otros  
planetas.



**Germana Triana, 9**

Born in Oviedo, attends grade 4. She gets "masses" of homework but still has time for skiing and her Gameboy. When she grows up she'd like to design something that everyone likes. Her father → Angel Triana SEE PAGE 26 is Managing Director at ThyssenKrupp Airport Systems in Spain.

Lilli Gao, China

One day I'd  
like to invent  
a robot that  
can do home-  
work, and  
other things  
as well. It  
would do  
all the work  
and I'd be the  
boss.

有一天，  
我想发明一种能做作业，  
还会做其他任何事情的机器人。  
然后，它可以干所有的活，  
而我是老板。



**Lilli Gao, 7**

Born in Germany, now lives in Shanghai with her parents. Lilli Gao goes to school, wants to get an A in math and plays music in her spare time. Her father → Xujun Gao SEE PAGE 56 is a professor of business law at Tongji University in Shanghai.





**Abdullah Sharaf, 12**

Born in Dubai, where he also goes to school. In his free time he plays on the computer. He likes race cars but isn't sure what he'd like to be when he grows up. His uncle → Sayed Ebrahim Sharaf SEE PAGE 70 is an entrepreneur, project developer and cooperation partner of ThyssenKrupp in Dubai.

## Susanna Best, Germany, and Gregory Elster, Brazil

Why can't we be here, there and  
everywhere all at once? The sun  
manages to shine everywhere.



NÃO É POSSÍVEL ESTAR AQUI E EM OUTRO  
SÍTIO TAMBÉM? AO MESMO TEMPO? O  
SOL TAMBÉM BRILHA EM TODO O LADO.





**Susanna Best, 15, and Gregory Elster, 9**

Susanna Best lives in Homburg, Germany. Her favorite subjects are sport and art, she likes tennis and playing the piano. Her father → Matthias Best SEE PAGE 86 works for ThyssenKrupp Gerlach. Gregory Elster lives in São Paulo, Brazil, attends grade 3 at school and wants to be a soccer player or a computer game designer. His father → Georg Elster SEE PAGE 86 works for ThyssenKrupp Metalúrgica Campo Limpo.





Kevin McLeod, 12

Born in Calgary, where he lives with his family. Goes to junior high school, does all kinds of sports, prefers tropical beaches to the Canadian winter and wants to be a car designer. His father → Rob McLeod  
SEE PAGE 180 is head of structural engineering at ThyssenKrupp Canada.



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## C/4 Moving ahead together.

\*Components of the Group management report in accordance with Art. 315 HGB

This Annual Report is published to coincide with the Company's Annual Press Conference on December 01, 2005.

## Growing together.

### USA



Kerri Hemmelgarn, 10, and father Ken Hemmelgarn. Ken Hemmelgarn lives precision, Kerri is living her dreams.

→ SEE PAGE VIII



Service competency. Moving forward together. Medical precision, made possible by an internationally integrated supply chain.

→ SEE PAGE 04

### UNITED ARAB EMIRATES



Abdullah Sharaf, 12, and uncle Sayed Ebrahim Sharaf. Sayed Ebrahim Sharaf is revolutionizing the present, Abdullah is thinking about the future.

→ SEE PAGE XIV



Innovation competency. Thinking ahead together. Thinking the impossible, planning the unthinkable, realizing fantastic dreams: building the future with strong partners.

→ SEE PAGE 70

### SPAIN



Germana Triana, 9, and father Angel Triana. Angel Triana shrinks time for travelers, Germana wants to travel in time.

→ SEE PAGE X



Developing markets. Building together. A technological revolution, a patent, and market leadership on a market that's growing at record speed.

→ SEE PAGE 26

### GERMANY/BRAZIL



Susanna Best, 15, with father Matthias Best and Gregory Elster, 9, with father Georg Elster. Matthias Best and Georg Elster cross borders, Susanna and Gregory go further.

→ SEE PAGE XVI



Technology competency. Crossing borders together. A world market leader, long-distance engineers, and the knowledge to optimize crankshafts.

→ SEE PAGE 86

### CHINA



Lilli Gao, 7, and father Prof. Xujun Gao. Prof. Xujun Gao is a university lecturer, Lilli wants to be the boss.

→ SEE PAGE XII



Commitment. Thinking together. High demands, outstanding students, and the chance to meet tomorrow's leaders today.

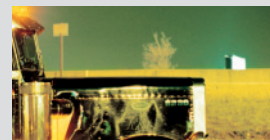
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### CANADA



Kevin McLeod, 12, and mother Lynda McLeod. Father Rob McLeod extracts oil from sands for a mobile society, Kevin wants a faster bike.

→ SEE PAGE XVIII



Partnership. Acting together. The need to develop new resources, two partners with ideas, and the solution to extract oil from sand.

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# To our stockholders

Section

## 01

- 05 Executive Board and Supervisory Board
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(corporate governance report and compensation report)
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Following the consolidation phase immediately after the merger, ThyssenKrupp is moving into a phase of growth. The priority of the Executive Board and Supervisory Board is to place this growth on a sustainable basis to secure a long-term increase in the value of the enterprise. This will also open up new growth prospects for ThyssenKrupp's stock, which despite gaining 11% performed unsatisfactorily in the past fiscal year. This must improve. We will commit all our efforts to ensure it does.

TO OUR STOCKHOLDERS

Ken Hemmelgarn, Vice President Norwood Tool Company, → father of Kerri, SEE PAGE VIII and Tim Logan, Sales Manager Copper and Brass Sales, a subsidiary of ThyssenKrupp Materials North America



**PARTNER FOR VALUE** Industrial production is becoming more and more complex. Each part of a product has to be at the right place at the right time, in the required quantity and quality, and at competitive cost.

For Ken Hemmelgarn, Norwood Tool Company, Dayton, Ohio, the solution lies in building a long-term partnership with an external supply chain management provider. He relies on Tim Logan and his team from Copper and Brass Sales, Dayton, Ohio.



USA

Optimizing communications. A precisely coordinated flow of materials and information is a key part of an integrated supply chain, from ordering and purchasing to storage and just-in-time delivery. Successful supply chain management calls for effective relationships with all partners in the value chain. Alongside profound knowledge of industrial processes, a highly developed IT and communications structure is essential.

**INCREASING VALUE** Copper and Brass Sales supplies Norwood Tool among other things with stainless steel alloys for the production of precision parts for the medical industry. These are specialized materials with tailored mechanical properties. Copper and Brass Sales sources them from suppliers worldwide and delivers them to Norwood Tool in the required quantities and sizes on a just-in-time basis.

SERVICE COMPETENCY

SERVICE COMPETENCY USA

# moving forward together





## THE EXECUTIVE BOARD FROM LEFT

Dr. Olaf Berlien  
Edwin Eichler  
Gary Elliott  
Jürgen H. Fechter  
Dr.-Ing. Ekkehard D. Schulz  
Dr. Ulrich Middelmann  
Dr. A. Stefan Kirsten  
Dr.-Ing. Karl-Ulrich Köhler  
Ralph Labonte  
Dr.-Ing. Wolfram Mörsdorf

## EXECUTIVE BOARD

### Dr.-Ing. Ekkehard D. Schulz

Chairman, born 1941, Executive Board Member since 1991, appointed until January 19, 2007, responsible for Corporate Communications and Strategy, Internal Auditing, Legal, Management Development and Top Executives, Technology and Energy

### Dr. Ulrich Middelmann

Vice Chairman, born 1945, Executive Board Member since 1992, appointed until March 31, 2008, responsible for Corporate Controlling, Mergers & Acquisitions

### Dr. Olaf Berlien

also Executive Board Chairman of ThyssenKrupp Technologies AG, born 1962, Executive Board Member since 2002, appointed until March 31, 2007, responsible for the Technologies segment

### Edwin Eichler

also Executive Board Chairman of ThyssenKrupp Services AG, born 1958, Executive Board Member since 2002, appointed until September 30, 2007, responsible for the Services segment

### Gary Elliott

also Executive Board Chairman of ThyssenKrupp Elevator AG, born 1944, Executive Board Member since October 01, 2005, appointed until September 30, 2008, responsible for the Elevator segment

### Jürgen H. Fechter

also Executive Board Chairman of ThyssenKrupp Stainless GmbH, born 1962, Executive Board Member since October 01, 2005, appointed until September 30, 2008, responsible for the Stainless segment

### Dr. A. Stefan Kirsten

born 1961, Executive Board Member since 2002, appointed until July 31, 2007, responsible for Corporate Accounting and Financial Reporting, Finance, Information Management, Investor Relations, Materials Management, Taxes and Customs, and for Insurance Services

### Dr.-Ing. Karl-Ulrich Köhler

also Executive Board Chairman of ThyssenKrupp Steel AG, born 1956, Executive Board Member since October 01, 2005, appointed until September 30, 2008 responsible for the Steel segment

### Ralph Labonte

also Executive Board Member of ThyssenKrupp Technologies AG, born 1953, Executive Board Member since 2003, appointed until December 31, 2007, responsible for Corporate Human Resources, and for Administrative Services and Real Estate

### Dr.-Ing. Wolfram Mörsdorf

also Executive Board Chairman of ThyssenKrupp Automotive AG, born 1948, Executive Board Member since 2004, appointed until April 14, 2009, responsible for the Automotive segment

## SUPERVISORY BOARD

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

Honorary Chairman  
Chairman of the Board of Trustees of the Alfried Krupp von Bohlen und Halbach Foundation

### Prof. Dr. Günter Vogelsang, Düsseldorf

Honorary Chairman

### Dr. Gerhard Cromme, Essen

Chairman  
Former Chairman of the Executive Board of ThyssenKrupp AG

### Bertin Eichler, Frankfurt/Main

Vice Chairman  
Member of the Executive Committee of the IG Metall trade union

### Dr. Karl-Hermann Baumann, Munich

(until January 21, 2005)  
Former Chairman of the Supervisory Board of Siemens AG

### Markus Bistram, Dinslaken

(since May 04, 2005)  
Trade union secretary at the Düsseldorf branch office of IG Metall

### Wolfgang Boczek, Bochum

Materials tester  
Chairman of the Works Council Union ThyssenKrupp Automotive

### Carl-L. von Boehm-Bezing, Bad Soden

(until January 21, 2005)  
Former member of the Executive Board of Deutsche Bank AG

### Heinrich Hentschel, Emden

Technical clerk/Hydrostatics  
Member of the Works Council of Nordseewerke GmbH

### Prof. Jürgen Hubbert, Sindelfingen

(since January 21, 2005)  
Former member of the Executive Board of DaimlerChrysler AG

**Klaus Ix, Siek**  
Fitter  
Chairman of the Works Council of  
ThyssenKrupp Fahrtreppen GmbH and  
Vice Chairman of the Works Council Union  
ThyssenKrupp Elevator

**Hüseyin Kavvesoglu, Maxdorf**  
Foreman  
Chairman of the Works Council Union  
ThyssenKrupp Services

**Dr. Martin Kohlhaussen, Bad Homburg**  
Chairman of the Supervisory Board of  
Commerzbank AG

**Dr. Heinz Kriwet, Düsseldorf**  
Former Chairman of the Executive Board of  
Thyssen AG

**Reinhard Kuhlmann, Frankfurt/Main**  
(until January 21, 2005)  
Member of the Executive Board of  
ThyssenKrupp Marine Systems AG

**Dr.-Ing. Klaus T. Müller, Dortmund**  
Head of the Crude Steel Department at  
ThyssenKrupp Steel AG

**Dr. Mohamad-Mehdi Navab-Motlagh, Tehran**  
(until January 21, 2005)  
Vice Minister for Economics and International  
Affairs in the Industrial and Mining Ministry of  
the Islamic Republic of Iran

**Dr. Friedel Neuber, Duisburg**  
(died October 23, 2004)  
Former Chairman of the Executive Board of  
Westdeutsche Landesbank Girozentrale

**Prof. Dr. Bernhard Pellens, Bochum**  
(since January 21, 2005)  
Professor of Business Studies and  
International Accounting,  
Ruhr University Bochum

**Dr. Heinrich v. Pierer, Erlangen**  
(since January 21, 2005)  
Chairman of the Supervisory Board of  
Siemens AG

**Dr. Kersten v. Schenck, Bad Homburg**  
Attorney and notary public

**Peter Scherrer, Brussels**  
General secretary of the European  
Metalworkers' Federation

**Thomas Schlenz, Duisburg**  
Shift foreman  
Chairman of the Group Works Council of  
ThyssenKrupp AG

**Dr. Henning Schulte-Noelle, Munich**  
Chairman of the Supervisory Board of  
Allianz AG

**Wilhelm Segerath, Duisburg**  
Automotive bodymaker  
Chairman of the General Works Council of  
ThyssenKrupp Steel AG and Chairman of the  
Works Council Union ThyssenKrupp Steel

**Christian Streiff, Neuilly sur Seine**  
(since January 21, 2005)  
Former Directeur Général (C.O.O.) of  
the Saint-Gobain Group

**Bernhard Walter, Bad Homburg**  
(until January 21, 2005)  
Former Chairman of the Executive Board of  
Dresdner Bank AG

**Prof. Dr. Gang Wan, Shanghai**  
(since January 21, 2005)  
Professor of Automotive Engineering and  
President of Tongji University

## SUPERVISORY BOARD COMMITTEES

**Executive Committee**  
Dr. Gerhard Cromme (Chairman)  
Bertin Eichler  
Thomas Schlenz  
Dr. Henning Schulte-Noelle

**Mediation Committee under  
Art. 27 par. 3 Codetermination Act**  
Dr. Gerhard Cromme (Chairman)  
Bertin Eichler  
Thomas Schlenz  
Dr. Henning Schulte-Noelle

**Personnel Committee**  
Dr. Gerhard Cromme (Chairman)  
Bertin Eichler  
Thomas Schlenz  
Dr. Henning Schulte-Noelle

**Audit Committee**  
Dr. Martin Kohlhaussen (Chairman)  
Dr. Gerhard Cromme  
Klaus Ix  
Hüseyin Kavvesoglu  
Prof. Dr. Bernhard Pellens  
Thomas Schlenz

**Strategy, Finance and  
Investment Committee**  
Dr. Gerhard Cromme (Chairman)  
Wolfgang Boczek  
Bertin Eichler  
Dr. Heinz Kriwet  
Dr. Heinrich v. Pierer  
Dr. Kersten v. Schenck  
Peter Scherrer  
Wilhelm Segerath

## Report by the Supervisory Board

In this report the Supervisory Board gives an account of its activities in the 2004/2005 fiscal year and describes the themes of its ongoing dialogue with the Executive Board, the main subjects of discussions at the full Supervisory Board meetings, the work of the committees and the audit of the financial statements.



**DR. GERHARD CROMME**  
Chairman of the Supervisory Board

**The Supervisory Board was involved in all fundamental decisions.**

Throughout the year under review, the Supervisory Board performed the functions for which it is responsible according to statutory provisions and the Articles of Association. We regularly advised the Executive Board on the management of the Company and supervised the conduct of business. The Supervisory Board was directly involved in all decisions of fundamental significance for the Company. In written and verbal reports the Executive Board furnished us with regular, up-to-date and comprehensive information on all relevant issues of strategy and corporate planning, business progress, the state of the Group including the risk situation, and risk management. Where the actual course of business deviated from plans and targets, this was explained to us in detail and examined by us. The Executive Board agreed the Company's strategic alignment with us. All events of importance to the Company were discussed in detail by the Supervisory Board Executive Committee (Praesidium) and the full Supervisory Board on the basis of reports by the Executive Board. Where required by statutory provisions and the Articles of Association, we voted on the reports and resolution proposals of the Executive Board after detailed examination and discussion. Outside the Supervisory Board meetings, I was personally in regular contact with the Executive Board and was kept informed about the current business situation and key business transactions. In separate strategy meetings, I discussed the perspectives and future focus of the individual Group segments with the Executive Board.

Five Supervisory Board meetings were held in fiscal 2004/2005, one of which was the constituent meeting after the Annual General Meeting. Between meetings, the Supervisory Board was informed in detail by means of written reports about all projects and plans of particular importance to the Company. Where necessary, we passed resolutions by written vote.

### Efficient work in the Supervisory Board committees

The Supervisory Board has set up a total of five committees which prepare the resolutions of the Supervisory Board as well as the issues to be dealt with at the full meetings. In individual cases, decision-making powers of the Supervisory Board were delegated to committees. All committees are chaired by the Supervisory Board Chairman, with the exception of the Audit Committee. The current compositions of the individual committees are shown on page 7.

The Executive Committee (Praesidium) met four times in the reporting period. The main subjects of discussion were fundamental issues of the further development of the Group, the implementation of the German Corporate Governance Code and the preparation of the efficiency review of the Supervisory Board.

The Personnel Committee, which is responsible for concluding employment contracts with the Executive Board members and for other Executive Board matters, likewise met four times. In the year under review it dealt mainly with questions relating to the organization of the Executive Board, the appointment of new Executive Board members and the future distribution of responsibilities, the compensation system and the amount of compensation paid to the Executive Board, as well as the acceptance of external directorships by Executive Board members and the question of the retention of a law firm to which a member of the Supervisory Board belongs.

Once again in the past fiscal year it was not necessary to convene the Mediation Committee in accordance with Art. 27 par. 3 German Codetermination Act (MitbestG).

The Audit Committee met five times in the reporting period. In particular, it addressed the parent-company and consolidated financial statements, as well as the further development of the risk management system. It discussed the quarterly reports, awarded the audit engagement, and determined the audit priority areas and the level of compensation. Further important issues were the parameters and timetable for switching the accounting system at ThyssenKrupp to IFRS as from 2005/2006, as well as the Company's compliance program. The auditors participated in four Audit Committee meetings and reported in detail about their audit activities and the audit review of the quarterly financial statements.

The Strategy, Finance and Investment Committee, which met twice in fiscal 2004/2005, dealt with the Group's international focus and strategic development as well as its corporate and investment plan, and prepared the relevant resolutions of the Supervisory Board. This Committee discussed in detail the project to build a steel mill in Brazil and in this connection the Group's medium-term financing strategy.

The chairmen of the committees reported in detail on the meetings and work of the committees in the full-session meetings.

**The Supervisory Board has set up a total of five committees.**

### Wide spectrum of topics discussed in the full Supervisory Board meetings

The development of sales, earnings and employment in the Group and the individual segments, the financial situation and all major investment and disposal projects were the subject of regular deliberations at the full-session meetings. In several meetings we dealt with the situation on the international raw material markets as well as the development of the euro against the US dollar and other key currencies, and discussed the impact of each of these on ThyssenKrupp's business activities with the Executive Board. The steel mill project in Brazil was also the subject of several detailed presentations and discussions in the full-session meetings.

On the basis of detailed documents, the Supervisory Board approved the merger of ThyssenKrupp Werften with Howaldtswerke-Deutsche Werft by written procedure in November 2004. Thereafter the Executive Board kept us informed on the integration status and the further development of the new shipyard alliance.

In the meeting on November 30, 2004 we focused on the parent-company and consolidated financial statements for the year ended September 30, 2004 and the corporate plan for fiscal 2004/2005. On the basis of detailed reports by the Executive Board we discussed the Group's strategic development and medium-term investment plan as well as the steel mill project in Brazil. In the absence of the Executive Board, the Supervisory Board dealt in this meeting with the efficiency review of the Supervisory Board. The discussion focused on the work of the committees, Supervisory Board compensation, the composition of the Supervisory Board in view of the forthcoming re-election of the stockholder representatives in the Annual General Meeting in January 2005 as well as the use of electronic media for dispatching Supervisory Board documents.

In December 2004 the Executive Board informed us of the regaining of investment-grade status at Standard & Poor's and of the status of negotiations on the disposal of the ThyssenKrupp Residential Real Estate group and the ThyssenKrupp Fahrzeugguss group.

In the meeting on January 21, 2005 – immediately before the Annual General Meeting – the Executive Board reported on the current situation of the Group. On the basis of detailed documents, the Supervisory Board approved the disposal of the ThyssenKrupp Residential Real Estate activities and ThyssenKrupp Fahrzeugguss as part of the portfolio optimization.

In a further Supervisory Board meeting after the Annual General Meeting on January 21, 2005, the Supervisory Board was reconstituted with the newly elected stockholder representatives and new committee members were elected. Dr. Gerhard Cromme was confirmed as Chairman and Mr. Bertin Eichler as Vice Chairman of the Supervisory Board.

In April 2005 we approved the disposal of the ThyssenKrupp Elastomertechnik group and in May 2005 the sale of the EWK Edelstahl-Witten-Krefeld group, in each case by written procedure.

Central to the discussions in the meeting on May 13, 2005 was the Group's strategic development plan. We were informed in depth about the status of the steel mill project in Brazil. A further topic was the division of the Steel segment to form two independent segments for the Carbon Steel and Stainless Steel activities. In addition, new initiatives under the ThyssenKrupp best program and the planned Group-wide strengthening of the service offensive were discussed. We also approved the investment plan for fiscal 2005/2006 and the financing thereof and discussed the investment framework for the next three fiscal years with the Executive Board in the context of the medium-term financing plan.

The Supervisory Board was reconstituted in January 2005.



Following the Executive Board's report on the situation of the Group in the Supervisory Board meeting on August 12, 2005, we discussed the status of the steel mill project in Brazil against the background of developments on the world steel market. We held an in-depth discussion with the Executive Board on the interest held by ThyssenKrupp in RAG and the possibility of disposing of it to support RAG's plans for an initial public offering. A further key theme of this meeting was the appointment of new Executive Board members and the associated adjustments to the schedule of responsibilities for the Executive Board. Furthermore, we approved the disposal of ThyssenKrupp MetalCutting.

### Declaration of Conformity reflects good corporate governance

The Supervisory Board continuously monitored the further development of corporate governance standards. The Executive Board – also on behalf of the Supervisory Board – reports in the following section on pages 13-19 on corporate governance at ThyssenKrupp in accordance with section 3.10 of the German Corporate Governance Code. On October 01, 2005 the Executive Board and Supervisory Board issued an updated Declaration of Conformity according to Art. 161 of the Stock Corporation Act (AktG) and made it permanently available to stockholders on the Company website. ThyssenKrupp AG complies with all recommendations of the Government Commission on the German Corporate Governance Code in the currently applicable version of the Code of June 02, 2005.

**Corporate governance:**  
ThyssenKrupp complies  
with all the Code's  
recommendations.

### Intensive discussion of the audit of the parent-company and consolidated financial statements

The parent-company financial statements for the period October 01, 2004 to September 30, 2005, prepared by the Executive Board in accordance with HGB (German GAAP) rules, and the management report of ThyssenKrupp AG were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main. The audit contract had been awarded by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual General Meeting on January 21, 2005. The auditors issued an unqualified audit opinion.

The consolidated financial statements of ThyssenKrupp AG were prepared on the basis of US GAAP. In accordance with the exemption provision of Art. 292a HGB, German GAAP consolidated financial statements were not prepared. Accordingly, additional disclosures pursuant to Art. 292a HGB were added. The US GAAP consolidated financial statements and the management report on the Group were also given an unqualified audit opinion.

One focus of the audit this year were the structures of the ThyssenKrupp Group in terms of risks from fraudulent activities by employees and board members. The report on this as well as the other audit reports and the financial statement documentation were sent to all Supervisory Board members in good time. They were the subject of intense discussion at the meeting of the Audit Committee on November 16, 2005 and at the meeting of the Supervisory Board on November 30, 2005. At both meetings, the auditors took part in the discussion of the parent-company and consolidated financial statements. They reported on the main results of the audits and were available to the Supervisory Board to answer questions and provide supplementary information.

Following our own examination of the parent-company financial statements, the consolidated financial statements, the management report and the management report on the Group, we approved the result of the audit and, in the meeting on November 30, 2005, on the recommendation of the Audit Committee approved the parent-company and consolidated financial statements. The parent-company financial statements are thus adopted. We concurred with the proposal of the Executive Board for the appropriation of net income.

### Change in the composition of the Supervisory Board and Executive Board

In the year under review, there were several changes in the composition of the Supervisory Board. On October 23, 2004, our long-standing Supervisory Board member Dr. Friedel Neuber died. We paid tribute to Dr. Neuber's work in last year's Annual Report and at the Annual General Meeting on January 21, 2005.

The period of office of the stockholder representatives expired at the close of the Annual General Meeting on January 21, 2005. Dr. Gerhard Cromme, Dr. Martin Kohlhaussen, Dr. Heinz Kriwet, Dr. Kersten v. Schenck and Dr. Henning Schulte-Noelle were re-elected to the Supervisory Board. Prof. Jürgen Hubbert, Prof. Dr. Bernhard Pellens, Dr. Heinrich v. Pierer, Mr. Christian Streiff and Prof. Dr. Gang Wan were elected as new members of the Supervisory Board. In the ensuing constituent meeting, Dr. Gerhard Cromme was elected Chairman of the Supervisory Board. The new Supervisory Board no longer includes Dr. Karl-Hermann Baumann, Mr. Carl-L. von Boehm-Bezing, Dr. Mohamad Mehdi Navab-Motlagh and Mr. Bernhard Walter.

Of the employee representatives, Mr. Reinhard Kuhlmann resigned from office at the close of the Annual General Meeting on January 21, 2005, in order to take up a new post in the Group. By court ruling effective May 04, 2005, Mr. Markus Bistram was appointed member of the Supervisory Board in his place.

The Supervisory Board thanks the former Supervisory Board members for their constructive and expert contributions and for their many years of cooperation based on trust.

Effective October 01, 2005, the Supervisory Board appointed Mr. Gary Elliott, Mr. Jürgen H. Fechter and Dr.-Ing. Karl-Ulrich Köhler as new members of the Executive Board of ThyssenKrupp AG. Mr. Elliott is responsible for the Elevator segment, Mr. Fechter for the Stainless segment and Dr.-Ing. Köhler for the Steel segment. This means that in the future each segment will be represented by its executive board chairman on the Executive Board of ThyssenKrupp AG.

The Supervisory Board thanks the executive and management boards, the employees and employee representatives of all Group subsidiaries for their work, which has contributed to a successful fiscal year for ThyssenKrupp.

The Supervisory Board



Dr. Gerhard Cromme  
Chairman  
Düsseldorf, November 30, 2005



ThyssenKrupp continued to focus on developing its governance practices in the past year. The Company complies with all the recommendations of the German Corporate Governance Code as amended by the Government Commission on June 02, 2005, and follows all but one of the Code's suggestions.

## CORPORATE GOVERNANCE REPORT

The Executive Board – also on behalf of the Supervisory Board – reports in the following on corporate governance at ThyssenKrupp in accordance with section 3.10 of the German Corporate Governance Code:

ThyssenKrupp has always been guided by internationally and nationally recognized standards of good and responsible corporate management. Corporate governance is for us a central issue embracing all areas of the Group.

We took the necessary organizational steps to meet the requirements of the Investor Protection Improvement Act (AnSVG) at an early stage. For example, we keep an insider register containing the names of all relevant people.

### Unqualified Declaration of Conformity again at October 01, 2005

On October 01, 2005 the Executive Board and Supervisory Board issued the statutory Declaration of Conformity in accordance with Art. 161 of the Stock Corporation Act (AktG), stating that ThyssenKrupp complies with all the recommendations of the German Corporate Governance Code as amended on June 02, 2005.

Beyond this, ThyssenKrupp also complies with the suggestions of the Code – with one exception: there are no plans at present to introduce staggered periods of office for the stockholder representatives on the Supervisory Board. We consider it expedient to stick to a common period of office.

At our exchange-listed subsidiary Eisen- und Hüttenwerke AG, the German Corporate Governance Code is implemented taking into account the particularities of its membership in the Group. Variances are set out in the Company's Declaration of Conformity of September 26, 2005.

### Internet information and services for our stockholders

Our stockholders are kept regularly informed about important dates by a financial calendar, which is published in the Annual Report, the quarterly reports and on the Company website. At the Annual General Meeting, which is transmitted on the internet in full, they can exercise their voting rights in person or by proxy, for which they can authorize the representative of their choice or a company-nominated proxy acting on their instructions. Proxy voting instructions for the Annual General Meeting on January 21, 2005 could also be issued in advance and during the meeting up to the end of the general debate by electronic media. These facilities will also be available to the stockholders for the next Annual General Meeting on January 27, 2006. All documents and information on the Annual General Meeting are available on our website.

In compliance with the Law on Corporate Integrity and Modernization of the Right of Avoidance (UMAG) which entered into effect on November 01, 2005, we have switched and thus simplified the registration and authorization process for the next Annual General Meeting to the so-called "record date" system in common international use. In the future, the deadline for the authorization and registration of stockholders will be 21 days before the Annual General Meeting. With this we are increasing the incentive, particularly for our foreign stockholders, to take part in the Annual General Meeting and exercise their voting rights.

Our website provides  
comprehensive, up-to-date  
information for stockholders.

**Goal of Executive Board and Supervisory Board is to increase the value of the enterprise on a sustainable basis.**

### **Close cooperation between Executive Board and Supervisory Board**

The Executive Board and Supervisory Board work closely together in the interest of the Company; their joint goal is to increase the value of the enterprise on a sustainable basis. The Executive Board provides the Supervisory Board with regular detailed updates on all relevant issues relating to corporate planning and strategic development, on business transactions and the situation of the Group including an overview of risks. Under the Articles of Association, important business transactions are subject to Supervisory Board approval. For more details, please turn to the Report by the Supervisory Board on pages 8-12.

The Company has taken out directors and officers (D&O) liability insurance with an appropriate deductible for the members of ThyssenKrupp AG's Executive and Supervisory Boards.

There was only one case of a consultancy or other service contract between members of the Supervisory Board and the Company in the reporting period: insofar as the international law firm Clifford Chance, one of whose partners is Supervisory Board member Dr. v. Schenck, acted in a legal advisory capacity for the Company, the engagement was approved by the Supervisory Board Personnel Committee. Conflicts of interest of Executive or Supervisory Board members, which must be disclosed immediately to the Supervisory Board, did not occur.

### **Re-election of Supervisory Board takes into account Corporate Governance Code**

In the Annual General Meeting on January 21, 2005, the stockholder representatives on the Supervisory Board were individually re-elected. A Supervisory Board comprised of highly qualified members, the majority of whom are independent, is the basis for efficient Supervisory Board work. The different careers and nationalities of the elected stockholder representatives reflect the variety of activities of our Group and its international alignment. With the current composition of its Supervisory Board, ThyssenKrupp also complies with the new Code recommendation on the independence of the Supervisory Board, which implements a corresponding ruling by the European Commission.

The period of office of the stockholder representatives ends at the close of the Annual General Meeting which resolves on discharging the Supervisory Board from responsibility for fiscal 2008/2009. The period of office of the employee representatives on the Supervisory Board ends at the close of the Annual General Meeting which resolves on discharging the Supervisory Board from responsibility for fiscal 2007/2008.

The German Corporate Governance Code recommends that the chairman of the audit committee should have specialist knowledge and experience in the application of accounting principles and internal control processes. ThyssenKrupp follows this recommendation. Dr. Kohlhaussen, Chairman of the Audit Committee since January 2005, was a member of the board of managing directors of Commerzbank AG for almost 20 years, for ten of which he was chairman of the board. He has been chairman of the supervisory board of Commerzbank AG since 2001. Dr. Kohlhaussen also chairs the audit committees of other companies. Furthermore, in his everyday work he has gained extensive knowledge and experience in dealing with internal control processes.

### **Compliance as a focus of risk management**

Good corporate governance also involves dealing responsibly with risks. The systematic risk management activities performed as part of our value-based Group management approach identify risks and optimize risk exposure. The risk management system at ThyssenKrupp AG is examined by the auditors

in Germany and abroad. It is continuously evolved and adapted to the changing conditions. In the past fiscal year the Group's compliance measures formed a key area of risk management. Provision was made to ensure the companies of the Group and their employees comply in particular with the new insider law, the laws on combating corruption and the anti-trust regulations. For more details, please turn to the Risk Management section on pages 98-102.

### Open and transparent communications

The aim of our corporate communications is to ensure that all target groups receive the same information at the same time. Private investors also have access to the latest news and developments at the Group on our website. All press and stock exchange (ad hoc) announcements made by ThyssenKrupp AG are published online. The Company's Articles of Association and the Rules of Procedure for the Executive Board, Supervisory Board and Audit Committee can also be viewed on our website, as can details of how ThyssenKrupp is implementing the recommendations and suggestions of the German Corporate Governance Code. All stockholders and interested readers can subscribe to an electronic newsletter, which reports news from the Group.

According to Art. 15a of the Securities Trading Law (WpHG) the members of the Executive and Supervisory Boards as well as other employees in a management role are obligated to disclose the purchase and sale of ThyssenKrupp shares and their derivatives. At September 30, 2005 no such disclosures had been made to ThyssenKrupp AG in the reporting year. Similarly, there were no cases of share ownership subject to disclosure under section 6.6 of the German Corporate Governance Code at September 30, 2005. To supplement Art. 15a WpHG, ThyssenKrupp has issued an insider policy which sets out rules for trading with the Company's securities for board members and employees and ensures the requisite transparency.

The other directorships held by Executive and Supervisory Board members are listed on pages 172-175. Details of related party transactions are given in the Notes to the Consolidated Financial Statements on page 159.

Group insider policy creates  
the required transparency.

### KPMG again responsible for auditing

We agreed with the auditors KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main that the Chairman of the Audit Committee would be informed immediately of any possible grounds for exclusion or bias arising during the audit insofar as they are not immediately eliminated, and that the auditors would report immediately on any findings and occurrences during the audit which have a significant bearing on the duties of the Supervisory Board. It was also agreed that the auditors would inform the Supervisory Board or make a note in the audit report of any facts ascertained during their examination which are inconsistent with the Declaration of Conformity issued under Art. 161 Stock Corporation Act (AktG) by the Executive Board and Supervisory Board.

## COMPENSATION REPORT

### Performance-based compensation for Executive Board

The structure of the compensation system for the Executive Board is discussed and regularly reviewed by the Supervisory Board at the proposal of the Personnel Committee. Determining the compensation of individual Executive Board members is the duty of the Personnel Committee.

Executive Board compensation comprises non-performance-related and performance-related components. The non-performance-related components comprise fixed compensation and non-cash benefits, while the performance-related components consist of a bonus and long-term incentive components. In addition, the Executive Board members received pension entitlements.

Compensation is based in particular on the duties of the individual Executive Board member, his/her personal performance and that of the Executive Board as well as on the business situation, success and prospects of the Company relative to its competitive environment.

The basic non-performance-related fixed compensation is paid out as a monthly salary. It is reviewed every three years among other things on the basis of the general salary trend in the Group. In addition, the Executive Board members receive non-cash benefits mainly comprising the tax value of real property, related incidental costs and the use of Company cars. The Executive Board members are responsible for paying tax on these non-cash benefits. In principle they are available in the same way to all Executive Board members; they vary in amount according to the personal situation of the individual member. No loans or advance payments were granted to members of the Executive Board in the year under review.

The first component of performance-related compensation is the bonus. The bonus amount is based equally on the development of EBT and ROCE. This means that the bonus as a performance incentive is linked to the performance indicators used in the Group.

In addition to their bonus, Executive Board members receive two further variable compensation components with a long-term incentive effect: stock appreciation rights under the Company's Long Term Management Incentive plan (LTMI) and benefits under the Mid Term Incentive plan (MTI). The Notes to the Consolidated Financial Statements contain details of the LTMI and the MTI on pages 142-143.

The following table shows the breakdown of fixed salary, bonus and long-term incentive components for the individual Executive Board members:

### EXECUTIVE BOARD COMPENSATION 2004/2005 in €

	Annual income				
	Fixed salary	Bonus	Stock appreciation rights paid 4th installment LTMI	Non-cash benefits	Total
Dr.-Ing. Ekkehard D. Schulz, Chairman	792,000	1,625,250	21,450	121,325.83	2,560,025.83
Dr. Ulrich Middelmann, Vice Chairman	600,000	1,231,250	16,250	156,409.42	2,003,909.42
Dr. Olaf Berlien	480,000	985,000	13,000	87,575.83	1,565,575.83
Edwin Eichler	480,000	985,000	13,000	76,036.49	1,554,036.49
Dr. A. Stefan Kirsten	480,000	985,000	13,000	79,730.49	1,557,730.49
Ralph Labonte	480,000	985,000	5,200	88,450.39	1,558,650.39
Dr.-Ing. Wolfram Mörsdorf	480,000	985,000	5,200	90,167.68	1,560,367.68
Total	3,792,000	7,781,500	87,100	699,696.13	12,360,296.13

Prof. Dr. Rohkamm and Dr. Harnisch, who left the Executive Board in fiscal 2003/04, each received €13,000 from the 4th installment of the LTMI.

The basic compensation structure is presented in detail.

For fiscal 2004/05, compensation paid to the active Executive Board members (including non-cash benefits) totaled €12.4 million (prior year: €12.3 million), of which €3.8 million (prior year: €4.0 million) related to fixed salaries and €7.8 million (prior year: €7.0 million) to bonuses. Non-cash benefits totaled €0.7 million (prior year: €0.8 million). In addition, the Executive Board members received payments of €87,100 from the 4th installment of the LTMi.

**Executive Board compensation for 2004/2005 totaled €12.4 million.**

In addition, the Executive Board was granted 75,098 stock rights from the 3rd installment of the MTI in the past fiscal year. At September 30, 2005 the members of the Executive Board had a total of 182,500 stock appreciation rights from the 5th installment of the LTMi and 251,339 stock rights from the first three installments of the MTI. At the end of the performance period for the 5th installment, the stock appreciation rights under the LTMi result in a cash remuneration if at least one of the two performance hurdles of the LTMi has been met. The number of stock rights issued under the MTI is established at the end of a three-year performance period depending on EVA. For every €50 million change in EVA, the number of stock rights changes by 10%. The amount of compensation also depends on the performance of ThyssenKrupp's stock. The following table shows the current rights totals under the LTMi and MTI. In line with the new Management Compensation Disclosure Act (VorstOG), in addition to the number of rights the table also shows the value of the rights at the time of award, calculated in accordance with the requirements for international accounting.

The members of the Executive Board received pension entitlements, which are also shown for the individual members in the following table. The pension of an Executive Board member is based on a percentage of the fixed salary component, the percentage increasing with the duration of the Executive Board member's appointment (generally 30% from the start of the first, 50% from the start of the second and 60% from the start of the third period of appointment; the pension of the Executive Board Chairman is 65%). The pension entitlement is therefore not linked to the variable compensation components. No further payments have been promised to any Executive Board members in the event that they leave their post.

No members of the Executive Board received payments or corresponding promises from third parties in connection with their Executive Board positions in the year under review.

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €13.3 million (prior year: €14.4 million). An amount of €128.4 million (prior year: €129.9 million) was accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

## STOCK RIGHTS AND PENSION PLANS in €

	Rights (due in the future)								Pension
	LTMi 5th installment		MTI 1st installment		MTI 2nd installment		MTI 3rd installment		Annual pension when payable (as at September 30, 2005)
	Number	Value at time of award	Number	Value at time of award	Number	Value at time of award	Number	Value at time of award	
Dr.-Ing. Ekkehard D. Schulz, Chairman	41,250	158,400.00	22,874	175,672.32	17,381	268,536.45	15,685	237,941.45	514,800
Dr. Ulrich Middelman, Vice Chairman	31,250	120,000.00	17,329	133,086.72	13,168	203,445.60	11,883	180,265.11	360,000
Dr. Olaf Berlien	25,000	96,000.00	13,863	106,467.84	10,534	162,750.30	9,506	144,206.02	144,000
Edwin Eichler	25,000	96,000.00	13,863	106,467.84	10,534	162,750.30	9,506	144,206.02	144,000
Dr. A. Stefan Kirsten	25,000	96,000.00	13,863	106,467.84	10,534	162,750.30	9,506	144,206.02	144,000
Ralph Labonte	25,000	96,000.00	13,863	106,467.84	10,534	162,750.30	9,506	144,206.02	144,000
Dr.-Ing. Wolfram Mörsdorf	10,000	38,400.00	0	0.00	7,901	122,070.45	9,506	144,206.02	240,000
Total	182,500	700,800.00	95,655	734,630.40	80,586	1,245,053.70	75,098	1,139,236.66	1,690,800

Prof. Dr. Rohkamm and Dr. Harnisch, who left the Executive Board in February and April 2004, respectively, each received 25,000 stock appreciation rights from the 5th installment of the LTMi and 13,863 stock rights from the 1st installment of the MTI; Prof. Dr. Rohkamm received 4,389 stock rights and Dr. Harnisch 6,145 stock rights from the 2nd installment of the MTI.

The Supervisory Board receives compensation based on the long-term performance of the Company for the first time.

## Supervisory Board compensation regulated in the Articles of Association

The compensation of the Supervisory Board was determined by the Annual General Meeting and is regulated in Art. 14 of the Articles of Association. It is based on the duties and responsibilities of the Supervisory Board members and on the performance of the ThyssenKrupp Group.

In addition to reimbursement of their expenses and a meeting attendance fee of €500, Supervisory Board members receive compensation comprising the following elements: a fixed component of €16,000 and a bonus of €800 for each €0.01 by which the dividend paid out to stockholders for the past fiscal year exceeds €0.10 per share. On top of this, there is an annual compensation, based on the long-term performance of the Company, of €2,000 for each €100,000,000 by which average earnings before taxes and minority interest (EBT) in the last three fiscal years exceeds €500,000,000. This compensation component will be payable for the first time after the Annual General Meeting on January 27, 2006.

## SUPERVISORY BOARD COMPENSATION 2004/2005 in €

	Fixed compensation	Bonus	Long-term compensation component	Compensation for committee work	Meeting attendance fees	Total
Dr. Gerhard Cromme, Chairman	48,000	144,000	52,560	81,520	8,000	334,080
Bertin Eichler, Vice Chairman	32,000	96,000	19,726	50,781	4,500	203,007
Dr. Karl-Hermann Baumann (until January 21, 2005)	4,954	14,860	13,492	33,307	2,500	69,113
Markus Bistram (from May 04, 2005)	6,575	19,726	2,398	–	1,000	29,699
Wolfgang Boczek	16,000	48,000	17,520	20,380	3,500	105,400
Carl-L. von Boehm-Bezing (until January 21, 2005)	4,954	14,860	13,492	–	1,000	34,306
Heinrich Hentschel	16,000	48,000	9,863	–	2,500	76,363
Prof. Jürgen Hubbert (from January 21, 2005)	11,090	33,271	4,044	–	1,500	49,905
Klaus Ix	16,000	48,000	17,520	20,380	5,000	106,900
Hüseyin Kavvesoglu	16,000	48,000	9,863	18,466	5,000	97,329
Dr. Martin Kohlhaussen	16,000	48,000	17,520	34,562	5,000	121,082
Dr. Heinz Kriwet	16,000	48,000	17,520	20,380	3,500	105,400
Reinhard Kuhlmann (until January 21, 2005)	4,954	14,860	13,492	8,327	1,500	43,133
Dr.-Ing. Klaus T. Müller	16,000	48,000	9,863	–	2,500	76,363
Dr. Mohamad-Mehdi Navab-Motlagh (until January 21, 2005)	4,954	14,860	13,492	8,327	1,500	43,133
Dr. Friedel Neuber (died October 23, 2004)	1,008	3,025	12,053	–	–	16,086
Prof. Dr. Bernhard Pellens (from January 21, 2005)	10,351	31,053	3,774	11,294	2,500	58,972
Dr. Heinrich v. Pierer (from January 21, 2005)	11,090	33,271	4,044	12,101	2,000	62,506
Dr. Kersten v. Schenck	16,000	48,000	8,760	12,608	3,000	88,368
Peter Scherrer	16,000	48,000	15,378	13,755	3,000	96,133
Thomas Schlenz	16,000	48,000	17,520	61,140	7,000	149,660
Dr. Henning Schulte-Noelle	16,000	48,000	17,520	28,252	3,500	113,272
Wilhelm Segerath	16,000	48,000	17,520	20,380	3,500	105,400
Christian Streiff (from January 21, 2005)	11,090	33,271	4,044	–	1,500	49,905
Bernhard Walter (until January 21, 2005)	4,624	13,869	12,593	8,327	1,000	40,413
Prof. Dr. Gang Wan (from January 21, 2005)	11,090	33,271	4,044	–	1,500	49,905
<b>Total</b>	<b>358,734</b>	<b>1,076,197</b>	<b>349,615</b>	<b>464,287</b>	<b>77,000</b>	<b>2,325,833</b>

The Chairman receives three times the above fixed compensation, bonus and long-term performance-based component, and the Vice Chairman double these amounts. In accordance with the German Corporate Governance Code, chairmanship and membership of Supervisory Board committees are compensated separately. Supervisory Board members who only serve on the Supervisory Board for part of the fiscal year receive a proportionally reduced compensation amount.

For fiscal year 2004/2005, on the basis of the proposed dividend of €0.70 per share (excluding the special dividend of €0.10 per share), the members of the Supervisory Board will receive total compensation, including meeting attendance fees, of €2.3 million (prior year: €1.7 million). The individual Supervisory Board members will receive the amounts listed in the adjacent table.

Members of the Supervisory Board of ThyssenKrupp AG will receive compensation of €168,466 (prior year: €184,238) for supervisory board directorships at Group subsidiaries in fiscal 2004/2005. The individual members of the Supervisory Board will receive the amounts shown in the following table. Beyond this, with one exception, Supervisory Board members received no further compensation or benefits in the reporting year for personal services rendered, in particular advisory and mediatory services. The international law firm Clifford Chance, one of whose partners is Supervisory Board member Dr. v. Schenck, received a total of €87,513 for consultancy services for subsidiaries of the ThyssenKrupp Group in the past fiscal year. No loans or advance payments were granted to members of the Supervisory Board in the year under review.

Separate compensation  
is paid for work in the  
Supervisory Board  
committees.

#### COMPENSATION FROM SUPERVISORY BOARD DIRECTORSHIPS WITHIN THE GROUP in €

Markus Bistram	8,288
Wolfgang Boczek	25,000
Klaus lx	31,000
Hüseyin Kavvesoglu	34,000
Prof. Dr. Bernhard Pellens	1,068
Peter Scherrer	9,110
Thomas Schlenz	30,000
Wilhelm Segerath	30,000
<b>Total</b>	<b>168,466</b>

Former Supervisory Board members who left the Supervisory Board prior to October 01, 2004 receive a proportional payment from the long-term compensation component in the total amount of €47,381 for the time they served on the Supervisory Board. The breakdown is shown in the following table:

#### LONG-TERM COMPENSATION COMPONENT for former Supervisory Board members who resigned before October 01, 2004, in €

Dieter Schulte, Vice Chairman (until January 23, 2004)	15,346
Udo Externbrink (until January 23, 2004)	7,673
Herbert Funk (until January 23, 2004)	7,673
Dr. Klaus Götte (until March 31, 2004)	8,760
Gerd Kappelhoff (until October 16, 2002)	256
Ernst-Otto Tetau (until January 23, 2004)	7,673
<b>Total</b>	<b>47,381</b>

# ThyssenKrupp stock

ThyssenKrupp’s stock gained only around 11% in fiscal 2004/2005. The DAX and DJ STOXX indices performed significantly better, with gains of 29.5% and 28.3% respectively. This section contains information on the stock’s performance, our stockholder structure and our investor relations activities.

## KEY DATA OF THYSSENKRUPP STOCK

		2002/2003	2003/2004	2004/2005
Capital stock	million €	1,317	1,317	1,317
Number of shares (total)	million shares	514.5	514.5	514.5
Stock exchange value end September	million €	5,927	8,072	8,936
Closing price end September	€	11.52	15.69	17.37
High	€	13.62	17.67	17.39
Low	€	7.01	11.55	13.89
Dividend per share	€	0.50	0.60	0.80*
Dividend total	million €	249	299	399*
Dividend yield	%	4,3	3,8	4,6
EPS	€	1.09	1.81	2.05
EPS from continuing operations	€	1.18	1.67	1.17
Number of shares **	million shares	507.7	498.0	498.6
Trading volume (daily average)	million shares	2,8	2,5	3,3

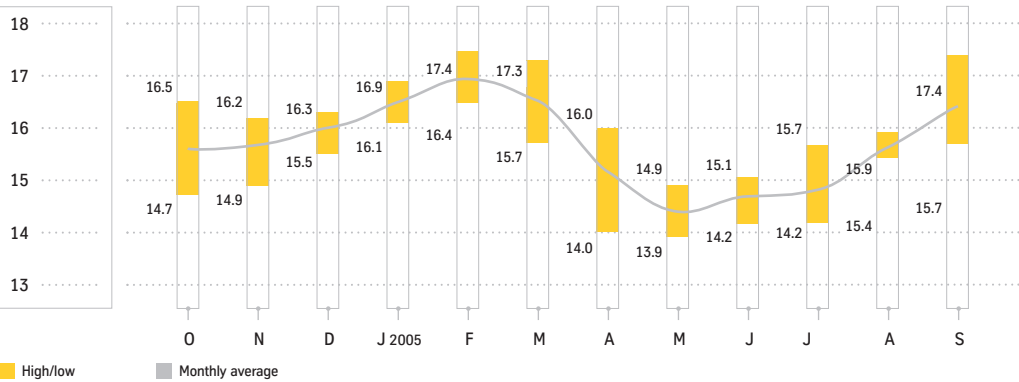
\* proposal to Annual General Meeting; incl. special dividend of €0.10 per share  
\*\* weighted average of outstanding shares

Share price ranged between €13.89 and €17.39 in the reporting period.

## Steel cycle determines share price performance

The performance of ThyssenKrupp’s stock in the reporting year was mainly influenced by uncertainty over the further course of the steel cycle. The implementation of our strategy – in particular the completion of the Divest 33+ portfolio optimization program and the improvement of our operating performance – was not yet fully reflected in our share price at September 30, 2005. Overall ThyssenKrupp’s

## HIGHS AND LOWS OF THYSSENKRUPP STOCK in €





stock did not grow to the same extent as the DAX and DJ STOXX reference indices. At September 30, 2005 the share price closed at €17.37, just under 11% higher than a year earlier. In the same period the DAX gained 29.5% and the DJ STOXX 28.3%. Further details of the share price performance are shown in the charts in this section.

Over the course of fiscal 2004/2005 the share price climbed 11%.

#### PERFORMANCE OF THYSSENKRUPP STOCK IN COMPARISON indexed, Sept. 30, 2004 to Sept. 30, 2005, in %



Market capitalization increased slightly against the previous year by €864 million to €8,936 million.

#### MARKET CAPITALIZATION OF THYSSENKRUPP AG in million €

03-25-1999 Initial quotation	9,338
01-05-2000 All-time high	17,287
09-28-2001	5,814
09-30-2002	5,762
03-12-2003 All-time low	3,607
09-30-2003	5,927
09-30-2004	8,072
09-30-2005	8,936

THYSSENKRUPP STOCK MASTER DATA

		Securities identification number
<b>Stock exchange</b>		
Germany	Frankfurt (Prime Standard), Düsseldorf	DE 000 750 0001
United Kingdom	London Stock Exchange	5636927
<b>Symbols</b>		
Stock exchange	Frankfurt, Düsseldorf	TKA
	London	THK
Reuters	Frankfurt Stock Exchange	TKAG.F
	Xetra trading	TKAG.DE
Bloomberg		TKA GR

Stock market listing in Germany and the United Kingdom

ThyssenKrupp stock has been listed on the Frankfurt, Düsseldorf and London stock exchanges since March 25, 1999.

Liquidity increased in fiscal year 2004/2005. Some 840 million ThyssenKrupp shares were traded on the German stock exchanges including the Xetra trading system, almost 30% more than the year before. The capital stock of ThyssenKrupp AG was thus turned over 1.6 times in the fiscal year. The average daily volume was 3.3 million shares. Trading in ThyssenKrupp stock accounts for 1.5% of the total DAX 30 trading volume.

Inclusion in an index has a positive influence on the perception of a stock on the capital market. The portfolios of numerous investors reflect the composition of an overall index or just one sector index. ThyssenKrupp stock is included in major indices in Germany and also in Europe. These include principally the German DAX index of leading shares, the European DJ STOXX index family and the associated sector indices. Furthermore, our stock is included in the calculation of the DJ Germany Titans, the FT EuroTop 300 and various MSCI indices.

Since March 2005 ThyssenKrupp has also been included in the DivDAX introduced by Deutsche Börse. This index contains the 15 DAX companies with the highest dividend yield.

Earnings per share €2.05

Earnings per share (EPS) is calculated by dividing the Group's net income by the weighted average of outstanding shares. In fiscal year 2004/2005 the number of shares outstanding averaged 498.6 million. On this basis, EPS was €2.05.

Dividend proposal of €0.80 per share includes special dividend

A proposal will be submitted to the Annual General Meeting on January 27, 2006 to increase the dividend for fiscal year 2004/2005 by €0.10 and pay out €0.70 per share. On top of this there will be a special dividend of €0.10 per share as a result of the virtually completed divestment program. Based on the stock price of €17.37 on September 30, 2005, the dividend yield is 4.6%. The payout ratio is 43% of the net income of ThyssenKrupp AG and 39% of consolidated net income.

ThyssenKrupp is included in important indices.

**THYSSENKRUPP AG DIVIDEND PAYMENT** in €

2000/2001		0.60	
2001/2002	0.40		
2002/2003		0.50	
2003/2004		0.60	
2004/2005	0.70	0.10	0.80*

\* Proposal to the Annual General Meeting; €0.70 + €0.10 special dividend

**Capital stock unchanged**

The capital stock remains unchanged at €1,317,091,952.64 and consists of 514,489,044 no-par-value bearer shares. The shares are evidenced in global certificates. The right of shareholders to certification of their shares is excluded under the Company's Articles of Association. Under Art. 19 of the Articles of Association of ThyssenKrupp AG, each share grants one vote.

**Good response to employee share program**

Employees in Germany had a third opportunity to acquire ThyssenKrupp shares at special conditions. Once again, the offer to purchase ThyssenKrupp employee shares at half price met with a very good response. With over 40,000 entitled employees purchasing a total of some 722,000 ThyssenKrupp shares, the participation rate was 47%.

The price of the employee shares in Germany depended on the price of ThyssenKrupp stock on June 01, 2005: the shares were sold on the basis of the lowest price quoted by 1 p.m. on this date in the Xetra trading system of the Frankfurt Stock Exchange. This price was €14.81. As a result each share package purchased comprised 18 shares and was worth €266.58, to which the participating employees were only required to contribute half, i.e. €133.29.

In spring 2005 the offer of employee shares in France became the first employee share program to be issued outside Germany. Some 8,500 employees from 20 French subsidiaries had the opportunity to participate. The participation rate was again 47%. In France, too, the employer contributed 50% to the purchase price. For more information on the employee share program in Germany and abroad, turn to page 60.

**More stockholders outside Germany**

At September 30, 2005 ThyssenKrupp conducted a detailed analysis of its stockholder structure for the third year in succession. The findings obtained will form the basis for planning our future investor relations program, in particular for example for selecting our roadshow destinations.

ThyssenKrupp has a generally very stable and broad-based stockholder structure. The share of private investors increased slightly to 22%. The share of institutional investors and investors with major holdings is thus 78%.

In the core regions of importance to ThyssenKrupp – Germany, the United Kingdom and the USA – there were only minor shifts. Stockholders in the USA slightly increased their share of the capital stock to 5.5% altogether. The picture is similar in Europe. In individual countries such as Italy, Spain, Denmark and Luxembourg, interest in ThyssenKrupp's stock increased significantly. Stockholders in Switzerland (2.1%) and France (1%) sustained their investment. Overall the share of foreign stockholders increased to almost 25%. Stockholders based in Germany hold around 75% of the capital stock.

The largest stockholder is the Alfried Krupp von Bohlen und Halbach Foundation, Essen, which holds 20.6% of the voting rights in ThyssenKrupp AG.

**Stockholders in Germany  
hold 75% of capital stock.**

**3rd prize again in Capital magazine's investor relations award.**

ThyssenKrupp AG also holds treasury shares in the amount of 2.98% of the capital stock (15,339,893 shares). These shares were acquired under Art. 71 par. 1 No. 1 of the Stock Corporation Act (AktG) in fiscal year 2002/2003. ThyssenKrupp AG has no rights in respect of these shares.

The free float, which is generally taken into account in the weighting of ThyssenKrupp stock in the indices, is 79.4% of the capital stock.

### **Award-winning investor relations**

ThyssenKrupp maintained its place in the leading group of investor relations departments in Germany. In the DAX category of Capital magazine's investor relations award, ThyssenKrupp won third prize once again this year. The prize recognizes the quality, credibility and speed of investor relations work and corporate governance.

In fiscal year 2004/2005 the awards received again provided an incentive to optimize our investor relations program. Above all this involved increasing our contacts with institutional investors in all regions of the world. After the four publication dates for the Annual Report and Interim Reports, we visited 29 financial centers in Europe, America and Asia on a total of 33 roadshow days. In addition, we presented ThyssenKrupp's stock and corporate strategy at 13 conferences for both institutional and private investors.

For the target group of almost 40 analysts who regularly follow the performance of ThyssenKrupp, the sell-side roadshow concept was further developed. Sell-side analysts play an important role as multipliers, as their buy, sell and hold recommendations to investors can trigger significant share-price reactions. Also in fiscal 2004/2005 we held our first Field Day, which gave analysts and institutional investors the opportunity to gain an insight into areas of the Automotive segment's operating business and to discuss the segment's strategy with the management.

### **Investor relations on the internet**

We further expanded the investor relations website in the past fiscal year with the addition of interactive elements. New facilities include an improved portfolio calculator and an interactive analysis tool with which users can view and compare selected indicators from the past five years in table or chart form.

Our website today contains all the information investors and future stockholders need to assess ThyssenKrupp's stock. All financial reports, presentations and publications are available online and for downloading. Analysts' and investors' meetings, conference calls, the Annual Press Conference and Annual General Meeting are transmitted live in video and audio format on the Investor Relations section of the website. Information on the Annual General Meeting, roadshows and corporate governance complete the picture.

If you would like to contact the ThyssenKrupp Investor Relations team or find out about important dates in the financial calendar in the 2005/2006 fiscal year, turn to the last page of this Annual Report or visit our website at [www.thyssenkrupp.com](http://www.thyssenkrupp.com).

# Business performance

Section

## 02

- 27 Course of business in 2004/2005
- 47 Income, dividend
- 50 Start of the new fiscal year and outlook

The profitable growth of our Group is reflected in the very good growth rates of all key indicators. Sales were up by 13% in 2004/2005. We also achieved a further improvement in profitability, as shown by the 14% increase in EBITDA and the 24% rise in pre-tax earnings. On the basis of this good earnings situation, we will be proposing a total dividend payout of €0.80 per share to the Annual General Meeting. This is our way of thanking our stockholders for their trust in the past fiscal year.

BUSINESS PERFORMANCE

Pedro Pascual, Project Manager AENA, and Angel Triana, Managing Director ThyssenKrupp Airport Systems, → father of Germana SEE PAGE X



**PARTNER FOR GROWTH** Air traffic is growing worldwide. The Airbus A380, the largest passenger aircraft in the world, will enter commercial service at the end of 2006. In Mieres, Spain, Angel Triana and his team at ThyssenKrupp Airport Systems were quick to respond to the challenge.

Working in close partnership with the aircraft manufacturer and with international airlines and airports, for example with people like Pedro Pascual from AENA, ThyssenKrupp developed an innovative patented passenger boarding bridge for the Airbus A380. It helps reduce turn-around times and has been installed among other places at Madrid Airport.





Understanding needs. Growing markets offer growing opportunities – which have to be exploited quickly and effectively. Key to this is a presence on the markets of the future, as well as an understanding of the changing needs of potential and actual customers. For ThyssenKrupp, technological expertise and customer partnerships go hand in hand. It's an attitude that enables us to systematically shape international markets and successfully exploit growth opportunities.

**OFFERING SOLUTIONS** ThyssenKrupp developed a passenger boarding bridge for the new Airbus A380 to allow fast and safe boarding and deboarding of up to 840 passengers. It has a lift height of 8.2 meters enabling it to connect to the top door of the double-deck jetliner. By using this door, boarding time is reduced from 45 to 38 minutes. A further development of the bridge will shorten boarding times to only 24 minutes. So far, six airports around the world have been fitted with eight of these new passenger boarding bridges. Another 25 units have been ordered for Dubai International Airport alone.



DEVELOPING MARKETS SPAIN

building  
together

The economic environment continued to provide mainly positive impetus for the performance of ThyssenKrupp in fiscal year 2004/2005. Although overall growth rates weakened slightly, they remained generally at a high level. Demand for ThyssenKrupp products and services increased pleasingly. Order intake improved by 9% to €42.5 billion and sales by 13% to €42.1 billion.

## World economy again strong in 2005

The world economy remained on growth track in 2005, although the economic momentum weakened towards mid-year, mainly as a result of substantial rises in energy and raw material prices. The drastic oil price increase dampened economic activity in the oil-importing industrialized countries. According to current estimates, world GDP increased by 4.0% in 2005, compared with 5.1% a year earlier; world trade grew by 6.5%, compared with 8.0% in 2004.

North America and Asia again provided the greatest growth impetus in 2005. In the USA, the dynamic growth of the economy was mainly due to high domestic demand. Private consumption and capital spending expanded strongly. The high growth rates in Asia were again driven by China. According to estimates, the Chinese economy grew by more than 9% in 2005. The other Southeast Asian emerging nations also showed above-average growth rates. In Japan, the moderate upswing continued thanks to improving domestic demand.

Latin America's robust economic growth continued, but without reaching the high rates of the previous year. In Brazil, increasing exports contributed to a stabilizing of the economy. Continuing high growth characterized the economic situation in Central and Eastern Europe in 2005, with Russia in particular profiting from rising energy and raw material prices.

By contrast, the economic recovery in Western Europe was very subdued. According to estimates, gross domestic product in the euro zone increased by only 1.3% in 2005, with very heterogeneous growth patterns in the individual countries. Economic growth remained below average in Germany, where weak private consumption in particular dampened economic activity. On the other hand, higher capital spending and an increase in exports despite the, at times, stronger euro had a positive impact.

**North America and Asia again provided the greatest growth impetus in 2005.**

## GROSS DOMESTIC PRODUCT 2005\* Real change compared to previous year in %

Germany .....	0.9
France .....	1.5
Italy .....	0.0
United Kingdom .....	1.7
Russia .....	5.9
Rest of Central/Eastern Europe .....	5.0
USA .....	3.5
Brazil .....	3.1
Rest of Latin America .....	6.4
Japan .....	2.3
China .....	9.3
India .....	7.1
Rest of Asia .....	4.2
World .....	4.0

\* Estimate

World crude steel output increased by 7% to more than 1.1 billion metric tons.

### Positive trend on ThyssenKrupp's sales markets

In the sectors of importance to ThyssenKrupp – the graphic opposite shows an analysis of Group sales by customer group – the market situation was generally pleasing.

On the international steel market, the high rate of expansion observed last year continued in individual regions in 2005. Unchecked production growth – mainly in China but also in India – pushed world crude steel output up by 7% to more than 1.1 billion metric tons in 2005, according to initial estimates. In the NAFTA region and Western Europe, on the other hand, production was cut back from spring 2005 in response to falling demand. In the EU 25, full-year steel production in 2005 was 5% lower than a year earlier at 183 million tons. The German steel mills also recorded lower output at just under 45 million tons. After operating at their capacity limit in the first months of the year, they finally cut back production in May 2005 and then increasingly in the summer months.

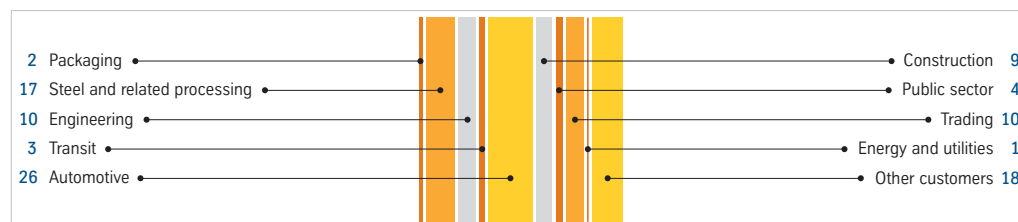
However, the situation on the international steel markets over large parts of the year was also characterized by demand weakness, mainly due to inventory cycle factors, and initially still high supply. The previous year's strong demand pull from China and North America and the associated price increases had led to significant speculative inventory building in many regions. This resulted in a marked decrease in steel demand in most markets from the beginning of 2005. In parallel with this, competitive pressure increased, especially in the USA and Western Europe, due to higher imports. As a result, steel prices decreased across a broad front.

The Western European market for carbon steel flat products was also characterized from the beginning of 2005 by weak demand coupled with high inventories at steel users and distributors, shortening delivery times and shrinking order books at suppliers. Initially still high shipments by Western European producers, combined with large increases in third-country imports in all product segments, resulted in a significant supply surplus in all product segments. As a result, prices came under pressure from the 2nd quarter 2005. Inventory adjustments by customers continued until the end of the fiscal year, by which time the market was largely back in balance, supported by reduced shipments. In addition, imports began to decrease again from the early summer as Western European steel was available more quickly and at lower prices.

World production of stainless steel in 2005 was level with the prior year at 24.7 million metric tons. Demand for cold rolled flat products improved by only 0.3% to 13.3 million metric tons. The decline in Europe and North America was more than offset by the positive trend in Asia. Above all in China, demand rose strongly after moderate growth in the previous year. However, as the year progressed a massive expansion in national capacities added to the supply overhang in the country, resulting in significant price falls from the 2nd quarter 2005. In the North American market, the continued consolidation on the producer side resulted in further capacity closures. Despite this, base prices decreased slightly as a result of higher imports, with demand subdued. In Western Europe, the market for stainless cold rolled flat products was weak throughout the reporting period. High inventories at customers and uncertainty over raw material prices depressed demand. In addition, continuing high third-country imports and new capacities pushing onto the market increased the imbalance between supply and demand. As a result, base prices came under increasing pressure from the 2nd quarter 2005. Most producers reacted by making in some cases massive production cutbacks. A pleasing development was the significant recovery in demand for nickel-base materials, which allowed marked price improvements to be made.



## SALES BY CUSTOMER GROUP 2004/2005 in %



The situation on the global auto market was positive on the whole. According to initial estimates, more than 66 million passenger cars and trucks were produced around the world in 2005 – an increase of roughly 2% or 1 million vehicles compared with 2004. The trends in the individual regions were again very mixed.

While production in Western Europe was down 2% from 2004 at an estimated 17.3 million vehicles, in Germany the positive trend continued. According to initial estimates, Germany produced around 5.7 million passenger cars and trucks in 2005, roughly 2% more than in 2004. The truck sector was particularly expansive. In Central and Eastern Europe, vehicle production grew by more than 10%.

Growth in the NAFTA region was slightly down from the previous year. While production of passenger cars increased slightly, the boom in light trucks such as minivans and sport utility vehicles came to a halt. Increased fuel prices depressed demand and therefore production. Production of heavy trucks picked up significantly. Despite offering ever higher incentives, big American manufacturers lost further market share to Asian manufacturers. In South America, the automobile market showed continued growth, with vehicle production increasing by 5% to 2.5 million units.

The strongest growth impetus again came from Asia. While production in Japan stagnated, volumes in China increased by 10% to 5.7 million vehicles. Altogether, around 24 million passenger cars and trucks were produced in Asia in 2005, 4% more than in 2004.

Asia produced some 24 million passenger cars and trucks.

The continuing growth of the world economy stimulated further demand for machinery and equipment. Thanks to strong domestic demand, the USA and China enjoyed above-average growth. Equipment manufacturers in Japan and Germany showed lower growth rates. German manufacturers reported slipping domestic orders but higher levels of foreign business, with the raw material boom boosting demand from areas such as Russia, Australia and South America.

The construction sector showed a slight improvement generally. Construction activity in Asia and Central and Eastern Europe was particularly favorable. The USA and most Western European countries also recorded growth. By contrast, the German construction sector remained difficult, but the order situation improved slightly from mid-year.

## Strong increase in ThyssenKrupp sales

### THYSSENKRUPP IN FIGURES

		2003/2004	2004/2005
Order intake	million €	38,823	42,508
Sales	million €	37,303	42,064
EBITDA	million €	3,036	3,452
Income*	million €	1,477	1,836
Employees (Sept. 30)		174,056	183,729

All figures relate to continuing operations. \* before taxes and minority interest

### SALES BY SEGMENT million €

	2003/2004	2004/2005
Steel	13,151	14,752
Automotive	7,247	7,627
Technologies	4,083	5,687
Elevator	3,569	3,773
Services	11,306	12,504
Corporate	121	119
<b>Segment sales</b>	<b>39,477</b>	<b>44,462</b>
Inter-segment sales	(2,174)	(2,398)
<b>Sales of continuing operations</b>	<b>37,303</b>	<b>42,064</b>

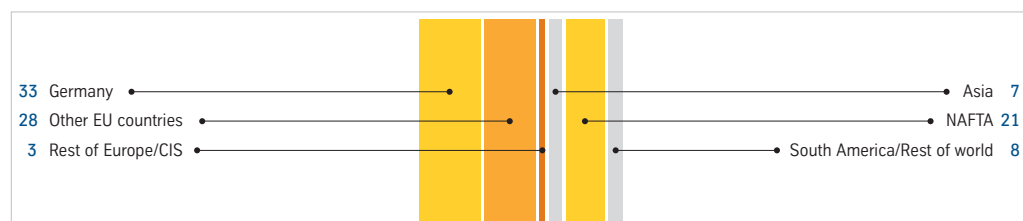
	2003/2004	2004/2005
Steel	1,119	406
Automotive	399	218
Technologies	619	635
Services	600	200
Corporate	241	56
<b>Segment sales</b>	<b>2,978</b>	<b>1,515</b>
Inter-segment sales	(225)	(66)
<b>Sales of discontinued operations</b>	<b>2,753</b>	<b>1,449</b>

Elevator continued all operations.

**ThyssenKrupp improved all its key indicators in 2004/2005.**

ThyssenKrupp continued to perform well in the reporting year 2004/2005. With help from the economy, but mainly thanks to our own efforts to enhance performance, we further improved our key indicators, as shown in the tables above.

We successfully continued the portfolio streamlining process. A number of significant activities were sold – Edelstahl Witten-Krefeld, aluminum castings, the European truck spring business, the turbine components operation, the machine tools business MetalCutting and the residential real estate activity. More information on the discontinued operations is contained in the Notes on pages 118-130. To allow comparability between the periods, the following statements regarding order intake, sales, earnings and employees apply only to continuing operations unless otherwise stated.

**SALES BY REGION 2004/2005** in %

Demand for our products and services increased strongly in 2004/2005. Order intake from continuing operations reached €42.5 billion, 9% more than a year earlier. However, exchange rates continued to impact results. Excluding the appreciation of the euro against the us dollar, the Group's order intake would have increased in total by 10%. The discontinued operations achieved new orders worth €1,488 million.

Sales from continuing operations increased by 13% to €42.1 billion. All segments contributed to this rise. Excluding exchange rate effects, sales would have been 14% higher. Sales from discontinued operations reached €1,449 million.

The main sales regions, as illustrated by the graphic above, were the countries of the EU, especially Germany, and the NAFTA region. Two thirds of our sales – 67% or €28.2 billion – were to customers outside the German market.

**Group sales rose by 13% to €42.1 billion.**

**Steel: Outstanding performance****SALES** million €

	2003/2004	2004/2005
Carbon Steel	8,387	9,291
Stainless Steel	4,990	5,568
Special Materials	321	387
<b>Total</b>	<b>13,698</b>	<b>15,246</b>
Consolidation	(547)	(494)
<b>Steel</b>	<b>13,151</b>	<b>14,752</b>

All figures relate to continuing operations.

The Steel segment performed outstandingly in a much more difficult market environment. Large parts of fiscal 2004/2005 were marked by weaker demand due to the inventory cycle. Nevertheless, the value of new orders increased by 5% to €14.4 billion. Order volumes were significantly lower but they were offset by higher average prices. The price increases for steel products were made necessary by further extreme cost increases for raw material purchases. Sales increased by 12% to €14.8 billion. Here again, lower volumes were offset by higher prices.

ThyssenKrupp Steel  
produced 16.5 million  
metric tons of crude steel  
in the year under review.

Crude steel production was almost unchanged from the prior year at 16.5 million metric tons. At the beginning of the fiscal year the core production units were running at full capacity but from the middle of the period ThyssenKrupp Stahl had to cut production by around 800,000 tons as a result of lower demand and high inventories of finished products. The cutback mainly affected the cold rolling mills and coating lines. In the 4th quarter 2004/2005 Stainless Steel reacted to the weaker market in Europe by cutting production by 120,000 tons. Overall, the Steel segment's rolled steel production for customers decreased by 5% from the prior year.

The Carbon Steel business unit increased its sales by 11% to €9.3 billion. With volumes lower, the increase was due to significantly higher steel prices. At ThyssenKrupp Stahl, sales increased by 11% purely for price reasons. Price improvements were possible up to mid-2005 but from the 4th fiscal quarter the weakness of the market resulted in price corrections for quarterly deals. Nevertheless average prices for the full year were 23% higher than a year earlier, thanks particularly to the price rises achieved in contract business. Sales volumes at ThyssenKrupp Stahl were 8% down from the prior year. The decline affected virtually all our regional markets. Almost without exception the other companies in the business unit repeated their very positive performance of the prior year. Sales of tinplate and medium-wide strip increased substantially for price reasons. In the tailored blanks area, orders from the auto industry were down from the prior year but sales were unchanged. The European steel service centers and the ThyssenKrupp Steel North America processing center performed positively.

The Stainless Steel business unit increased its sales to €5.6 billion. The 12% rise was due firstly to higher base prices in the first half of the fiscal year and secondly to higher alloy and scrap surcharges due to cost increases for raw materials. To a large extent, the increased costs above all of nickel, chromium and scrap were passed on to the market with a time lag. Shipments were 11% down from the prior year due to weaker demand. The production cutbacks carried out to adjust supply to demand and the strike at ThyssenKrupp Acciai Speciali Terni at the beginning of the year had a particular impact on shipments of cold rolled strip, which decreased by 10%. The nickel-base alloy business continued its positive performance of the prior year. The strong rise in sales at ThyssenKrupp VDM was due to both price and volume factors.

The Special Materials business unit disposed of the stainless steel long products operation in the reporting period, leaving only the grain-oriented electrical steel activities. ThyssenKrupp Electrical Steel recorded a sales increase of 28% to €387 million. The market was characterized by high growth rates throughout the reporting period, which allowed us to improve prices significantly.

## Automotive: Position strengthened

### SALES million €

	2003/2004	2004/2005
Body & Chassis (North America)	2,223	2,307
Body & Chassis (Europe/Asia Pacific/Latin America)	2,981	2,995
Powertrain (Global)	2,073	2,356
<b>Total</b>	<b>7,277</b>	<b>7,658</b>
Consolidation	(30)	(31)
<b>Automotive</b>	<b>7,247</b>	<b>7,627</b>

All figures relate to continuing operations.

In a generally positive global market environment the Automotive segment further strengthened its position as an international partner and full-service supplier to the auto industry with rising production figures. This was reflected in a significant rise in business. Order intake increased by 9% to €7.9 billion, and sales by 5% to €7.6 billion. The sales growth was mainly due to significantly increased systems business, higher volumes, and price-related growth at the North American foundries. Other positive factors were the further increase in the use of diesel engines in passenger cars, continuing very high international demand for truck crankshafts, and various new model and plant launches and ramp-ups. Negative factors were the exchange rate effect and above all the decrease in sales volumes at the North American stamping plants.

The Body & Chassis (North America) business unit expanded its sales by 4% in the reporting period thanks to volume and price growth at the North American foundries of ThyssenKrupp Waupaca. ThyssenKrupp Budd Systems also recorded a significant increase in systems business with the start of production of a rear axle module for a us sport utility vehicle. Orders from Japanese transplants at ThyssenKrupp Fabco and ThyssenKrupp Budd Plastics additionally boosted sales. Business at the Hopkinsville stamping plant increased significantly, while other stamping plants were impacted by a collapse in demand for various vehicle models. Shipments under various framework contracts were also lower at the Kitchener plant.

The Body & Chassis (Europe/Asia Pacific/Latin America) business unit's sales were essentially unchanged from the prior year. New contracts and increased shipments to German auto manufacturers had a pleasing impact, as did new product launches. Price effects from the passing-on of material price increases also had a positive effect. Offsetting factors were the ending of production and lower demand for various vehicle models. The companies in the UK were particularly impacted by this, with the insolvency of MG Rover causing a substantial decrease in volumes.

**Automotive sales rose 5% to €7.6 billion.**

Sales of the Powertrain (Global) business unit expanded by 14% in 2004/2005, mainly reflecting the start-up of the new production site for steering products in Terre Haute, USA, and steering system contracts in France. The ramp-up of camshaft production for French and German auto manufacturers also stimulated sales. Demand for truck crankshafts remained at a high level worldwide in fiscal 2004/2005. As a result of the increasing popularity of diesel engines, demand for car crankshafts was also very encouraging. Not least, the passing-on of steel price increases had a positive impact on sales. In Brazil, there was a further expansion of business and an increase in domestic sales volumes thanks to an export drive by auto manufacturers. Changes to the scope of consolidation had a net positive sales effect. ThyssenKrupp Presta SteerTec was included for twelve months for the first time in the reporting period.

Technologies on growth track

SALES million €

	2003/2004	2004/2005
Plant Technology	1,673	2,246
Marine Systems	773	1,663
Mechanical Engineering	1,541	1,773
Transrapid	82	21
<b>Total</b>	<b>4,069</b>	<b>5,703</b>
Consolidation	14	(16)
<b>Technologies</b>	<b>4,083</b>	<b>5,687</b>

All figures relate to continuing operations.

Technologies increased sales by 39% to €5.7 billion.

Market conditions for the Technologies segment were generally pleasing. World demand for specialized and large-scale engineering increased. There was positive impetus in the shipbuilding sector. The market for mechanical engineering products also improved further. Negative factors were high raw material costs and the weak US dollar. Nevertheless, Technologies was able to expand its business significantly and increase order intake by 16% to €5.5 billion. Sales improved by 39% to €5.7 billion. Orders in hand at the end of the reporting period totaled €9.3 billion, 58% more than a year earlier.

The Plant Technology business unit won numerous large orders in the reporting period, particularly for cement plants and mining/handling equipment. The business unit profited in particular from high foreign demand, not least from customers in the Middle East. The chemical plant business was impacted by order deferrals. Order intake generally was at the high level of the prior year. The excellent project situation for cement and mining/handling equipment resulted in a strong rise in sales. The fertilizer and chemical plant business also performed very well.

Marine Systems almost doubled its order intake, reflecting the inclusion of HDW for the first time and the receipt of several shipbuilding orders. In merchant shipbuilding Marine Systems continued to benefit from strong demand for high-quality mid-size container ships. Also gaining in importance is

the construction of mega yachts featuring innovative technology and luxury specification levels. Orders in hand at the end of the reporting period totaled €5.3 billion. Sales of Marine Systems more than doubled due to the inclusion of HDW and billings for the German and South African navies.

Order intake at Mechanical Engineering improved significantly from the prior year. Components and systems for construction equipment and the general engineering sector recorded high order growth. Business in large-diameter bearings for wind turbines remained at a high level. Thanks to the high order intake sales increased substantially.

Transrapid received an order from the German Federal Government in August 2005 to develop and adapt the Transrapid vehicle to the requirements of the Munich airport link. Sales were down from the prior year, when the Shanghai contract was billed.

## Elevator: Successful in a difficult market environment

### SALES million €

	2003/2004	2004/2005
Central/Eastern/Northern Europe	1,163	1,209
Americas	1,377	1,485
Southern Europe/Africa/Middle East	471	498
Asia/Pacific	399	419
Escalators/Passenger Boarding Bridges	230	247
Accessibility	120	134
<b>Total</b>	<b>3,760</b>	<b>3,992</b>
Consolidation	(191)	(219)
<b>Elevator</b>	<b>3,569</b>	<b>3,773</b>

Elevator continued all operations

The Elevator segment was successful in a difficult market environment. The new installations business in particular had to contend with greatly increased price and margin pressure, made worse by the world-wide rise in starting material prices. Increasing price competition likewise impacted the service and modernization business, which also had to contend with continuing adverse exchange rates. Despite this, order intake increased by 10% to €4.2 billion, and sales by 6% to €3.8 billion. This performance was based not only on our strong international presence but also on increasing successes in cross-selling our various products and services.

The Central/Eastern/Northern Europe business unit improved slightly on its high prior-year results for both order intake and sales. The volume of business was maintained or expanded in all markets despite significantly higher price pressure, especially in the new installations business. One highlight was the successful market launch of the “Spirit”, a machine-room-less elevator for the low- to medium-rise residential building segment. The service activities also performed pleasingly.

**Elevator achieved 10% growth in order intake and 6% growth in sales.**

Elevator received second major order for Dubai Airport.

Despite negative exchange rate effects the Americas business unit recorded significantly higher orders and sales in fiscal 2004/2005 compared with the prior year. In addition to a continuing positive performance in the service area there was also a sustained improvement in the new installations business. This resulted in pleasing growth both in the USA and in Latin America.

The Southern Europe/Africa/Middle East business unit also turned in a very pleasing performance with its activities on the Spanish and Portuguese markets as well as in the Middle East. Order intake increased considerably, mainly due to the second major order for Dubai Airport. Other infrastructure projects such as the Barcelona Metro also made a contribution. The inclusion of the Spanish company Ascensores Silves Hidrolex and the Italian company Marco Bonfedi Ascensori Scale Mobile had a positive impact.

Order intake and sales of the Asia/Pacific business unit increased. The Chinese market in particular was marked by vigorous growth, resulting in higher demand for new installations and a further expansion in service business. Business also improved in the rest of the Southeast Asian region. The only slight decline was in South Korea, due to weak construction activity.

In the Escalators/Passenger Boarding Bridges business unit, order intake was down from the very high prior-year level. Large orders were received for escalators, moving walks and passenger boarding bridges for Barcelona and Cairo Airports. Sales also increased through utilization of cross-selling potential.

The Accessibility business unit expanded its activities. Order intake and sales both increased. In addition to the positive impact of the acquisitions of smaller activities on the us market, the European companies made a very pleasing contribution to the success of the business unit.

Services: Performance programs working

SALES million €

	2003/2004	2004/2005
Materials Services Europe	5,256	5,773
Materials Services North America	1,499	1,779
Industrial Services	1,318	1,392
Special Products	3,261	3,598
<b>Total</b>	<b>11,334</b>	<b>12,542</b>
Consolidation	(28)	(38)
<b>Services</b>	<b>11,306</b>	<b>12,504</b>

All figures relate to continuing operations.

Sales of the Services segment totaled €12.5 billion in the reporting period, up 11% from the prior year. The improvement was due to continuing high prices for most industrial and raw materials and above all to the segment’s own efforts to expand business. All business units contributed to this pleasing performance.



Despite a slight decline in volumes, the Materials Services Europe business unit increased its sales substantially thanks to higher prices and an optimized product range. Sales of flat steel, higher-value grades and stainless steel increased particularly. Business in nonferrous metals was steady, while sales of plastics were up from the prior year. Sales also performed positively throughout Europe outside Germany. The business expansion in Eastern Europe was continued – both in traditionally strong markets such as Poland, Hungary and the Czech Republic, and with new activities in Russia, Ukraine and Bulgaria. The largest foreign market was again France, where sales increased significantly. In the rest of Western Europe, too, the business unit improved on its high sales of the prior year.

Despite negative exchange rate effects, the Materials Services North America business unit also improved significantly from the prior year. The positive price trend in the first half of the year, stronger volumes and a broad-based sales initiative were major factors in this. The business unit's diversified product and service range was able to cushion the effects of fluctuating activity levels in individual market segments. Whereas prices and margins fell sharply for carbon steel products in the second fiscal half, prices for other products – particularly aluminum, copper and tool steel – remained at a high level. In the services sector the business unit won several new customers for supply chain management contracts.

The Industrial Services business unit improved its sales from the prior year. The foreign markets in the USA, Scandinavia, the Middle East and Asia performed positively. In Germany, demand for individual services remained low due to slow maintenance orders from industrial customers. However, this was offset by the continuing outsourcing trend. In particular orders from the chemical/petrochemical, automotive and steel sectors contributed to the sales increase. The rail equipment business strengthened its leading market position, thanks largely to investment by Deutsche Bahn in repairing and expanding its rail network.

Sales of the Special Products business unit were above the already very high prior-year level. Rolled steel sales increased thanks to dynamic price growth. Thanks to high order backlogs the international tube trading business repeated its strong performance of the prior year. The contractors' plant business expanded its market position worldwide. Business in Chinese blast furnace and foundry coke and in coal was lively. Trade in industrial minerals and industrial gases was also positive. In the alloys business a start was made on securing long-term and exclusive supply sources through minority shareholdings.

**Industrial Services performed positively on foreign markets.**

## Corporate

Corporate includes the Group's head office and internal service providers as well as inactive companies not assignable to individual segments. Non-operating real estate is also managed centrally by Corporate. Sales at Corporate were €119 million, compared with €121 million in the prior year.

## Continued success with active portfolio management

With numerous acquisitions and disposals ThyssenKrupp further optimized its portfolio in the reporting period and systematically continued its active portfolio management of recent years.

### Steel completed exit from long products business.

- In the Steel segment, our remaining long product activities were sold with the disposal of Edelstahl Witten-Krefeld to the Schmolz + Bickenbach group, marking our complete exit from this area of business. In the future, the carbon steel and stainless steel businesses will focus fully on flat steel. The Carbon Steel business unit established a joint venture in Tokyo with the Japanese JFE Steel Corporation to facilitate the early involvement of the two companies in the development of new automobiles by Japan's global auto manufacturers. The Stainless Steel business unit strengthened its European sales operations with the full acquisitions of Eurinox and Metalli Rivesti Terni in Italy.
- The Automotive segment acquired an interest in a company set up by Sumitomo in China to manufacture forged car crankshafts. This significantly strengthened the segment's presence in Asia and further expanded its leading position in the international crankshaft business. With the sale of the European truck spring business to the Styria group we found a best owner for this activity. By streamlining the spring business and combining it with the activities of Bilstein we focused our spring/damper capabilities with the aim of strengthening and expanding our market and technology positions in the car suspensions area. As part of the active portfolio optimization and concentration on selected core businesses, we also disposed of the aluminum casting activities of ThyssenKrupp Fahrzeugguss as well as a foundry in the UK.
- The Technologies segment completed its portfolio optimization in fiscal 2004/2005. In the future, the segment will concentrate on the high-earning business units with growth potential: Plant Technology, Marine Systems and Mechanical Engineering. In the shipyards sector, the main events were the acquisition of the HDW group and the formation of the shipyards alliance ThyssenKrupp Marine Systems. A best owner was found for the MetalCutting business unit. The buyer is the US company Maxcor based in New York. ThyssenKrupp Stahlbau was sold to Certina Holding in April. A best owner was also found for ThyssenKrupp Elastomertechnik in the longstanding Lübeck-based company Possehl. The turbine components business was sold to the Leistriz group, a specialized machinery and equipment manufacturer.

- By acquiring a series of elevator companies in Europe and North America , the Elevator segment further strengthened its international market position. The acquisition of Ascensores Silves Hidrolex, one of the last remaining mid-size elevator companies in Spain, enabled us to further extend our market leadership. By purchasing a local supplier in India we improved access to important customers in the greater Mumbai area. This, together with previously existing activities, gives the segment a significant position in the growing Indian market both for new installations and in the modernization and maintenance business. In the Accessibility area, the acquisition of the second-largest market player Ceteco opened up access to the market in Italy.
- In the Services segment, Peiniger RöRo acquired the business operations of Lesser, gaining important industrial customers for its scaffolding business and further strengthening its market position. In addition, various acquisitions strengthened the segment's worldwide steel distribution and service center activities. The raw material distribution business was also further expanded internationally. Following the largely completed restructuring of the segment in 2003/2004, only minor non-core activities were disposed of in the reporting period.
- We successfully completed the largest transaction since the merger in 1999 with the disposal of the residential real estate business. The sale of the approximately 48,000 apartments in the Rhine-Ruhr region contributed significantly to reducing the Group's net debt and also created further financial scope for future strategic growth.

Disposal of residential real estate was the largest transaction since 1999.

In fiscal 2004/2005 ThyssenKrupp acquired activities with total sales of €1.5 billion and disposed of activities with sales of €2.3 billion. Since the merger of Thyssen and Krupp, companies with sales of €7.0 billion have been sold and businesses with sales of €7.1 billion have been acquired. Under our portfolio management strategy we will continue to carry out selective strategic acquisitions and dispose of non-strategic investments in the future.

Workforce higher

EMPLOYEES BY SEGMENT

	Sept. 30, 2004	Sept. 30, 2005
Steel	44,013	43,777
Automotive	42,139	42,541
Technologies	21,980	27,449
Elevator	31,699	34,151
Services	33,211	34,835
Corporate	1,014	976
Employees of continuing operations	174,056	183,729

	Sept. 30, 2004	Sept. 30, 2005
Steel	4,069	58
Automotive	3,330	996
Technologies	3,433	3,406
Services	1,855	556
Corporate	293	0
Employees of discontinued operations	12,980	5,016

Elevator continued all operations.

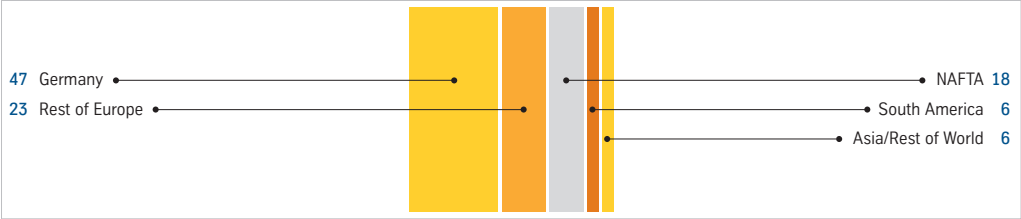
The number of employees increased in fiscal 2004/2005. On September 30, 2005, ThyssenKrupp had 183,729 employees worldwide, 9,673 more than a year earlier. The almost 6% increase is mainly due to the inclusion of the HDW companies in Germany, Greece and Sweden in the Technologies segment. In the Elevator segment the number of employees increased as a result of the expansion in business. 5,016 people were employed at the discontinued operations at the end of the fiscal year.

In Germany, the number of employees increased by 1,518 to 86,104, and outside Germany by 8,155 to 97,625. At the end of September 2005, 47% of the workforce was employed in Germany, 14% in the USA, 6% in France and 5% in Brazil.

Personnel expense from continuing operations increased by 4% to €9.0 billion in the reporting year.

53% of employees now work outside Germany.

EMPLOYEES BY REGION in % (Sept. 30, 2005)



### Raw material prices higher

International raw material prices increased further in 2004/2005 due to high demand in China. We also had to pay higher prices for bought-in steel products. For other products and services, however, we succeeded largely in avoiding higher prices by pooling purchasing volumes and by international procurement management. Materials expense in 2004/2005 totaled €26.1 billion, up 17% from the prior year. As well as increased raw material prices, this increase reflects the Group's higher volume of business in the reporting year. There were no supply bottlenecks. We were able to purchase all the goods and services required by ThyssenKrupp in the required quantities and quality.

Prices on the international raw material markets increased in some cases drastically last year. For nickel, at times we had to pay more than 17,500 us dollars per ton. Peak prices were charged for chromium in mid-2005. In the case of iron ores, high Chinese demand resulted in price increases of more than 70% on the world market. The price increases for coal, calculated on a us dollar basis, were even higher at 120%. Coke prices, on the other hand, eased slightly thanks to increasing cokemaking capacities. Indeed, towards the end of the reporting year coke prices were at the level they were prior to the 2003 boom. Molybdenum and vanadium prices reached record levels in the first half of 2005 and are only gradually falling.

Scrap prices fluctuated considerably in 2004/2005, moving between €127 and more than €270 per ton. As a trend, however, prices for scrap, an important secondary raw material for the steel industry, were higher than in previous years. This was mainly due to reduced availability of scrap for structural reasons and increased exports due to the global raw materials boom.

Input prices for steel long and flat products increased due to the higher raw material prices. Flat products increased in price by more than 20% and long products by over 25%. Prices of components with a high steel content, e.g. stamped, bent and turned parts, also went up. By contrast, purchased mechanical and hydraulic components which were not affected by the higher metal prices remained stable or decreased slightly.

We were able to reduce purchasing costs of direct and indirect services. The Group project Inhouse Sourcing also resulted in optimizations.

The ThyssenKrupp best value enhancement program with purchasing as a new focus has already paid dividends and delivered cost-effective solutions. The Global Sourcing project that commenced in the reporting period has also proven successful. We were able to find low-cost suppliers in Asia and Eastern Europe and make considerable savings in the purchase of electronic components and castings.

Our global purchasing efforts are supported by the ThyssenKrupp procurement platform on the internet. A Strategic Sourcing module has now been integrated which allows worldwide requests for quotations and auctions. In its first year of use we advertised purchases worth more than €500 million. Online requests for quotes are currently being used by Group companies in Europe and the USA. Our e-procurement platform is available at <https://sourcing.thyssenkrupp.info>.

**Materials expense totaled  
€26.1 billion in 2004/2005.**

Another of our program modules – Catalog Ordering – has also proved successful internationally. More than two million articles from over 230 suppliers can now be purchased online via this platform by all ThyssenKrupp companies. By pooling Group demand we were able to agree improved prices and terms.

Groupwide deals with global logistics providers also led to a reduction in freight costs, although these price reductions were eroded in part by rising oil prices and the introduction of truck tolls in Germany. Significant savings were also made possible by the fleet management system in Germany with its electronic carpool system. This system and the associated supplier integration have largely automated the purchasing and administration process for company cars and service vehicles.

Electricity prices continued to rise sharply. Suppliers blamed the price increase on higher coal, oil and gas prices. There was no reduction in the charges for using the electricity networks in Germany, which are well above the European average. The extra costs resulting from the subsidization of renewable energies, combined heat and power plants and the electricity tax are still impacting electricity prices in Germany. These have already reached the level they were at before the liberalization of the market in 1999. In particular the costs of subsidizing renewable energies increased further in the reporting period. Unfortunately, the special rules for energy-intensive companies are of benefit to only a few major electricity consumers in the Group. The high prices represent an increasing threat to our energy-intensive plants in Germany.

The situation on the gas market is similar. Gas prices have been driven up by the high price of oil and the situation is made worse by a lack of competition.

### Focus on reducing CO<sub>2</sub> emissions

Our responsibility for the environment and sustainable development involves a commitment to reduce air, water and soil pollution, use energy and raw materials efficiently and recycle used products. In the reporting period, we spent €402 million on the operation of pollution control equipment worldwide. In addition, €45 million was invested in environmental protection equipment. As in previous years, the main share of operating costs (41%) was for water protection. Air pollution control accounted for 35% of expense, while recycling, waste disposal, noise control and landscape protection accounted for 24%.

As part of the emissions trading system begun at the start of 2005, affected Group companies installed monitoring systems to check and control their CO<sub>2</sub> emissions. In addition to optimizing our own equipment, we are also involved in joint projects to minimize greenhouse gas emissions in Germany and abroad. One example is the project uLCOS (Ultra Low CO<sub>2</sub> Steelmaking). Under this project, our steel business together with other international steel manufacturers is researching new ways to further reduce greenhouse gas emissions in steelmaking. New concepts are to be developed with the aim of reducing CO<sub>2</sub> emissions in ore-based steelmaking by more than 30%.

€402 million spent on the operation of pollution control equipment worldwide.

We successfully completed a multiyear package of measures designed to reduce dust emissions from our steelmaking facilities and improve the local environment. The final step was the first large-scale application of a new system to clean the fumes from a sinter belt. Another goal is to further minimize particulate emissions: a new action plan includes 23 short-term measures, and a further 18 particulate reduction projects will follow by fall 2007.

One important objective for the auto industry and therefore also for ThyssenKrupp as a supplier is to produce low-emission, fuel-efficient vehicles. Our technology and systems capabilities are making an important contribution to this. For example, structural components made of our high-strength steels in conjunction with other materials are making vehicles lighter and thus more fuel-efficient. Our innovative manufacturing technologies allow component weight to be reduced. Developments such as the continuously variable valve control system Presta DeltaValveControl from ThyssenKrupp Presta further reduce fuel consumption and result in lower exhaust emissions.

The goal of energy saving also applies to our innovative elevators. Energy consumption can now also be entered as a control parameter in our electronic destination selection control systems which optimize elevator operation in high-rise buildings and large office buildings by reducing empty trips and waiting times. Trips can be saved and energy consumption reduced by almost 15%. This energy-efficient car dispatch system has already been registered for patent. More information on the destination selection system can be found on page 68.

Our newly developed EnviNOx® process eliminates harmful nitrogen oxides from the waste gas of chemical plants. As such emission reductions can be used in the EU emissions trading system and therefore have a market value, the process is particularly cost-efficient. Group company Uhde won an innovation award from the European environmental press for the development of the process.

### Significant increase in innovative capacity

For ThyssenKrupp as a technology-oriented company, innovations are a key requirement for market success and future viability. In 2004/2005 we spent a total of €733 million, 13% more than the year before, on developing new ideas for products, processes and services and at the same time ensuring the quality of our products. €186 million of this was for basic research and development projects and €266 million for customer-related development projects. Total R&D expense was more than 22% higher than the year before. Expense for technical quality assurance remained unchanged at €281 million.

More than 3,300 employees are working on innovation projects in the Group's 87 international development centers and other research areas. These are scientists and engineers specializing in materials, production, process and electrical technology. Mechatronics is becoming an ever more important focus. Our researchers and developers maintain close contacts with universities and public research bodies in Europe, Asia and the USA, and particularly with the Group's partner universities in Aachen, Berlin, Bochum, Dortmund, Dresden and Hamburg-Harburg and with Tongji University in Shanghai. We also have close working contacts with the technical universities of Clausthal-Zellerfeld and Freiberg.

**R&D spending up  
13% at €733 million.**

Together with external partners from science and research we carried out over 2,000 development projects in the reporting period. One in five projects involved universities and institutes outside Germany. More than 60% of these joint efforts concerned concrete projects, focused on metallurgy, materials and coating technology, analysis, measurement and control technology.

The major innovation successes of the reporting period are presented on pages 65-68.

### Capital expenditures up from prior year

In fiscal 2004/2005, ThyssenKrupp made investments totaling €1.9 billion, 7% more than the previous year. €1,522 million was spent on property, plant and equipment and intangible assets, while the remaining €336 million was used for acquisitions. Capital expenditure was €0.3 billion lower than depreciation (€2.2 billion).

Capital expenditure in the Steel segment amounted to €753 million, with depreciation at €807 million. Carbon Steel invested €521 million and Stainless Steel €203 million. In the Carbon Steel business unit, investment was made in optimizing the casthouse and stockhouse dust collection system on blast furnace 1 in Duisburg. Further funds were spent on new hot blast stoves for blast furnace 9. To meet the high quality requirements of customers from the auto industry, a new walking beam furnace began operation at the Duisburg-Beeckerwerth hot strip mill in December 2004. Various modernization projects were carried out on the hot and cold rolling mills at all locations. The investment projects being carried out in tinplate production at Rasselstein, mainly comprising the construction of a continuous annealing furnace and further coating lines, are progressing to schedule. Production started in summer 2005. Hoesch Hohenlimburg significantly increased the capacity of its medium-wide strip mill with the startup of a second slab furnace. In Changchun, China, ThyssenKrupp Tailored Blanks began operation of a new laser welding line in August 2005, further expanding its international presence. At ThyssenKrupp Electrical Steel the emphasis was on expanding annealing capacities at the Gelsenkirchen plant.

The main aims of investment spending at Stainless Steel were to moderately adjust capacities to regional market requirements, expand the global distribution network and improve quality, service, productivity and environmental protection. The expansion of processing capacities at EBOR Edelstahl, a subsidiary of ThyssenKrupp Nirosta, the startup of a modern finished-products warehouse in Dillenburg, and the improvements to the service center structure will significantly enhance the range of product-specific services offered by the European stainless companies. To strengthen its stainless activities the Italian company ThyssenKrupp Acciai Speciali Terni ordered a new 20-high Sendzimir cold rolling mill which will increase the share of high-quality cold rolled products in the product mix. The same aim will be served by the construction of a bright annealing line and an expansion of finishing capacities at ThyssenKrupp Mexinox. Shanghai Krupp Stainless completed a further phase of expansion with the startup of two new cold rolling stands and an annealing and pickling line for cold rolled strip. Depending on the product mix, maximum cold rolled capacity is now 250,000-290,000 tons per year. The next phase of expansion comprising a hot rolled annealing and pickling line began on schedule. An important step in strengthening the distribution network was the construction of a stainless distribution centre in Guangzhou, completed at the end of fiscal 2004/2005; it has direct access to the high-consumption regions in Southern China and acts as a bridgehead to the other countries of Southeast Asia.

Group's investments increased by 7% to €1.9 billion.



## INVESTMENT BY SEGMENT million €

	2003/2004	2004/2005
Steel	729	753
Automotive	439	462
Technologies	159	411
Elevator	214	119
Services	147	190
Corporate	178	71
Consolidation	(132)	(148)
<b>Group</b>	<b>1,734</b>	<b>1,858</b>
Intangible assets	106	74
Property, plant and equipment	1,325	1,448
Financial assets	303	336

Automotive invested €462 million, with depreciation at €407 million. Spending again centered on customer orders and associated capacity increases. In the Body & Chassis (North America) business unit, investment at the ThyssenKrupp Waupaca foundry focused on capacity expansion, quality improvement and environmental programs. The stamping plants of ThyssenKrupp Budd mainly invested in new production equipment. For example, new welding lines for the manufacture of subframes were installed at the Hopkinsville plant and new assembly lines were built in Shelbyville. The most important project at ThyssenKrupp Fabco involved investment in hot stamping technology.

In the Body & Chassis (Europe/Asia Pacific/Latin America) business unit, spending likewise focused on measures to modernize and expand capacities. At the Brackwede plant, we invested in new production lines and automated existing equipment. At the Ludwigsfelde plant, further welding and assembly facilities were installed to meet new customer orders. In the UK and France, too, production facilities had to be expanded to meet new orders. In addition, hot stamping capacity was expanded at Le Theil plant of ThyssenKrupp Sofedit in France. ThyssenKrupp Automotive Systems installed a new assembly line for chassis products in Brazil for a Japanese customer.

The Powertrain (Global) business unit won numerous new orders and invested accordingly in new production equipment. ThyssenKrupp Gerlach began building a new machining line for crankshafts. In the growth market of China, we entered into a joint venture with Sumitomo to produce forged car crankshafts. ThyssenKrupp Präzisionsschmiede expanded its machining capacity for bevel gears and die production. High customer orders necessitated an expansion of ThyssenKrupp Presta's Ilsenburg plant. The positive market situation in Brazil resulted in an expansion of production and machining capacities at ThyssenKrupp Metalúrgica Campo Limpo. ThyssenKrupp Fundicoes had to increase its melting capacity for the production of cast crankshafts.

Technologies invested €411 million in the reporting period, with depreciation at €301 million. The focus was again on rationalizing production processes and renewing machinery and equipment. At ThyssenKrupp Marine Systems, for example, panel production was significantly enhanced in terms of quality and lead times and the outfitting center for modularized engine room components was completed. Another focus was on sales and product expansion. Mechanical Engineering continued its capacity

Spending of €462 million at Automotive focused on expanding and modernizing capacities.

**Elevator continued its growth strategy with acquisitions.**

expansion program for large-diameter bearings and invested in new production equipment mainly in Europe and Asia. The business unit added chain drives for mini-excavators to its product range to meet strong demand in this field. In addition, the company's world leading position in large drive sprockets for earthmoving equipment was secured and expanded by the switch from cast to forged products.

The Elevator segment invested €119 million, with depreciation at €51 million. In addition to investment aimed at maintaining operational capability, the focus was on financial investments and the acquisition of maintenance packages. As part of the growth strategy the segment made several small and mid-size acquisitions, particularly in Europe, to complement its existing activities, strengthen market presence and support the service business.

In the Services segment, investment totaled €190 million, with depreciation at €118 million. The focus was on investment to maintain operational readiness and to expand and modernize the warehouse business – particularly in Germany, Poland, Hungary and the USA. The main financial projects included the acquisition of an interest in Cline Mining Corporation in Canada, the purchase of Automata Industrial in Brazil, a service company in the aerospace sector, and the establishment of two companies in Ukraine and Bulgaria as part of the Eastern Europe strategy.

# Income, dividend

Pre-tax income from continuing operations before non-recurring items reached a new record level of €1.8 billion. The biggest contribution again came from the Steel segment, which accounted for more than half of the Group's profit. We propose that the Annual General Meeting resolve a dividend of €0.70 per share, €0.10 higher than the previous year. In addition, a special dividend of €0.10 per share is to be paid as a result of the virtually completed divestment program.

ThyssenKrupp generated income from continuing operations before taxes and minority interest and before non-recurring items of €1,836 million in fiscal 2004/2005; not included in this is a non-recurring charge of €474 million in connection with the reassessment of the 20.6% interest in RAG Aktiengesellschaft, as well as a gain of €870 million from the sale of the Residential Real Estate business reported under discontinued operations. This represents another record profit for ThyssenKrupp, €359 million higher than the Company's previous best in the prior year.

The main drivers of this success were the excellent results at Steel. In all segments, the successfully implemented programs to increase efficiency and the completed portfolio adjustments had a positive impact. Increases in starting material and raw material prices and the worsening situation in parts of the auto industry in the USA and the UK had a negative impact on earnings.

The divestment program for non-core operations was virtually completed in the course of the fiscal year. Eleven significant entities were either sold or their disposal was initiated in the course of fiscal 2004/2005. In total, these transactions resulted in a disposal gain of €469 million before taxes; the ordinary income of the sold entities totaled €21 million before taxes and is reported under discontinued operations along with the disposal gains/losses.

Steel, Services and Technologies generated substantial profit increases, while Automotive in particular reported declining profits. The Steel segment achieved a significant profit increase and contributed more than half of the Group's earnings. Thanks to efficiency gains and high average revenues for non-alloyed steel, Carbon Steel improved its profit significantly by more than 50%. At Stainless Steel, by contrast, declining revenues from the 2nd quarter in conjunction with increased prices for raw materials resulted in lower profits. Due to the dramatic price drop on the Chinese market the Chinese cold rolling mill generated a loss. In the Automotive segment, higher steel prices and low capacity utilization at the North American plants for body parts and frames were the main reasons for a significant decrease in profits. The Technologies segment benefited from increased demand in the general engineering sector. This, in conjunction with the absence of non-recurring charges which impacted the prior-year results, resulted in a significant profit increase. Profits at Elevator again reached a high level but were lower than the prior year as a result of higher starting material prices and increased competition. The Services

Steel contributed more than half of the Group's earnings.

## INCOME BY SEGMENT million €

	2003/2004*	2004/2005
Steel	916	1,302
Automotive	260	49
Technologies	88	172
Elevator	370	352
Services	251	380
Corporate	(395)	(394)
Consolidation	(13)	(25)
<b>Income from continuing operations before non-recurring RAG losses**</b>	<b>1,477</b>	<b>1,836</b>

	2003/2004*	2004/2005
Steel	5	(58)
Automotive	16	(6)
Technologies	(10)	(237)
Services	23	(59)
Corporate	40	802
<b>Discontinued operations (net of tax)</b>	<b>74</b>	<b>442</b>

\* adjusted due to the presentation of discontinued operations; see Note 3 to the financial statements

\*\* before taxes and minority interest

segment again recorded a significant profit increase at a high level; key factors were strong international demand for industrial and raw materials, the business expansion in Eastern and Central Europe, and cost savings. Industrial Services also profited from strong international demand for its services.

A detailed report on segment earnings is contained in the Management's Discussion and Analysis on pages 87 to 89.

### Income of ThyssenKrupp AG

The net income of ThyssenKrupp AG in the reporting year according to HGB (German GAAP) amounted to €920 million, compared with €301 million the year before. ThyssenKrupp AG improved its income from investments from €460 million to €1,540 million. The profit transfer from ThyssenKrupp Real Estate GmbH resulted in income of €1,844 million due to the sale of the residential real estate activity. The revaluation of accrued pension liabilities due to the decline in interest rates worked in the opposite direction. In addition to a charge of €38 million at ThyssenKrupp AG, an amount of €531 million was recognized for future pension liabilities of subsidiaries, which reduced income from investments.

Other operating income increased as a result of intercompany tax allocations and a €52 million write-up on the carrying value of ThyssenKrupp Steel AG. After deducting expenses for Group management activities, pension costs for former employees of ThyssenKrupp AG and its predecessors, and net interest expense, income from ordinary activities amounted to €1,578 million, compared with €338 million in the previous year.

The extraordinary loss results in its full amount of €512 million from the impairment of the investment in RAG Aktiengesellschaft to its carrying value. Despite the still existing loss carryforwards, application of the minimum tax resulted in tax expense of €146 million.

Of the resultant net income of €920 million, €481 million was transferred to retained earnings. Included in this is the write-up on the shares of ThyssenKrupp Steel AG in accordance with Art. 58 par. 2a AktG of €43 million net of tax.

Including the carryforward from the previous year, the remaining unappropriated net income is €448 million. Subject to the resolution of the Annual General Meeting, an amount of €349 million is to be used to distribute a dividend and an amount of €50 million to distribute a special dividend; an amount of €37 million is to be transferred to retained earnings to strengthen stockholders' equity, and the balance of €12 million is to be carried forward.

### €0.70 dividend and €0.10 special dividend per share

The legal basis for the dividend payment is the HGB unappropriated net income of ThyssenKrupp AG in the amount of €448 million (previous year: €309 million). It comprises the HGB net income of ThyssenKrupp AG in the amount of €920 million (previous year: €301 million), less €481 million which has already been transferred to retained earnings by the Management, plus the carryforward from the previous year.

ThyssenKrupp AG trebled  
net income to €920 million.

The Executive Board and Supervisory Board will propose to the Annual General Meeting the payment of a dividend of €0.70 (previous year: €0.60) per share and a special dividend of €0.10 per share, the transfer of a further €37 million to retained earnings, and the carryforward of the balance of €12 million to new account. Should the number of shares eligible for dividend distribution change before the date of the Annual General Meeting, the proposed dividend distribution will be adjusted accordingly. Therefore, of the €448 million unappropriated net income, a total of €399 million is to be used to pay a dividend on the 499,149,151 shares eligible for dividend payment as of September 30, 2005. The special dividend is a result of the virtually completed divestment program.

Dividend to be supplemented by a special dividend from the divestment program.

The financial statements of ThyssenKrupp AG are presented in abbreviated form in the following table:

#### BALANCE SHEET OF THYSSENKRUPP AG (HGB) million €

	Sept. 30, 2004	Sept. 30, 2005
Investments in non-consolidated subsidiaries	7,892	8,702
Other fixed assets	1,702	1,589
<b>Fixed assets</b>	<b>9,594</b>	<b>10,291</b>
Receivables from non-consolidated subsidiaries	8,017	9,297
Other operating assets	760	4,033
<b>Operating assets</b>	<b>8,777</b>	<b>13,330</b>
<b>Assets</b>	<b>18,371</b>	<b>23,621</b>
<b>Stockholders' equity</b>	<b>5,028</b>	<b>5,649</b>
<b>Special item with reserve elements</b>	<b>59</b>	<b>57</b>
<b>Accrued liabilities</b>	<b>1,053</b>	<b>1,080</b>
Liabilities to non-consolidated subsidiaries	10,725	14,637
Other liabilities	1,506	2,198
<b>Liabilities</b>	<b>12,231</b>	<b>16,835</b>
<b>Stockholders' equity and liabilities</b>	<b>18,371</b>	<b>23,621</b>

#### STATEMENTS OF INCOME OF THYSSENKRUPP AG (HGB) million €

	2003/2004	2004/2005
Income from investments	460	1,540
Other operating income	355	664
Other expenses and income	(477)	(626)
Income from ordinary activities	<b>338</b>	<b>1,578</b>
Extraordinary income/loss	0	(512)
Income taxes	(37)	(146)
<b>Net income</b>	<b>301</b>	<b>920</b>
Allocation to retained earnings	(1)	(481)
Carryforward	9	9
<b>Unappropriated net income</b>	<b>309</b>	<b>448</b>

## Start of the new fiscal year and outlook

ThyssenKrupp started the new fiscal year in a more difficult environment. Although the overall economic forecasts point to a continuing improvement in the global economy, the economic risks have increased, in particular as a result of developments on the energy markets. Despite this, we expect ThyssenKrupp to deliver a positive performance overall. Sales in the magnitude of €43 billion are expected in fiscal 2005/2006. Our long-term target for pre-tax earnings is around €1.5 billion, and in fiscal 2005/2006 we once again plan to achieve a figure of this magnitude, excluding major nonrecurring effects.

### Continuing global growth

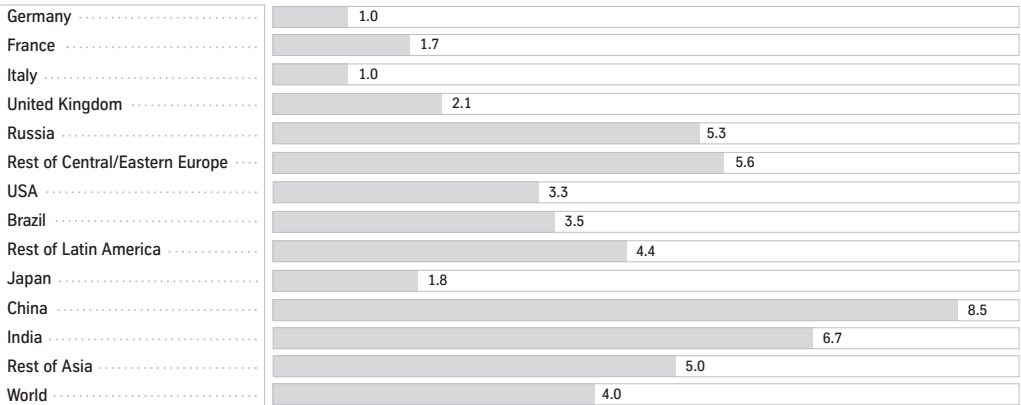
World economic growth remained relatively robust at the start of the new fiscal year. According to current forecasts, the growth rate in 2006 will remain unchanged from the prior year at 4%. However, the risk of an economic slowdown has increased significantly, particularly due to the sharp rise in oil prices. Unless the oil market eases again slightly in the medium term, global economic growth is likely to turn out weaker than predicted.

The economic growth centers in 2006 will continue to be the countries of Asia, Central and Eastern Europe as well as the USA. The USA remains on a solid growth track thanks to high business investment and robust private consumption resulting from favorable developments on the labor market. In Asia, the Chinese economy will maintain its momentum and exert a positive influence on the rest of the region. The upswing is expected to continue above all in India, while slower growth is anticipated in Japan. In Latin America, economic growth will weaken slightly. The pace of expansion in the countries of Central and Eastern Europe in 2006 is expected to be at a similar high level to the prior year.

In the euro zone, the economy will improve slightly at a low level, assuming the euro-US dollar exchange rate remains stable. Internal demand will pick up somewhat in 2006, but GDP growth will remain below average at 1.5%. In Germany, too, only a moderate improvement in the economic situation is forecast for 2006. A slight impetus will come from capital investment and exports, while private consumption is expected to stagnate.

4.0% growth in world  
GDP expected for 2006.

### GROSS DOMESTIC PRODUCT 2006\* Real change compared to previous year in %



\* Forecast

On the markets important to ThyssenKrupp we expect the following developments:

- The outlook for the world steel market remains favorable overall. According to the latest IISI forecast, the market supply of rolled steel will increase by over 5% in 2006 to 1,053 million metric tons. That equates to a crude steel output of almost 1.2 billion tons. The main demand stimulus will continue to come from China and other emerging countries of Asia and Latin America. In the EU, growth of around 3% is expected following the fall in demand in 2005 for inventory cycle reasons. A slight increase in demand in Western Europe is expected above all to trigger positive inventory cycle effects. German crude steel production should exceed the 45 million ton mark.
- Following a weak year overall in 2005, we expect the situation for flat-rolled stainless products to improve in Western Europe and North America. In Asia, and in particular China, the positive market trend looks set to continue. However, with capacity expansion continuing unabated in China and new capacities coming on stream in Europe, there will be no significant easing of the competitive situation in these regions for the time being. The market for nickel-base alloys will continue to recover. Demand for titanium products is expected to be very positive.
- With car ownership increasing, particularly in Asia, world auto production will expand by just under 4% in 2006 to more than 68 million vehicles. Growth impetus is expected above all from China, and also from India, while South America should at least hold its current volumes. The countries of Central and Eastern Europe should maintain their current growth levels. We expect a slight increase in vehicle production for the North American and Western European markets. German auto production could once again reach 5.7 million cars and trucks in 2006.
- The international mechanical engineering industry will continue to expand in 2006, though at a slowing pace. Particularly high growth rates are expected for the Chinese mechanical engineering sector. In Germany, production growth is expected to level off at less than 2% due to weak domestic demand.
- The situation in the international construction sector remains positive overall, but with large regional differences. Demand is expected to remain particularly buoyant in the markets of Central and Eastern Europe and Asia. In Germany, the recent slight recovery in orders could help stabilize construction output.

International mechanical  
engineering industry to  
continue to expand in 2006.

### Subsequent events

Subsequent events are presented under Note 31 in the Financial Report.

### Positive performance in 2005/2006

If the economic forecasts prove accurate, we anticipate a positive performance overall in 2005/2006.

We expect the following developments:

**ThyssenKrupp aiming for sales of €43 billion in 2005/2006.**

- **Sales:** According to current plans, we expect sales in the region of €43 billion in the current fiscal year.
  - Steel is aiming for an increase in sales of flat-rolled carbon steel, driven mainly by higher shipments with prices remaining stable.
  - Stainless forecasts sales growth as a result of higher shipments and the expected normalization of the market.
  - Automotive forecasts an overall improvement in sales. The launch of new plants and models will be central to this and more than offset the expected decline in North American business.
  - With a strong order backlog and order intake expected to be high, Technologies anticipates an increase in sales.
  - Based on the high order intake in fiscal 2004/2005, the Elevator segment expects significant sales growth in the coming fiscal year, particularly in North America. However, all the other regions are also planning increases in activities, in some cases significant.
  - Services anticipates slightly lower sales, due mainly to the expected decline in prices and a slight fall in rolled steel volumes. Improvements are forecast in the service activities of the Industrial Services business unit and in the Eastern European market.
- **Earnings and dividend:** Our long-term target for pre-tax earnings is around €1.5 billion, and in fiscal 2005/2006 we once again plan to achieve a figure of this magnitude, excluding major nonrecurring effects. We will continue to pay a dividend based on our earnings performance.



- **Employees:** According to current plans we will have around 187,000 employees at September 30, 2006, representing a roughly 2% increase in the Group's workforce. The longtime general trend toward an increase in the headcount outside Germany and a decline in employee numbers in Germany will continue in moderate fashion. Training young people remains a high priority. We will continue to provide apprentice training beyond our own requirements to give as many young people as possible a sound start to their working lives.

- **Procurement:** Material expense in the current fiscal year is once again expected to amount to significantly more than 50% of sales due to persistently high raw material prices and the continuing high proportion of purchased products. However, thanks to our long-term supplier relationships, we do not anticipate any bottlenecks in the procurement of components, services or operating materials.

Materials expense again expected to amount to more than 50% of sales.

Our aim for 2005/2006 is to further reduce procurement costs and integrate our suppliers as partners. Purchasing in low-cost countries will be increased worldwide. The new Global Sourcing Tool implemented for this purpose will allow us to determine and compare the cost advantages of individual countries. In addition, a standardized strategic supplier management system will be established on an international scale. Our aim is to concentrate on the best suppliers and achieve cost savings through active supplier management. The international roll-out of the Strategic Sourcing module on our internet platform also gives our suppliers the opportunity to offer their products and services in response to specific requests for quotes, which intensifies competition. The systematic enlargement of our Catalog Ordering module is also aimed at optimizing procurement processes.

Increased energy prices will have a significant impact on our procurement costs in the new fiscal year. With demand for coal and oil still high, we do not anticipate any easing of this situation. The oil market also dictates developments in gas prices. For this reason, high demand, limited production capacities and political uncertainties will exert a major influence on future prices. In addition, there is continuing major uncertainty over the costs of CO<sub>2</sub> certificates, which is supporting high electricity prices. This is also making energy-intensive products such as industrial gases more expensive. For this reason, we are working with the relevant associations and other major energy users to make the market situation more transparent, e.g. on the question of how CO<sub>2</sub> certificates allocated free of charge should be reflected in electricity prices. It remains to be seen whether the new German Energy Industry Law will reduce the transmission charges for electricity and gas and thus promote competition among energy providers. However, we expect some impetus in this area.

- **Research and development:** In the current fiscal year we plan to increase our research and development spending to around €800 million. Basic R&D and customer-related projects will account for over €500 million, while spending on technical quality assurance will remain at the prior-year level of €280 million. Overall we intend to significantly further increase our ratio of R&D spending to sales.

**ThyssenKrupp Innovation  
Contest to be staged again  
in 2006.**

Central to all our development efforts are market-related projects and the aim of strengthening the Group's materials and systems capabilities. We want to offer our customers new steel, titanium and magnesium materials, optimized automotive components and more effective engineering processes which use fewer resources. Our aim is to position ourselves as a solution provider for our customers. We will provide particular support for cross-segment R&D projects in order to make stronger use of synergies in the Group. Following the great success of previous contests, a new ThyssenKrupp Innovation Contest will be staged in 2006 to tap the potential for innovation in the Group. By the end of the current fiscal year, the number of people working in the Group's development and other innovation centers will rise slightly to 3,500. Most of them are university-educated engineers and scientists.

- **Environmental protection:** Spending on ongoing environmental protection programs is expected to total €400 million in fiscal 2005/2006, level with the prior-year figure. Most of this will once again go toward reducing water and air pollution. Despite rising production, expenditure on recycling is not expected to increase due to the efficiency of the waste recycling methods now in place. Environmental protection measures to reduce dust emissions account for a high share of many investment projects, such as the construction of the new blast furnace 8 in the Steel segment. The Group's high environmental protection standards also apply at our foreign plants. For example, the equipment at our planned steel mill in Brazil is to be designed to the highest European environmental standards.
- **Capital expenditures and financing:** The volume of investment approved by the Supervisory Board is higher than the previous year at €3.6 billion. In 2005/2006, additions to fixed assets are expected to total €1.8 billion, €0.4 billion above depreciation. The Group has adequate funds to finance these capital expenditures.

# Our future potential

Section

## 03

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Innovations are the basis for future growth and performance. Through our own research and development and via partnership with others, we are systematically expanding the basis for future growth. But innovations are made by people – and that's why continuous employee development is so important. We cannot afford to neglect the creative potential in the Group. We also feel it is important to act as a committed and responsible corporate citizen. We play our part with a wide range of support activities and initiatives.

OUR FUTURE POTENTIAL

Prof. Xujun Gao, Professor of Business Law at Tongji University,  
→ father of Lilli, SEE PAGE XII and Yingwan Zhu, student, Shanghai



**PARTNER FOR KNOWLEDGE** With 1.3 billion people – 33% of them under 20 – China is a market with huge development potential. Demand for education is growing rapidly. “Knowledge and commitment, ideas and creativity are essential for dynamic markets,” says Yingwan Zhu, a student at Tongji University in Shanghai, a partner university of ThyssenKrupp.

The demands are high, including in the lectures by Prof. Xujun Gao, an international specialist in business law. His students will one day be among the leaders of Chinese business – including at ThyssenKrupp.

COMMITMENT CHINA

# thinking together

China

Optimizing training. For a technology company that is measured by its innovations, well-trained employees are vital. That's why ThyssenKrupp has shown an active commitment to education and training for many years – wherever the company operates. For example, ThyssenKrupp was the first company in China to introduce an apprentice training system based on high German standards. Regular ongoing training helps develop the skills of all employees. In addition, ThyssenKrupp maintains close contacts with universities. Guest lectures by ThyssenKrupp executives add to the university syllabus, while internships give students the opportunity to gather initial work experience.

**INTENSIFYING RELATIONSHIPS** Partnerships are just as important for business success as specialist skills. Our cooperation with Tongji University in Shanghai – one of the country's elite universities – is aimed at intensifying our good relationships with this emerging region and making early contact with talented students to attract future leaders for the Group's activities in China. Together with other companies ThyssenKrupp is supporting the establishment of an endowed chair in business law at Tongji University. An endowed chair in mechanical engineering was set up back in 1998, followed by an endowed chair in controlling in 2002.

COMMITMENT

Any company wishing to respond innovatively and flexibly to the economic challenges of the future must also address the social and cultural issues of the society in which it operates. That is why we also take on responsibility in areas beyond our direct fields of business. In this we are guided by criteria based on the Group's understanding of value and responsibility.

ThyssenKrupp regards itself as a responsible corporate citizen and brings its efforts to bear in a variety of areas. In the year under review, many of our efforts were channeled into providing aid to victims of natural disasters in various parts of the world. We provide recurring structural support to regions in which the Group operates. Some public tasks can be better accomplished with direct private involvement. In many such cases, the Group supports culture, education, sport and innovation and promotes social, charitable and humanitarian activities.

## Active membership of Initiativkreis Ruhrgebiet

We mainly support initiatives and projects aimed at strengthening regions with which the Group has traditional links or where we have business operations. For instance, for many years we have been providing moral and financial support to the Initiativkreis Ruhrgebiet, a body which is dedicated to promoting the interests of the Ruhr and provides important impetus for the now well-advanced structural transformation of this traditional industrial region. Each year we sponsor a stand-out concert event as part of the Ruhr Piano Festival created by Initiativkreis Ruhrgebiet.

## Links with the Group's locations in culture and sport

Art and culture are traditional areas of support. In times where public funds are in increasingly short supply, this helps bring attractive events to areas close to ThyssenKrupp's major locations, which also benefits the Group's employees. For example, we support the philharmonic orchestras in Essen and Duisburg, the Deutsche Oper am Rhein opera company and the Düsseldorf Schauspielhaus theater. We also provided major funding to the Lehmbruck Museum in Duisburg and gave our support to the World Youth Day 2005.

We also promote sport, mainly in the form of selected competitions and sports clubs close to our locations. We were one of the main sponsors of the 2005 World Games, an outstanding international event for non-Olympic sports staged in Duisburg. Other examples of traditional Group support include the annual Rhine-Ruhr Marathon and the international rowing regatta in Duisburg.

**ThyssenKrupp sponsored the World Games in Duisburg in 2005.**

## Intensive collaboration with partner universities

We have developed close contacts with our partner universities, which include the renowned Chinese Tongji University in Shanghai. Key elements of this bridge between academia and industry are cooperation in teaching and research, an exchange of experience and support for research projects. We are pleased to provide business know-how wherever it can be transferred to the university environment. Under partnership agreements with various universities, we also fund study support programs and provide internships and dissertation placements. More information on our support for students can be found on pages 60-61. In addition we sponsor numerous schools.

## Education to secure the future

In addition to collaborating with our partner universities, ThyssenKrupp also finances individual university chairs and supports numerous sponsoring organizations. For example, ThyssenKrupp is a longstanding member of Stifterverband für die Deutsche Wissenschaft, a funding association via which we provide targeted sponsorship for academic projects.

Substantial funding is provided to two initiatives launched in Germany to promote a new culture of innovation and facilitate knowledge sharing. We are involved in the government initiative “Partners for Innovation”, which brings together representatives from industry, science, society and government to design an agenda for innovation and set out recommendations for action. We also support the “Knowledge Factory” initiative launched as an open platform to allow companies to impart knowledge to young people and share know-how with young entrepreneurs.

The Group also offers its employees a broad range of training and education opportunities. In Germany alone, on average one in two members of the workforce attended a training program in 2004/2005. We attach great importance to such measures. In addition, we have been providing apprenticeship training for young people beyond our own needs for many years. Our aim is to give as many young people as possible a sound start to their working lives, which we regard as part of our responsibility to society. More information on Personnel and Social Policy at ThyssenKrupp can be found on pages 59-62.

### Help in emergencies

Several natural disasters in the past year called for strong solidarity to be shown with the people in the affected regions. ThyssenKrupp's efforts focused on donations and assistance for victims of the Asian tsunami and Hurricane Katrina in the USA. Our support was channeled in particular into projects and funds aimed at rebuilding and developing affected areas with links to the Group. These included the reconstruction of four medical centers in India, support for small farmers and fishers, and intensive measures to help care for children. In Thailand we provided support for the construction of two new schools with psychological counseling for children, as well as the establishment of a Memorial Park. Further social, charitable and humanitarian initiatives are being funded on a smaller scale in other areas.

### Networking and knowledge sharing

The accelerated pace of technical development in an increasingly networked world requires active and constructive participation in initiatives that act as catalysts between government, business and science. ThyssenKrupp is a member of numerous organizations and associations which promote an exchange of views on economic and technical subjects and also address socially relevant issues. For example, we are a member of the BDI Forum for Sustainable Development (econsense). We have also provided support for many years to acatech, the council for engineering sciences run by the Union of German Academies of Science and Humanities. acatech promotes dialogue on forward-looking technologies and their significance for sustainable growth and aims to intensify exchanges between science, business, government and society.

Several relief projects for the tsunami victims have now been implemented.



The talent, creativity and commitment of our employees and managers shape ThyssenKrupp's success in the marketplace. To secure a continued supply of young talent at all levels of the Group, we provide intensive training for young people, strive to attract the best university graduates, and actively support the executives and employees already working for us.

## Number of employees increased

In the year under review the number of employees increased by 9,673 or 5.6%. On September 30, 2005 we employed a total of 183,729 people.

This growth was mainly due to the optimization of the Group portfolio. A total of 8,555 employees joined the Group as a result of acquisitions; the inclusion of HDW alone is responsible for 6,312 additional employees. By contrast, only 1,359 people left the workforce as a result of disposals. The headcount also increased as a result of changes in operating business: compared with a year earlier, 7,183 new employees joined the Group, while those leaving numbered 4,706.

The share of employees outside Germany increased to 53% of the Group's workforce. Altogether 97,625 of the Group's employees now work abroad, mainly in the USA, France, Brazil, Italy, Spain and the United Kingdom.

## Strong commitment to training

We continue to train well in excess of our own needs. We see this as a responsibility to society which we are glad to fulfill. In these times of high youth unemployment it is particularly important to offer young people high-quality training and thus improve their prospects on the labor market.

At September 30, 2005 a total of 4,271 young people were learning one of over 70 occupations offered by ThyssenKrupp in Germany. Our apprenticeship training rate, which has been pleasingly high for years, increased slightly to 5.4%. The Group offers the full range of industrial apprenticeships, from industrial mechanics and lathe operators to electronic engineers and industrial clerks.

In the new fiscal year ThyssenKrupp will once again participate in the training pact between government and industry. The Group already contributed to improving the training opportunities for school-leavers in Germany in fiscal 2003/2004. In the reporting period we increased this commitment and provided a total of 280 new apprenticeships and initial training placements.

Despite the tight situation on the training market, many applicants had to be turned down because of inadequate qualifications. Unfortunately, the trend of young people failing to meet apprenticeship requirements continues.

ThyssenKrupp further  
increased its apprenticeship  
training rate to 5.4%.

## Realignment of company pension scheme successful

We continued to pursue our company pension strategy of successively converting existing schemes from defined-benefit to defined-contribution plans and from annuity to lump sum payments. The optional changeover has been well received, with one out of two employees electing to switch from the traditional company pension scheme to the Groupwide defined-contribution pension plan. Since 1998 new employees joining the Group have been enrolled in defined-contribution plans.

### One out of two employees now shareholders

The new issue of employee shares was once again a great success: One out of two employees in Germany and France decided to purchase ThyssenKrupp shares on special terms. With the offer of employee shares in France, the scheme was available to a foreign workforce for the first time this year. Spain and the United Kingdom will follow in fiscal 2005/2006. Differences in the statutory provisions mean that the German employee share model cannot be transferred as it stands to our companies in other countries.

The main aims of the new issue of employee shares were:

- to allow employees to share in the Group's success,
- to encourage employees to identify more strongly with their company and the ThyssenKrupp Group as a whole,
- to promote the shareholder culture in the workforce,
- to enhance the Group's attractiveness as an employer.

Details of the share program are provided on page 23.

### Universities and graduates

In the competition for the best young graduates, ThyssenKrupp's strategy is to foster intensive contacts with students from an early stage. With the number of graduates declining in Germany, it will be increasingly difficult in future to attract highly qualified engineering and business graduates. We are therefore committed to establishing ThyssenKrupp as an attractive employer at national and international level.

Collaboration with our German partner universities and with Tongji University in Shanghai is constantly being intensified. We plan among other things to set up special dialogue forums with school and university students, academics, ThyssenKrupp executives and prominent participants covering all aspects of technology and innovation.

To ensure that we attract sufficient young talent, our university marketing activities focus on selected target groups. These include final-grade school students aiming to go to university, highly qualified female engineering and science undergraduates as well as competitive athletes taking degree courses.

**The Group has carried out active university marketing for many years.**



At TU Berlin, ThyssenKrupp is collaborating with the university careers center for women, "femtec". Founded three years ago, the network aims to encourage talented young women to study engineering and science subjects and to provide targeted support for female undergraduates in these fields. In addition, "femtec" is trying out innovative forms of training cooperation between universities and industry. By cooperating in this project, we hope to increase the number of women in top engineering and management positions at ThyssenKrupp.

**We increased our commitment to helping women gain top engineering positions.**

### Executive compensation policy strongly performance-based

Individual performance and the Company's success are key elements in ThyssenKrupp's compensation policy. This is reflected in bonus schemes and – in particular for the top management – in medium-term share and value-added-based compensation models – the Long Term Management Incentive plan (LTMI) and the Mid Term Incentive plan (MTI).

The final installment of the share-based LTMI was issued in fiscal year 2002/2003 and will expire in 2006. In fiscal 2002/2003 it was replaced by the Mid Term Incentive plan for Executive Board members. In the past two fiscal years the MTI was extended to include top management staff. The plan is linked to both the development of the Group's EVA and the ThyssenKrupp share price over a three-year performance period.

For detailed information on the LTMI and MTI, please turn to pages 142 and 143.

### Executive development remains key theme

Attracting and developing top-class executives and specialists is one of the key goals of our executive development policy. We work consistently to fill our leadership positions optimally – preferably from within the Group – to train our executives in line with requirements and to make efficient and integrated use of the vast expertise available in the Group.

As a central basis for selecting and developing executives, the ThyssenKrupp management competencies have proved their worth. Eight competencies define the key requirements our executives need to meet – from leadership qualities to market orientation to internationality. We assess our executives' potential for carrying out more responsible duties according to these competencies.

As part of our annual, worldwide survey of potential and succession planning in all segments, high potentials are identified in internal assessments which are then supplemented by external management audits. In yearly executive development meetings, the Executive Board of ThyssenKrupp AG and the segment executive boards discuss the potential of current candidates and develop a concrete succession plan for the top management levels of the Group. This ensures continuity and helps prepare suitable candidates for senior positions in the Group from an early stage.

In feedback interviews the candidates are informed of their current assessment and the development areas and career prospects identified for them. For example, job rotation is often a suitable option for expanding a candidate's practical experience. In addition, individual training and coaching is available as well as a multi-stage Group seminar program for top candidates in which international groups of participants work together to develop solutions to current questions of corporate strategy. Renowned professors from international business schools present forward-looking management approaches, with the focus on how these approaches can be applied to the specific questions arising at ThyssenKrupp. The seminars are supplemented by feedback and coaching schemes aimed at enhancing the leadership competencies and intercultural skills of participants. Seminar courses in the segments on topics such as value-based management and sales leadership as well as exchange and mentoring programs complete the offering.

In 2006 we aim to further expand executive development at ThyssenKrupp in view of the key role it plays in achieving our strategic goals. A milestone in this will be the establishment of a ThyssenKrupp Corporate Academy – a high-level center of learning with a clear focus on business practice designed to offer our executives tailored in-depth training.

For 2006 we are planning to establish a Corporate Academy.

# ThyssenKrupp best

Key goals of ThyssenKrupp best are to achieve enhanced operating efficiency, improved knowledge and innovation management, and optimized purchasing and sales processes. With some 1,500 new projects, our Groupwide value enhancement program helped make the Company more efficient and customer-focused in the reporting period.

## Over 4,500 projects worldwide

Launched in 2001, the ThyssenKrupp best program notched up a record number of projects in the past fiscal year. At September 30, 2005 the total number of projects reached 4,542, of which 2,343 had already been successfully completed. In line with the program's underlying concept, many of the projects can be transferred to other areas of the Group. This is true for example of the Groupwide travel management system and the intranet-based ideas management system.

The chief task in 2004/2005 was to implement projects already defined, identify further scope for improvement, and strengthen cross-segment knowledge transfer. Project work continued to focus on four main areas: operating efficiency, sales, quality management and capital productivity, which account for around 80% of the projects. In addition, there are initiatives to optimize purchasing, enhance knowledge and innovation management, and strengthen the involvement of employees and executives. This broad spectrum shows that ThyssenKrupp best unlocks significantly more value-enhancement potential than, for example, conventional cost-reduction programs.

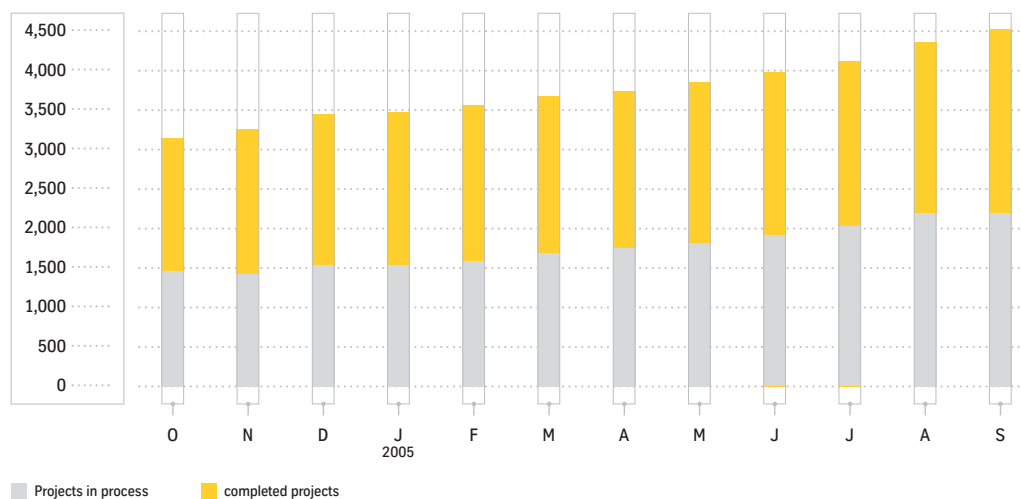
The program is now firmly established worldwide, with over 60% of all projects taking place outside Germany. As well as companies in Europe, North, Central and South America, an increasing number of subsidiaries in Asia are also participating in ThyssenKrupp best. At the end of the reporting period, Europe was the region with the highest number of projects – almost 2,600 – most of these concentrated in Germany, France, Italy, Spain and the United Kingdom. Over 1,500 projects were under way on the American continent – in the USA, Canada, Mexico and Brazil. Project teams in Asia and the Pacific region were working on over 200 projects altogether, many of them in China and Korea. Almost 200 projects were organized on a cross-country basis.

The importance of the program was again underlined by numerous visits by Executive Board members of ThyssenKrupp AG and the segment lead companies to projects in Germany and abroad.

The sales initiative launched in 2003/2004 again achieved significant success in the reporting period. A total of 435 projects helped access new markets, intensify customer relations and optimize the product mix.

ThyssenKrupp best now  
firmly established worldwide.

## THYSSENKRUPP BEST PROJECTS WORLDWIDE



### Purchasing initiative adds new focus

A new focus has been added by the purchasing initiative, under which more than 250 new projects were launched in the reporting period. Scheduled for a period of at least three years, this new ThyssenKrupp best initiative will not only strengthen the Group's earning power but also enhance the quality of purchasing functions at Group subsidiaries. Under the initiative, existing ThyssenKrupp best activities relating to purchasing are being brought together, and new action fields identified and implemented in concrete projects. In their work the project teams have the support of various purchasing tools, serving both commercial (linear performance pricing, global sourcing, supplier management) and technical (design-to-cost, product/process benchmarking) purposes. After intensive training events in Germany and abroad attended by some 200 participants, pilot projects were conducted in all segments which were completed in May 2005. The Groupwide rollout then began with numerous projects.

### Groupwide knowledge transfer intensified

A central element of ThyssenKrupp best is the efficient organization of knowledge transfer. Accessible throughout the Group, the web-based project management database best plaza is particularly important to this as it provides comprehensive information on all projects and permits rapid Groupwide transfer of project-related expertise. Over 4,500 employees worldwide now use this system. Also in the reporting period we again provided intensive support for Groupwide knowledge transfer through cross-segment training courses in Germany and abroad, method collections and best practice examples.

### Awards for successful projects

In the year under review the now traditional ThyssenKrupp best Award was won by six project teams from the Steel, Automotive, Elevator, Technologies and Services segments and ThyssenKrupp AG. Their efforts helped optimize operating, planning and production processes and achieve substantial cost reductions. The significant feature of the award-winning projects is that they can be transferred to other areas of the Group where they will also reduce costs. The competition will be held again in fiscal year 2005/2006.

ThyssenKrupp best Award  
presented again in 2005.

Combining materials, design and production technologies to the best effect is one of ThyssenKrupp's strengths. Whether it's steel or magnesium sheet, fuel cells or new passenger boarding bridges – the innovative ideas of our engineers and scientists open the door to a new world of technology in a wide range of areas.

## Steel: Innovative tubes for lightweight automotive construction

With the NSB® NewSteelBody, the Steel segment demonstrated that thin-walled, intelligently designed steel tubes hold the key to cost and weight reduction in automotive construction. As development partners to the auto industry, our engineers are now working to further smooth the path of these tailored tubes into volume production. We see particular opportunities for a new generation of tubes with variable cross sections, in which recesses and raised elements can be incorporated during production. Following successful laboratory trials, the process developed for this will be tested on a pilot line in 2006. These new tubes will permit even lighter automotive bodies with lower fuel consumption.

Weight can also be saved in automotive construction by using tailored strips, which are also proving popular in the construction and furniture industries. A unique line designed in-house allows steels of different thickness, grade or coating to be joined by an uninterrupted laser weld several hundred meters long. The result is a strip which is tailored from the outset to the stresses in the finished part and can be supplied in coils weighing up to 15 metric tons. The team responsible for this development won 2nd prize in the 2005 ThyssenKrupp Innovation Contest.

Tailored strips proving popular with customers.

We have developed a unique casting-rolling process for the cost-effective production of magnesium sheet which significantly shortens the conventional route. A successful pilot line has been built in collaboration with the Freiberg University of Mining and Technology. In the future, magnesium sheet will take on increasing importance as a material for weight-optimized body parts.

Alongside magnesium sheet and high-strength yet formable steel sheet, automobile designers are also showing great interest in new coated body sheets. In the future, it will be possible to supply steel sheet to body stamping plants with a newly developed zinc-magnesium coating. Organic precoated sheets are already available today. Using these materials, automotive OEMs and suppliers can cut out several of their own production steps. The PLATAL® Metall-Look grade – a hot-dip galvanized steel strip with a polyester film coating – has been developed for the appliance industry. Vacuum-deposited aluminum in the film gives it a metal look and makes the surface insensitive to fingerprints. The coating was developed in collaboration with film and adhesive manufacturers.

## Stainless: New stainless steel finishes

Surface appearance and functionality are also of increasing importance in stainless steel applications. For this reason, a key area of innovation in the Stainless segment is developing new finishes which offer attractive looks and improved properties. In the past fiscal year alone, we launched six new design finishes for flat-rolled stainless steel products. The designs are applied in an additional cold rolling process.

New textured finishes and a so-called motif finish have now also been added to the precision strip range. The motif finish allows company logos or other user-selected motifs to be rolled directly into the precision strip. Components made from the strip are given an unmistakable identity and offer customers a new way of differentiating their products on the market. The finish also makes product piracy more difficult.

A transparent coating which makes stainless steel surfaces more scratch resistant and easier to clean is close to production readiness. The transparent uv-curing coating was developed in a collaborative effort between the DOC® surface engineering center and a paint manufacturer. The coating is applied in a continuous process and subsequently cured under special ultraviolet light.

For ceramic components in vehicle engines, we succeeded in developing an alloy of steel, chromium, manganese and carbon which displays exactly the same thermal expansion as ceramic and can therefore be used in piezoelectric elements in which electricity is generated under high pressure. This is a key function for fuel-efficient engine injection systems. The new nickel-base alloy Crofer 22, produced in an enhanced vacuum melting process, was developed for use in fuel cell technology. This development won 3rd prize in the ThyssenKrupp Innovation Contest. Progress was also made in research into titanium alloys. These new materials offer improved electrical conductivity and high temperature resistance.

### Automotive: Electrohydraulic power steering with parking-assist feature

In the year under review, two companies of ThyssenKrupp Automotive won prizes in our Innovation Contest. Joint 2nd prize was awarded to the team that further developed the hot stamping process, which is already in production use. The hot stamping process forms complex parts – which can also comprise different materials, e.g. different high-strength steel grades – in a single stamping operation. Joint 3rd prize went to the new DuoPML steering system. This is an electrohydraulic system which delivers decreasing steering assistance with increasing speed and offers high convenience with lane-holding and parking-assist features.

In the chassis area, we developed the air supply system for the air suspension of a German sport utility vehicle. Work also started on the preliminary development of an independent suspension system for a new, innovative truck chassis, and made further improvements to the functions of the DampMatic damping system. The Automotive segment's lightweighting capabilities were augmented by the development of a fiber ceramic piston rod, ultrahigh-strength springs and split tubular stabilizers.

In the area of production technology for car plants, we developed a robotic door assembly system which provides automatic positioning for an ideal fit. Standardized elements make the system easier to repair than conventional solutions. In the current year, we will also conclude a project for the laser welding of zinc-coated and high-strength body parts.

In our camshaft/crankshaft product area we made further improvements to our lightweight camshafts and – in collaboration with an engine manufacturer – brought our Presta DeltaValveControl system to production readiness. This continuously variable valve control system reduces fuel consumption and exhaust emissions while significantly enhancing driving enjoyment through higher engine efficiency.

For a German automotive OEM we are currently developing a new differential gear module intended mainly for trucks. A further innovative development is a lightweight differential with an aluminum housing.

Hot stamping forms complex parts in a single stamping operation.

### Technologies: New developments in plant construction and shipbuilding

We are continuing our development work in the high-potential area of oil sands mining. In addition to mobile and semi-mobile plant, we are concentrating on the development of low-cost machinery and equipment to optimize the entire process chain. They include a new material flow control system with two conveyors to bridge downtimes, as well as innovative processing and treatment systems. Oil sands are sandstone deposits containing viscous heavy and extra-heavy oils. Large, as-yet unmined deposits make oil sands an important source of oil for the future.

In November 2003, the world's first industrial-scale plant employing the Uhde EnviNOx® process to remove nitrous oxide (N<sub>2</sub>O) from nitric acid production offgases started operation in Linz/Austria. Two years of operation have shown that the special catalyst in this process reduces emissions of the greenhouse gas N<sub>2</sub>O by up to 99%. Nitrogen oxide emissions were reduced by the same amount. For this outstanding contribution to climate protection, the Austrian plant was awarded the "Klimaretter-Preis" (Climate Saver Award) by the Province of Upper Austria. The success of this process is a clear demonstration of how systematic research and development can translate an innovative idea into a highly regarded product. In December 2003, this development also won 2nd prize in the innovation contest run by the European Environmental Press organization (EEP Silver Award). In the 2005 ThyssenKrupp Innovation Contest, the development team was awarded 1st prize.

Our new Melt To Resin (MTR) process significantly shortens the production chain for bottle-grade PET chips. Advantages include 20% lower production costs, improved quality and lower energy consumption. The world's first line utilizing this process will start operation at the end of 2006 with a capacity of 600 metric tons per day.

In shipbuilding, our engineers are working to optimize air-independent propulsion systems for submarines using different technical approaches. Our Emden facility is concentrating on optimizing the closed-cycle diesel system, which uses liquid oxygen for underwater operation. Our Kiel site is developing a methanol reformer which extracts the hydrogen required for fuel cells from methanol. The methanol reformer should be ready for production by 2009 and could allow non-nuclear submarines with fuel cell propulsion systems to remain submerged longer than ever before.

Given the competitive pressure in the shipbuilding industry, it is increasingly important to pool engineering and production resources efficiently across sites. The KonSenS collaborative research project aims to improve the management and utilization of modern engineering standards with a view to significantly shortening the engineering phase. Engineers have access to an expert system which supports them in their work and promotes the use of standardized components and repeat parts for which engineering solutions are already available.

A further major development project is the Multi Service Board Network (MSB), which is being pursued jointly with T-Systems. MSB is a redundant, high-availability optical network which can unite practically all the network-based systems on board a ship, such as alarm, communications, service and personal entertainment systems. Wiring requirements can be reduced by around 60%.

Uhde won the "Klimaretter" environmental award for its EnviNOx® process.

### Elevator: Intelligent passenger boarding bridges and elevators

To reduce boarding times for the world's biggest passenger aircraft – the Airbus A380 – ThyssenKrupp has developed a new passenger boarding bridge. The technical challenge lay in connecting safely to the upper deck door of the A380 to enable simultaneous boarding and disembarking from the upper and lower decks. Realized at great technical effort, the lift height of a proven hydraulic bridge has been raised from 5.4 meters to 8.2 meters. Using this new passenger boarding bridge in conjunction with a conventional bridge serving the lower deck reduces boarding and disembarking times from 45 to just 38 minutes. We have already installed eight of these boarding bridges at six airports worldwide, and orders have been received for a further 30. To also allow the upper doors behind the wing of the A380 to be served in the future, ThyssenKrupp has developed the new “cantilever over the wing” bridge, which will reduce boarding time to 24 minutes. The bridge is cantilevered over the wing without touching it.

The innovative Destination Selection Control (DSC) system used on ThyssenKrupp elevators also saves time. One touch of the touch screen provides information on where the passenger is and where he wants to go. The Destination Selection Control system then selects the elevator cab which will get him there quickest and coordinates it with the wishes of other passengers. Time consuming stops are avoided and passengers reach their destination more quickly. The Destination Selection Control system provides time savings of up to 30%, meaning that capacities are correspondingly higher than conventional elevator groups. At the request of a customer in Sydney, the first ever combined system with DSC and traditional buttons in the cabs has been installed.

With the Destination Selection Control system, elevators reach the right floor 30% faster.

### Services: Innovative materials and industrial services

Development projects in the Services segment, the ThyssenKrupp Group's materials and industrial service provider, focus on innovations in applications and processes. A magnetic crawler has been developed which can remove coatings from large tanks in explosive atmospheres without polluting the environment and without generating any sparks or static charges, thus meeting safety requirements. For the eco-friendly refurbishment of concrete surfaces by recoating, we have developed and successfully launched several new products in collaboration with a specialist company. Our electrostatic oilers, which have a new capillary structure for particularly fine oil distribution, are both ecological and economic. Microlubrication of this kind is used, for example, in automotive stamping plants and in the production of domestic appliances.



# Business areas and segments

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Steel, Capital Goods and Services are the areas on which we have focused our growth course. Our operations are organized in six segments: Steel, Stainless, Automotive, Technologies, Elevator and Services. Steel and Stainless were created by the reorganization of the former Steel segment at October 01, 2005. We will continue to systematically optimize our portfolio in the future to further increase the competitiveness and efficiency of our segments by concentrating on strong core businesses. This is the basis for the sustainable development of our Group.

BUSINESS AREAS AND SEGMENTS

Sayed Ebrahim Sharaf, President of the Sharaf Group, → uncle of Abdullah, SEE PAGE XIV and Bodo Fries, Group Representative ThyssenKrupp Middle East



**PARTNER FOR INNOVATION** The United Arab Emirates is a country with modern metropolises, breathtaking architecture and a dynamic economy – in the middle of the desert. It is a young country that has developed at an incredible pace – an achievement that would have been impossible for individuals acting on their own. That's why project developers like Sayed Ebrahim Sharaf, shipowner, investor and president of the Sharaf Group, put their faith in strong partners.

One crucial factor is the ability of a partner company to help not only in developing bold visions but also in implementing them quickly and single-mindedly. Bodo Fries, Group Representative of ThyssenKrupp in the Middle East, is the man to speak to when it comes to major projects.



United  
Arab Emirates

Enabling innovations. Venturing into new worlds and pushing back boundaries calls for forward thinking and tailored innovative solutions. For ThyssenKrupp, innovations are not a product of chance but a targeted response to specific customer requirements. Close partnerships – sharing expertise and searching jointly for solutions – are essential in this, providing benefits to both sides.

**CONTRIBUTING EXPERTISE** The vision behind the rapid development of the United Arab Emirates is to grow the region into an economic center which integrates the emerging economies in the East and links them with the West. ThyssenKrupp is contributing to this process with its extensive capabilities in engineering, construction and shipbuilding. In addition, the Group is active in building infrastructure, for example escalators and moving walks for airports, participating in port expansion projects, building cement plants and supplying high-performance materials for power plants and seawater desalination plants.

INNOVATION COMPETENCY UNITED ARAB EMIRATES

# thinking ahead together

INNOVATION COMPETENCY





Ideas and innovations, modern production facilities and the commitment and expertise of our employees are the basis of the Group's success. All our segments are focused on meeting the product and service requirements of our international customers with maximum accuracy and cost efficiency. On the markets of the world the ThyssenKrupp brand is a recognized seal of quality.

## STEEL



### Steel

Our innovative steel is every designer's dream. In combination with modern production technology it is the material of the future.

## CAPITAL GOODS



### Automotive

Our ideas create progress in automotive engineering: Ultra-light bodies, comfortable damping systems, enhanced safety components keep the future in motion.

## SERVICES



### Services

In our international services we rely on close partnerships with our industrial customers – for increased flexibility and efficiency.



### Stainless

Intelligent materials and global services are the key to the market success of our stainless steel products. We do all we can to maintain our position as world market leader.



### Technologies

Submarines and mega yachts, equipment for mining oil sands and fertilizer plants – our engineers are at home in many areas of technology. Our customers reap the benefits.



### Elevator

Our passenger boarding bridges, escalators, moving walks and elevators serve passengers at airports throughout the world. We also keep people on the move in the world's tallest buildings.

# Steel

Intelligent material solutions using carbon flat steel, product-specific processing, comprehensive service – that’s the capability profile of the new Steel segment. Customers in the auto, appliance and construction industries can continue to rely on our innovations in the future. Our strong market position was reflected in sales of €9.7 billion.

## STEEL IN FIGURES

		2003/2004	2004/2005
Order intake	million €	9,134	9,255
Sales	million €	8,683	9,673
EBITDA	million €	1,182	1,660
Income*	million €	592	1,063
Employees (September 30)		32,202	31,576

All figures relate to continuing operations. \* before taxes and minority interest

## Strengthening competitiveness in Germany

As a technology leader aiming to remain internationally competitive, the Steel segment continually optimizes its central location Duisburg on the Rhine as well as all its other plants for efficiency and competitiveness. We utilize all opportunities to make our internal processes faster, more efficient and more customer-focused.

Duisburg as the headquarters of ThyssenKrupp Steel is the largest steelmaking location in the world. The facilities there are continually optimized and upgraded for best performance. In the coming years, hot metal production is to be modernized in a €340 million investment program. The centerpiece of the program is the construction of blast furnace 8 as a replacement investment. In addition, blast furnace 9 directly nearby is to be relined. This will stabilize the hot metal base for the production and processing of steel at the German plants of ThyssenKrupp Steel.

## Expansion in value-added products

Around 86% of the new Steel segment’s flat steel sales are value-added products – sheet or strip already processed in one way or another. They include medium-wide strip, tinplate, electrical steel and tailored blanks, the products of our steel service operations in Europe and North America as well as construction and cold room products.

We are systematically expanding our strengths in growth areas. Our tinplate operation in Andernach has already been upgraded with a €160 million investment program. Today with an annual capacity of 1.44 million metric tons it occupies a leading position on the world market. Our production capacity for medium-wide strip, a high-quality product for the steel processing industry, is also set to grow. As part of a forward strategy it will increase to more than 1 million tons by the year 2008.

Duisburg is the largest steelmaking location in the world.

We are world market leaders in innovative steel tailored blanks. These are blanks for deep drawing welded together from individual steel sheets of different grade, thickness and coating. More and more car manufacturers are using them to make bodies which are lighter than conventional designs. One particular focus in the coming years will be on expanding our capacities in the booming Chinese market to allow us to supply the fast-growing auto industry there. A new production site will also be established in Sweden.

### Integrated forward strategy: Brazil steel mill project

Good progress is also being made on our plans to build a steel mill in Brazil to supply low-cost slabs for our core market Europe and the NAFTA region. This forward strategy could strengthen our global position on the market for high-quality carbon flat steel.

The project is currently being prepared on the basis of a feasibility study. Provided approval is given by the decision-making bodies in the Group and construction begins without delay, the Brazilian mill could be in operation by mid-2008 producing 4.4 million tons of slab per year. State-of-the-art production facilities including dock and infrastructure are to be built at the coastal location of Sepetiba in the state of Rio de Janeiro, which is linked by a rail line to the ore mining region Minas Gerais. The world's largest ore producer Companhia Vale do Rio Doce plans to take a 10% stake in the project.

The Brazil project is the central element of an internationalization strategy which also includes all our other activities. We plan to use the slabs from Brazil to address the NAFTA market intensively, but we will also be systematically expanding our presence on other markets with products and services where we have specific strengths and sustainable competitive advantages.

### Cooperation with Japan

Together with JFE Steel Corporation, Japan's second-largest steelmaker, we established the company JEVISE in Tokyo in 2005 to support auto OEMs on materials issues at an early stage of new car development. The launch was part of the strategic alliance with the Japanese steel company. Back in 2002, JFE and ThyssenKrupp Steel agreed common specifications for automotive steels and concluded cross-licensing agreements. The products can be supplied by the respective partners in Europe and Asia. In the future, the companies plan to expand their global network for supplying high-quality steels to the auto industry.

A licensing agreement was concluded with JFE.

# Stainless

Wherever extreme demands are placed on materials, the products of the Stainless segment are the number one choice. ThyssenKrupp has been the world market leader in stainless steel flat products and nickel-base alloys for many years. Our strategy is aimed at further strengthening and expanding this leading international position. Sales amounted to €5.6 billion.

## STAINLESS IN FIGURES

		2003/2004	2004/2005
Order intake	million €	5,068	5,573
Sales	million €	4,990	5,568
EBITDA	million €	586	499
Income*	million €	385	282
Employees (September 30)		11,811	12,201

Stainless continued all operations \*before taxes and minority interest

Stainless has impressive global market presence.

ThyssenKrupp Stainless and the segment's operating companies regard themselves as reliable partners to their customers, particularly global manufacturers in the automotive, appliance and electronics industries. To serve these customers efficiently with high-quality products and service close to their production sites, we have our own production plants in Germany, Italy, China and Mexico. There and in other important consumption centers throughout the world we are systematically expanding our global market presence through local sales bases, service centers and distribution warehouses.

### Europe: Focus on technology, costs and service

Our highly efficient plants in Germany and Italy offer state-of-the-art equipment and outstanding service capabilities, allowing them to supply customers in Europe with high-quality products and customized services. To meet these demands even better in the future, the segment is investing in Europe to improve product quality, extend the service offering and expand the distribution and service center network.

In the past fiscal year, a €124 million investment program was approved to strengthen our stainless activities at the Terni plant in Italy. Central to this program is a new 20-high cold rolling stand, which is scheduled to start operation in 2006 and will significantly increase the share of high-grade cold-rolled products.

In Germany and Italy we are also focusing on improving our service center structure, increasing our processing capacities and expanding our range of services. This will allow us to respond to the continually changing requirements of the market with even greater flexibility. A new paint line being installed in the new finishing center of ThyssenKrupp Acciai Speciali Terni will make the Stainless segment the only producer in Europe capable of meeting increasing demand for cold-rolled products with colored or transparent paint coatings (anti-fingerprint).

Processing capacities have also been expanded in Germany. EBOR Edelstahl in Sachsenheim near Stuttgart, a subsidiary of ThyssenKrupp Nirosta, has significantly increased its capacities for ground and brushed stainless steel finishes. EBOR is a major supplier to the appliance industry among others.

The fast-growing stainless market in Eastern Europe is becoming increasingly important. We are developing this market through an existing service center in Hungary and a new service center currently being built in Poland.

### High-end products from Mexico for the NAFTA market

The Stainless segment is also strongly positioned in North America. Our plant in San Luis Potosi in Mexico serves the fast-growing Mexican market as well as a large number of customers in the USA and Canada. As a pure reroller, it obtains most of its hot-rolled coil from the European mills of the Stainless group. The range mainly includes high value-added products for end customers. A bright annealing line for high-end cold-rolled products is currently being installed and will start operation in the second half of fiscal 2005/2006.

### Good position in China

China's high growth rates have made it the world's biggest national market for flat-rolled stainless products. Consumption there has increased six-fold in the past ten years. This upward trend is likely to continue in the coming years, albeit at a slower pace. However, domestic production capacities are growing even faster than consumption, so China will likely become a net exporter shortly. Given the fact that the main competitors with their large capacities are mainly focused on the less demanding volume end of the market, our subsidiary Shanghai Krupp Stainless is increasingly concentrating on the upper end of the market – mainly end-customer business – with high surface quality and delivery performance requirements. There are also good opportunities for exports of high-finish stainless steels to the USA.

Following the startup of two cold rolling mills and an anneal/pickle line for cold-rolled strip, capacity will be ramped up to around 250,000 tons per year by the end of 2005. The new anneal/pickle line for hot-rolled strip, due to start up in mid-2006, will enable us to buy part of our starting material as unpickled hot-rolled strip from local producers, allowing us to react more flexibly to market and price changes.

Our sales network in Asia has been widened by a new stainless distribution center that has just begun operation. Thanks to its location in Guangzhou, China, it has direct access to the high-consumption regions of South China and will act as a bridgehead to Southeast Asia.

**Shanghai Krupp Stainless is key production base for China and Asia.**

### Nickel-base alloys and titanium at the tip of the materials pyramid

When even stainless steels hit their technical limits, our high-performance nickel-base alloys and titanium materials can provide the answer. They represent the tip of the materials pyramid in the ThyssenKrupp Group and are used whenever extreme material properties are required. As well as conventional equipment, the Stainless segment uses the latest melting furnaces, capable of producing high-alloy stainless steels, nickel alloys, superalloys and titanium. These materials can withstand extreme mechanical and thermal loads and are used in demanding applications in the aerospace, energy, oil and gas sectors as well as for special applications in electrical and electronic equipment.

## Automotive

As an international partner to the auto industry, the Automotive segment develops and manufactures new products for today's and tomorrow's cars in response to its customers' needs. Our innovative components and systems for chassis, body and powertrain applications helped increase our sales in 2004/2005 to more than €7.6 billion.

### AUTOMOTIVE IN FIGURES

		2003/2004	2004/2005
Order intake	million €	7,250	7,890
Sales	million €	7,247	7,627
EBITDA	million €	606	379
Income*	million €	260	49
Employees (September 30)		42,139	42,541

All figures relate to continuing operations. \* before taxes and minority interest

ThyssenKrupp Automotive counts virtually all the world's leading automotive manufacturers among its customers. The segment produces body parts, engine components such as crankshafts and assembled camshafts, steering columns and systems, innovative air suspension and damping systems, as well as axles and complete chassis. Customers receive tailored solutions ranging from design, engineering and factory planning to the planning and construction of production facilities and logistics coordination. Our customers always involve us in the development of their products from an early stage.

### Successful globalization continued

To secure our future and strengthen our international market position, we intend to make our products and services even better, expand the leading positions we already occupy and extend our regional presence. For example, the merger of our body specialists ThyssenKrupp Drauz and Nothelfer has created one of the biggest service providers and production equipment suppliers for automotive body applications.

As a global player in the automotive supply sector, ThyssenKrupp Automotive is continuing its drive for greater internationalization. The segment now has some 130 operations in 14 countries; two in three employees have their place of work outside Germany. The growth region of Asia, including China and India, is taking on increasing importance. We responded to this at an early stage and now have production sites, for example, in China manufacturing steering systems, body and chassis parts, car crankshafts, assembled camshafts and springs. With no end in sight to the globalization of the auto supply business, we are planning to establish further production facilities abroad, focusing in addition to China on India and Central and Eastern Europe.

### Leading world market positions to be consolidated

The strong market positions we have achieved in our areas of expertise provide a platform for further international growth. In-house innovations have positioned ThyssenKrupp Automotive at the global forefront in areas such as body parts, engine components, and steering columns and systems. Our innovative air spring and damping systems, axles and complete chassis occupy leading market positions. We aim to extend this technology lead and are continuously developing new products and processes in collaboration with other segments in the Group. This Groupwide cooperation creates synergies and gives us competitive advantages which we use to the benefit of our customers.

Automotive now has several production operations in China.



One example of such cooperation is the hydroforming process, in which tubular steel parts are precision shaped by internal fluid pressure. This process delivers numerous technical advantages for chassis components. Specialists from our Group's Automotive and Steel segments work together on the development of ultralight auto bodies. We attach great significance to the groundbreaking areas of systems engineering and mechatronics, interfaces between electronic and mechanical assemblies which are of particular importance for chassis and steering applications.

Central to our development efforts are the demands of car drivers for greater safety, comfort and economy. To help meet these requirements, we supply international OEMs with tailored body parts of high-strength steel, aluminum or combinations of materials. Our new steering columns and our weight-optimized material and design concepts for side impact protection enhance safety. Our new electro-mechanical steering system offers added comfort, representing a first step toward steer-by-wire in which the driver's steering movements are transmitted electrically/electronically rather than mechanically.

In addition to the increasing number of certifications, the high quality standards of our automotive plants are reflected in the many customer awards we receive. For example, numerous companies of the Automotive segment have now achieved Ford Q1 status. Further awards have been received from Fiat, John Deere, Nissan and Toyota. For example, our Brazilian subsidiary ThyssenKrupp Metalúrgica Campo Limpo was honored with the Toyota Quality Excellence Performance Award. All these awards are bestowed in recognition of top quality and delivery performance.

High quality standards  
at Automotive reflected  
in customer awards.

### Expert team for auto development

We see the trend among automotive OEMs toward outsourcing ever greater project volumes to their suppliers – from modules to complete vehicles – as both a challenge and an opportunity. Our Automotive and Steel segments have joined forces with Bertrandt, one of Europe's leading engineering companies, to form a joint competency team covering the entire auto development chain as well as major areas of vehicle production. Its capabilities range from research and development through to production and assembly, taking in all process steps and backed by simulation, prototyping and testing at all stages of development. For our customers, this means greater competency, improved performance, and outstanding quality and dependability – all delivered in less time.

## Technologies

Chemical plants, mega yachts, large-diameter bearings, the Transrapid maglev railway – all part of the range of Technologies, an international manufacturer of plant and machinery. The segment’s world-leading market positions and outstanding engineering and system capabilities helped boost sales to €5.7 billion.

### TECHNOLOGIES IN FIGURES

		2003/2004	2004/2005
Order intake	million €	4,770	5,514
Sales	million €	4,083	5,687
EBITDA	million €	151	245
Income*	million €	88	172
Employees (September 30)		21,980	27,449

All figures relate to continuing operations. \* before taxes and minority interest

ThyssenKrupp Technologies’ aim is to occupy world-leading positions in its markets and technologies. Our systematic efforts to develop innovative products with high customer value and the rapid expansion of our service business are geared to achieving this objective. Several acquisitions and disposals have been made to optimize our operations and gain new growth potential in the four business units Plant Technology, Marine Systems, Mechanical Engineering and Transrapid.

### More services and stronger international presence

The segment intends to significantly grow its service business in the next few years. The Plant Technology business unit plans to offer its customers complete life cycle support, continuing on request to service the plants it has supplied to ensure constant operational readiness. Marine Systems is also stepping up its after-sales service activities. Mechanical Engineering’s strategic objective is to provide intensive advisory and training services with a view to significantly increasing the share of services in sales.

Another key objective is to expand the segment’s international presence. ThyssenKrupp Technologies already operates 150 sites around the world and generates around 75% of its sales with foreign customers. Almost one in two employees works outside Germany. We are looking to further strengthen our activities in Asia in general, and in India, China and the Middle East in particular. For example, Plant Technology currently has two companies operating at nine sites in India, where just under 700 employees provide engineering services for chemical, petrochemical and fertilizer plants. Sugar, cement and material handling plants and equipment are also engineered in India and exported worldwide. In the future we intend to broaden the spectrum of these engineering services and integrate these capacities more strongly in international projects.

### Plant Technology: An engineering business of worldwide renown

The Plant Technology business unit plans to consolidate and expand its core technological capabilities in specialized/large-scale plant engineering, not just in India. The range focuses on the petrochemical, chemical, cement, mining/material handling and coke production sectors. The business unit holds top 3 world market positions in plant engineering for fertilizers, electrolysis, gas technology, cokemaking, polymer processes, refineries and pharmaceuticals. In August 2005, the technology portfolio was widened with the acquisition of exclusive license rights for YARA urea granulation technology. The business unit also sets environmental standards: We will be providing key equipment for an oil sands mega-project in Canada. Sandstone deposits containing around 6 billion barrels of bitumen are to be mined and then processed on equipment engineered, supplied and assembled by us, including crushers, interim storage facilities and conveyors.

Technologies now generates 75% of sales with foreign customers.

### Marine Systems riding a wave of success

The Marine Systems business unit sees itself as a system house with strong positions in naval shipbuilding, focusing Germany's capabilities in the construction of conventional submarines and surface vessels. We intend to further strengthen our role as worldwide technology leader. The MEKO frigates and corvettes built by our shipyards are recognized as the best in the world; we are also an international market leader in the construction of conventionally powered submarines. In addition, our shipyards provide successful repair and conversion services for ships of all kinds.

The new U212 submarine developed by Marine Systems features an air-independent propulsion system based on fuel cell technology. The fuel cells produce electricity from hydrogen and oxygen, allowing the new submarine to remain submerged for weeks while generating neither noise nor exhaust heat. This and other features make the submarine practically undetectable.

Marine Systems is also a highly regarded manufacturer of civilian ships such as mega yachts. One example of the innovative capabilities of our shipbuilding experts is a completely new network for on-board communications. The "Multi Service Board Network" is the first such system capable of handling all on-board communications services via a single network. For more information on this development, please turn to page 67.

**Marine Systems has strong capabilities in submarine construction.**

### Mechanical Engineering: Serving the machine-building sector

The Mechanical Engineering business unit brings together component manufacturers with world-leading market positions, primarily serving customers from the international machine-building sector. The range of products includes large-diameter bearings and rings for solar and wind energy systems, earth-moving machinery, offshore equipment and general machine-building applications. The business unit is a world leader in large-diameter antifriction bearings. Our strategic aim is to globalize these activities further, with a particular focus on China and India. Additionally we intend to develop the potential of the Eastern Europe markets.

Mechanical Engineering also holds a world-leading position in undercarriages for excavators and bulldozers, for which China could prove a promising market in the coming years. Other activities include the development, engineering and production of assembly plant for engines, transmissions and axles. The modular design of these lines allows them to be tailored exactly to the requirements of our mainly automotive customers.

### Strategic alliances for the Transrapid

Attention in the Transrapid business unit is focused on the construction of a German line. A project is currently being pursued to build a 37 kilometer maglev link between Munich central station and the city's Franz-Josef-Strauss airport. In addition, strategic alliances are to be formed to develop new markets.

# Elevator

Outstanding high-rise projects and numerous major orders for airports around the world are helping the Elevator segment move a step closer to its aim of becoming number two by business volume on the global elevator market.\*\* In the year under review, the segment’s sales rose to €3.8 billion.

## ELEVATOR IN FIGURES

		2003/2004	2004/2005
Order intake	million €	3,767	4,151
Sales	million €	3,569	3,773
EBITDA	million €	447	418
Income*	million €	370	352
Employees (September 30)		31,699	34,151

Elevator continued all operations \* before taxes and minority interest

2004/2005 was the “year of the airport orders” for Elevator.

The success of our cross-selling strategy – the sale of different products to one customer – was clearly demonstrated by ThyssenKrupp Elevator in fiscal 2004/2005, the “year of the airport orders”. We received orders from 15 international airports for over 500 elevators, 400 escalators and moving walks as well as 40 passenger boarding bridges – more than ever before. Our key customer is Dubai Airport, which ordered 123 passenger boarding bridges in the past year and, including the latest orders, has purchased equipment from us worth a total of 150 million us dollars. Barcelona Airport ordered 122 elevators, 45 escalators and 75 moving walks, while 60 elevators, 51 escalators and 23 passenger boarding bridges will be supplied to Cairo Airport. We attracted further airport orders from Ankara, Beijing, Dalaman, Frankfurt am Main, London Heathrow, Paris, Shanghai Pudong, Warsaw and Zurich. In the year under review, we repeatedly demonstrated our ability to handle such major orders in airport projects at Dallas/Fort Worth (182 installations), Toronto (259 installations) and Madrid Barajas (284 installations).

ThyssenKrupp’s expertise is also in demand for some of the world’s biggest high-rise projects. With a height of 492 meters and 101 floors, the Shanghai World Financial Center will be the tallest building in the world when it is completed at the end of 2007. We are supplying 42 elevators for this project, including four double-deck elevators which with a speed of ten meters per second will be the fastest such units ever built. Elevators from ThyssenKrupp are also being installed in what will be Europe’s tallest skyscraper – the Moscow Federation Tower. After completion in 2007, the building will measure 420 meters from the ground to the tip of the roof antenna and will feature eleven of our advanced TWIN elevator systems.

## Innovation, international presence and service – the keys to market success

The expansion of the Elevator segment has been helped by our own innovations in elevators and moving walks, the acquisition of successful companies in various regions of the world, and the implementation of our global service strategy.

More and more building owners around the world are showing an interest in the innovative TWIN system. The first TWIN order from outside Germany was received in 2004 for the Oceanic Center in Valencia/Spain. This elevator system features two cars operating independently in one hoistway, helping resolve bottlenecks and freeing up useful building space. It can also be adapted to the particular features of a building. It was these advantages which helped Elevator win the order for eleven TWIN systems for the Moscow Federation Tower. Thanks to the TWIN, ten fewer shafts are needed, allowing the space to be put to other uses. This order represented an international breakthrough for the TWIN system. Asia’s first TWIN is now being installed in Seoul.

\*\* Original wording changed on January 25, 2006.

The “accelerating moving walk” has now been developed to market readiness. It is particularly suitable for use in airports, exhibition centers and shopping malls. This walk has an acceleration zone, a high-speed zone and a deceleration zone and allows passengers to cover distances of 150 to 1,000 meters in comfort and at twice their normal walking speed.

In addition to successful product innovations, the segment also acquired foreign companies with a strong presence in regions such as India, North America, Spain, Portugal, Italy, Sweden and Switzerland to further strengthen our international position and expand our service business.

Another part of this was the segment’s Global Service Strategy, which combined various successful service initiatives into one project. Our aim is to grow faster in the high-end service business while continuing to meet ever increasing market requirements. To this end we are continuously improving the skills of our service technicians and upgrading the technology at their disposal. Our customers receive made-to-measure service packages which maximize the availability and safety of their installations.

### Reference projects around the world

ThyssenKrupp is supplying 14 elevators and escalators for the world’s biggest dam project, the Three Gorges Dam on the Yangtze River in China. All systems will be supplied with special protection against humidity and rust. The order includes two 20-meter long outdoor escalators and two passenger elevators. In Madrid we are supplying 26 elevators for the Torre de Cristal as well as 32 elevators and 30 escalators for the Metro. In the year under review, 18 elevators were installed in the GAP-15 high-rise in Düsseldorf and now transport around 1,600 people every day. This standout office building successfully combines traditional elements with modern architecture.

For the sixth year in succession, ThyssenKrupp Elevator won a “Project of the Year” award from Elevator World magazine, this time for the elevator design in the Dynamic Earth interactive earth sciences center in Sudbury near Ontario. Set in a disused nickel mine, the Dynamic Earth project shows what life was like 120 years ago both above and below ground in the nickel mining community. One of the attractions is a glass elevator which transports up to 35 visitors to a depth of 20 meters below ground to visit the old mine works. The reduced-speed trip takes three minutes, giving passengers the chance to enjoy a spectacular multimedia show on the walls of the gigantic shaft.

Elevator won “Project of the Year” award for the sixth time in succession.

## Services

The Services segment has focused systematically on material and process services for the production and manufacturing industries. With over 600 locations in 60 countries, it is one of the world’s biggest service providers. Around 250,000 customers contributed to sales of €12.5 billion in fiscal 2004/2005.

### SERVICES IN FIGURES

		2003/2004	2004/2005
Order intake	million €	11,437	12,473
Sales	million €	11,306	12,504
EBITDA	million €	409	541
Income*	million €	251	380
Employees (September 30)		33,211	34,835

All figures relate to continuing operations. \* before taxes and minority interest

### Portfolio streamlined, services further integrated

With “services across the value chain” ThyssenKrupp Services enables customers to concentrate on their core competencies and transfer secondary procurement, production and logistics processes to us. Our customers are chiefly from the steel, steel processing, automotive, aerospace, engineering, chemical, oil and energy sectors. The segment streamlined its portfolio in the reporting period. In addition to selling the facility management business at the beginning of the fiscal year, as part of an interface optimization program Services also withdrew from drop shipping of flat steel produced within the Group; this is now handled directly by the Steel and Stainless segments. Services is not the sales organization of the Group’s steel-producing segments but a vendor-independent service provider. Less than 10% of sales are generated with products manufactured by the ThyssenKrupp Group.

Another forward-looking move was the integration of material services – for example primary processing, warehouse and inventory management, logistics, supply chain management – with industrial process services. This cross selling is making a clear positive impact and has already led to complex orders for major producers in Germany and the USA.

### Leading positions in the international marketplace

The increase in efficiency has also strengthened Services’ leading positions on the respective markets. We are the number one materials supplier in Germany and number three in the USA. ThyssenKrupp is market leader in Germany for industrial services and world number one in the specialist market for scaffold services. The raw materials and technical services operations also hold top positions in the international markets.

Overall the segment is among the world’s biggest suppliers of stainless steel, nonferrous metals and plastics. The product range comprises over 150,000 items available directly from stock. In addition to offering optimized material supplies, Services supplements and combines this product range with a wide range of intelligent services and system solutions which are making a steadily increasing contribution to the segment’s sales.

The integration of material and process services proving successful.

The key to getting goods to customers in the shortest possible time while keeping stocks as low as possible is our sophisticated warehouse, logistics and information system with central and regional warehouses. Services provides highly complex material services at around 300 locations worldwide and operates numerous service centers, branches and processing facilities. Our capabilities include slitting, cutting to length, plasma and laser cutting, sawing, drilling, milling and coating. These services take the strain off our customers and significantly enhance their flexibility.

Planning, control and management are also key terms in our classic industrial services business. At 220 locations worldwide we offer maintenance and repair, production support, in-plant logistics and scaffold services. Added to this are technical services for the erection and maintenance of facilities and buildings.

Project management expertise, global connections, specialist market knowledge and system solutions play a key role in our service business – be it in the worldwide supply of rolled steel and tubes or the sale of new and used industrial facilities and equipment. International project experience and contacts are also key to our civil engineering and port construction systems business and in the supply of alloys, metals, minerals and coke. These capabilities are enhanced by consulting and planning services and the provision of the necessary equipment including aftersales and spare parts services.

### World market focus

ThyssenKrupp Services' main markets are Europe and the NAFTA region; we are currently expanding our position in the highly attractive growth market of Eastern Europe. Our own companies in Hungary, Poland, the Czech Republic and Russia today generate sales well in excess of €400 million and employ more than 1,000 people – and rising.

To press ahead with its Eastern Europe strategy, Services opened new companies in Bulgaria and Ukraine in summer 2005. In Poland the materials business was concentrated in new central warehouses in Dabrowa Gornicza and Poznan. These locations are being expanded and fitted with modern handling equipment in order to permit further sales growth.

In the NAFTA region we have established a particularly strong market position with specialty products, i.e. stainless steel and nonferrous metals. Added to this are services such as applications consulting, processing, warehousing and supply chain management. Here, too, the prospects are outstanding: in all business areas, sales activities were expanded and new sales regions were developed – particularly in the US southwest and southeast.

**Growth opportunities in Eastern Europe and NAFTA must be exploited by Services.**

Services has created a good starting platform for its forward strategy.

### Investing in the future

Services continues to pursue a clear forward strategy. While in the past two years the focus was on restructuring and consolidation, in the future the segment aims to increase its flexibility and grow further. It will expand and further integrate its service activities, enhance its performance to secure earnings, optimize its business processes and continue to grow in established markets. In addition, it will further expand its operations on markets outside Germany in the next few years. We will invest in our Eastern European activities, augment our branch network in North America, and expand our global raw materials business by securing international distribution rights. Where the prospects are good, Services will also invest in new acquisitions.



# Financial report

Section

## 05

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The success of an enterprise, its strategies, its organization and its management are documented in black and white in the financial data. The figures for fiscal year 2004/2005 show that we have succeeded in converting our opportunities and potential into real, earnings-oriented growth. This is the core message of the management's discussion and analysis, the US GAAP consolidated financial statements and additional German GAAP disclosures. But success today is no guarantee of success tomorrow. We therefore continue to focus all our efforts on securing ThyssenKrupp's future on a sustained basis.

Matthias Best, Head of Product Engineering ThyssenKrupp Gerlach, → father of Susanna, SEE PAGE XVI and Georg Elster, Head of Product Engineering ThyssenKrupp Metalúrgica Campo Limpo, → father of Gregory SEE PAGE XVI



**PARTNER FOR COMPETENCY** In the growing crankshaft business, ThyssenKrupp is world market leader in the car and truck segment and a competent systems partner to leading auto manufacturers. When optimized crankshafts help in saving fuel, it's a success which is also down to two men whose desks are 9,483 kilometers apart:

Together with their team members, Matthias Best, ThyssenKrupp Gerlach, Germany, and Georg Elster, ThyssenKrupp Metalúrgica Campo Limpo, Brazil, share knowledge and ideas across borders and across continents.

FINANCIAL REPORT

Brazil

Working together worldwide. For a global company it is essential that in-house knowledge is available at every one of its sites. That's why international employee exchange programs are standard practice at ThyssenKrupp. As well as know-how transfer, they promote intercultural understanding and the ability to identify global relationships more easily. Motivated employees are given the opportunity to develop their skills abroad. Executives meet up regularly around the world to network and exchange experience.

**EXPANDING TECHNOLOGY** Vehicle and engine manufacturers are under pressure to supply vehicles which use less fuel and produce lower emissions. By focusing its international competencies, ThyssenKrupp succeeded in developing optimized, lighter crankshafts using new materials and new manufacturing processes. ThyssenKrupp provides international manufacturers with a full range of services, from initial planning and material selection through to production and delivery of ready-to-fit components.

TECHNOLOGY COMPETENCY

TECHNOLOGY COMPETENCY GERMANY/BRAZIL

# crossing borders together

## 1. INCOME / DIVIDEND

ThyssenKrupp generated income from continuing operations before taxes and minority interest and before special items of €1,836 million in fiscal 2004/2005; not included in this is a nonrecurring charge of €474 million in connection with the reassessment of the 20.6% interest in RAG Aktiengesellschaft, as well as a gain of €870 million from the sale of the Residential Real Estate business reported under discontinued operations. This represents another record profit for ThyssenKrupp, €359 million higher than the Company's previous best in the prior year. The main drivers of this success were the excellent results in the Steel segment. In all segments, the successfully implemented programs to increase efficiency and the portfolio adjustments had a positive impact. Increases in starting material and raw material prices and the worsening situation in parts of the auto industry in the USA and the UK had a negative impact on earnings. The divestment program for non-core operations was virtually completed in the course of the fiscal year. eleven material entities were either sold or their disposal was initiated in the course of fiscal 2004/2005. In total, these transactions resulted in a disposal gain of €469 million before taxes; the ordinary income of the sold entities totaled €21 million before taxes and is reported under discontinued operations along with the disposal gains and losses.

### INCOME BY SEGMENTS in million €

	2003/2004*	2004/2005
Steel	916	1,302
Automotive	260	49
Technologies	88	172
Elevator	370	352
Services	251	380
Corporate	(395)	(394)
Consolidation	(13)	(25)
<b>Income from continuing operations before losses related to RAG **</b>	<b>1,477</b>	<b>1,836</b>

	2003/2004*	2004/2005
Steel	5	(58)
Automotive	16	(6)
Technologies	(10)	(237)
Services	23	(59)
Corporate	40	802
<b>Discontinued operations (net of tax)</b>	<b>74</b>	<b>442</b>

\* adjusted due to the presentation of discontinued operations (see Note 3)

\*\* before income taxes and minority interest

## Steel

Steel recognized income from continuing operations in the amount of €1,302 million, compared with €916 million in the previous year.

Edelstahl Witten-Krefeld GmbH from the Special Materials business unit was sold in the reporting period, and the sale of Hoesch Contecna Systembau GmbH from the building construction operating group of the Carbon Steel business unit was initiated in September 2005 and has since been completed. The ordinary income and disposal gains/losses from these entities are reported separately under discontinued operations.

Income at Carbon Steel increased by €394 million to €1,002 million. ThyssenKrupp Stahl made a major contribution to this growth in profit. The main reasons for the rise in earnings were higher average revenues and the consistent continuation of performance-enhancement measures. On the other hand, the drastic cost increases for key raw materials such as ore, coal/coke and scrap as well as for freight rates and energy had a negative impact. The steadying of the market following the demand boom of the previous year also led to a drop in shipment volumes. In a particularly favorable market environment, the medium-wide strip products activity more than doubled profits despite having to absorb nonrecurring expenses from the disposal of the special profiles business. The steel service centers and non-grain-oriented electrical steel activity likewise returned substantially higher income and made a major contribution to the improvement in earnings. In tinmill products and tailored blanks, profits were down from the good prior-year level. The building construction activities generated a small profit in a difficult market environment. The cold room business significantly improved on its prior-year income.

Stainless Steel reported income of €282 million, compared with €385 million a year earlier. Demand for cold rolled products in Europe fell sharply in the course of the year. As a result, base prices entered into a steady decline from the second quarter onwards. Added to this were increased costs for energy and freight rates as well as price increases for input materials such as nickel, chromium and scrap. The passing on of cost increases for input materials in the form of alloy surcharges is possible only to a limited extent outside the European and American markets, and even in Europe and America the process entails a time lag. As a result of the continuing implementation of cost-reduction and efficiency-enhancement programs, our German activities achieved outstanding profitability in this environment and almost repeated the income level of the previous year. In Italy profits were down from the year before due to restructurings and capacity cutbacks. Following a recovery, the Chinese market was characterized by a dramatic fall in prices from April, triggered by substantial new capacities forcing



their way onto the market. As well as operating losses, this led to inventory write-downs, which were the main reason for the loss reported by the Chinese cold-rolling mill. In a generally stable market, the Mexican cold-rolling activities almost succeeded in repeating the very good earnings of the previous year. The nickel-base alloys activity reported significantly higher operating income.

Special Materials returned a profit of €22 million after showing a loss of €80 million in the previous year. The German and French grain-oriented electrical steel activities achieved a strong profit following losses the year before. However, the Italian activity again reported a loss. In the reporting period it includes €17 million in strike costs at the Terni plant and expenses for the now completed closure of electrical steel production. Even without these nonrecurring charges, income in both years would have been negative.

## Automotive

The Automotive segment generated earnings from continuing operations in the amount of €49 million, having returned €260 million in the previous year. The income for the reporting year contains a €28 million impairment loss in the Body & Chassis (North America) unit. The ordinary income and disposal gain/loss from the European truck spring business of the Body & Chassis (Europe/Asia Pacific/Latin America) unit and the aluminum castings business of the Powertrain business unit, which were sold in fiscal 2004/2005, are included under discontinued operations. Also included here are the earnings and anticipated disposal loss from the aluminum foundry ThyssenKrupp Stahl Company, the sale of which was initiated in the reporting year but has not yet been completed.

The new business units Body & Chassis (North America) and Body & Chassis (Europe/Asia Pacific/Latin America) were created effective October 01, 2004, organized along regional lines. They incorporate the activities of the former Body and Chassis business units. The prior-year figures have been recalculated on a comparable basis. The Powertrain business unit continued to be the primary contributor to income. Earnings in all three business units were impacted by the hefty steel price increases which could only partly be passed onto customers.

Having generated positive income the year before, the Body & Chassis (North America) business unit returned a loss in the reporting period. The main reasons were a continued decline in utilization and low productivity at the Detroit and Shelbyville stamping plants and the Kitchener frame plant. In connection with this situation, an impairment loss was recognized at the Detroit stamping plant. By contrast, the foundries reported a significant rise in profits thanks to a better workload and improvements in passing on scrap price changes.

While the Body & Chassis (Europe/Asia Pacific/Latin America) business unit returned a profit, it fell significantly short of the good prior-year result. This was mainly attributable to the stamping plants, the production equipment operations and the suspension business. Redundancies and lost revenues as a result of the insolvency of Rover had a major impact, as did nonrecurring expenses in connection with the withdrawal from Valmet. These developments were countered by the positive performance of the system business and the absence of costs from the sold British foundry activities.

The Powertrain business unit again recorded strong profits but fell short of the high prior-year level. The crankshaft and engine component activities were adversely impacted by steel price increases and exchange rate movements.

## Technologies

The Technologies segment recognized income from continuing operations of €172 million in fiscal year 2004/2005; the €84 million rise means income almost doubled. In addition to the inclusion of the HDW group, the improvement was due mainly to the good performance of the general engineering sector, a key customer market. The Mechanical Engineering business unit again made the largest contribution to income.

In the course of the fiscal year the structural steelwork operating group was sold. The sale of the MetalCutting business unit and the turbine components operating group was initiated and has since been completed. The ordinary income and disposal gain/loss from these entities are reported under discontinued operations.

The Plant Technology business unit again showed a double digit profit, though this did not match the level of the previous year due to high expenses from the fair-value recognition of currency hedges and higher project costs for a major chemical plant order.

Marine Systems reported double-digit earnings, which showed a significant improvement on the year before. The absence of restructuring expenses and nonrecurring expenses from the financing of two cruise ship sales, which impacted income in the previous year, had a positive effect. Added to this were the positive income contributions from the HDW group which was consolidated at January 01, 2005.

Mechanical Engineering succeeded in boosting profits by more than 40% and made the highest contribution to the segment's earnings. This was mainly attributable to substantial growth in large-diameter anti-friction bearings and construction equipment components.

The loss at Transrapid was significantly reduced thanks to the absence of nonrecurring expenses from the billing of the Shanghai order and further cost-reduction measures.

## Elevator

The Elevator segment achieved income of €352 million in fiscal 2004/2005, having reported €370 million the year before. All business units recognized a profit, though some were unable to match the very high prior-year level. In addition to negative exchange-rate effects, earnings were impacted by significantly increased pressure on prices and margins, which was further exacerbated – especially in the new installations business – by intensive competition and the worldwide rise in starting material prices. The negative effects were largely offset by process optimizations and associated efficiency gains. In the service business, too, the pressure on prices is increasing; the measures introduced under the "Global Service Strategy" are already achieving initial success.

The Central/Eastern/Northern Europe business unit almost matched the very high prior-year income level despite the extremely tight market situation in the United Kingdom. The service business was expanded in particular in France.

Although the Americas business unit achieved higher operating earnings, negative exchange-rate effects neutralized the improvement when the result was translated into euros. In addition to a steady performance in North America, the Brazilian activity in particular recorded a positive trend in income as a result of efficiency improvements.

The operating earnings of the Southern Europe/Africa/Middle East business unit reached the prior-year level, but the reorganization of the Spanish activities led to additional nonrecurring expenditures. Business was expanded with the acquisition of Ascensores Hidrolex S.L. in Spain and the entry into the Italian market.

The Asia/Pacific business unit's income was lower than the year before, due mainly to the rise in starting material prices. In South Korea the new installations business came under severe pressure as a result of the market weakness; in China additional market penetration costs were incurred.

Earnings in the Escalators/Passenger Boarding Bridges business unit were likewise down from the previous year. This mainly reflects a negative effect from the fair-value measurement of currency hedging derivatives. At the same time billing deferrals – especially in the escalator business – had a negative impact on sales and thus earnings.

The Accessibility business unit achieved another distinct rise in income. In addition to the absence of restructuring expenses in the United Kingdom, which impacted the previous year's results, both the European and American activities further expanded their market position and realized additional income as a result.

## Services

The Services segment achieved the best results in its Group history with a profit of €380 million from continuing operations. Compared with the prior year this represents an increase of €129 million or over 50%.

In fiscal 2004/2005, the Services segment completed its portfolio streamlining with the initiation of the sale of the Hommel group and Krupp Druckereibetriebe. The results of these entities are shown under discontinued operations.

The greatest contribution to earnings was made by the Materials Services Europe business unit which significantly increased its profit. In the first half of the year, the dynamic materials market continued to have an impact, combined with very high price levels. Price decreases in individual product groups in the second half of the year were partly offset thanks to the broad range of products and services – from rolled steel and stainless steel to tubes, nonferrous metals and plastics. The further expansion of business in Eastern Europe and the successful implementation and continuation of the performance programs initiated in Germany and the Western European countries in the previous year had a positive effect. The profits of Materials Services North America were slightly down from the prior year, which was marked by unusually high price levels for rolled steel. The earnings impact of the significant price decrease was almost completely offset thanks to the unit's specific product range with a very high share of nonferrous metals as well as a straight expansion of sales activities. The Industrial Services business unit more than doubled its profit compared with the prior year and made a significant contribution to segment earnings. Business in the USA, Scandinavia, the Middle East and Asia profited from improved economic conditions in these regions. In Germany, earnings were boosted by an extensive program of measures to improve the organizational and branch structure and enhance new business development and customer service. The Special Products business unit improved significantly again from a very strong prior year. The international rolled steel and tube business expanded above all in the Asian region. New partnerships and purchasing sources further increased earnings in business with alloys, metals, coke and minerals. The plant and equipment business also contributed to the profit increase, especially on the export markets.

## Corporate

Corporate comprises the Group head office inclusive of financing and insurance companies as well as other service providers and the national holding companies. Following the sale of Residential Real

Estate, Corporate also includes Corporate Real Estate Management. In the reporting period, Corporate recorded expenditures of €868 million before tax. This result was significantly impacted by a non-recurring charge in connection with the reassessment of the investment in RAG Aktiengesellschaft. The carrying value of the investment at €442 million was written down to zero; further in this context, accrued liabilities for charges resulting from the former mining operations of the ThyssenKrupp Group were increased by €32 million. Details are contained in Note 8 to the consolidated financial statements. Excluding these events, expenditures of Corporate stood at €394 million, level with the prior year. Pension costs were again the largest single item at €183 million and showed a further decrease by €10 million. Corporate administration costs decreased in total by €3 million to €135 million; general material costs were lower while costs for developing and standardizing the Groupwide IT infrastructure were higher. Among others - the lower earnings of Corporate Real Estate Management as a result of consideration of certain risks had a negative impact. Net interest expense improved by €7 million to €(55) million.

### Income taxes

Income taxes in 2004/2005 amounted to €735 million, compared with €587 million in the previous year. In the reporting year as well as in the previous year these amounts consist only of tax expenses relating to continuing operations. The tax rate is 40%, related to income from continuing operations of €1,836 million, which does not include the non-recurring charge associated with the reassessment of the interest in RAG Aktiengesellschaft. The tax rate including this nonrecurring item is 53.9%. The tax rate of 40% is also due to the fact that more than half the Group's profit in 2004/2005 was generated in Germany. The tax burden in Germany is higher than the average tax burden on profits earned abroad.

### Discontinued operations

Income from discontinued operations net of tax amounted to €442 million, compared with €74 million in the prior year. Included in this are 11 entities which were either sold as part of the divestment program for non-core operations or whose disposal was initiated in fiscal 2004/2005. The disposal results from these entities totaled €442 million and include both realized gains and losses from completed disposals and anticipated losses from initiated disposals.

In addition, income from discontinued operations also includes the ordinary income of these entities in the amount of €0 million (prior year €3 million). The two largest disposals in fiscal 2004/2005 were the sale of the Residential Real Estate business comprising around 48,000 dwelling units and the sale of the MetalCutting business unit in the Technologies segment, which was initiated in August 2005 and has since been completed. The disposal of the Residential Real Estate business resulted in a disposal gain of €787 million net of tax; cumulative ordinary income up to the time of disposal amounted to €15 million net of tax. The disposal of the MetalCutting business unit resulted in a loss of €166 million net of tax at September 30, 2005, while ordinary income in fiscal 2004/2005 amounted to €(16) million net of tax. Income from discontinued operations in the reporting period also includes transaction related expenses resulting from disposals completed in prior years.

### Net income/earnings per share

After the deduction of minority interest in the amount of €46 million (prior year €60 million) and expense of €4 million net of tax (€(6) million before tax) resulting from the change in accounting principle, net income amounts to €1,019 million, compared with €904 million in the prior year. Earnings per share (EPS) is calculated by dividing net income by the number of shares outstanding. In the reporting period the number of shares outstanding was 498,628,610 and in the prior year 498,028,925. The increase is due to the issue of treasury stock in connection with the employee share programs in the 3rd quarter 2004/2005. Based on these figures, EPS amounted to €2.05 per share in 2004/2005, compared with €1.81 per share in the prior year. EPS from continuing operations amounted to €1.17 per share in fiscal 2004/2005 and €1.67 per share in the prior year.

### Dividend

The Management will propose to the Annual General Meeting the payment of a dividend of €0.70 per share. This is an increase of €0.10 from the previous year. On top of this, a special dividend of €0.10 per share is to be paid resulting from the nearly completed divestment program. The legal basis for the dividend payment is unappropriated net income. It comprises the net income of ThyssenKrupp AG under German GAAP in the amount of €920 million (previous year €301 million), less €481 million which has already been transferred to retained earnings by the Management, plus the

carryforward from the previous year. Of the €448 million (previous year €309 million) unappropriated net income, a total of €399 million is to be used to pay a dividend on the 499,149,151 shares eligible for dividend payment as of September 30, 2005. A further €37 million is to be transferred to retained earnings and the balance of €12 million is to be carried forward. Should the number of shares eligible for dividend distribution change before the date of the Annual General Meeting, the proposed dividend distribution will be adjusted accordingly. In relation to consolidated net income, the payout ratio – subject to the approval of the Annual General Meeting – will be 39%, compared with 33% in the previous year. In relation to ThyssenKrupp AG's net income, the payout ratio is 43% (previous year 99%).

## 2. ECONOMIC VALUE ADDED MANAGEMENT

The ThyssenKrupp Group is managed and controlled on the basis of an Economic Value Added ("EVA") management system. The key goal of this system is to maintain continuous increases in corporate value by focusing on business segments which – with respect to their performance – are among the best worldwide. To achieve this objective, an integrated controlling concept is applied. It allows for goal-driven controlling and coordination of activities of all segments, supports decentralized responsibility and promotes overall transparency.

By taking timely appropriate actions, the integrated controlling concept realizes the increase of corporate value by bridging operating and strategic gaps between the actual and target situation. The prerequisite for this concept is the existence of high-quality operational and strategic reporting systems for the accounting of actual and budgeted results as well as internal and

external reporting. The values determined under US GAAP for each and every reporting unit form the basis for our reporting system.

In the ThyssenKrupp controlling concept, strategic and operational elements are linked to timely reporting which is accompanied by regular pro-active communication. The concrete elements of this strategy are: economic value added performance measures and active portfolio management.

The central performance measures are return on capital employed (ROCE) and Economic Value Added (EVA). These two ratios reflect the earning power of capital employed in the form of a relative quantity (ROCE) and an absolute value (EVA).

ROCE is calculated as follows:

$$\text{ROCE} = \frac{\text{income before income taxes, minority interest and interest}}{\text{capital employed}}$$

The numerator is composed of income before income taxes, minority interest, net interest income or expense, and an internally allocated interest expense associated with accrued pension liabilities. Management's performance as well as the Capital Employed included in the denominator of the profitability ratio include the activities of both continuing and discontinued operations. The capital employed denominator can be computed on the basis of either asset or liability items. For the calculation based on asset items, net fixed assets are added to working capital. Deferred taxes are not included in the computation because the standard figures are determined on a pre-tax basis. Capital employed calculated based on the following liability items including discontinued operations and the breakdown of the disposal group as disclosed in Note 3 of the consolidated financial statements:

### GROUP in million €

	Oct. 01, 2003	Sept. 30, 2004	Oct. 01, 2004	Sept. 30, 2005
Total Stockholders' Equity	7,671	8,327	8,327	8,771
+ Minority interest	320	410	410	481
+ Pensions and similar obligations	7,401	7,221	7,221	8,072
+ Financial payables	4,948	4,270	4,270	4,814
./. Marketable securities/cash and cash equivalents	713	1,437	1,437	4,823
+ Deferred tax liabilities	771	984	984	1,527
./. Deferred tax assets	1,283	1,150	1,150	1,480
Total as of measurement date	19,115	18,625	18,625	17,362
<b>Average</b>	<b>18,870</b>		<b>17,994</b>	

The ROCE is compared to the weighted average costs (WACC) of capital employed. The cost of capital is determined on a pre-tax basis, as is the standard result used. On this basis, the weighted interest for the Group from equity (14.0%), financial payables (6.5%) and pension accruals (6.0%) amounts to 9.0%. This weighted cost of capital is maintained at a constant level in the medium term, in order to guarantee a relatively high degree of continuity over the periods. Therefore the interest rate is only adjusted if changes are material.

The segments' cost of capital are derived from the Group's cost of capital for equity, financial payables and pension accruals based on the relevant segments' capital structure. In addition segments' specific business risks were taken into account. Therefore, weighted and risk-adjusted segments' cost of capital amount to: Steel 10.0%, Automotive 9.5%, Technologies 10.0%, Elevator 9.0%, Services 9.0%.

EVA is computed as the difference between ROCE and the cost of capital, multiplied by the capital employed. Additional value is created only if the ROCE exceeds the weighted cost of capital. Accordingly, cost of capital reflects the minimum acceptable rate of return. In addition, individual target profitability is agreed for individual activities, which are based either on the best competitor or on an inter-industry benchmark. This management and controlling system is linked to the bonus system in such a way that the amount of the performance-related remuneration is determined by the achieved EVA.

The following tables illustrate the development of the performance measures in the previous two fiscal years.

#### YEAR ENDING SEPT. 30, 2004\*

Group	Income before interest ** (million €)	Capital employed (million €)	ROCE (%)	WACC (%)	Spread (%-points)	EVA (million €)
<b>Group</b>	<b>2,271</b>	<b>18,870</b>	<b>12.0</b>	<b>9.0</b>	<b>3.0</b>	<b>572</b>
thereof:						
Steel	1,095	8,685	12.6	10.0	2.6	226
Automotive	399	3,146	12.7	9.5	3.2	100
Technologies	84	572	14.7	10.0	4.7	27
Elevator	404	1,709	23.7	9.0	14.7	250
Services	350	2,725	12.9	9.0	3.9	105

\* unaudited

\*\* Income including discontinued operations before income taxes, minority interest and interest (net interest income or expense incl. interest expense associated with accrued pension liabilities)

#### YEAR ENDING SEPT. 30, 2005\*

Group	Income before interest ** (million €)	Capital employed (million €)	ROCE (%)	WACC (%)	Spread (%-Punkte)	EVA (million €)	Change in EVA (million €)
<b>Group</b>	<b>2,706</b>	<b>17,994</b>	<b>15.0</b>	<b>9.0</b>	<b>6.0</b>	<b>1,087</b>	<b>515</b>
thereof:							
Steel	1,406	8,804	16.0	10.0	6.0	526	300
Automotive	158	3,145	5.0	9.5	(4.5)	(141)	(241)
Technologies	(94)	936	(3.7)	10.0	(13.7)	(128)	(155)
Elevator	378	1,752	21.6	9.0	12.6	220	(30)
Services	391	2,677	14.6	9.0	5.6	150	45

\* unaudited

\*\* Income including discontinued operations before income taxes, minority interest and interest (net interest income or expense incl. interest expense associated with accrued pension liabilities)



Income before interest of the ThyssenKrupp Group in 2004/2005 increased by €435 million to €2,706 million. In measuring the return on capital, this improvement is slightly increased by the reduction in capital employed. Capital employed fell by €876 million to €17,994 million. ROCE in 2004/2005 was 15.0% compared with 12.0% in the previous year. It thus exceeded the cost of capital for the Group (9.0%) by a greater margin than the year before. EVA increased by €515 to €1,087 million. The improvement in ROCE and EVA for the ThyssenKrupp Group was particularly influenced by the results from the sale of the residential real estate business and other disposals in connection with the divestment program. On the other hand there was a non-recurring charge for the RAG investment.

In the Steel segment, income before interest increased by €311 million to €1,406 million. Despite a slight increase in capital employed, ROCE increased from 12.6% to 16.0% in 2004/2005. This is therefore once again significantly higher than the cost of capital of 10%. A positive EVA of €526 million was achieved, which represents an improvement of €300 million compared with the previous year.

At Automotive income before interest decreased to €158 million in 2004/2005, which is €241 million lower than the year before. This deterioration mainly reflects disposal losses in connection with the divestment program, restructuring measures and the fact that steel price increases could only partially be passed on to customers. With capital employed virtually unchanged, ROCE decreased from 12.7% to 5.0% and is therefore well below the cost of capital of 9.5%. After a positive EVA in the prior year, EVA in 2004/2005 fell by €241 million to €(141) million.

Technologies' income before interest decreased by €178 million to €(94) million in 2004/2005. This too is mainly the result of disposal losses incurred under the divestment program. This led to an ROCE of (3.7)% compared with 14.7% in the prior year. With a cost of capital of 10.0%, a negative EVA in the amount of €(128) million was achieved. This corresponds to a decline of €155 million compared with the previous period. The realisation of the divestment program reduced the income before taxes and interest, the numerator of ROCE, in the amount of €245 million (loss from disposals). Without the effects of the divestment program Technologies would have realized a significantly higher double-digit EVA.

In the Elevator segment, income before interest in 2004/2005 was only slightly lower than the year before at €378 million. With capital employed slightly higher, this led to a slight drop in ROCE by 2.1% to 21.6%. EVA fell to €220 million in 2004/2005 compared with €250 million in the previous year.

In the Services segment, income before interest in 2004/2005 increased by €41 million to €391 million. This is primarily attributable to improved activity on the international industrial and raw material markets. Despite the expansion of business activities, capital employed in the period was reduced by €48 million to €2,677 million. These two effects led to an increase in ROCE from 12.9% in the previous year to 14.6% in 2004/2005. EVA therefore improved by €45 million to €150 million.

ThyssenKrupp's active portfolio management directly follows the result of the analysis of the performance measures. It involves structural measures which are principally of a strategic nature, including the selection and expansion of business units with which the targeted increases in EVA or value are to be realized, as well as the timely and profitable withdrawal from activities which do not achieve adequate increases in EVA. These measures further aim at creating new operating activities through a favorable entry in evolving markets. For the Group as a whole these measures are of particular importance when it comes to establishing a balance between value generators and cash providers. This is a basic prerequisite for dividend continuity and sustained growth in core activities.

### 3. STATEMENTS OF CASH FLOWS

The statements of cash flows present the origin and use of cash flows during the fiscal years 2002/2003 through 2004/2005. It is of central importance for the evaluation of the financial position of the ThyssenKrupp Group. The statements of cash flows presented include the cash flows resulting from discontinued operations.

The amounts taken into consideration in the statements of cash flows correspond to the balance sheet item "Cash and cash equivalents".

The cash flows from investing activities and financing activities have been determined based on payments. In contrast, the cash flow from operating activities is determined indirectly by reconciling the Group's net income to cash provided by operating activities. The changes in balance sheet items in connection with operating activities have been adjusted for the effects of foreign currency translations and changes in the scope of consolidation. Therefore, they do not directly conform to the corresponding changes based on the consolidated balance sheets.

Operating activities provided €2.2 billion during the fiscal year 2004/2005 compared to €2.5 billion during the previous year. The

decrease of cash flows from operating activities results from an increase of net working capital from €(0.1) billion to €(0.5) billion due to the extended business volume, whereas the Group's net income before depreciation and amortization, before deferred tax expenses and before gains from the disposal of fixed assets rose by €0.1 billion.

The discontinued operations provided cash flows from operating activities in the amount of €26 million (2003/2004: cash flow provided €170 million).

Investing activities provided cash flows of €0.9 billion; in 2003/2004 investing activities used €(0.9) billion. As a result cash flow from investing activities improved by €1.9 billion during 2004/2005. The increase is the result of an increase of proceeds from the sale and from disposals of fixed assets by €1.7 billion to €2.4 billion offset by an increase in investment activities by €0.1 billion to €1.8 billion. The proceeds from the sale of businesses in the previous year were influenced especially by the sale of the Triaton Group in the Services segment, by the sales of the Novoferm Group in the Technologies segment and Berkenhoff GmbH in the Steel segment. During the current reporting period cash inflows result from the disposals of the Residential Real Estate business (€1.9 billion), Edelstahl Witten-Krefeld GmbH (EWK) in the Steel segment (€0.1 billion) and Alu Castings Group in the Automotive segment (€0.1 billion). Disposals of property, plant and equipment and intangible assets resulted in an – compared to the previous year unchanged – additional cash inflow totaling €0.2 billion. Moreover, especially due to the acquisition of Howaldtswerke-Deutsche Werft (HDW), acquired cash and cash equivalents increased by €0.3 billion.

The discontinued operations used cash flows from investing activities in the amount of €16 million (2003/2004: cash flow used €114 million) due to the Residential Real Estate business, MetalCutting activities and Turbine components.

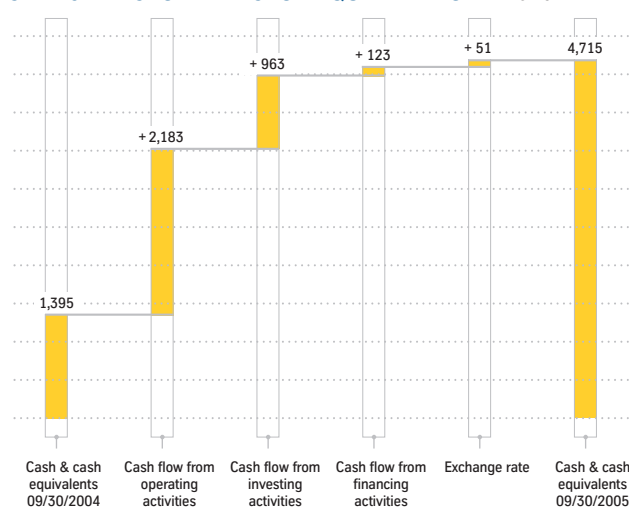
The free cash flow, i.e. the total of cash flows provided by operating activities and cash flows provided by or used in investing activities, increased significantly by €1.5 billion to €3.1 billion. During fiscal year 2004/2005 the free cash flow was used for dividend payments of €0.3 billion and for the entire redemption of net financial debt of €2.8 billion.

Other cash flows presented within financing activities for fiscal year 2004/2005 comprise cash outflows of €1 million (2003/2004: €8 million cash inflows), resulting from Group overnight money transactions with non-consolidated subsidiaries. During fiscal year 2004/2005 cash payments of €1 million result from short-term financial accounts receivable (2003/2004: €52 million cash inflows).

The discontinued operations used cash flows from financing activities in the amount of €(47) million (2003/2004: €(318) million).

Changes in foreign exchange rates increased cash and cash equivalents by €51 million (2003/2004: €(13) million), which primarily is due to the decrease of the us dollar (basis: €1) during fiscal 2004/2005.

#### CHANGE IN CASH AND CASH EQUIVALENTS in million €



The internal financing capability, defined as the ratio of cash flow from operating activities and cash flow from investing activities, has improved to (2.3) (2003/2004: 2.6), primarily due to the proceeds from the sale of Residential Real Estate business. The debt to cash flow ratio, which indicates the period during which net financial payables can be theoretically covered by the cash flow from operating activities, was 1.1 years in 2003/2004. As of September 30, 2005 the Group reports net financial receivables of €9 million.

## 4. BALANCE SHEET PRESENTATION

The following balance sheet presentation includes assets and liabilities held for sale which have been reported separately in the Group's consolidated balance sheets.

The balance sheet total as well as significant balance sheet line items, particularly, inventories, trade accounts receivable and payable, payables from work in progress and stockholders' equity increased considerably compared to September 30, 2004. This mainly resulted from the economic situation of the steel business and the further price increase for raw materials especially nonferrous metals. The acquisition of the HDW Shipyard Group also led to a significant increase of major balance sheet line items. Fixed assets and net financial payables declined due to measures taken to reduce tied-up capital and through disposals. Shifts in exchange rate relations, primarily the relation of the us dollar to the Euro, which decreased from 1.233 €/us dollar as of September 30, 2004 to 1.205 €/us dollar as of September 30, 2005, led to an increase of the balance sheet total by €301 million. Income tax liabilities remained nearly constant whereas deferred income tax liabilities and deferred income tax assets increased. The balance sheet total increased by €5,098 million to €36,239 million.

Fixed assets decreased by €393 million or 2.6%, to €14,788 million. Taking into account the positive currency effects of €211 million, fixed assets adjusted by these effects declined by €604 million. Additions of €1,678 million fall below depreciation of €2,198 million by €520 million. Disposals amounted to €315 million. Changes in the scope of consolidation, i.e. acquisition and divestitures of companies, increased the fixed assets by €231 million. Major individual transactions consisted of the acquisition of the shipyard companies HDW Group resulting in an increase of €1,433 million and the divestiture of the residential real estate business resulting in a decline of €1,045 million.

Inventories climbed by €1,333 million to €7,673 million.

million €

	Sept. 30, 2004	Sept. 30, 2005	Change
Steel	3,037	3,633	596
Automotive	667	809	142
Technologies	995	1,542	547
Elevator	287	354	67
Services	1,277	1,282	5
Corporate/Consolidation	77	53	(24)
<b>Total</b>	<b>6,340</b>	<b>7,673</b>	<b>1,333</b>

The increase in the Steel segment resulted primarily from the rise of raw material prices as well as from the increased quantity structure, which was partially offset by the disposal of activities amounting to €281 million. Automotive posted an increase in inventories due to business expansion and slipping rate of turnover. Technologies was mainly impacted by the acquisition of HDW.

The trade accounts receivable as of September 30, 2005 were up by €297 million compared to September 30, 2004. It should be noted that the amount of sold receivables as of September 30, 2005 remained nearly unchanged compared to the previous year. The increase in the Steel segment was attributable to the strong economic situation as well as to the passing of increased raw material prices. Disposals of activities partly offset this development by €127 million. The Automotive segment business expansion also led to an increase of trade accounts receivable. The upswing in volume sales of the last month of the fiscal year led to an increase in the Elevator segment. The Technologies segment was again mainly impacted by the acquisition of HDW which resulted in an increase by €195 million. Offsetting effects resulted from the disposal of various activities in the Technologies and Services segments.

million €

	Sept. 30, 2004	Sept. 30, 2005	Change
Steel	1,531	1,582	51
Automotive	1,076	1,229	153
Technologies	845	921	76
Elevator	725	803	78
Services	1,604	1,571	(33)
Corporate/Consolidation	48	20	(28)
<b>Total</b>	<b>5,829</b>	<b>6,126</b>	<b>297</b>

Cash and cash equivalents increased due to cash provided by operating activities and through proceeds from disposals by €3,320 million to €4,715 million.

Deferred income tax assets climbed by €330 million, whereas deferred income tax liabilities increased by €543 million. The increase resulted primarily from the acquisition of the HDW Group and the strong increase of the pension obligation.

Stockholders' equity increased by €444 million, to €8,771 million. The major reason for this rise was net income achieved during fiscal year 2004/05. Whereas the decrease in accumulated other comprehensive income, resulting from the increase in additional minimum liabilities associated with accrued pensions and similar obligations, decreased equity by €(547) million. Dividend payment for fiscal 2003/04 also reduced equity by €299 million whereas currency differences increased equity by €176 million.

Accrued pensions and similar obligations in the reporting period climbed by €851 million to €8,072 million. Taking into account a currency effect of €35 million, accrued pensions and similar obligations increased by €816 million. This increase resulted from the dramatic drop of the discount rate in all relevant currency zones. The higher market value of plan assets of the funded pensions plans in the USA, Canada and UK as of the measurement date of June 30 reduced this effect by €185 million. Both factors led to increased minimum liabilities, adjusted by currency effects, of €895 million.

Trade accounts payable increased by €375 million. This line item was also impacted by the previously described business expansion and price increases. In the Steel segment this effect has been reduced by the disposal of activities. In the Services segment trade accounts payable raised mainly due to longer period of payment due to changed supplier selection and due to general payment periods. In the Technologies segments the increase was mainly caused by the acquisition of HDW Group. The changed financing strategy of the Dongyang Group led to an increase in the Elevator segment.

million €

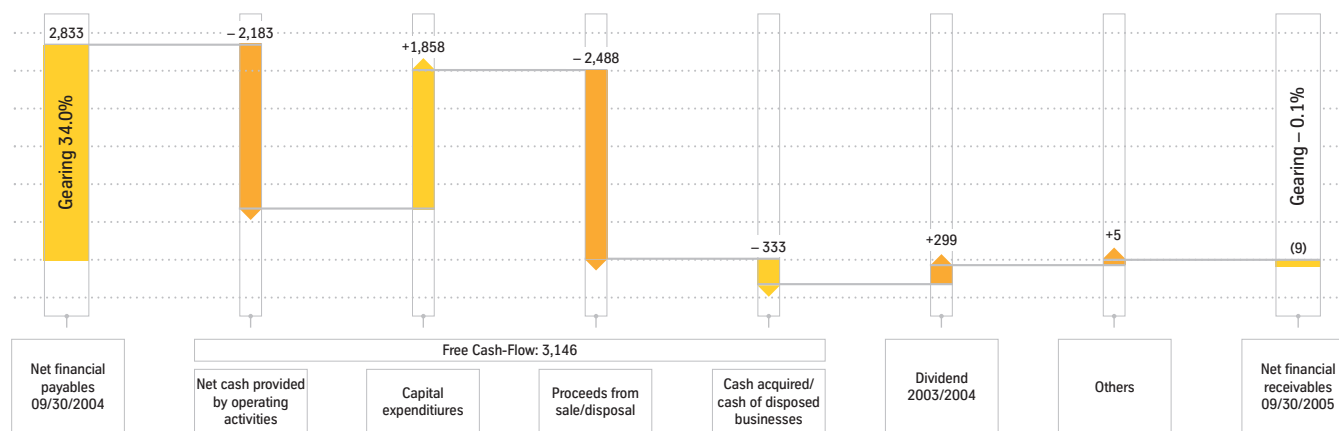
	Sept. 30, 2004	Sept. 30, 2005	Change
Steel	1,293	1,271	(22)
Automotive	825	917	92
Technologies	600	763	163
Elevator	234	281	47
Services	695	803	108
Corporate/Consolidation	31	18	(13)
<b>Total</b>	<b>3,678</b>	<b>4,053</b>	<b>375</b>

The acquisition of HDW Group mainly led to an increase of payables from work in progress by €1,577 million.

Other provisions were €703 million higher than at the end of the previous year, whereof €485 million are caused by the Technologies segment especially due to the first time consolidation of HDW Group. Additionally the negative fair market values of derivative instruments within ThyssenKrupp Group climbed by €109 million.

Gross financial payables increased by €544 million from €4,270 million as of September 30, 2004 to €4,814 million as of September 30, 2005. Net financial payables, i.e. gross financial payables less cash and cash equivalents and marketable securities, declined by €2,842 million from €2,833 million to Net financial receivables of €9 million. Net Cash provided by operating activities led to a decrease of €2,183 million, additionally capital expenditure and disposals decreased the balance by €963. The dividend payment for fiscal 2003/04 resulted in an increase of €299 million. Gearing, i.e. the ratio of net financial payables and stockholders' equity, improved to (0.1)% against 34.0% as of the previous year.

#### NET FINANCIAL PAYABLES in million €



## 5. CENTRAL FINANCING

The financing of the ThyssenKrupp Group is centrally managed and therefore, the parent company, ThyssenKrupp AG, assumes the obligation to maintain the liquidity of the Group companies. This is achieved via the availability of funds within Group financing, by negotiating and warranting loans or by the granting of financial support in the form of letters of comfort.

In order to cover financial requirements of the Group companies, ThyssenKrupp AG and its financing companies use selectively local credit and capital markets.

Central financing is the basis for implementing cost-effective capital procurement alternatives. This financing method permits a uniform and – with respect to higher volumes – a more significant presence in financial and capital markets. The negotiating position with credit institutions and other market participants is thus strengthened. Moreover, the Group has the alternative to operate in international capital markets with its own foreign financing companies.

The intercompany cash management system is conducive to reducing external financing and optimizing financial and capital investments of the ThyssenKrupp Group, which results in less interest expense. The cash management system, which controls intercompany financial and capital investments, takes advantage of the surplus funds of individual Group companies to cover internal financial requirements of other Group companies. Due to intercompany payments via intercompany financial accounts maintained by ThyssenKrupp AG, volumes on bank accounts are substantially reduced.

### Maintenance of Liquidity

Apart from the financial planning with a planning horizon of several years ThyssenKrupp has implemented a liquidity planning on a rolling monthly basis with a planning period of five months. Both planning systems comprise all consolidated Group companies.

Financial and liquidity planning in connection with available committed credit facilities assure that ThyssenKrupp always has a sufficient liquidity reserve.

In addition to bilateral bank loans and syndicated credit facilities, financing is accomplished through money market and equity market instruments.

In order to maintain a presence in international financial and capital markets now and in the future, the Group continues to examine potential financing alternatives and will enter the market when favorable market conditions exist for the ThyssenKrupp Group.

### Rating

Issuer ratings are necessary in order to utilize larger financing volumes through international capital markets. In 2001, ThyssenKrupp received an issuer rating from two rating agencies, Moody's and Standard & Poor's and in May 2003 from Fitch.

The issuer ratings and their development are pictured as follows:

	Long-term rating	Short-term rating	Outlook
<b>Standard &amp; Poor's</b>			
until 11/30/2004	BB+	B	stable
12/01/2004 until 12/14/2004	BB+	B	positive
12/15/2004 until 02/09/2005	BB+	B	Credit
from 02/10/2005	BBB-	A-3	Watch positive
<b>Moody's</b>			
until 12/05/2004	Baa3	Prime-3	stable
12/06/2004 until 12/20/2004	Baa3	Prime-3	Review for
from 12/21/2004	Baa2	Prime-2	upgrade
<b>Fitch</b>			
until 11/30/2004	BBB-	F3	stable
12/01/2004 until 12/14/2004	BBB	F2	stable
12/15/2004 until 02/09/2005	BBB	F2	Rating
from 02/10/2005	BBB+	F2	Watch positive
			stable

In fiscal 2004/05 ThyssenKrupp was upgraded by all rating agencies.

Also Standard & Poor's assigned an Investment-Grade rating to ThyssenKrupp again. The rating agencies Moody's and Fitch always rated ThyssenKrupp as Investment-Grade.

### Interest rate risk management as a central task

Due to the international focus of the Group's business activities, the procurement of funds of the ThyssenKrupp Group in international financial and capital markets is effected in different currencies – predominantly in Euro and us dollar – and with various maturities. The resulting liabilities are partially exposed to risks from changing interest rates. The goal of the Group's interest rate management is to minimize the risk from changing interest rates resulting from such liabilities. For this purpose, regular interest rate risk analyses are prepared in currencies that are significant to the Group's business activities. These analyses include scenario analyses and crash testing to more clearly identify the risk profile of a credit portfolio exposed to risks from changing interest rates. The regular information on the results of the interest rate risk analyses is a part of the Group's risk management system.

## Foreign currency management of the ThyssenKrupp Group

The international orientation of the Group's business activities entails numerous cash flows in different currencies – in particular in US dollar. Therefore, hedging of exchange rate risks is an essential part of our risk management.

Group-wide regulations form the basis for the centrally organized foreign currency management of the ThyssenKrupp Group. Principally, all companies of the ThyssenKrupp Group are obliged to hedge foreign currency positions at the time of their inception. All euro zone subsidiaries are obliged to submit unhedged foreign currency positions from trade activities to the central clearing office. The positions submitted are summarized first by currency and then according to maturity; the resulting overall position is globally hedged on a daily basis by the execution of opposing positions at banks. Moreover, the central clearing office hedges derivatives that meet the requirements for hedge accounting according to SFAS 133 on a micro hedge level.

The hedging of financial transactions and the transactions undertaken by the Group's subsidiaries outside the euro zone are performed in close cooperation with central Group management. The general coordination requirement with central Group management, the definition of hedging budgets, the regular review of exchange rate hedging transactions executed by means of Group-wide surveys as well as a regular examination performed by the central internal auditing team ensure that currency risk management is in compliance with the Group's requirements.

## 6. RISK MANAGEMENT

### Risk policy

The ThyssenKrupp Group's risk policy is aimed at systematically and continuously increasing corporate value and achieving the mid-term financial key performance targets within the scope of value-oriented management with active portfolio management. The name and reputation of the ThyssenKrupp Group and the "ThyssenKrupp" brand are key priorities for the Group. The Group strives to maintain its "investment grade" rating on the capital market.

We knowingly accept reasonable and manageable risks the more they are associated with the establishment and utilization of the success potential of our core competencies and the opportunities they present can be expected to provide an appropriate increase in value. Risks connected with support processes are transferred to

other risk carriers, provided this is economically expedient. Risks not connected with core and/or support processes are not accepted. Overall the aggregate risk volume must not exceed the risk coverage potential available at ThyssenKrupp AG.

Apart from this, the Group has a code of conduct which is set out in policies and other directives, compliance with which is supported by training and monitoring measures. Speculative transactions or other measures of speculative character are inadmissible. Our conduct toward suppliers, customers and society is marked by fairness and a sense of responsibility.

### Risk management system

On the basis of its overall responsibility within the Group, the Executive Board of ThyssenKrupp AG has laid down the framework for systematic and efficient risk management by defining requirements to be met throughout the Group. This risk management system supports the identification and optimization of risks as well as the perception of opportunities. Direct responsibility for early identification, control and communication of risks lies with the operating management of the risk holder; responsibility for monitoring lies with the next highest level.

As part of the risk management system and within regular reporting, the occurrence, status and significant changes of major risks are communicated by the Group companies bottom up, in line with the multi-layered corporate structure and with tiered threshold values. Apart from this, the segments also inform the Executive Board of ThyssenKrupp AG about the current risk situation on a bi-weekly basis. In addition, risks occurring at short notice and urgent risks with an impact on the entire Group are communicated outside the normal reporting routines directly to the responsible offices of ThyssenKrupp AG.

The adherence of the Group companies to the risk management system and their risk control measures are examined by the auditors and the internal auditing departments in Germany and abroad. The consequent findings serve to further improve early risk identification and control.

### Risk transfer

In agreement with the Executive Board of ThyssenKrupp AG, the central service provider ThyssenKrupp Versicherungsdienst GmbH controls the transfer of risks to insurers using global insurance programs.

Prevention measures have been further intensified in order to maintain affordable insurance coverage of major risks and reduce

the costs in cases of loss or damage. To counter the risk of increased deductibles, the Group regularly prepares and evaluates damage analyses. For example, the Steel segment has integrated property insurance-related economic and technical risk monitoring into its own risk management process. To further optimize preventive fire safety, common minimum standards exist for the entire segment.

### Financial risks

Central responsibilities of ThyssenKrupp AG include resource allocation and securing the financial independence of the Group; in this connection ThyssenKrupp AG is also responsible for optimizing Group financing and containing financial risks.

ThyssenKrupp uses derivative financial instruments to counteract risks arising from foreign currency transactions, commodity price volatility and interest rate changes. Interest rate risk management, foreign currency management as well as hedging against commodity price risks are disclosed in detail on pages 97 and 98 in Note 28. Generally, hedging of translation risks arising from currency conversion for subsidiaries with non-euro accounting does not take place.

### Sale of real estate, companies etc./Restructurings

Processing risks may result from the disposal of real estate, companies or other business activities. We have appropriately accounted for such risks that are probable. The same applies to restructuring measures in the Group.

### Information security

In particular owing to the extensive integration of IT-supported business processes among subsidiaries and with customers, suppliers and business partners, the risks in connection with information security are growing. To ensure the safe processing of business transactions, the information technologies in use are therefore continuously evaluated and adjusted. Measures used to improve information security are being developed continuously to eliminate or at least minimize the risks related thereto.

### Pension and health care measures

On account of the system of fully funded pension plans prevalent in Anglo-Saxon countries, our Anglo-Saxon subsidiaries in particular are affected by the performance of the international stock markets; so far, at least, this has led to a significant rise in expenses. In addition, expenses for health care measures have increased considerably. Currently, a change of this situation is not expected.

### Pending lawsuits and claims for damages

Pending legal actions and compensation claims are disclosed in detail in Note 27 to the consolidated financial statements.

### Real estate and environmental protection

The former use and continued ownership of real estate gives rise in particular to risks from contaminated sites and mining subsidence. ThyssenKrupp counteracts these risks with appropriate preventive measures and the scheduled fulfillment of redevelopment obligations. An improved project management system helps contain risks. Insofar as measures are not completed prior to the balance sheet date, liabilities are accrued in the requisite volume.

Rising standards in environmental protection and conservation of resources are also causing increased expense in other areas. On the other hand, the use of modern plant and equipment has reduced rates and energy costs. The growing number of subsidiaries with certified environmental management systems has reduced the likelihood of environmental risks being realized.

### Volatility of steel prices and dependency on the automotive industry

The volatility of steel prices and the dependency on the economic situation in the automotive industry have a significant influence on the economic development of the Group. However, the widespread business portfolio, both product-wise and geographically, has a stabilizing effect. Therefore, from the Group's point of view, risks arising from individual subsidiaries or segments concentrating on specific industries, customers or countries are limited.

### Volatility on the energy markets

Increasing crude oil and coal prices and the introduction of the EU-wide emission certificates trading system have triggered a steady rise in electricity and gas prices since the beginning of 2005. To counter the resultant risk, the Group applies a structured procurement system on the electricity market and concludes or renews long-term gas supply contracts.

### Personnel risks

The competencies and commitment of the management within the Group represent decisive factors for the development of ThyssenKrupp as well as for the recognition and successful management of risks. ThyssenKrupp will continue to position itself as an attractive employer and strive for long-term retention of senior executives in the Group to secure and consolidate these



factors. In particular, the creation of perspectives, target group-oriented mentoring, the early identification and promotion of potential executives and an attractive incentive system for senior executives are elements of systematic management development.

## Risks of future developments

For 2006 we expect global economic expansion to continue at an unchanged pace. Real growth in the global social product is expected to reach 4%. This forecast is based on our assumption that with the global political situation remaining largely stable and secure, there will be no significant increase in oil prices, no distortions on the raw materials and foreign currency markets, only a moderate rise in interest rates and no international trade conflicts of note.

A further sharp rise in crude oil prices as in 2005 would represent a significant risk for the world economy. Procurement costs would considerably increase for oil-importing countries and slow down the momentum of these countries. There would also be negative knock-on effects on the sales markets.

A sustained increase in the euro against the us dollar would adversely affect our position in the international marketplace, not just outside the euro zone but also in our core markets in Europe. Reasons for an increase in the value of the euro could be a relative increase in euro interest rates or a changed stance on the financing of the us trade balance deficit.

We expect raw materials supplies to remain secure in 2006. However, should capacity bottle-necks arise for cyclical reasons, this may lead to price increases. A further risk is posed by state intervention in free raw materials trading. If key raw materials countries seal off their domestic markets by imposing export restrictions and administrative barriers or by subsidizing imports of raw materials, this would distort international competition and raw material trade flows. This, too, would push up prices and likewise dampen the world economy.

## Segment risks

The steel business counters the risks arising from cyclical trends in the steel business by optimizing costs, adjusting production in a timely manner and concentrating on exacting market segments.

Quality and delivery deadline risks are minimized through continuing optimization of the value chains.

The main risks for the Carbon Steel business unit – which became the Steel segment as of October 01, 2005 – include market risks regarding sales and procurement, risks from exchange rate fluctuations as well as from loss of production and increased expenditure for repairs following equipment breakdowns.

ThyssenKrupp Stahl AG reduces the risk of limited core markets through globalization of manufacturing and enhanced internationalization of sales. ThyssenKrupp Stahl AG counter-acts the high competitive intensity in the market for carbon flat steel products through its innovation strategy, allowing competitive advantages to be attained, at least temporarily. The risk of rising raw material prices – caused by the continued high demand on the Chinese market, in particular for coal, coke, ore and scrap – can only be counteracted to a limited extent by alternative procurement sources and/or by passing the prices on. Preventive maintenance, modernization and investments work against the risk of an unplanned production standstill.

The Stainless Steel business unit – the Stainless segment as of October 01, 2005 – is confronted with risks arising on the one hand from market developments and on the other hand from existing or expected overcapacity in stainless production, especially in Europe and China. The companies of this segment curtail such risks by increasingly extending their value chains and strengthening their customer relationships through increased processing and customer-centric service offerings. Rising competitive pressure is countered by the development of new applications for stainless steels and nickel-base materials and innovative products from these materials as well as modern and cost-saving process technologies.

The risks arising from the availability and the price development of raw materials, especially for nickel, chromium and alloyed scrap, are minimized by means of adequate contracts and assurance mechanisms.

The Automotive segment is lowering its dependence on regional markets by an increasing global presence, in particular in growth regions such as Asia and Latin America. Regardless of this, due to the current sales structure, further developments in the North



American automotive market are particularly important for the segment. This relates in particular to the performance of individual customers, such as General Motors.

Increasing difficulties of individual customers, such as the insolvency of MG Rover in the past fiscal year, could lead to restructuring expenses in subsequent years. In addition, further financial burdens could result from the disposal of marginal activities.

An ambitious segment-wide cost reduction program is being implemented to compensate for increasing price pressure from automotive manufacturers.

Sales and earnings in the past fiscal year were affected by the strengthening of the euro against the US dollar. In addition to these translation effects, earnings were additionally impacted by changed exchange rate parities in foreign currency transactions, e.g. supplies from Brazil to the USA which are billed in US dollars.

The structural market development is characterized by concentration trends on the part of automobile manufacturers and competitors. The segment counteracts such trends through dynamic internal and external, quantitative and qualitative growth.

Automotive contains possible risks arising from the discontinuation of currently manufactured automotive products through research and development and, if necessary, cooperation with partners or acquisition of investments. Major consideration is given to the increased use of alternative materials and the use of electric/electronic systems to replace mechanical solutions. At the same time, however, the increasing complexity of products as well as underlying production processes in some cases carry the risks of higher start-up costs and a strained income situation.

In the Technologies segment, the Plant Technology business unit continues to curb risks arising from the processing of long-term contracts. Particularly relevant in this context are the further intensification of project controlling, the increased use of project management measures and the speedy implementation of efficiency enhancement and organization optimization measures.

Marine Systems, too, aims to respond quickly to risks in order processing by continuously monitoring its technical and economic performance and further improving its processes and control

instruments. Competitive disadvantages in merchant shipbuilding are limited by concentrating on small market niches and increasingly implementing performance-enhancing and cost-reducing measures.

Mechanical Engineering aims to counter risks resulting from declining demand in core markets by developing new sales markets and establishing/expanding production capacities in growth regions (India, China). These activities are accompanied by ongoing performance-enhancement and cost-reduction programs.

Against the background that the Shanghai line is operating smoothly and the Transrapid business unit is involved in the development program financed by the German government, further projects are now to be worked on. This will be accompanied by the systematic establishment and expansion of a quotation and project controlling system.

Within the Elevator segment, the spread of risks reflects not only the regional distribution of activities but also the different product lines. Generally the risk structure of the service activities and the modernization of existing installations must be viewed separately from the new installation business. While the service and modernization activities are relatively unaffected by cyclical fluctuations, the new installation business is strongly influenced by the situation in the construction sector and the development of materials prices. However, related to the construction market, the regional distribution of activities mitigates risks, with ThyssenKrupp Elevator represented in over 60 countries. The unit's incorporation in the ThyssenKrupp Group and global purchasing initiatives reduce risks relating to materials prices.

For new installations, an increased risk generally continues to exist in connection with the handling of major projects, such as the project at Dubai Airport. However, following targeted know-how transfer within the segment, especially in the area of project management, efficient risk control methods are already in operation. In the services activity, risks relate in particular to the ambitious growth target still being pursued, which is to be achieved through organic and external growth. Having already completed numerous acquisition transactions, the segment has a wealth of experience in respect of post-merger integration activities and as a result the risks associated with acquisitions can be effectively contained.

The Services segment focuses on materials trading and services, which are exposed to price risks in both procurement and sales. Services has an extensive package of measures to counter these risks. This includes above all the systematic further development of logistics and logistics control instruments, in particular the expansion of the centralized warehousing concept to optimize inventories. At the same time, to lower the dependency on cyclical price developments the segment is expanding its service business, which does not depend on the price development of materials. Risks from the cyclical development on the markets as a whole and in specific sectors are reduced by the activity's worldwide presence, a broad customer base and a high degree of diversification. The resultant wide spread of risks also applies to the risks from potentially uncollectible receivables, which are additionally limited by the use of hedging instruments.

Risks for the Industrial Services result from the considerable competition and price pressure. This has been countered by continuous capacity adjustments on the one hand and new service offerings and sales initiatives directed at specific sectors and customers on the other. Appropriate provision was made to cover the risks from strategic decisions, in particular the portfolio streamlining which included the disposal of the Facilities Services activity. An ongoing project controlling system is in place to manage risks from the final completion of projects.

## Summary

The overall evaluation of the risks shows that the Group is affected principally by market risks; this includes economic price and volume developments in particular, as well as the dependency on the development of major customers and industries. Performance processes are well controlled in general and, therefore, less subject to risks. Overall, it can be noted that the risks in the ThyssenKrupp Group are contained and manageable and do not pose a threat to the existence of the Company. Nor are any risks discernible that may jeopardize the existence of the Company in the future.

The Executive Board of ThyssenKrupp AG is responsible for the compilation, completeness and accuracy of the Group annual consolidated financial statements, the description of the economic development and the management's discussion and analysis as well as the other information presented in the annual report. The Group annual consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") and, wherever necessary, objective estimates have been made by Management. The description of the economic development and the management's discussion and analysis contain an analysis of the assets, financial and earnings situation of the Group together with further explanations required by the regulations of the German Commercial Code.

To ensure the reliability of the information used in preparing the Group annual consolidated financial statements, inclusive of the description of the economic development and the management's discussion and analysis, and internal reporting, an effective internal "steering" and control system exists. It involves group-wide uniform guidelines for accounting and risk management in accordance with the German Act regarding the Control and Transparency of Company Divisions (KonTraG) as well as an integrated controlling concept as part of the value-oriented management approach and audits by the Group's internal audit department. This system enables the Executive Board to recognize major risks at an early stage and to initiate counter-measures.

Pursuant to the resolution of the annual stockholders' meeting, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main has been appointed by the Supervisory Board after being elected by the stockholders as independent annual consolidated financial statements auditors for the fiscal year 2004/2005 of ThyssenKrupp AG. They have audited the Group annual consolidated financial statements prepared in accordance with US GAAP and they confirm that all of the requirements under Art. 292a of the German Commercial Code, which relieve the Company from the obligation of preparing financial statements under German GAAP, have been fulfilled. The auditors have issued the following auditors' report.

The Group annual consolidated financial statements, the description of the economic development and the management's discussion and analysis, auditors' report and risk management system have been discussed in depth with the auditors in both the Audit Committee of the Supervisory Board, and in the annual consolidated financial statement meeting of the entire Supervisory Board.

Dr.-Ing. Ekkehard D. Schulz

Dr. A. Stefan Kirsten

We have audited the consolidated financial statements, comprising the balance sheet, the statement of income, the statement of stockholders' equity and the statement of cash flows as well as the Notes to the financial statements prepared by ThyssenKrupp AG, Duisburg and Essen, for the business year from October 1, 2004 to September 30, 2005. The preparation and the content of the consolidated financial statements in accordance with Accounting Principles Generally Accepted in the United States of America (US GAAP) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institute of Auditors (Institut der Wirtschaftsprüfer - IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with Accounting Principles Generally Accepted in the United States of America.

Our audit, which also extends to the Group management report prepared by the Company's management for the business year from October 1, 2004 to September 30, 2005, has not led to any reservations. In our opinion on the whole the Group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development.

In addition, we confirm that the consolidated financial statements and the Group management report for the business year from October 1, 2004 to September 30, 2005 satisfy the conditions required for the Group's exemption from its duty to prepare consolidated financial statements and the Group management report in accordance with German law.

Duesseldorf, November 14, 2005

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft



Reinke  
Wirtschaftsprüfer  
(German public auditor)



Nunnenkamp  
Wirtschaftsprüfer  
(German public auditor)

# ThyssenKrupp AG

## Consolidated Statements of Income

million €, earnings per share in €

	Note	Year ending Sept. 30, 2003*	Year ending Sept. 30, 2004*	Year ending Sept. 30, 2005
Net sales	30	33,487	37,303	42,064
Cost of sales		(27,525)	(30,655)	(35,063)
<b>Gross margin</b>		<b>5,962</b>	<b>6,648</b>	<b>7,001</b>
Selling expenses	4	(2,612)	(2,541)	(2,544)
General and administrative expenses		(2,185)	(2,313)	(2,360)
Other operating income	5	313	336	259
Other operating expenses	6	(498)	(458)	(391)
Gain/(loss) on the disposal of subsidiaries, net		(53)	1	3
<b>Income from operations**</b>		<b>927</b>	<b>1,673</b>	<b>1,968</b>
Financial income/(expense), net**	7	(127)	(196)	(132)
<b>Income from continuing operations before income taxes and minority interest**</b>		<b>800</b>	<b>1,477</b>	<b>1,836</b>
Non-recurring losses related to RAG investment	8	0	0	(474)
Provisions for income taxes	9	(154)	(587)	(735)
Minority interest		(45)	(60)	(46)
<b>Income from continuing operations</b>		<b>601</b>	<b>830</b>	<b>581</b>
Discontinued operations (net of tax)	3	(43)	74	442
Cumulative effects of changes in accounting principles (net of tax)	1, 21	(6)	0	(4)
<b>Net income</b>		<b>552</b>	<b>904</b>	<b>1,019</b>
<b>Basic earnings per share</b>	33			
Income from continuing operations		1.18	1.67	1.17
<b>Net income</b>		<b>1.09</b>	<b>1.81</b>	<b>2.05</b>

\* adjusted due to the presentation of discontinued operations (see Note 3)

\*\* does not include non-recurring losses relating to the RAG investment (see Note 8)

See accompanying notes to consolidated financial statements.

# ThyssenKrupp AG

## Consolidated Balance Sheets

### ASSETS million €

	Note	Sept. 30, 2004	Sept. 30, 2005
Intangible assets, net	10	3,554	4,766
Property, plant and equipment, net	10, 11	10,574	9,469
Financial assets, net	10, 16	1,020	519
<b>Fixed assets</b>	<b>10</b>	<b>15,148</b>	<b>14,754</b>
Inventories	12	6,274	7,439
Trade accounts receivable, net	13, 15	5,764	5,966
Other receivables and other assets, net	14, 15	976	1,061
Marketable securities	16	42	107
Cash and cash equivalents		1,350	4,625
<b>Operating assets</b>		<b>14,406</b>	<b>19,198</b>
<b>Deferred income taxes</b>	<b>9</b>	<b>1,148</b>	<b>1,431</b>
<b>Prepaid expenses and deferred charges</b>	<b>17</b>	<b>220</b>	<b>274</b>
<b>Assets held for sale</b>	<b>3</b>	<b>219</b>	<b>582</b>
<b>Total assets</b> (current amount is €14,854 and €20,137 million respectively)		<b>31,141</b>	<b>36,239</b>

### STOCKHOLDERS' EQUITY AND LIABILITIES million €

	Note	Sept. 30, 2004	Sept. 30, 2005
Capital stock		1,317	1,317
Additional paid in capital		4,684	4,684
Retained earnings		3,478	4,237
Accumulated other comprehensive income		(765)	(1,099)
Treasury shares		(387)	(368)
<b>Total Stockholders' Equity</b>	<b>18</b>	<b>8,327</b>	<b>8,771</b>
<b>Minority interest</b>		<b>410</b>	<b>481</b>
Accrued pension and similar obligations	20	7,189	7,954
Other accrued liabilities	21	2,859	3,422
<b>Accrued liabilities</b> (current amount is €2,945 and €3,519 million respectively)		<b>10,048</b>	<b>11,376</b>
Financial payables	22	4,232	4,672
Trade accounts payable	23	3,644	3,981
Other payables	24	3,129	4,696
<b>Payables</b> (current amount is €6,860 and €9,319 million respectively)		<b>11,005</b>	<b>13,349</b>
<b>Deferred income taxes</b> (current amount is €576 and €1,087 million respectively)	<b>9</b>	<b>977</b>	<b>1,495</b>
<b>Deferred income</b> (current amount is €176 and €162 million respectively)	<b>25</b>	<b>183</b>	<b>182</b>
<b>Liabilities associated with assets held for sale</b>	<b>3</b>	<b>191</b>	<b>585</b>
<b>Total Stockholders' Equity and Liabilities</b>		<b>31,141</b>	<b>36,239</b>

See accompanying notes to consolidated financial statements.

# ThyssenKrupp AG

## Consolidated Statements of Cash Flows

million €

	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
<b>Operating:</b>			
Net income	552	904	1,019
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes (net)	62	344	357
Minority interest	45	60	46
Depreciation and amortization of fixed assets	1,549	1,516	2,198
(Earnings)/losses from companies valued at equity, net of dividends received	(52)	(16)	(30)
(Gain)/loss from disposal of assets	59	(72)	34
(Gain)/loss on disposal of discontinued operations	0	(91)	(877)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
- inventories	100	(508)	(1,357)
- trade accounts receivable	(93)	(524)	(337)
- other assets not related to investing or financing activities	132	182	316
- accrued pensions and similar obligations	29	41	(152)
- other accrued liabilities	27	(16)	348
- trade accounts payable	(14)	630	389
- other liabilities not related to investing or financing activities	(369)	109	229
<b>Net cash provided by operating activities</b>	<b>2,027</b>	<b>2,559</b>	<b>2,183</b>
<b>Investing:</b>			
Purchase of financial assets and businesses (excluding securities)	(314)	(297)	(332)
Cash acquired from acquisitions	15	22	344
Purchase of securities presented as financial assets	(8)	(6)	(4)
Capital expenditures for property, plant and equipment	(1,186)	(1,325)	(1,448)
Capital expenditures for intangible assets	(96)	(106)	(74)
Proceeds from the sale of financial assets and businesses (excluding securities)	218	537	2,327
Cash of disposed businesses	(8)	(23)	(11)
Proceeds from the sale of securities presented as financial assets	9	9	8
Proceeds from disposals of property, plant and equipment	188	204	147
Proceeds from disposals of intangible assets	13	6	6
<b>Net cash (used in)/provided by investing activities</b>	<b>(1,169)</b>	<b>(979)</b>	<b>963</b>
<b>Financing:</b>			
Proceeds from issuance of bonds	0	750	754
Repayment of bonds	(207)	(5)	(9)
Proceeds from payables to financial institutions	1,228	752	692
Repayments of payables to financial institutions	(1,428)	(2,137)	(885)
(Repayments on)/proceeds from notes payable and other loans	(32)	17	(19)
Decrease in bills of exchange	(14)	(25)	(24)
Decrease/(increase) in securities classified as operating assets	0	(18)	(61)
(Payments to repurchase shares)/proceeds from treasury shares issued	(406)	12	12
Payment of ThyssenKrupp AG dividend from the preceding year	(206)	(249)	(299)
Profit distributions to entities outside the Group	(23)	(22)	(36)
Other financing activities	24	60	(2)
<b>Net cash (used in)/provided by financing activities</b>	<b>(1,064)</b>	<b>(865)</b>	<b>123</b>
Effect of exchange rate changes on cash and cash equivalents	(22)	(13)	51
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(228)</b>	<b>702</b>	<b>3,320</b>
Cash and cash equivalents at beginning of year	921	693	1,395
<b>Cash and cash equivalents at end of year</b>	<b>693</b>	<b>1,395</b>	<b>4,715</b>
[thereof cash and cash equivalents within the disposal group/discontinued operations]	[3]	[45]	[90]

See accompanying notes to consolidated financial statements.

# ThyssenKrupp AG

## Consolidated Statements of Stockholders' Equity

million €, except number of shares

	Number of shares outstanding	Capital stock	
<b>Balance as of Sept. 30, 2002</b>	<b>514,468,024</b>	<b>1,317</b>	
Net income			
Other comprehensive income			
<b>Total comprehensive income</b>			
Dividend payment			
Treasury stock purchased	(16,921,243)		
Treasury stock issued	210		
<b>Balance as of Sept. 30, 2003</b>	<b>497,546,991</b>	<b>1,317</b>	
Net income			
Other comprehensive income			
<b>Total comprehensive income</b>			
Dividend payment			
Treasury stock issued	791,308		
<b>Balance as of Sept. 30, 2004</b>	<b>498,338,299</b>	<b>1,317</b>	
Net income			
Other comprehensive income			
<b>Total comprehensive income</b>			
Dividend payment			
Treasury stock issued	810,852		
SAB 51 gain			
<b>Balance as of Sept. 30, 2005</b>	<b>499,149,151</b>	<b>1,317</b>	

See accompanying notes to consolidated financial statements.



	Additional paid in capital	Retained earnings	Accumulated other comprehensive income				Treasury stock	
			Cumulative translation adjustment	Available- for-sale securities	Minimum pension liability	Derivative financial instruments		
	4,684	2,484	32	1	(180)	(51)	0	8,287
		552						552
			(229)	0	(345)	18	0	(556)
								(4)
		(206)						(206)
							(406)	(406)
	0							0
	4,684	2,830	(197)	1	(525)	(33)	(406)	7,671
		904						904
			(78)	0	52	15		(11)
								893
		(249)						(249)
	0	(7)					19	12
	4,684	3,478	(275)	1	(473)	(18)	(387)	8,327
		1,019						1,019
			176	0	(547)	37		(334)
								685
		(299)						(299)
	0	(7)					19	12
		46						46
	4,684	4,237	(99)	1	(1,020)	19	(368)	8,771

**BASIS OF PRESENTATION****1** Summary of significant accounting policies**Consolidation**

The consolidated financial statements include the accounts of ThyssenKrupp Aktiengesellschaft ("ThyssenKrupp AG") and all material controlled entities, collectively the "Group". Included in the Group financial statements are 243 (2003/2004: 276) domestic and 427 (2003/2004: 424) foreign controlled entities that are consolidated. During fiscal year 2004/2005, 37 entities were consolidated for the first time. During the same period, the scope of consolidation was reduced by 67 entities, of which 21 resulted from the internal merging of Group entities.

Material equity investments are accounted for using the equity method whenever significant influence can be exerted; this is principally in instances whereby the Group holds between 20% and 50% of the voting rights ("Associated Companies"). All other equity investments are carried on the balance sheet at cost. The Group has 156 (2003/2004: 145) controlled subsidiaries that are not consolidated because their combined influence on the net assets, net income, and net cash flows of the Group is not material. Their net sales amount to 0.4%, their net loss amounts to 0.3% and their Stockholders' Equity amounts to 0.1% of the Group's respective balances. These non-consolidated subsidiaries are classified as financial assets and are presented under the "Investments in non-consolidated subsidiaries" line item. The Group has 50 (2003/2004: 55) Associated Companies that are accounted for under the equity method. Another 60 (2003/2004: 63) Associated Companies are accounted for under the cost method because their combined results are not material to the Group. Their net income/loss, attributable to the Group, amounts to 0.3% and their Stockholders' Equity amounts to 1.5% of the Group's respective balances. These 60 (2003/2004: 63) Associated Companies are classified as financial assets and are presented under the "Other investments" line item.

In consolidating investments in subsidiaries, the purchase price has been allocated to the fair market value of the interest held in the net assets of the consolidated subsidiaries at the time of acquisition. Any excess purchase price is capitalized as goodwill which is tested for impairment at least annually in accordance with the provisions of SFAS 142 "Goodwill and Other Intangible Assets".

FIN 46R, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51," provides guidance for determining whether an entity qualifies as a variable interest entity ("VIE") by considering, among other factors, whether the entity lacks sufficient equity or its equity holders lack adequate decision-making ability. If the entity does not qualify as a VIE, then consolidation is based on previously established accounting standards. The Group consolidates VIEs in cases where, as the primary beneficiary, it is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns.

For the non-consolidated subsidiaries and Associated Companies accounted for under the equity method, the excess of cost of the stock of those companies over the Group's share of their net assets as of the acquisition date is treated as embedded goodwill and tested for impairment in accordance with APB Opinion 18, "The Equity Method of Accounting for Investments in Common Stock". Similar to consolidated subsidiaries, SFAS 142 requires that goodwill from equity method investments is no longer amortized over its estimated useful life. Subsequent changes to the value of this balance resulting from the Group's share of income or losses including impairment of the embedded goodwill are included in "Income from equity investments" of the consolidated statement of income.

Intercompany accounts and transactions have been eliminated.

**Foreign currency translation**

Transactions denominated in foreign currencies are translated at the current exchange rate at the time of the transaction and adjusted to the current exchange rate at each balance sheet date; any resulting currency fluctuations are recognized in the statement of income.

Financial statements of the foreign subsidiaries included in the Group annual consolidated financial statements where the functional currency is other than the Euro are translated using their functional currency which is generally the respective local currency. The translation is performed using the current rate method, in which balance sheet amounts are translated to the reporting currency using the current exchange rate as of the balance sheet date, while income statement amounts are translated using the annual average exchange rates. Net exchange gains or losses resulting from the translation of foreign financial statements are accumulated and included in "Accumulated other comprehensive income".

Non-us companies that manage their sales, purchases and financing substantially in us dollar use the us dollar as their functional currency. Using the functional currency in these cases involves translating non-monetary items such as fixed assets including scheduled depreciation and equity to us dollar using the average exchange rates of the respective year of addition (historical exchange rates). All other balance sheet line items are translated using the exchange rate as of the balance sheet date and all other

income statement line items are translated using the annual average exchange rates. The resulting translation differences are included in the consolidated statement of income as "Other operating expenses or income". Thereafter, the us dollar annual financial statements are translated into the reporting currency using the current rate method.

The exchange rates of those currencies significant to the Group and located outside the European Economic and Currency Union have developed as follows:

## CURRENCIES

	Exchange rate as of (Basis €1)		Annual average exchange rate for the year ending (Basis €1)		
	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2005
US-Dollar	1.23	1.21	1.08	1.22	1.27
Canadian Dollar	1.57	1.41	1.58	1.61	1.56
Pound Sterling	0.69	0.68	0.68	0.68	0.69
Brazilian Real	3.51	2.67	3.52	3.59	3.28

## Revenue recognition

Sales are generated via the delivery of products, the rendering of services, and from rental and lease agreements. Sales are recognized net of applicable provisions for discounts and allowances, when realized or realizable and earned. This is usually the case when there is clear evidence of an agreement, the risk of ownership has been transferred or the service has been rendered, the price has been agreed upon, and there is adequate assurance that collection will be made.

Revenues from contracts with multiple element arrangements, such as those including both products and services, are recognized as each element is earned based on objective evidence of the relative fair value of each element.

In addition to the above, a significant portion of the Group's sales (11%) are derived from long-term contracts which are accounted for using the percentage-of-completion method. Such agreements are in the Automotive, Technologies, Elevator and Services segments.

## Long-term contracts

Sales and profits from long-term contracts are recognized using the percentage-of-completion method of accounting. Long-term contracts are defined as contracts for which performance will take place over a period of at least 12 months, beginning from the effective date of the contract to the date on which the contract is substantially completed. Contracts where the Group acts in the capacity of general contractor or provides engineering services are also considered to be long-term contracts.

The percentage-of-completion is measured by the percentage of costs incurred to date to total estimated cost for each contract after giving effect to the most recent estimates of total cost. All anticipated losses from long-term contracts are recognized in the fiscal year in which such losses are identified.

Long-term contracts under the percentage-of-completion method are measured at construction cost plus profits earned based on the percentage of the contract completed.

Research and development costs

Research and development costs are expensed as incurred.

Earnings per share

Basic earnings per share are computed by dividing the Group’s net income by the weighted average number of shares outstanding. Shares issued during the period and shares reacquired during the period are weighted for the portion of the period that they were outstanding. There were no dilutive securities in the periods presented.

Intangible assets

Purchased intangible assets with definite useful lives are capitalized and amortized on a straight-line basis over their estimated useful lives. For identifiable internally developed intangible assets, only the direct external costs incurred in generating these assets are capitalized and amortized on a straight-line basis over their estimated useful life. The Group reviews its intangible assets with definite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount of its assets may not be recoverable.

Costs incurred in connection with the acquisition and self-development of internally used computer software, inclusive of the costs for transforming such software into an operational condition, are capitalized and amortized on a straight-line basis over its estimated useful life, usually 3 to 5 years.

Costs incurred during the preliminary stage of internal use computer software projects are expensed as incurred.

In accordance with SFAS 142, the Group evaluates goodwill and indefinite lived intangible assets for impairment on an annual basis and between annual test dates if events or changes in circumstances indicate that the asset may be impaired. Based on the Group’s annual impairment test, no goodwill impairment charges have been necessary since the adoption of the Standard.

Property, plant and equipment

Property, plant and equipment are valued at acquisition or production cost less accumulated depreciation. Capitalized production costs for internally developed assets include direct material, labor, and allocable material and manufacturing overhead costs. When production activities

are performed over an extended period, interest costs incurred during production are capitalized. Administrative costs are capitalized only if such costs are directly related to production. Maintenance and repair costs are expensed as incurred. Costs for activities that lead to the prolongation of useful life or to expand future use capabilities of an asset are capitalized.

Property, plant and equipment are primarily depreciated using the straight-line method. Upon sale or retirement, the acquisition or production cost and related accumulated depreciation are removed from the balance sheet and any gain or loss is included in the consolidated statement of income.

The following useful lives are used as a basis for calculating depreciation:

USEFUL LIVES PROPERTY, PLANT AND EQUIPMENT

Buildings	10 to 50 years
Building and land improvements	15 to 25 years
Technical machinery and equipment	8 to 25 years
Factory and office equipment	3 to 10 years

Leasing

Leases are classified as either capital or operating. Leasing transactions whereby the Group is the lessee and bears all substantial risks and rewards from use of the leased item are accounted for as capital leases. Accordingly, the Group capitalizes the leased asset and records the corresponding lease obligation on the balance sheet. All other leasing agreements entered into by the Group, as a lessee, are accounted for as operating leases whereby the lease payments are expensed as incurred.

Leasing transactions whereby the Group is the lessor and transfers substantially all of the benefits and risks incident to the ownership of property, are accounted for as a sale or financing of the leased asset. All other lease agreements entered into by the Group, as a lessor, are accounted for as operating leases whereby the leased asset remains on the Group’s balance sheet and is depreciated. Scheduled lease payments are recorded as income when earned.

### Long-lived asset impairment (including definite-lived intangible assets)

The carrying values of long-lived assets such as property, plant and equipment, and purchased intangibles subject to amortization are reviewed for possible impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the carrying amount of any long-lived asset may be impaired, an evaluation of recoverability would be performed whereby the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to fair value is required. The remaining useful life of the asset is evaluated accordingly. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value.

### Inventories other than percentage-of-completion contracts

Inventories are stated at the lower of acquisition/manufacturing cost or market. The elements of costs include direct material, labor and allocable material and manufacturing overhead. Similar inventories are accounted for using the average cost method.

### Receivables

Receivables are stated at net realizable value. If receivables are uncollectible or deemed uncollectible, bad debt expense and a corresponding allowance for doubtful accounts is recorded. Receivables that do not bear interest or bear below market interest rates and have an expected term of more than one year are discounted with the discount subsequently amortized to interest income over the term of the receivable.

The Group sells undivided interests in certain trade accounts and notes receivable both on an ongoing and one-time basis to qualifying special purpose entities or other lending institutions. Financial assets sold under these arrangements are excluded from accounts receivable in the Group's balance sheet at the time of sale.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, checks, deposits with national banks, as well as other bank deposits with an original maturity of three months or less.

### Marketable securities

All marketable securities in which the Group invests are classified as available-for-sale and valued at market prices as of the balance sheet date. Any unrealized gains and losses, net of deferred income taxes, are reported as a component of the "Accumulated other comprehensive income" line item within equity. An other than temporary loss of value in an available-for-sale security is realized in the statement of income and a new cost basis for the security is established.

### Deferred income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities reflect both net loss carry forwards and the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred taxes are measured using the currently enacted tax rates in effect during the years in which the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax law is recognized in the period that the law is enacted. Deferred tax assets, net of valuation allowances, are recognized only to the extent that it is more likely than not that the related tax benefits will be realized.

### Accumulated other comprehensive income

Accumulated other comprehensive income includes changes in the equity of the Group that were not recognized in the income statement of the period, except those resulting from investments by owners and distributions to owners. Accumulated other comprehensive income includes foreign currency translation adjustments, unrealized holding gains and losses on available-for-sale securities and on derivative financial instruments, as well as additional pension liabilities not yet recognized as net periodic pension cost.

### Accrued pension and similar obligations

Accrued pension obligations as well as provisions for health care obligations are valued according to the actuarial projected benefit obligation method (or "projected unit credit method"). Plan assets and pension obligations are measured as of June 30 of each year ("early measurement"). For some pension obligations, an additional minimum pension liability exists. A portion of the additional minimum

pension liability is offset by an intangible asset to the extent of unrecognized prior service cost with the remainder charged against Stockholders' Equity. Unrecognized prior service cost results from a net transition obligation of the former Thyssen companies. Unrecognized gains and losses are generally amortized over no more than the average remaining service lives or the average remaining life expectancies of the employees entitled to receive benefits.

### Other accrued liabilities

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Recoveries from third parties that are probable of realization, are separately recorded, and are not offset against the related accrued liability. Provisions for contingent losses are calculated using full production cost. Provisions for product warranties depend on the type of goods sold. In the case of single-item production the provisions are calculated for each product using the full production costs. An accrued liability will be recognized only if it is probable that a claim will be asserted. By contrast, the provisions for product warranties in serial or large-scale production entities are calculated using a percentage of total sales or are based on average historical payments from past claims. If possible, risks from product liabilities (product defect) are covered by insurance contracts. For all other cases an accrued liability is recognized.

Asset retirement obligations are legal obligations that arise from the retirement of tangible long-lived assets and are accounted for in accordance with SFAS 143 "Accounting for Asset Retirement Obligations". SFAS 143 requires the Group to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. This fair value is generally determined based upon estimates of future cash flows discounted using a credit adjusted risk free interest rate. The additional carrying amount is depreciated over the remaining useful life of the asset. The obligation is accreted at the end of each period through charges to operating expense.

### Stock-based compensation

As of July 01, 2005, the Group adopted FASB Statement No. 123 (Revised 2004), "Share-Based Payment, an Amendment of FASB No. 123". The revised statement requires the Group to recognize compensation cost for its management incentive plans using the fair value method. Before the adoption, the Group accounted for its incentive plans under the intrinsic value method of accounting set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issues to Employees". As a result of adopting SFAS 123(R), expense of €6 million (€(4) million net of tax) has been recorded as cumulative effect of a change in accounting principle in fiscal year ending September 30, 2005. Had SFAS 123(R) been applied as of September 30, 2004 and September 30, 2003, the impact on income from operations, net income and earnings per share would not have been material.

### Financial instruments

In accordance with SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" all derivative financial instruments are recorded at fair value as either assets or liabilities on the balance sheet. This standard also requires the accounting for derivative financial instruments that are embedded within other contractual agreements. In general, the Group recognizes the changes in fair value of all derivative financial instruments directly in earnings. However, the Group records the changes in fair value of foreign currency derivatives used to hedge anticipated foreign currency denominated cash flows on firm commitments and forecasted transactions in accumulated other comprehensive income on the balance sheet when the requirements of the standard to apply cash flow hedge accounting are met. The reclassification from accumulated other comprehensive income into earnings occurs in the same period as the underlying transaction affects earnings. The fair value changes that are due to time value changes when measuring the effectiveness between the underlying hedged transaction and the hedging instrument are considered the ineffective portion of the hedge and are recognized in earnings immediately.

The fair value changes of interest rate derivatives designated to hedge long-term liabilities subject to interest rate fluctuations are also recognized in accumulated other comprehensive income if they meet the requirements to apply cash flow hedge accounting. These amounts in other comprehensive income will be offset against related asset or liability accounts in the future as fair values fluctuate. When the cash flow hedging model is applied, changes in market rates will not impact future interest expense positions.

### Disposal Groups and Discontinued Operations

The Group reports as a disposal group long-lived assets that will be disposed of by sale together with other assets and liabilities in a single transaction, which collectively meet the held for sale criteria of SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". The Group reports the assets and liabilities of a disposal group separately in the balance sheet line items "assets held for sale" and "liabilities associated with assets held for sale", 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 its cash flows can be clearly distinguished operationally and for financial reporting purposes from the rest of the Group and the Group does not have significant continuing involvement with the component subsequent to its disposal. 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.

### Financial statement classification

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

The consolidated statements of income and the consolidated balance sheets are presented in accordance with the 4th and 7th directive of the EU. Additional disclosures required by US GAAP are included in the Notes to the consolidated financial statements.

### Use of estimates

The preparation of the Group consolidated financial statements requires Management to make estimates and assumptions that affect the reported carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

### New accounting pronouncements

#### Recently adopted accounting standards

In November 2004, the Emerging Issues Task Force (EITF) reached a final consensus on EITF No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, in Determining Whether to Report Discontinued Operations". EITF 03-13 addresses the evaluation of whether the operations and cash flows of a disposed component have been or will be eliminated from the ongoing operations of the entity and whether the selling entity will have significant continuing involvement in the operations of the disposed entity. The consensus should be applied to a component that is either disposed of or classified as held for sale in periods beginning after December 15, 2004.

In December 2004, the FASB issued FASB Statement No. 123 (Revised 2004), "Share-Based Payment, an Amendment of FASB No. 123". The revised statement, which is effective for periods beginning after June 15, 2005, requires all share-based payments to employees to be recognized in the income statement based on their fair values. Prior to the adoption of FAS 123(R) on July 01, 2005, the Group accounted for its share-based payments to employees under the intrinsic value method of accounting set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issues to Employees". The adoption of the revised standard did not have a

significant impact on the Group's financial position or results of operations (refer to stock-based compensation above).

In December 2004, the FASB issued FASB Statement No. 153, "Exchanges of Nonmonetary Assets", which is an amendment of APB Opinion No. 29 and is effective for periods beginning after June 15, 2005. The guidance in the Opinion allowed certain exceptions to the principle that the exchange of nonmonetary assets should be measured at fair value. The new standard eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange does not have commercial substance if the future cash flows are not expected to change significantly as a result of the exchange.

The adoption of the standard did not have a material impact on the Group's financial position or results of operations.

#### Recently issued accounting standards

In November 2004, the FASB issued FASB Statement No. 151, "Inventory Costs, and Amendment of ARB No. 43". The amendment clarifies that abnormal amounts of idle facility costs, freight, handling costs, and spoilage should be recognized as current period charges rather than capitalized as inventory. The amendment also requires the allocation of fixed production overheads to inventory based on normal capacity of the production facility. The standard is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not expect the adoption of the standard to have a material impact on the Group's financial position or results of operations.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Assets Retirement Obligations (FIN 47)", that requires an entity to recognize a liability for a conditional asset retirement obligation when incurred if the liability can be reasonably estimated. FIN 47 clarifies that the term Conditional Asset Retirement Obligation refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The Interpretation is effective for fiscal years ending after December 15, 2005. Management does not expect the adoption of the standard to have a material impact on the Group's financial position or results of operations.

In May 2005, the FASB issued FASB Statement No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20

and FASB Statement No. 3". This statement requires that a voluntary change in accounting principle be applied retrospectively to all prior period financial statements issued, unless it is impracticable to do so. SFAS 154 also provides that a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for as a change in estimate effected by a change in accounting principle. SFAS 154 is effective for fiscal years beginning after December 15, 2005. Management does not expect the adoption of the standard to have a material impact on the Group's financial statements.

## 2 Acquisitions and divestitures

During the fiscal years 2004/2005 and 2003/2004 the Group completed the following transactions:

### Year ending September 30, 2005

On January 05, 2005 the merger of ThyssenKrupp Werften and Howaldtswerke-Deutsche Werft (HDW) was formally consummated. The newly formed group is managed by ThyssenKrupp Marine Systems AG which is headquartered in Hamburg and represents a sales volume of approximately €2.2 billion. The agreement stipulates that in return for the 100% in HDW, the seller (One Equity Partners) received a 25% stake in ThyssenKrupp Marine Systems AG plus a payment of €220 million which has been funded from the cash resources of the new shipyard group. This resulted in a total purchase price of €308 million, including incidental acquisition costs of €13 million. ThyssenKrupp holds a 75% stake in ThyssenKrupp Marine Systems and will assume all the industrial management functions. The agreement provides a call option to ThyssenKrupp and a put option to the minority holder for the remaining 25% share in ThyssenKrupp Marine Systems AG. Both options are exercisable in the period January 01, 2007 to December 31, 2008. The exercise price is dependent on future events and differs for the two option holders. The reason for the merger with HDW was to retain and enhance naval engineering expertise within Germany and thus securing Germany's role as a shipbuilding location. The competence centers in the core businesses of submarines and naval ships will be strengthened and expanded while in the megayacht sector, the acquisition will serve as a catalyst for increasing market share. The results of the HDW-operations have been included in the consolidated financial statements since January 01, 2005.



The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

million €

	Jan. 01, 2005
Intangible assets	210
Goodwill	964
Property, plant and equipment	249
Financial assets	10
Inventories	359
Trade accounts receivable, net	195
Other assets	126
Marketable securities and cash and cash equivalents	703
Other operating assets incl. deferred income taxes	23
<b>Total assets acquired</b>	<b>2,839</b>
Accrued pension and similar obligations	167
Other accrued liabilities	479
Financial payables	361
Trade accounts payable	138
Payables from orders in progress (POC)	1,245
Other payables incl. deferred income taxes	134
<b>Total liabilities assumed</b>	<b>2,524</b>
<b>Minority interest</b>	<b>7</b>
<b>Net assets acquired</b>	<b>308</b>

Substantially all of the intangible assets were assigned to technology which is subject to amortization and has a weighted average useful life of approximately 40 years. The preliminary purchase price allocation resulted in goodwill of €964 million. No goodwill is deductible for tax purposes.

Significant uncertainties exist regarding the assessment of certain tax risks which may result from transactions of the former owners. A reasonable estimate of the possible range of losses is currently not possible. If tax obligations should materialize however, corresponding offsetting claims as defined in the purchase agreement exist against the former owner.

The following unaudited pro forma information presents the results of operations of ThyssenKrupp as if the transaction with HDW had taken place on October 01, 2003 and 2004, respectively:

million €

	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Net sales	38,580	42,316
Income from continuing operations before income taxes and minority interest	1,425	1,760
Net income	901	964
Basic earnings per share (in €):		
Income from continuing operations	1.66	1.05
Net income	1.81	1.93

The unaudited pro forma information has been prepared for comparative purposes only and does not necessarily represent results which would have occurred if the transaction had taken place on October 01, 2003 and 2004, respectively nor is the information indicative of the results of future combined operations. The unaudited pro forma results have been adjusted to reflect the additional amortization related to the purchase price allocation. The unaudited pro forma amounts exclude material nonrecurring charges of approximately €21 million related to a restructuring provision recorded by HDW prior to the acquisition. The unaudited pro forma information gives effect only to the adjustments described above and does not reflect management's estimate of anticipated cost savings or other benefits as a result of the acquisition.

### Year ending September 30, 2004

On October 01, 2003, ThyssenKrupp finalized the acquisition of 75% of the common stock and voting rights of the Korean Dongyang group in the Elevator segment for a final purchase price of €125 million (preliminary €128 million). The purchase agreement includes a call option and a put option for the remaining 25% interest. Both options are exercisable between the fourth and the ninth year after closing. In addition, the call option is exercisable earlier if certain events that are defined in the contract occur. Dongyang is the second largest elevator producer and provider of elevator related services in South Korea and with the acquisition ThyssenKrupp Elevator will strengthen its position in the Asian market as South Korea is the third largest elevator market in Asia. The results of these operations have been included in the consolidated financial statements since October 01, 2003.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

million €

	Oct. 01, 2003
Intangible assets	1
Goodwill arising on the purchase	130
Property, plant and equipment	32
Inventories	7
Trade accounts receivable, net	52
Marketable securities and cash and cash equivalents	68
Other operating assets	16
<b>Total assets acquired</b>	<b>306</b>
Accrued liabilities	12
Financial payables	48
Trade accounts payable	16
Other payables	97
<b>Total liabilities assumed</b>	<b>173</b>
<b>Minority interest</b>	<b>8</b>
<b>Net assets acquired</b>	<b>125</b>

Substantially all of the intangible assets were assigned to service contracts which are subject to amortization and have a weighted average useful life of approximately 15 years. The final purchase price allocation resulted in goodwill of €130 million (preliminary €121 million) which has been assigned entirely to the acquired companies. No goodwill is deductible for tax purposes.

On November 17, 2003, ThyssenKrupp acquired 60% of Mercedes-Benz Lenkungen (MB Lenk) in the Automotive segment at a purchase price of €43 million. The purchase agreement includes a put option and a call option for the remaining 40% interest. The put option is exercisable between two and five years from the purchase date and the call option is exercisable between three and six years from the purchase date. MB Lenk manufactures steering gears and with the acquisition ThyssenKrupp Automotive becomes a global supplier of complete steering systems. The results of these operations have been included in the consolidated financial statements since December 01, 2003.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

million €

	Dec. 01, 2003
Intangible assets	1
Goodwill arising on the purchase	6
Property, plant and equipment	72
Financial assets	5
Inventories	29
Receivables	37
Other operating assets	13
Deferred income taxes	3
<b>Total assets acquired</b>	<b>166</b>
Accrued pension and similar obligations	39
Other accrued liabilities	22
Other payables	33
Deferred income	4
<b>Total liabilities assumed</b>	<b>98</b>
<b>Minority interest</b>	<b>25</b>
<b>Net assets acquired</b>	<b>43</b>

The final purchase price allocation resulted in goodwill of €6 million (preliminary €8 million) which has been assigned entirely to the acquired companies. No goodwill is deductible for tax purposes.

### 3 Discontinued operations and disposal groups

As part of the portfolio optimization program, the Group has sold or has initiated the disposal of several businesses during the current and the prior year period. In accordance with SFAS 144, the majority of these transactions has been classified as discontinued operations and accordingly the results as well as the gain or loss on the disposals of the discontinued operations have been presented separately in the consolidated statements of income in the line item “discontinued operations (net of tax)”. Prior periods have been adjusted accordingly. For the entities for which the disposal has not been completed as of September 30 of the respective year, the assets and liabilities of the disposal groups have been disclosed separately in the consolidated balance sheet of the respective reporting period as “assets held for sale” and “liabilities associated with assets held for sale”.

### Year ending September 30, 2005

The Steel segment has sold or has initiated the disposal of the following activities:

In March 2005, the disposal of Edelstahl Witten-Krefeld GmbH (EWK) was initiated. EWK is an international manufacturer of long products made from special engineering steels, tool steels and stainless steels. On May 09, 2005, the disposal was consummated. The selling price amounted to €107 million resulting in a loss on disposal in the amount of €52 million (€52 million net of tax) of which €44 million were recognized as an impairment loss to write down the related carrying amounts of the long-lived assets to their fair values less cost to sell. The results from the discontinued operation are disclosed in the income statement table of the Steel segment.

In September 2005, the disposal of the Hoesch Contecna Systembau GmbH was initiated. The company is involved in the design and installation of steel roof and wall cladding elements. In conjunction with the initiated sale an impairment loss of €11 million (€11 million net of tax) to write down the related carrying amounts of the long-lived assets to their fair values less cost to sell was recognized in the line item "loss on the disposal of discontinued operations". The results from the discontinued operation are disclosed in the income statement table of the Steel segment and the assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of Hoesch Contecna Systembau.

In September 2005, the disposal of the Schwerte production location of the Hoesch Hohenlimburg GmbH was initiated where special profiles made of steel are produced. The Schwerte plant does not meet the requirements for discontinued operation reporting. Therefore, revenues and expenses will continue to be presented as income from continuing operations until the date of the disposal; this is also applicable for the impairment loss of €19 million to write down the related carrying amounts of the long-lived assets to their fair values less cost to sell which was recognized in conjunction with the initiated sale. The assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of Hoesch Hohenlimburg.

The following table shows the assets and liabilities of the disposal groups of the Steel segment:

#### HOESCH CONTECNA SYSTEMBAU million €

	Sept. 30, 2005
Other receivables and other assets	1
Cash and cash equivalents	8
Deferred income taxes	1
<b>Assets held for sale</b>	<b>10</b>
Accrued pension and similar obligations	3
Other accrued liabilities	3
Trade accounts payable	3
Deferred income taxes	1
<b>Liabilities associated with assets held for sale</b>	<b>10</b>

#### HOESCH HOHENLIMBURG, PLANT SCHWERTE million €

	Sept. 30, 2005
Property, plant and equipment	14
Inventories	25
Trade accounts receivable, net	16
Other receivables and other assets	2
Deferred income taxes	1
<b>Assets held for sale</b>	<b>58</b>
Accrued pension and similar obligations	10
Other accrued liabilities	8
Trade accounts payable	5
Other payables	1
<b>Liabilities associated with assets held for sale</b>	<b>24</b>

Results from discontinued operations in the Steel segment are as follows:

million €

	EWK*			Hoesch Contecna*		
	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Net sales	454	543	329	37	62	27
Cost of sales	(353)	(422)	(301)	(31)	(58)	(35)
<i>Gross margin</i>	<i>101</i>	<i>121</i>	<i>28</i>	<i>6</i>	<i>4</i>	<i>(8)</i>
Selling expenses	(67)	(61)	(25)	(6)	(6)	(16)
General and administrative expenses	(39)	(38)	(18)	(2)	(1)	(3)
Other operating income	7	3	3	0	0	1
Other operating expenses	(19)	(8)	(7)	0	(1)	0
Loss on the disposal of subsidiaries, net	0	0	(9)	0	0	0
<i>Income/(loss) from operations</i>	<i>(17)</i>	<i>17</i>	<i>(28)</i>	<i>(2)</i>	<i>(4)</i>	<i>(26)</i>
Income from equity investments	0	0	0	0	0	0
Interest expense, net	(3)	(2)	(2)	0	0	0
Other financial income/(loss), net	0	(1)	0	0	0	0
<i>Financial expense, net</i>	<i>(3)</i>	<i>(3)</i>	<i>(2)</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Income/(loss) from discontinued operations before taxes</i>	<i>(20)</i>	<i>14</i>	<i>(30)</i>	<i>(2)</i>	<i>(4)</i>	<i>(26)</i>
Provisions for income taxes	3	(7)	(8)	1	2	6
<b>Income/(loss) from discontinued operations (net of tax)</b>	<b>(17)</b>	<b>7</b>	<b>(38)</b>	<b>(1)</b>	<b>(2)</b>	<b>(20)</b>
thereof:						
Ordinary income/(loss) from discontinued operations before taxes	(20)	14	22	(2)	(4)	(15)
Provisions for income taxes	3	(7)	(8)	1	2	6
<i>Ordinary income/(loss) from discontinued operations (net of tax)</i>	<i>(17)</i>	<i>7</i>	<i>14</i>	<i>(1)</i>	<i>(2)</i>	<i>(9)</i>
Loss on the disposal of discontinued operations before taxes	0	0	(52)	0	0	(11)
Provisions for income taxes	0	0	0	0	0	0
<i>Loss on the disposal of discontinued operations (net of tax)</i>	<i>0</i>	<i>0</i>	<i>(52)</i>	<i>0</i>	<i>0</i>	<i>(11)</i>
<b>Discontinued operations (net of tax)</b>	<b>(17)</b>	<b>7</b>	<b>(38)</b>	<b>(1)</b>	<b>(2)</b>	<b>(20)</b>

\* Contribution to the Group's consolidated financial statements

The Automotive segment has sold or has initiated the disposal of the following activities:

In December 2004, the disposal of the Alu Castings business was initiated. Alu Castings is a development partner and producer of light metal cast products for the international automobile industry. On February 04, 2005, the disposal was consummated. The selling price amounted to €112 million resulting in a gain on disposal of €32 million (€24 million net of tax). The results from the discontinued operation are disclosed in the income statement table of the Automotive segment.

In June 2005, the disposal of the European truck spring business which manufactures mainly leaf springs for use in trucks was initiated. On July 14, 2005, the disposal was consummated. The selling price was €10 million resulting in a loss on disposal in the amount of €19 million (€13 million net of tax) recognized as an impairment loss to write down the related carrying amounts of the long-lived assets to their fair values less cost to sell. The results from the discontinued operation are disclosed in the income statement table of the Automotive segment.

In September 2005, the disposal of the ThyssenKrupp Stahl Company was initiated. ThyssenKrupp Stahl is one of the largest permanent mold aluminium foundries in the US. In conjunction with the initiated sale an impairment loss of €42 million (€24 million net of tax) to write down the related carrying amounts of the long-lived assets to their fair values less cost to sell was recognized in the line item "loss on the disposal of discontinued operations". The results from the discontinued operation are disclosed in the income statement table of the Automotive segment and the assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of ThyssenKrupp Stahl Company.

The following table shows the assets and liabilities of the disposal group ThyssenKrupp Stahl Company of the Automotive segment:

#### THYSSENKRUPP STAHL COMPANY million €

	Sept. 30, 2005
Intangible assets	2
Property, plant and equipment	10
Inventories	14
Trade accounts receivable, net	19
Other receivables and other assets	1
Deferred income taxes	16
<b>Assets held for sale</b>	<b>62</b>
Accrued pension and similar obligations	13
Financial payables	91
Trade accounts payable	4
Other payables	7
Deferred income taxes	1
<b>Liabilities associated with assets held for sale</b>	<b>116</b>

Results from discontinued operations in the Automotive segment are as follows:

million €

	Alu Castings*			Truck spring business*			ThyssenKrupp Stahl Company*		
	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Net sales	251	281	94	16	16	16	82	102	108
Cost of sales	(204)	(221)	(72)	(11)	(11)	(26)	(84)	(98)	(125)
Gross margin	47	60	22	5	5	(10)	(2)	4	(17)
Selling expenses	(9)	(8)	(2)	(1)	(2)	(2)	0	0	(1)
General and administrative expenses	(17)	(21)	(8)	(3)	(3)	(3)	(6)	(4)	(2)
Other operating income	2	1	1	0	0	0	0	0	0
Other operating expenses	(1)	(1)	0	0	0	0	(1)	0	(18)
Gain/(loss) on the disposal of subsidiaries, net	0	0	33	0	0	(6)	0	0	0
Income/(loss) from operations	22	31	46	1	0	(21)	(9)	0	(38)
Income from equity investments	(2)	0	0	0	0	0	0	0	0
Interest expense, net	0	(1)	0	0	0	0	(2)	(2)	(4)
Other financial income/(loss), net	0	0	0	0	0	0	0	0	0
Financial expense, net	(2)	(1)	0	0	0	0	(2)	(2)	(4)
Income/(loss) from discontinued operations before taxes	20	30	46	1	0	(21)	(11)	(2)	(42)
Provisions for income taxes	(6)	(10)	(13)	(1)	(1)	6	2	(1)	18
<b>Income/(loss) from discontinued operations (net of tax)</b>	<b>14</b>	<b>20</b>	<b>33</b>	<b>0</b>	<b>(1)</b>	<b>(15)</b>	<b>(9)</b>	<b>(3)</b>	<b>(24)</b>
thereof:									
Ordinary income/(loss) from discontinued operations before taxes	20	30	14	1	0	(2)	(11)	(2)	0
Provisions for income taxes	(6)	(10)	(5)	(1)	(1)	0	2	(1)	0
Ordinary income/(loss) from discontinued operations before taxes	14	20	9	0	(1)	(2)	(9)	(3)	0
Gain/(loss) on the disposal of discontinued operations before taxes	0	0	32	0	0	(19)	0	0	(42)
Provisions for income taxes	0	0	(8)	0	0	6	0	0	18
Gain/(loss) on the disposal of discontinued operations (net of tax)	0	0	24	0	0	(13)	0	0	(24)
<b>Discontinued operations (net of tax)</b>	<b>14</b>	<b>20</b>	<b>33</b>	<b>0</b>	<b>(1)</b>	<b>(15)</b>	<b>(9)</b>	<b>(3)</b>	<b>(24)</b>

\* Contribution to the Group's consolidated financial statements

The Technologies segment has sold or has initiated the disposal of the following activities:

In March 2005, the disposal of ThyssenKrupp's Stahlbau business was initiated. ThyssenKrupp Stahlbau manages the manufacturing and the sale of steel building products, including buildings, industrial plants and traffic facilities. On April 15, 2005, the disposal was consummated. The disposal resulted in a loss in the amount of €14 million (€14 million net of tax) which were recognized as an impairment loss to write down the related carrying amounts of the long-lived assets to their fair values less cost to sell. The results from the discontinued operation are disclosed in the income statement table of the Technologies segment.

In August 2005, the disposal of the MetalCutting business unit was initiated. MetalCutting offers application-driven solutions for metal-cutting machines dedicated to individual user needs. The products offered range from standardized machinery incorporated into production systems to application machinery. In conjunction with the initiated sale, in the 3rd quarter 2004/2005, an impairment loss of €126 million to write down the related carrying amounts of long-lived assets to their fair values less cost to sell was recognized. In addition to the impairment of long-lived assets, a loss of €78 million (before tax) was recognized in discontinued operations in the 4th quarter 2004/2005 resulting in total loss on the transaction in 2004/2005 of €204 million before tax and €166 million net of tax, respectively. The results from the discontinued operation are disclosed in the income statement table of the Technologies segment and the assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of MetalCutting.

In August 2005, the disposal of the turbine components operation group was initiated. The turbine components group is a manufacturer of components for the international aero engine and power generation industry. In conjunction with the initiated sale an impairment loss of €27 million (€27 million net of tax) to write down the related carrying amounts of the long-lived assets to their fair values less cost to sell was recognized in the line item "loss on the disposal of discontinued operations". The results from the discontinued operation are disclosed in the income statement table of the Technologies segment and the assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of turbine components.

The following table shows the assets and liabilities of the disposal groups of the Technologies segment:

#### METALCUTTING million €

	Sept. 30, 2005
Inventories	159
Trade accounts receivable, net	89
Other receivables and other assets	2
Marketable securities	1
Cash and cash equivalents	77
Deferred income taxes	20
Prepaid expenses and deferred charges	2
<b>Assets held for sale</b>	<b>350</b>
Accrued pension and similar obligations	74
Other accrued liabilities	134
Trade accounts payable	30
Other payables	29
Deferred income taxes	23
<b>Liabilities associated with assets held for sale</b>	<b>290</b>

#### TURBINE COMPONENTS million €

	Sept. 30, 2005
Inventories	21
Trade accounts receivable, net	16
Other receivables and other assets	4
Deferred income taxes	8
<b>Assets held for sale</b>	<b>49</b>
Accrued pension and similar obligations	9
Other accrued liabilities	19
Financial payables	38
Trade accounts payable	7
Other payables	3
Deferred income taxes	4
<b>Liabilities associated with assets held for sale</b>	<b>80</b>

Results from discontinued operations in the Technologies segment are as follows:

million €

	ThyssenKrupp Stahlbau*			MetalCutting*			Turbine components*		
	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Net sales	42	66	19	493	477	532	61	62	70
Cost of sales	(40)	(66)	(27)	(405)	(373)	(497)	(69)	(61)	(91)
Gross margin	2	0	(8)	88	104	35	(8)	1	(21)
Selling expenses	(2)	(2)	(2)	(61)	(59)	(60)	(2)	(2)	(2)
General and administrative expenses	(2)	(3)	(2)	(50)	(46)	(42)	(6)	(4)	(4)
Other operating income	2	2	0	4	5	6	0	1	1
Other operating expenses	0	0	(1)	(30)	(18)	(148)	(8)	0	(5)
Loss on the disposal of subsidiaries, net	0	0	(11)	0	0	0	0	0	0
Loss from operations	0	(3)	(24)	(49)	(14)	(209)	(24)	(4)	(31)
Income from equity investments	0	0	0	0	0	0	0	0	0
Interest expense, net	0	0	0	(9)	(2)	(3)	(1)	(1)	(1)
Other financial income/(loss), net	0	0	0	0	0	(5)	0	0	0
Financial expense, net	0	0	0	(9)	(2)	(8)	(1)	(1)	(1)
Loss from discontinued operations before taxes	0	(3)	(24)	(58)	(16)	(217)	(25)	(5)	(32)
Provisions for income taxes	0	1	(1)	10	10	35	10	3	2
<b>Loss from discontinued operations (net of tax)</b>	<b>0</b>	<b>(2)</b>	<b>(25)</b>	<b>(48)</b>	<b>(6)</b>	<b>(182)</b>	<b>(15)</b>	<b>(2)</b>	<b>(30)</b>
thereof:									
Ordinary loss from discontinued operations before taxes	0	(3)	(10)	(58)	(16)	(13)	(25)	(5)	(5)
Provisions for income taxes	0	1	(1)	10	10	(3)	10	3	2
Ordinary loss from discontinued operations before taxes	0	(2)	(11)	(48)	(6)	(16)	(15)	(2)	(3)
Loss on the disposal of discontinued operations (net of tax)	0	0	(14)	0	0	(204)	0	0	(27)
Provisions for income taxes	0	0	0	0	0	38	0	0	0
Loss on the disposal of discontinued operations (net of tax)	0	0	(14)	0	0	(166)	0	0	(27)
<b>Discontinued operations (net of tax)</b>	<b>0</b>	<b>(2)</b>	<b>(25)</b>	<b>(48)</b>	<b>(6)</b>	<b>(182)</b>	<b>(15)</b>	<b>(2)</b>	<b>(30)</b>



The Services segment has initiated the disposal of the following activities in the current year:

In September 2005, the disposal of the Hommel Group was initiated. Hommel distributes a manufacturer-overlapping range of CNC machine tools, including pre- and after-sales services for new and pre-owned machines. In conjunction with the initiated sale an impairment loss of €24 million (€24 million net of tax) to write down the related carrying amounts of the long-lived assets to their fair values less cost to sell was recognized in the line item "loss on the disposal of discontinued operations". The results from the discontinued operation are disclosed in the income statement table of the Services segment and the assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of the Hommel Group.

In September 2005, the disposal of the Krupp Druckereibetriebe GmbH was initiated. The company offers a complete package of advertising consultancy and design services, integrated data-processing activities and a comprehensive publishing service. The results from the discontinued operation are disclosed in the income statement table of the Services segment and the assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of Krupp Druckereibetriebe.

The following table shows the assets and liabilities of the disposal groups of the Services segment:

#### HOMMEL GROUP million €

	Sept. 30, 2005
Financial assets	1
Inventories	12
Trade accounts receivable, net	11
Other receivables and other assets	2
Deferred income taxes	2
<b>Assets held for sale</b>	<b>28</b>
Accrued pension and similar obligations	3
Other accrued liabilities	3
Financial payables	13
Trade accounts payable	19
Other payables	3
Deferred income taxes	2
Deferred income	1
<b>Liabilities associated with assets held for sale</b>	<b>44</b>

#### KRUPP DRUCKEREIBETRIEBE million €

	Sept. 30, 2005
Intangible assets	2
Property, plant and equipment	5
Inventories	3
Trade accounts receivable, net	9
Cash and cash equivalents	5
Deferred income taxes	1
<b>Assets held for sale</b>	<b>25</b>
Accrued pension and similar obligations	6
Other accrued liabilities	6
Trade accounts payable	4
Other payables	4
Deferred income taxes	1
<b>Liabilities associated with assets held for sale</b>	<b>21</b>

Results from discontinued operations in the Services segment are as follows:

million €

	Hommel Group*			Krupp Druckereibetriebe*		
	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Net sales	79	97	99	81	92	99
Cost of sales	(56)	(71)	(93)	(66)	(74)	(80)
<i>Gross margin</i>	23	26	6	15	18	19
Selling expenses	(25)	(25)	(27)	(9)	(11)	(12)
General and administrative expenses	(2)	(1)	(1)	(4)	(4)	(4)
Other operating income	1	2	1	0	0	0
Other operating expenses	0	0	0	0	0	0
Gain on the disposal of subsidiaries, net	0	0	0	0	0	0
<i>Income from operations</i>	(3)	2	(21)	2	3	3
Income from equity investments	0	0	0	0	0	0
Interest expense, net	(1)	(1)	(1)	0	0	0
Other financial income/(loss), net	0	0	0	0	0	0
<i>Financial expense, net</i>	(1)	(1)	(1)	0	0	0
Income/(loss) from discontinued operations before taxes	(4)	1	(22)	2	3	3
Provisions for income taxes	2	0	(1)	(1)	(1)	(1)
<b>Income/(loss) from discontinued operations (net of tax)</b>	<b>(2)</b>	<b>1</b>	<b>(23)</b>	<b>1</b>	<b>2</b>	<b>2</b>
thereof:						
Ordinary income/(loss) from discontinued operations before taxes	(4)	1	2	2	3	3
Provisions for income taxes	2	0	(1)	(1)	(1)	(1)
<i>Ordinary income/(loss) from discontinued operations (net of tax)</i>	<i>(2)</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>2</i>
Gain/(loss) on the disposal of discontinued operations before taxes	0	0	(24)	0	0	0
Provisions for income taxes	0	0	0	0	0	0
<i>Gain/(loss) on the disposal of discontinued operations (net of tax)</i>	<i>0</i>	<i>0</i>	<i>(24)</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Discontinued operations (net of tax)</b>	<b>(2)</b>	<b>1</b>	<b>(23)</b>	<b>1</b>	<b>2</b>	<b>2</b>

\* Contribution to the Group's consolidated financial statements

In December 2004, in Corporate the disposal of ThyssenKrupp's Residential Real Estate business which manages approximately 48,000 housing units in Germany's Rhine-Ruhr region was initiated. The disposal was consummated on February 10, 2005. The selling price of €1,940 million resulted in a gain on disposal in the amount of €870 million (€787 million net of tax).

The following table shows the results from the discontinued operation:

million €

	Residential Real Estate*		
	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Net sales	244	241	56
Cost of sales	(172)	(155)	(29)
<i>Gross margin</i>	<i>72</i>	<i>86</i>	<i>27</i>
Selling expenses	0	0	0
General and administrative expenses	(8)	(9)	(2)
Other operating income	19	17	4
Other operating expenses	(7)	(6)	(2)
Gain on the disposal of subsidiaries, net	0	0	870
<i>Income from operations</i>	<i>76</i>	<i>88</i>	<i>897</i>
Income from equity investments	0	0	0
Interest expense, net	(5)	(3)	(2)
Other financial income/(loss), net	0	0	0
<i>Financial expense, net</i>	<i>(5)</i>	<i>(3)</i>	<i>(2)</i>
Income from discontinued operations before taxes	71	85	895
Provisions for income taxes	(27)	(45)	(93)
<b>Income from discontinued operations (net of tax)</b>	<b>44</b>	<b>40</b>	<b>802</b>
thereof:			
Ordinary income from discontinued operations before taxes	71	85	25
Provisions for income taxes	(27)	(24)	(10)
<i>Ordinary income from discontinued operations (net of tax)</i>	<i>44</i>	<i>61</i>	<i>15</i>
Gain on the disposal of discontinued operations before taxes	0	0	870
Provisions for income taxes	0	(21)	(83)
<i>Gain/(loss) on the disposal of discontinued operations (net of tax)</i>	<i>0</i>	<i>(21)</i>	<i>787</i>
<b>Discontinued operations (net of tax)</b>	<b>44</b>	<b>40</b>	<b>802</b>

\* Contribution to the Group's consolidated financial statements

In addition, €38 million in transaction related expenses were recognized from disposals that were incurred in previous fiscal year.

The above mentioned “assets held for sale” and “liabilities associated with assets held for sale” as well as the “income/(loss) from discontinued operations” are included in the amounts disclosed in the notes to the consolidated financial statements.

### Year ending September 30, 2004

In March 2004, the business unit Information Services, in the Services segment, was discontinued through the sale of the Triaton group as well as the termination of the other remaining activities within the business unit. The selling price amounted to €249 million, which resulted in a gain before taxes of €191 million. Due to the continuation of service contracts between ThyssenKrupp and Triaton, €64 million of the disposal gain has been deferred and will be recognized rateably over a period of seven years. The Group recognized €6 million of this disposal gain in cost of sales in the Services segment in the 2nd half of fiscal year 2003/2004, which partially offset the cost of services purchased from the former Triaton group during the period. In the 2nd quarter ending March 31, 2004, a gain on the disposal of discontinued operations of €127 million (€125 million net of tax) was realized. The results from discontinued operations are disclosed in the table below.

In September 2004, the Services segment initiated the disposal of the operating group Facilities Services which was consummated in October 2004. Facilities Services is a provider of technical and infrastructural facility management as well as building services and commercial property management. In conjunction with the initiated sale, an impairment loss of €34 million was recognized in 2003/2004 to write down the related carrying amounts to their fair values less cost to sell which has been included in cost of sales.

The following table shows the assets and liabilities of the discontinued operating group Facilities Services:

### FACILITIES SERVICES million €

	Sept. 30, 2004
Intangible assets	4
Property, plant and equipment	3
Trade accounts receivable, net	30
Other receivables and other assets	3
Cash and cash equivalents	45
Deferred income taxes	2
Prepaid expenses and deferred charges	1
<b>Assets held for sale</b>	<b>88</b>
Accrued pension and similar obligations	13
Other accrued liabilities	44
Trade accounts payable	14
Other payables	10
Deferred income taxes	4
<b>Liabilities associated with assets held for sale</b>	<b>85</b>

Results of discontinued operations in the Services segment are as follows:

million €

	Information Services*		Facilities Services*	
	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Net sales	215	99	280	232
Cost of sales	(115)	(51)	(251)	(272)
Gross margin	100	48	29	(40)
Selling expenses	(29)	(19)	(13)	(14)
General and administrative expenses	(64)	(38)	(23)	(30)
Other operating income	7	7	1	1
Other operating expenses	(5)	0	(3)	(11)
Gain on the disposal of subsidiaries, net	0	127	0	0
Income/(loss) from operations	9	125	(9)	(94)
Income from equity investments	0	(1)	0	0
Interest expense, net	(1)	5	(2)	(2)
Other financial income/(loss), net	0	0	0	0
Financial expense, net	(1)	4	(2)	(2)
Income/(loss) from discontinued operations before taxes	8	129	(11)	(96)
Provisions for income taxes	(3)	(6)	(9)	(7)
<b>Income/(loss) from discontinued operations (net of tax)</b>	<b>5</b>	<b>123</b>	<b>(20)</b>	<b>(103)</b>
thereof:				
Ordinary income/(loss) from discontinued operations before taxes	8	2	(11)	(62)
Provisions for income taxes	(3)	(4)	(9)	(7)
Ordinary income/(loss) from discontinued operations (net of tax)	5	(2)	(20)	(69)
Gain/(loss) on the disposal of discontinued operations before taxes	0	127	0	(34)
Provisions for income taxes	0	(2)	0	0
Gain/(loss) on the disposal of discontinued operations (net of tax)	0	125	0	(34)
<b>Discontinued operations (net of tax)</b>	<b>5</b>	<b>123</b>	<b>(20)</b>	<b>(103)</b>

\* Contribution to the Group's consolidated financial statements

In September 2004, the Steel segment sold the operating group Berkenhoff. Berkenhoff is a supplier of high-tech nonferrous metal wire used in electrical discharge machining (EDM), electronics, welding and medical engineering. The selling price amounted to €40 million, resulting in a gain before taxes in the amount of €20 million (€20 million net of tax). The results from discontinued operations are disclosed in the table below.

As of September 30, 2004, in the Steel segment the disposal of the operating group Krupp Edelstahlprofile (KEP) was initiated and subsequent to year-end consumated. KEP is a producer of crude steel, bar steel, bright steel, wire rod and wire products. In conjunction with the initiated sale, an impairment loss of €21 million was recognized in 2003/2004 to write down the related carrying amounts to their fair values less cost to sell which has been reported in cost of sales.

The following table shows the assets and liabilities of the discontinued operating group Krupp Edelstahlprofile :

KEP million €

	Sept. 30, 2004
Property, plant and equipment	26
Inventories	66
Trade accounts receivable	35
Other receivables and other assets	4
<b>Assets held for sale</b>	<b>131</b>
Accrued pension and similar obligations	19
Other accrued liabilities	17
Financial payables	38
Trade accounts payable	20
Other payables	9
Deferred income taxes	3
<b>Liabilities associated with assets held for sale</b>	<b>106</b>

Results of discontinued operations in the Steel segment are as follows:

million €

	Berkenhoff*		Krupp Edelstahlprofile*	
	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Net sales	80	86	235	297
Cost of sales	(56)	(62)	(210)	(291)
<i>Gross margin</i>	24	24	25	6
Selling expenses	(8)	(9)	(13)	(15)
General and administrative expenses	(4)	(6)	(13)	(14)
Other operating income	1	1	3	0
Other operating expenses	(1)	(2)	(1)	(2)
Gain on the disposal of subsidiaries, net	0	20	0	0
<i>Income/(loss) from operations</i>	12	28	1	(25)
Income from equity investments	0	0	0	0
Interest expense, net	(1)	(1)	(3)	(2)
Other financial income/(loss), net	0	0	0	0
<i>Financial expense, net</i>	(1)	(1)	(3)	(2)
<i>Income/(loss) from discontinued operations before taxes</i>	11	27	(2)	(27)
Provisions for income taxes	(4)	(3)	0	3
<b>Income/(loss) from discontinued operations (net of tax)</b>	<b>7</b>	<b>24</b>	<b>(2)</b>	<b>(24)</b>
thereof:				
Ordinary income/(loss) from discontinued operations before taxes	11	7	(2)	(5)
Provisions for income taxes	(4)	(3)	0	0
Ordinary income/(loss) from discontinued operations (net of tax)	7	4	(2)	(5)
Gain/(loss) on the disposal of discontinued operations before taxes	0	20	0	(22)
Provisions for income taxes	0	0	0	3
<i>Gain/(loss) on the disposal of discontinued operations (net of tax)</i>	0	20	0	(19)
<b>Discontinued operations (net of tax)</b>	<b>7</b>	<b>24</b>	<b>(2)</b>	<b>(24)</b>

\* Contribution to the Group's consolidated financial statements

The above mentioned “assets held for sale” and “liabilities associated with assets held for sale” as well as the “income/(loss) from discontinued operations” are included in the amounts disclosed in the notes to the consolidated financial statements.

## NOTES TO THE CONSOLIDATED STATEMENTS OF INCOME

### 4 Selling expenses

Selling expenses include direct shipping and handling cost including related insurance premiums in the amount of €748 million (2003/2004: €746 million; 2002/2003: €724 million).

### 5 Other operating income

Other operating income includes gains on the disposal of property, plant and equipment and intangible assets in the amount of €37 million (2003/2004: €71 million; 2002/2003: €45 million) and insurance compensation in the amount of €29 million (2003/2004: €46 million; 2002/2003: €27 million).

### 6 Other operating expenses

Other operating expenses include losses on the disposal of property, plant and equipment and intangible assets in the amount of €44 million (2003/2004: €67 million; 2002/2003: €54 million), restructuring charges in the amount of €17 million (2003/2004: €53 million; 2002/2003: €104 million) and other accruals (excluding restructuring) in the amount of €99 million (2003/2004: €17 million; 2002/2003: €14 million). Additional expenses in connection with non-customer related research activities are shown here in the amount of €186 million (2003/2004: €191 million; 2002/2003: €183 million).

### 7 Financial income/(expense), net

million €

	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Income from profit and loss sharing agreements	1	1	2
Losses from profit and loss sharing agreements	(2)	(2)	(3)
Income from companies accounted for at equity	57	20	37
Income from investments accounted for at cost	9	5	10
<i>amount thereof from non-consolidated subsidiaries</i>	2	2	2
Gains/(losses), net from disposals of investments in non-consolidated companies and other investments	(1)	10	(2)
Write-down of investments in non-consolidated companies and other investments	(6)	(1)	(2)
<b>Income from equity investments</b>	<b>58</b>	<b>33</b>	<b>42</b>
Income from other securities and loans classified as financial assets	8	9	7
Other interest and similar income	111	71	131
<i>amount thereof from non-consolidated subsidiaries</i>	1	1	1
Interest and similar costs	(310)	(298)	(309)
<i>amount thereof from non-consolidated subsidiaries</i>	(1)	0	0
<b>Interest expense, net</b>	<b>(191)</b>	<b>(218)</b>	<b>(171)</b>
Gains/(losses) from disposals of loans and securities, net	3	2	(1)
Write-down of loans and securities	(19)	(5)	(6)
Miscellaneous, net	(8)	(22)	(7)
Other financial income/(loss), net	(24)	(25)	(14)
<b>Total</b>	<b>(157)</b>	<b>(210)</b>	<b>(143)</b>

Interest capitalized in connection with long-term construction activities resulted in a decrease of interest expense in the amount of €16 million (2003/2004: €14 million; 2002/2003: €7 million).

## 8 Investment in RAG Aktiengesellschaft

In the course of the fiscal year 2004/2005, the political environment concerning the extraction of coal has worsened significantly, which had a direct impact on our RAG investment. Management anticipates that government authorities will subsidize the coal mining industry in Germany to a much lesser extent than in the past. As a result, RAG Aktiengesellschaft will be forced to contribute significantly more capital to maintain its domestic production of coal. Based on revised estimates, ThyssenKrupp expects the period in which domestic coal mining industry will be able to operate under reasonable economic and technical conditions to be much shorter than previously expected. These expected changes have necessitated a full impairment of the Group's cost investment in RAG Aktiengesellschaft amounting to €442 million, which has been reported in a separate line within the consolidated statement of income.

In addition, the Group increased by €32 million its accrual for asset retirement obligations stemming from its former mining business, which was prior to 1969. This change in estimate has resulted from the recent developments concerning the sustainability of the domestic coal mining industry.

## 9 Income taxes

In the fiscal year ending September 30, 2005, 59% (2004: 39%; 2003: 26%) of income from continuing operations before income taxes and minority interest was attributable to Germany and 41% (2004: 61%; 2003: 74%) to foreign countries.

Income tax expense (benefit) for the year ending September 30, 2005 and the two previous years consists of the following:

million €

	Year ending Sept. 30, 2003*	Year ending Sept. 30, 2004*	Year ending Sept. 30, 2005
Current income taxes			
Germany	(56)	22	118
Foreign	189	255	255
Deferred income taxes			
Germany	(10)	239	332
Foreign	31	71	30
<b>Total</b>	<b>154</b>	<b>587</b>	<b>735</b>

\* adjusted due to the presentation of discontinued operations (see Note 3)

The German corporate income tax law applicable for 2004/2005 sets a statutory income tax rate of 25% (2003/2004: 25%; 2002/2003: 26.5%) plus a solidarity surcharge of 5.5%. On average, the Group's German companies are subject to a trade tax rate of 13.04% (2003/2004: 13.04%; 2002/2003: 12.75%).

At year-end September 30, 2005, as well as in the two previous years, deferred taxes of German companies were calculated with a combined income tax rate of 39.42% (including 13.04% trade tax rate). For foreign companies, the respective country-specific tax rates have been used.

The following table reconciles the statutory income tax expense to the actual income tax expense presented in the financial statements. For calculating the statutory income tax expense, in fiscal year 2004/2005, the combined income tax rate of 39.42% (2003/2004: 39.42%; 2002/2003: 40.71%) was applied to income from continuing operations before taxes and minority interest.

million €

	Year ending Sept. 30, 2003*	in %	Year ending Sept. 30, 2004*	in %	Year ending Sept. 30, 2005	in %
Expected income tax	326	40.7	582	39.4	724	39.4
Changes in German tax law	(6)	(0.8)	1	0.1	0	0.0
Foreign tax rate differential	(21)	(2.6)	(30)	(2.0)	(10)	(0.5)
Tax consequences of disposal of businesses	13	1.6	(2)	(0.2)	(2)	(0.1)
Non-deductible expenses	6	0.8	19	1.3	38	2.1
Change in valuation allowance	23	2.9	27	1.8	13	0.7
Reversal and adjustment of tax positions	(146)	(18.2)	0	0.0	0	0.0
Income from companies accounted for at equity	(20)	(2.5)	(2)	(0.2)	(5)	(0.3)
Other, net	(21)	(2.6)	(8)	(0.5)	(23)	(1.3)
<b>Actual income tax expense</b>	<b>154</b>	<b>19.3</b>	<b>587</b>	<b>39.7</b>	<b>735</b>	<b>40.0</b>

\* adjusted due to the presentation of discontinued operations (see Note 3)



As of September 30, 2005, tax loss carryforwards amount to €2,501 million (2004: €2,496 million). According to tax legislation as of September 30, 2005, tax losses in the amount of €1,995 million (2004: €2,030 million) may be carried forward indefinitely and in unlimited amounts. An amount of €506 million (2004: €466 million) of the tax loss carryforwards will expire over the period through 2025 if not utilized. German tax law restricts offset of taxable income against existing tax loss carryforwards to an amount of €1 million plus 60% of taxable income above €1 million.

For deferred tax assets, a valuation allowance of €372 million (2004: €323 million) is reported which primarily relates to the tax loss carryforwards. In general, deferred tax assets are recognized to the extent it is considered more likely than not that such benefits will be realized in future years. Management believes that, based on a number of factors, the available evidence creates sufficient uncertainty regarding the ability to realize particular tax benefits. In determining this valuation allowance, all positive and negative factors, including prospective results, were taken into consideration in determining whether sufficient income would be generated to realize deferred tax assets.

Significant components of the deferred tax assets and liabilities are as follows:

million €

	Sept. 30, 2004	Sept. 30, 2005
Intangible assets	56	33
Property, plant and equipment	423	122
Financial assets	6	18
Inventories	89	113
Other assets	104	158
Tax loss carryforwards	799	765
Accrued pension and similar obligations	758	1,293
Other accrued liabilities	263	318
Other liabilities	607	932
	<b>3,105</b>	<b>3,752</b>
Valuation allowance	(323)	(372)
<b>Deferred tax assets</b>	<b>2,782</b>	<b>3,380</b>
Intangible assets	177	261
Property, plant and equipment	1,123	1,050
Financial assets	43	49
Inventories	586	851
Other assets	359	450
Accrued pension and similar obligations	2	1
Other accrued liabilities	150	360
Other liabilities	176	405
<b>Deferred tax liabilities</b>	<b>2,616</b>	<b>3,427</b>
<b>Net deferred tax assets</b>	<b>166</b>	<b>(47)</b>

The classification of the deferred tax assets and liabilities is as follows:

million €

	Sept. 30, 2004	Non current portion	Sept. 30, 2005	Non current portion
Deferred tax assets	1,150	966	1,480	1,228
Deferred tax liabilities	984	408	1,527	440
<b>Net deferred tax assets</b>	<b>166</b>	<b>558</b>	<b>(47)</b>	<b>788</b>

Deferred tax liabilities on undistributed profits of foreign subsidiaries were not recorded, as such profits are to remain invested on a permanent basis. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The components of income tax expense are as follows:

million €

	Year ending Sept. 30, 2003*	Year ending Sept. 30, 2004*	Year ending Sept. 30, 2005
Income tax expense as presented on the income statement	154	587	735
Income tax expense/(benefit) for "other comprehensive income"	(147)	31	(317)
Income tax expense on discontinued operations	23	62	48
Income tax benefit on the cumulative effects of changes in accounting principles	(8)	0	(2)
<b>Total</b>	<b>22</b>	<b>680</b>	<b>464</b>

\* adjusted due to the presentation of discontinued operations (see Note 3)

## NOTES TO THE CONSOLIDATED BALANCE SHEETS

### 10 Fixed assets

Changes in the Group's fixed assets are presented in the Consolidated Fixed Assets Schedule included herein.

million €

	Gross values		Accumulated amortization		Net values	
	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005
Brand names and trademarks	0	1	0	0	0	1
Customer base and relationship	23	19	19	5	4	14
Prohibition to compete	2	2	2	2	0	0
Licences and franchises	125	317	64	74	61	243
Patents, copyrights and similar	10	11	5	6	5	5
Service contracts	203	225	63	78	140	147
Other contractual positions	9	21	9	18	0	3
Acquired software and website	325	325	234	241	91	84
Internally developed software and website	85	94	48	65	37	29
<b>Intangible assets subject to amortization</b>	<b>782</b>	<b>1,015</b>	<b>444</b>	<b>489</b>	<b>338</b>	<b>526</b>

In addition to the above mentioned amortized intangible assets, the Group has an unamortized intangible asset resulting from a company name with a net book value of €9 million (2004: €9 million).

The aggregate amortization expense related to the before mentioned intangible assets for the fiscal year ending September 30, 2005 was €113 million (2004: €94 million). Estimated amortization expense for the next five years is: €90 million in 2005/2006, €90 million in 2006/2007, €86 million in 2007/2008, €79 million in 2008/2009 and €79 million in 2009/2010.

On January 01, 2005 the Group began to participate in the European Union Emissions Trading Scheme (ETS). The Group received notification from the national emissions-trading agency

### Intangible assets

Intangible assets of the Group by major classes are as follows:

that it is entitled to receive allowances to emit 56.0 million tons in CO<sub>2</sub> (one third is allocated to 2005) during the compliance period 2005 – 2007. The majority of the total allowances are allocated to the Steel segment. The rights are capitalized at cost as an intangible asset in the line item "Licences and franchises". If the emissions are expected to exceed the amount covered by the granted allowances, the Group records an obligation for the purchase of additional allowances.

### Goodwill

The change in the carrying amount of goodwill (excluding goodwill of equity method investments) is as follows:

million €

	Steel	Automotive	Technologies	Elevator	Services	Corporate	Total*
<b>Balance as of Sept. 30, 2003</b>	<b>807</b>	<b>379</b>	<b>449</b>	<b>1,065</b>	<b>403</b>	<b>16</b>	<b>3,119</b>
Currency changes	(9)	(4)	(5)	(52)	(5)	0	(75)
Acquisitions/(divestitures)	23	0	(19)	144	(52)	(1)	95
<b>Balance as of Sept. 30, 2004</b>	<b>821</b>	<b>375</b>	<b>425</b>	<b>1,157</b>	<b>346</b>	<b>15</b>	<b>3,139</b>
Currency changes	5	15	4	58	3	0	85
Acquisitions/(divestitures)	10	4	961	42	(1)	0	1,016
Impairment	(5)	(19)	(53)	0	(2)	0	(79)
<b>Balance as of Sept. 30, 2005</b>	<b>831</b>	<b>375</b>	<b>1,337</b>	<b>1,257</b>	<b>346</b>	<b>15</b>	<b>4,161</b>

\* excluding goodwill of equity method investments

Furthermore, the intangible asset position in the balance sheet includes advance payments on intangible assets and intangible pension assets in the amount of €74 million (2004: €72 million).

## Property, plant and equipment and financial assets

Property, plant and equipment include leased buildings, technical machinery and equipment and other equipment that have been

capitalized, where the terms of the lease require the Group, as lessee, to assume substantially all of the benefits and risks of use of the leased asset.

million €

	Gross values		Accumulated amortization		Net values	
	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005
Land, leasehold rights and buildings including buildings on third-party land	111	103	33	37	78	66
Technical machinery and equipment	59	60	24	31	35	29
Other equipment, factory and office equipment	60	54	40	34	20	20
<b>Assets under capital lease</b>	<b>230</b>	<b>217</b>	<b>97</b>	<b>102</b>	<b>133</b>	<b>115</b>

In fiscal 2004/2005, the Group recognized impairments pursuant to SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" in the amount of €281 million of which €88 million was associated with assets held and used. This amount has been included in income from operations. The impairments were charged to the Steel segment (€27 million), Automotive segment (€33 million), Services segment (€1 million) and to Corporate (€27 million). The remainder of the impairment amounting to €193 million was associated with assets from discontinued operations. These assets were within the Steel (€57 million), the Automotive (€37 million), the Technologies (€97 million) and the Services (€2 million) segments.

In fiscal 2003/2004, the Group recognized impairments pursuant to SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" in the amount of €72 million of which €49 million was associated with assets held and used. This amount has been included in income from operations. The impairments were charged to the Steel segment (€13 million), Automotive segment (€8 million), Services segment (€3 million) and to Corporate (€25 million). The remainder of the impairment amounting to €23 million was associated with assets from discontinued operations. These assets were within the Steel (€21 million) and the Services (€2 million) segments.

The fair market values for the calculation of the impairment have been determined as the present value of future cash flows or, when available, third party appraisals.

For Associated Companies and non-consolidated subsidiaries accounted for under the equity method, the difference between the carrying amount and the amount of underlying equity in net assets totals €30 million (2004: €38 million).

During fiscal year 2002/2003, management revised its assessment concerning the Group's ability to exercise significant influence over the operating and financial policies of a significant investee, RAG Aktiengesellschaft, as a result of its inability to obtain timely reviewed US GAAP financial information on a quarterly basis. Accordingly, the Group has discontinued using the equity method of accounting to account for its investment in RAG Aktiengesellschaft. Beginning April 01, 2003, the Group accounts for its investment in RAG Aktiengesellschaft using the cost method under which the investment is recorded at its carrying amount as of the end of the second quarter. The effect of this change in estimate on the current and subsequent periods cannot be determined. The investment has been reclassified from the line item "Associated Companies valued at equity" to the line item "other investments". Regarding the impairment of the RAG investment in fiscal year 2004/2005, refer to the comments in Note 8.

The aggregate cost of the Group's cost method investments totaled €102 million as of September 30, 2005 (2004: €529 million). The Group determined, in accordance with paragraphs 14 and 15 of SFAS No. 107, "Disclosures about Fair Values of Financial Instruments" that it is not practicable to estimate the fair value of such investments. Therefore, with the exception of the RAG investment (refer to Note 8), these cost method investments were not evaluated for impairment because the Group did not estimate their respective fair values and the Group did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of those investments.

# Consolidated Fixed Asset Schedule

million €

	Gross values					
	Sept. 30, 2004	Currencies differences	Acquisitions/ divestitures of businesses	Additions	Transfers	
<b>Intangible assets</b>						
Franchises, trademarks and similar rights and values as well as licenses thereto	791	10	197	53	24	
Goodwill	3,970	99	986	0	0	
Advance payments on intangible assets	19	0	0	21	(15)	
Intangible pension asset	53	0	(1)	4	0	
	<b>4,833</b>	<b>109</b>	<b>1,182</b>	<b>78</b>	<b>9</b>	
<b>Property, plant and equipment</b>						
Land, leasehold rights and buildings including buildings on third-party land	7,711	44	(1,666)	172	33	
Technical machinery and equipment	14,532	148	(600)	602	297	
Other equipment, factory and office equipment	2,189	20	(58)	271	13	
Assets under capital lease	230	0	(5)	16	(2)	
Advance payments on property, plant and equipment	560	15	6	434	(350)	
	<b>25,222</b>	<b>227</b>	<b>(2,323)</b>	<b>1,495</b>	<b>(9)</b>	
<b>Financial assets</b>						
Investments in non-consolidated subsidiaries	48	0	(5)	30	5	
Loans to non-consolidated subsidiaries	5	0	0	0	0	
Associated Companies valued at equity	341	4	(12)	48	(5)	
Other investments	509	0	4	9	0	
Loans to Associated Companies and other investees	6	0	0	2	0	
Securities classified as financial assets	14	1	0	5	0	
Other loans	146	1	2	11	0	
	<b>1,069</b>	<b>6</b>	<b>(11)</b>	<b>105</b>	<b>0</b>	
<b>Total</b>	<b>31,124</b>	<b>342</b>	<b>(1,152)</b>	<b>1,678</b>	<b>0</b>	

	Gross values		Amortization/Depreciation/Impairment							Net values	
	Disposals	Sept. 30, 2005	Sept. 30, 2004	Currencies differences	Acquisitions/ divestitures of businesses	Additions	Transfers	Disposals	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005
	51	1,024	444	4	(28)	113	3	47	489	347	535
	0	5,055	831	14	(30)	79	0	0	894	3,139	4,161
	0	25	0	0	0	0	0	0	0	19	25
	7	49	0	0	0	0	0	0	0	53	49
	58	6,153	1,275	18	(58)	192	3	47	1,383	3,558	4,770
	111	6,183	3,080	13	(711)	320	2	59	2,645	4,631	3,538
	381	14,598	9,888	89	(538)	989	4	345	10,087	4,644	4,511
	193	2,242	1,553	11	(81)	224	(5)	165	1,537	636	705
	22	217	97	0	3	21	(4)	15	102	133	115
	34	631	1	0	0	2	0	1	2	559	629
	741	23,871	14,619	113	(1,327)	1,556	(3)	585	14,373	10,603	9,498
	23	55	19	0	2	1	0	7	15	29	40
	1	4	0	0	0	0	0	0	0	5	4
	47	329	0	0	0	0	0	0	0	341	329
	13	509	9	0	0	443	0	5	447	500	62
	5	3	3	0	0	0	0	3	0	3	3
	7	13	0	0	0	4	0	0	4	14	9
	73	87	18	0	0	2	0	6	14	128	73
	169	1,000	49	0	2	450	0	21	480	1,020	520
	968	31,024	15,943	131	(1,383)	2,198	0	653	16,236	15,181	14,788

## 11 Operating lease as lessor

The Group is the lessor of various commercial real estate under operating lease agreements. The gross value of the assets under lease is €811 million (2004: €2,362 million) and accumulated depreciation is €195 million (2003/2004: €704 million). The decrease results from the disposal of Residential Real Estate business.

As of September 30, 2005, the future minimum lease payments to be received on non-cancelable operating leases are as follows:

million €

(for fiscal year)	
2005/2006	39
2006/2007	25
2007/2008	18
2008/2009	15
2009/2010	11
thereafter	31
<b>Total</b>	<b>139</b>

The amounts reflected as future minimum lease payments do not contain any contingent rentals. No contingent rentals have been recognized in the consolidated statements of income in 2004/2005 (2003/2004: 0; 2002/2003: less than €100,000).

## 12 Inventories

million €

	Sept. 30, 2004	Sept. 30, 2005
Raw materials	1,295	1,787
Supplies	369	412
Work in process	2,151	2,449
<i>amount thereof relating to percentage-of-completion contracts</i>	370	577
<i>amount thereof relating to completed contracts</i>	43	1
Finished products	1,961	2,111
Merchandise	1,101	1,119
Advance payments to suppliers	266	576
	<b>7,143</b>	<b>8,454</b>
Less customer advance payments received	(803)	(781)
<b>Total</b>	<b>6,340</b>	<b>7,673</b>

Customer advance payments received in the amount of €279 million (2004: €0 million) are collateralized by inventories.

## 13 Trade accounts receivable

million €

	Sept. 30, 2004	Sept. 30, 2005
Receivables from sales of goods and services (excluding long-term contracts)	5,619	5,789
Unbilled receivables from long-term contracts, less customer deposits received	535	662
	<b>6,154</b>	<b>6,451</b>
Less allowance for doubtful accounts	(325)	(325)
<b>Total</b>	<b>5,829</b>	<b>6,126</b>

Receivables from the sales of goods and services in the amount of €39 million (2004: €49 million) have a remaining term of more than 1 year.

The Group regularly sells receivables under securitization programs and other programs which are accounted for in accordance with SFAS 140. The amount of receivables and notes sold and still outstanding as of September 30, 2005, was €1,075 million (2004: €1,077 million), resulting in net proceeds in the amount of €1,047 million (2003/2004: €1,042 million). The risk of loss associated with discounted notes receivable is €6 million (2004: €13 million). In some cases, when the Group sells receivables it retains servicing provisions and retained interests in the sold receivables. Due to the nature of the receivables sold, the retained interests in those receivables approximates cost. The value of the retained interests in sold receivables was €119 million as of September 30, 2005 (2004: €126 million), mainly consisting of cash reserve accounts held by the buyer. Costs associated with the sale of receivables, net of servicing fees received, primarily for discounts and other expenses related to the receivables sold, was €23 million (2003/2004: €28 million; 2002/2003: €31 million), and are included in "Financial expenses, net" in the consolidated statements of income.

The following table summarizes certain cash flow movements related to the securitization programs:

million €

	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Net proceeds from accounts receivable sales	6,606	6,789	6,292
Servicing fees received	21	22	12

## 14 Other receivables and other assets

million €

	Sept. 30, 2004	Sept. 30, 2005
Receivables due from non-consolidated subsidiaries	45	63
Receivables due from Associated Companies and other investees	150	129
Other assets	931	1,008
	<b>1,126</b>	<b>1,200</b>
Less allowance for doubtful accounts	(143)	(127)
<b>Total</b>	<b>983</b>	<b>1,073</b>

Other assets include tax refund claims in the amount of €270 million (2004: €189 million) as well as the positive fair market values of foreign currency derivatives including embedded derivatives, interest rate and commodity derivatives in the amount of €158 million (2004: €169 million) (see also Note (28)).

Other receivables and other assets in the amount of €73 million (2004: €79 million) have a remaining term of more than 1 year.

## 15 Allowance for doubtful accounts

million €

	Trade accounts receivable	Other receivables and other assets
<b>Balance as of Sept. 30, 2003</b>	<b>337</b>	<b>222</b>
Acquisitions/(divestitures)	(3)	(3)
Additional charges	90	34
Amounts utilized	(64)	(93)
Amounts reversed	(33)	(17)
Other changes	(2)	0
<b>Balance as of Sept. 30, 2004</b>	<b>325</b>	<b>143</b>
Acquisitions/(divestitures)	(20)	5
Additional charges	97	13
Amounts utilized	(50)	(25)
Amounts reversed	(33)	(10)
Other changes	6	1
<b>Balance as of Sept. 30, 2005</b>	<b>325</b>	<b>127</b>

## 16 Marketable securities classified as financial and operating assets

All securities presented in the consolidated balance sheet classified as either a component of financial assets or operating assets are available-for-sale securities:

million €

	Sept. 30, 2004	Sept. 30, 2005	Current portion	Non current portion
Securities presented as financial assets	14	9	0	9
Securities presented as operating assets	42	108	108	0
<b>Total</b>	<b>56</b>	<b>117</b>	<b>108</b>	<b>9</b>

The amortized cost, gross unrealized holding gain and fair value of available-for-sale securities by major security type and class of security were as follows:

million €

	Cost, amortized cost	Gross unrealized holding gain	Fair value
<b>Balance as of Sept. 30, 2004</b>			
Shares	4	2	6
Foreign government bond certificates	5	0	5
Corporation bond certificates	1	0	1
Debt based securities	7	0	7
Other marketable securities	37	0	37
<b>Total</b>	<b>54</b>	<b>2</b>	<b>56</b>

million €

	Cost, amortized cost	Gross unrealized holding gain	Fair value
<b>Balance as of Sept. 30, 2005</b>			
Shares	3	3	6
Foreign government bond certificates	44	0	44
Corporation bond certificates	6	0	6
Debt based securities	4	0	4
Other marketable securities	57	0	57
<b>Total</b>	<b>114</b>	<b>3</b>	<b>117</b>

The contractual maturities of debt securities available-for-sale as of September 30, 2005, regardless of their balance sheet classifications, are as follows:

Fair values in million €

	Sept. 30, 2005
Due within one year	51
Due between 1 and 5 years	55
Due between 5 and 10 years	1
Due after 10 years	0
<b>Total</b>	<b>107</b>

Proceeds from the sale of available-for-sale securities amounted to €8 million (2003/2004: €5 million; 2002/2003: €7 million). Gains of €3 million (2003/2004: €1 million; 2002/2003: €1 million) were realized. These amounts were determined using the specific identification method.

17 Prepaid expenses and deferred charges

million €

	Sept. 30, 2004	Sept. 30, 2005
Prepaid pension costs	74	110
Other prepaid expenses and deferred charges	147	166
<b>Total</b>	<b>221</b>	<b>276</b>

Prepaid expenses and deferred charges in the amount of €8 million (2004: €12 million) have a remaining term of more than 1 year.

18 Stockholders' Equity

Capital stock

The capital stock of ThyssenKrupp AG consists of 514,489,044 no-par-value bearer shares of common stock, all of which have been issued, with 499,149,151, 498,338,299 and 497,546,991 outstanding as of September 30, 2005, 2004 and 2003, respectively. Each share of common stock has a stated value of €2.56.

Principal owner

The Alfred Krupp von Bohlen und Halbach Foundation holds 20.6% of the shares of ThyssenKrupp AG as of September 30, 2005. It is a “principal owner” according to SFAS 57 “Related Party Disclosures”.

Treasury stock

In connection with an employee share purchase program, the Group issued 790,852 shares of treasury stock to its employees in the 3rd quarter of 2004/2005 (see Note 19) and 790,498 shares of treasury stock in the 2nd quarter of 2003/2004.

In May 2003, ThyssenKrupp AG repurchased 16,921,243 of its own no-par-value bearer shares of common stock from IFIC Holding AG, which represents €43,318,382.08 or approximately 3.29% of the capital stock of ThyssenKrupp AG. The purchase price per share was €24, resulting in a total purchase price of approximately €406 million.

The purpose of this share repurchase was to reduce IFIC Holding AG shareholding in ThyssenKrupp AG from 7.79% to less than 5%. IFIC Holding AG is indirectly owned by the Islamic Republic of Iran. The repurchase of shares from the government of Iran by ThyssenKrupp AG was necessary to avert severe and imminent damage to the Company (Art. 71 par. 1 no. 1 Stock Corporation Act (AktG)):

- Under us legislation (10 u.s.c. Art. 2327 and related provisions), the us ministry of defense and its departments are prohibited from awarding contracts to companies when a foreign government owns or controls a significant, i.e. greater than 5%, share of the company and that government has been determined by the us Secretary of State to be of a country that has repeatedly provided support for acts of terrorism. Companies concerned are disqualified from bidding for government contracts and placed on a public list issued by the u.s. General Services Administration, Office of Acquisition Policy (Listing).
- us companies, specifically automobile manufacturers, typically demand assurances from suppliers that they are unconditionally qualified to conclude government contracts. The legislation applies to contracts greater than us dollar 100,000 and subcontracts greater than us dollar 25,000.



- In view of the over 5% interest of IFIC Holding AG in ThyssenKrupp AG, at the end of April 2003, the Office of the United States Undersecretary of Defense announced that it would place the Group on the public list unless the interest held by IFIC Holding AG was reduced and a deadline of only a few days was set for confirmation of compliance. Previously, ThyssenKrupp AG had been requested to ensure that ThyssenKrupp subsidiaries would not bid for contracts above the legislative limits. All efforts by ThyssenKrupp AG to obtain a waiver or an amendment to the US legislation had failed and alternative, less drastic measures were not available. Through the repurchase of ThyssenKrupp AG shares from IFIC Holding AG, the imminent public listing and subsequent serious damage to ThyssenKrupp AG's business activities in the USA were avoided.
- ThyssenKrupp AG and its subsidiaries generate sales of just under 8 billion US dollar in the USA. A Listing would have jeopardized a significant portion of these sales – with a corresponding negative impact on income and jobs. This determination is based on damage as a result of the infringement/termination of existing contracts as well as consequential damage due to the loss of future contracts and damage to the Group's reputation.

As no additional assets were acquired as part of the share purchase transaction and the minority shareholder did not enter into any further agreements with ThyssenKrupp AG, the cost of the shares acquired was accounted for as a reduction of Stockholders' Equity.

### Authorization to issue and to purchase treasury stock

By resolution of the Annual Stockholders' Meeting on January 23, 2004, the Executive Board is authorized, subject to the approval of the Supervisory Board, to issue bearer bonds with a total par value up to €500 million and to grant the bond holders the right to convert the bonds into bearer shares of the Company (convertible bonds). The authorization is valid until January 22, 2009. In addition, by resolution of the Annual Stockholders' Meeting on January 21, 2005, ThyssenKrupp AG is authorized through July 20, 2006, to purchase treasury stock for certain defined purposes up to a total of 10% of the current capital stock issued. Since authorization no treasury shares were repurchased.

### Other comprehensive income

The following table shows the components of "Other comprehensive income", net of tax effects:

million €

	Year ending Sept. 30, 2003			Year ending Sept. 30, 2004			Year ending Sept. 30, 2005		
	Pre tax	Tax effect	Net	Pre tax	Tax effect	Net	Pre tax	Tax effect	Net
<b>Foreign currency translation adjustment:</b>									
Change in unrealized gains/(losses), net	(231)	0	(231)	(78)	0	(78)	176	0	176
Net realized (gains)/losses	2	0	2	0	0	0	0	0	0
<b>Net unrealized gains/(losses)</b>	<b>(229)</b>	<b>0</b>	<b>(229)</b>	<b>(78)</b>	<b>0</b>	<b>(78)</b>	<b>176</b>	<b>0</b>	<b>176</b>
<b>Unrealized gains/(losses) from market valuation of securities:</b>									
Change in unrealized holding gains/(losses), net	0	0	0	1	(1)	0	1	(1)	0
Net realized (gains)/losses	0	0	0	0	0	0	0	0	0
<b>Net unrealized holding gains/(losses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>(1)</b>	<b>0</b>	<b>1</b>	<b>(1)</b>	<b>0</b>
<b>Minimum pension liability adjustment</b>	<b>(505)</b>	<b>160</b>	<b>(345)</b>	<b>82</b>	<b>(30)</b>	<b>52</b>	<b>(890)</b>	<b>343</b>	<b>(547)</b>
<b>Unrealized gains/(losses) on derivative instruments:</b>									
Change in unrealized gains/(losses), net	25	(10)	15	35	0	35	80	(32)	48
Net realized (gains)/losses	6	(3)	3	(20)	0	(20)	(18)	7	(11)
<b>Net unrealized gains/(losses)</b>	<b>31</b>	<b>(13)</b>	<b>18</b>	<b>15</b>	<b>0</b>	<b>15</b>	<b>62</b>	<b>(25)</b>	<b>37</b>
<b>Other comprehensive income</b>	<b>(703)</b>	<b>147</b>	<b>(556)</b>	<b>20</b>	<b>(31)</b>	<b>(11)</b>	<b>(651)</b>	<b>317</b>	<b>(334)</b>

Dividend proposal

The Executive Board and Supervisory Board have agreed to propose to the stockholders' meeting a dividend in the amount of €0.70 plus a special dividend of €0.10 per share entitled to dividend to be distributed from unappropriated net income of the stand-alone entity ThyssenKrupp AG for fiscal 2004/2005 as determined in conformity with the principles of the German Commercial Code (HGB).

19 Share-based compensation programs

Management incentive plans

In 1999, ThyssenKrupp introduced a performance-based long-term management incentive plan (the "incentive plan") of which Executive Board members as well as selected managerial employees in Germany and foreign countries are eligible to participate. In accordance with the incentive plan, over a period of five years, beneficiaries are granted appreciation rights ("phantom stocks") annually with a performance period of approximately three years. These appreciation rights will be remunerated in cash at the end of each performance period if certain performance hurdles are met. These performance hurdles require that either the market price of ThyssenKrupp stock must have increased at least 15% or that the market price of ThyssenKrupp stock has outperformed the DJ STOXX index during the performance period. If at least one of the two performance hurdles is met, then remuneration is calculated based on the difference between the current market price and the base price of stock. The current market price is calculated based on the average of the first five trading days after the regular stockholders' meeting with which the respective installment of the incentive plan occurs. The base price is derived from the current market price decreased by a market price/index performance deduction and a price change deduction. The market price/index performance deduction is determined by multiplying the percentage of over or underperformance of the ThyssenKrupp stock in relation to the DJ STOXX by the current stock price during the particular performance period. The price change deduction is equal to one-half of the absolute change in ThyssenKrupp stock price during a particular performance period. The two deductions are combined and then deducted from the current stock price to obtain the base price. The remuneration per appreciation right during any performance period is limited to €25. If the performance hurdles are not met at the end of the performance period, the stock appreciation rights expire and no payment or expense is recorded by the Group.

To exclude measurement-date influences, the ThyssenKrupp stock price as well as the DJ STOXX is based on averages both for the start and the end of the reference period of the performance period. For the fifth installment, at the start of the reference period, the average ThyssenKrupp stock price was €8.06 and the average value of the DJ STOXX was 239.51. The comparable value as of September 30, 2005, is €17.12 for the fifth installment (adjusted by the dividend payment for the 2002/2003 and 2003/2004 fiscal years). The comparable value of the DJ STOXX as of September 30, 2005, was 416.98.

As of September 30, 2005, 2.5 million appreciation rights were granted to 513 beneficiaries in the fifth installment. The performance period for the fifth installment is from February 24, 2003 through the regular stockholders' meeting in 2006, respectively.

The first and second installments expired in 2001/2002 and 2002/2003 without any payment because none of the performance hurdles were met at the end of the respective performance periods. The 2.8 million appreciation rights granted in the third installment of the incentive plan were settled in the 2nd quarter of 2003/2004 with payment of €11.1 million as result of the performance hurdles being met at the end of the performance period. The 2.7 million appreciation rights granted in the fourth installment of the incentive plan were settled in the 2nd quarter of 2004/2005 with payment of €1.4 million as result of the performance hurdles being met at the end of the performance period.

The fair value of the appreciation rights used to calculate the pro-rata accrued liability as of the balance sheet date is based on the Black-Scholes option pricing model modified for the special features of the long-term management incentive plan. As of September 30, 2005, the fair value of the appreciation rights of the 5th installment was €13.09. The following assumptions were used for this calculation:

	5th installment
Risk-free interest rate	2.20%
Assumed dividends for 2003, 2004, 2005	€0.40; €0.50; €0.60
Expected stock price volatility	20.96%
Expected index volatility	11.75%

The risk-free interest rate is based on EURIBOR appropriate to the expiry of the installment being valued. Assumed dividends equal dividends paid. Expected volatilities are based on historical volatility of the ThyssenKrupp stock and the DJ STOXX.

As of September 30, 2005, the performance hurdles for the fifth installment of the long-term management incentive plan were met.

In total in 2004/2005, the Group recorded inclusive of the change in accounting principle compensation expense for the long term management incentive plan in the amount of €10.2 million (2003/2004: €27.7 million).

In 2003, ThyssenKrupp implemented a performance based mid-term incentive plan which issues stock rights to eligible participants. All Executive Board members of ThyssenKrupp AG are eligible to participate. In the second installment which was issued in 2004, the group of beneficiaries was expanded to include the segment lead companies as well as several other selected executive employees. In the third installment which was issued in 2005, the group of beneficiaries was expanded for a second time to include managing directors and selected executive employees at major Group subsidiaries. 123,381 stock rights were issued in the first installment, 252,068 stock rights in the second installment and 533,739 stock rights in the third installment.

The number of stock rights issued will be adjusted at the end of each performance period based on the average economic value added (EVA) over the three-year performance period, beginning October 01 of the year the stock rights were granted, compared to the average EVA over the previous three fiscal year period. At the end of the performance period the stock rights will be settled in cash based on the average price of ThyssenKrupp stock during the three month period immediately following the performance period.

To determine the fair value of the stock rights used to calculate the pro-rata liability as of the balance sheet date forward prices of the ThyssenKrupp stock are calculated. 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 this calculation:

	1st installment	2nd installment	3rd installment
Maturity	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007
Averaging period	Oct. 01 to Dec. 31, 2005	Oct. 01 to Dec. 31, 2006	Oct. 01 to Dec. 31, 2007
ThyssenKrupp stock price as of balance sheet date	€17.37	€17.37	€17.37
Assumed dividend payment(s) per stock until maturity	—	€0.70 on Jan. 30, 2006	€0.70 on Jan. 30, 2006 €0.70 on Jan. 29, 2007
Average dividend yield	—	3.74%	3.96%
Average interest rate (averaging period)	2.15%	2.32%	2.54%
<b>Fair value as of Sept. 30, 2005</b>	<b>€17.32</b>	<b>€16.62</b>	<b>€15.94</b>

ThyssenKrupp recorded inclusive of the change in accounting principle compensation expense of €16.9 million during fiscal year 2004/2005 (2003/2004: €2.1 million) for obligations under the mid-term incentive plan.

### Employee share purchase program

In the 3rd quarter 2004/2005, the Group offered eligible members of its domestic and French workforce the right to purchase up to €270 in ThyssenKrupp shares at a 50% discount as part of an employee share purchase program. The issuance of 790,852 treasury shares for this program resulted in the Group recording compensation expense of €6.3 million.

## 20 Accrued pension and similar obligations

million €

	Sept. 30, 2004	Sept. 30, 2005
Accrued pension liability	6,380	7,103
Accrued postretirement obligations other than pensions	533	592
Other accrued pension-related obligations	308	377
<b>Total</b>	<b>7,221</b>	<b>8,072</b>

Pensions and similar obligations in the amount of €7,571 million (2004: €6,706 million) have a remaining term of more than 1 year.

## Pension plans

The Group maintains defined benefit pension plans and defined contribution plans that cover the majority of the employees in Germany, the USA, Canada and the United Kingdom. In some other countries, eligible employees receive benefits in accordance with the respective local requirements.

In Germany, benefits generally take the form of pension payments that are indexed to inflation. Benefits for some senior staff are based on years of service and salary during a reference period, which is generally three years prior to retirement. Other employees receive benefits based on years of service. In addition, ThyssenKrupp offers certain German employees the opportunity to participate in a defined benefit program which allows for the deferral of compensation which earns interest at a rate of 6.00% per year.

In the USA and Canada, hourly paid employees receive benefits based on years of service. Salaried employee benefits are typically

based on years of service and salary history. In the United Kingdom, employee benefits are based on years of service and an employee's final salary before retirement.

## Projected benefit obligations and funded status

The Group differentiates between its unfunded and funded pension obligations. The obligations presented in the unfunded category relate primarily to pension obligations in Germany and to a lesser extent, the benefit obligations in Italy and similar pension obligations in other countries. The obligations presented in the funded plan category primarily are associated with plans located in the USA, Canada, the United Kingdom and the Netherlands. In October 2003, the Group also funded a portion of the pension obligations in Germany which have been included in the funded plan category.

The reconciliation of the changes in the projected benefit obligations and the fair value of plan assets are as follows:

million €

	Sept. 30, 2004		Sept. 30, 2005	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
<b>Change in projected benefit obligations (PBO):</b>				
PBO at beginning of fiscal year	1,939	6,024	2,052	5,919
Service cost	60	56	66	53
Interest cost	113	297	119	303
Participant contributions	4	0	4	0
Plan amendments	3	32	1	(1)
Actuarial loss	11	59	334	970
Acquisitions/(divestitures)	109	(115)	(3)	(186)
Curtailments	(2)	0	(17)	(127)
Currency changes	(53)	0	79	0
Benefit payments	(132)	(434)	(133)	(421)
<b>PBO at end of fiscal year</b>	<b>2,052</b>	<b>5,919</b>	<b>2,502</b>	<b>6,510</b>
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of fiscal year	1,336		1,537	
Actual return on plan assets	212		164	
Acquisitions/(divestitures)	11		0	
Employer contributions	141		109	
Participant contributions	4		4	
Curtailments and settlements	0		(12)	
Currency changes	(35)		52	
Benefit payments	(132)		(132)	
<b>Fair value of plan assets at end of fiscal year</b>	<b>1,537</b>		<b>1,722</b>	

The following represents the funded status of these plans:

million €

	Sept. 30, 2004		Sept. 30, 2005	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Funded status at end of fiscal year	(515)	(5,919)	(780)	(6,510)
Unrecognized net obligation at initial date of application of SFAS 87	0	14	0	6
Unrecognized prior service cost	19	33	14	29
Unrecognized actuarial loss	526	86	823	875
4th quarter employer contributions and benefit payments	29	103	45	102
<b>Net amount recognized</b>	<b>59</b>	<b>(5,683)</b>	<b>102</b>	<b>(5,498)</b>
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid benefit cost	74	0	110	0
Accrued pension liability	(498)	(5,882)	(765)	(6,338)
Intangible asset	18	35	14	36
Accumulated other comprehensive income*	465	164	743	804
<b>Net amount recognized</b>	<b>59</b>	<b>(5,683)</b>	<b>102</b>	<b>(5,498)</b>

\* including minorities

## Accumulated benefit obligations

The accumulated benefit obligation for all defined benefit pension plans was €8,828 million (2004: €7,828 million). Pension plans for which the aggregated projected benefit obligation exceeds the fair value of plan assets relate to projected benefit obligations in the amount of €2,495 million (2004: €2,009 million) versus plan assets in the amount of €1,716 million (2004: €1,519 million). Pension plans for which the aggregated accumulated benefit obligation exceeds

the fair value of plan assets relate to accumulated benefit obligations in the amount of €2,401 million (2004: €1,924 million) versus plan assets in the amount of €1,714 million (2004: €1,506 million).

## Net periodic pension cost

The net periodic pension cost for the defined benefit plans were as follows:

million €

	Year ending Sept. 30, 2003		Year ending Sept. 30, 2004		Year ending Sept. 30, 2005	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Service cost	44	63	60	56	66	53
Interest cost	119	336	113	297	119	304
Expected return on plan assets	(145)	0	(128)	0	(126)	0
Amortization of transition obligations	(1)	38	(1)	36	0	6
Amortization of prior service cost	9	0	7	0	7	2
Amortization of actuarial loss	1	0	18	4	22	3
Settlement and curtailment loss	4	0	0	0	1	14
<b>Net periodic pension cost</b>	<b>31</b>	<b>437</b>	<b>69</b>	<b>393</b>	<b>89</b>	<b>382</b>

## Assumptions

The measurement date for the Group's pension plans is June 30. The assumptions for discount rates and the rates of compensation increase on which the calculation of the obligations are based were derived in accordance with standard principles and established for each country as a function of their respective economic conditions. The expected return on plan assets is determined based on detailed studies conducted by the plans' third party investment and actuarial advisors. The studies take into consideration the long-term historical returns and the future estimates of long-term investment returns based on the target asset allocation.

Until fiscal year 2003/2004, the German retirement benefits were based on the Heubeck Table 1998. For fiscal year 2004/2005, valuation was based on the Heubeck Table 2005 adjusted due to the specific circumstances within the Group. The adjustments resulted in modified assumptions for longer life expectancy starting with the age of 65 based on Mortality Table 2002/2004 of the German Statistical Federal Agency and for probability of marriage based on Heubeck Table 1998.

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

in %

	Sept. 30, 2004		Sept. 30, 2005	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Weighted-average assumptions as of June 30:				
Discount rate	6.07	5.42*	5.04	3.95*
Rate of compensation increase	4.04	3.00	2.35	2.47

\* Germany: 2003/2004: 5.50%; 2004/2005: 4.0%

The Group applied the following weighted average assumptions to determine net periodic pension cost:

in %

	Year ending Sept. 30, 2003		Year ending Sept. 30, 2004		Year ending Sept. 30, 2005	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Weighted-average assumptions as of June 30:						
Discount rate	6.91	5.90*	5.84	5.17*	6.07	5.42*
Expected return on plan assets	9.03	–	8.16	–	7.73	–
Rate of compensation increase	4.22	3.00	3.86	2.50	4.04	3.00

\* Germany: 2002/2003: 6.00%; 2003/2004: 5.25%; 2004/2005: 5.50%

## Plan assets

In the Group, the majority of reported plan assets associated with the funded pension plans are located in the USA, Canada, the United Kingdom and to a lesser extent in the Netherlands and Germany. The Group invests in diversified portfolios consisting of an array of asset classes to attempt an optimized diversification regarding risk and rate of return. The asset classes include national and international

stocks, fixed income government and non-government securities and real estate. Plan assets do not include any direct investments in ThyssenKrupp debt or equity securities.

The Group uses professional investment managers to invest plan assets based on specific investment guidelines developed by the plans Investment Committees. The Investment Committees consist of senior financial management especially from treasury and other

appropriate executives. The Investment Committees meet regularly to approve the target asset allocations, and review the risks and performance of the major pension funds and approve the selection and retention of external managers.

The Group's target portfolio structure has been developed based on asset-liability studies that were performed for the major pension funds within the Group.

The pension plan asset allocation and target allocation are as follows:

in %

	Plan assets as of		Target allocation
	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2006
Equity securities	69	67	60 – 75
Debt securities	21	26	15 – 25
Real estate/other	10	7	10 – 15
<b>Total</b>	<b>100</b>	<b>100</b>	

## Pension plan funding

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 and Canada, certain plans require minimum funding based on collective bargaining agreements. The Group may from time to time make additional contributions at its own discretion. ThyssenKrupp's expected contribution in fiscal year 2005/2006 is €82 million related to its funded plans, all of which is expected to be as cash contributions.

## Pension benefit payments

In fiscal year 2004/2005, pension benefit payments to the Group's funded and unfunded plans were €133 million (2003/2004: €132 million) and €421 million (2003/2004: €434 million) respectively. The estimated future pension benefits to be paid by the Group's defined benefit pension plans are as follows:

million €

	Funded plans	Unfunded plans
(for fiscal year)		
2005/2006	139	427
2006/2007	142	431
2007/2008	144	428
2008/2009	146	425
2009/2010	148	421
2010/2011-2014/2015	773	2,071
<b>Total</b>	<b>1,492</b>	<b>4,203</b>

## 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 such contributions in the current fiscal year was €29 million (2003/2004: €30 million; 2002/2003: €31 million).

## Postretirement obligations other than pensions

The Group provides certain postretirement health care and life insurance benefits to retired employees in the USA and Canada who meet certain minimum requirements regarding age and length of service. The plans primarily relate to the ThyssenKrupp Budd Company and are mainly unfunded.

The changes in accumulated postretirement benefit obligations are as follows:

million €

	Sept. 30, 2004 US/Canadian plans	Sept. 30, 2005 US/Canadian plans
<b>Change in accumulated postretirement benefit obligation:</b>		
Accumulated postretirement benefit obligation at beginning of fiscal year	1,008	891
Service cost	19	16
Interest cost	53	53
Plan amendments	(48)	0
Actuarial loss/(gain)	(40)	252
Acquisitions/(divestitures)	(1)	0
Curtailments	(1)	0
Currency changes	(48)	45
Benefit payments	(51)	(51)
<b>Accumulated postretirement benefit obligation at end of fiscal year</b>	<b>891</b>	<b>1,206</b>

The following represents the unfunded status of these plans:

million €

	Sept. 30, 2004 US/Canadian plans	Sept. 30, 2005 US/Canadian plans
Unfunded status at end of fiscal year	(891)	(1,206)
Unrecognized prior service cost	(57)	(53)
Unrecognized actuarial loss	403	653
4th quarter employer contributions and benefit payments	12	14
<b>Net amount recognized for postretirement obligations other than pensions</b>	<b>(533)</b>	<b>(592)</b>

## Assumptions

The Group uses a measurement date of June 30 for all the plans. The determination of the accumulated postretirement benefit obligations is based on the following weighted average assumptions:

in %

	Sept. 30, 2004 US/Canadian plans	Sept. 30, 2005 US/Canadian plans
Weighted-average assumptions as of June 30:		
Discount rate	6.25	5.20
Health care cost trend rate for the following year	10.01	8.39
Ultimate health care cost trend rate (expected in 2009)	5.45	5.44

The determination of the net periodic postretirement benefit cost is based on the following weighted average assumptions:

in %

	Sept. 30, 2003 US/Canadian plans	Sept. 30, 2004 US/Canadian plans	Sept. 30, 2005 US/Canadian plans
Weighted-average assumptions as of June 30:			
Discount rate	7.23	6.00	6.25
Health care cost trend rate for the following year	11.63	10.88	10.01
Ultimate health care cost trend rate (expected in 2009)	5.46	5.46	5.45

## Net periodic postretirement benefit cost

The net periodic postretirement benefit cost for health care obligations is as follows:

million €

	Sept. 30, 2003 US/Canadian plans	Sept. 30, 2004 US/Canadian plans	Sept. 30, 2005 US/Canadian plans
Service cost	13	19	16
Interest cost	57	53	53
Amortization of prior service cost	(2)	(4)	(6)
Amortization of actuarial loss	18	28	27
Curtailment gain	0	(3)	0
Net periodic postretirement benefit cost	<b>86</b>	<b>93</b>	<b>90</b>

The effects of a one-percentage-point increase or decrease in the assumed health care cost trend rates are as follows:

million €

	one-percentage-point	
	Increase	Decrease
Effect on service and interest cost components	14	(11)
Effect on postretirement benefit obligation	183	(147)

## Postretirement benefit payments

Postretirement benefit payments of the Group amounted to €51 million in fiscal year 2004/2005 (€51 million in 2003/2004). The estimated future postretirement benefits to be paid by the Group's postretirement benefit plans and the subsidy related to Medicare Act received, are as follows:

million €

	Benefit payments	Subsidy receipts
(for fiscal year)		
2005/2006	57	2
2006/2007	59	3
2007/2008	62	3
2008/2009	65	3
2009/2010	68	4
2010/2011 - 2014/2015	371	19
<b>Total</b>	<b>682</b>	<b>34</b>



## Other pension related obligations

Some companies of the Steel segment and Corporate grant termination benefits to employees on a contractual basis. The termination benefits comprise severance payments that vest based on a formula that considers years of service and certain allowances that are paid to older employees between termination of employment and retirement age. The majority of the obligations relate to the closing of the Dortmund steel plants. The measurement of the plans was determined on an actuarial basis. The liability reflects benefits earned by the employees from the inception of employment. Future service cost is allocated to the periods in which it is incurred. The discount rate is 2.5% as of September 30, 2005 and 3.0% as of September 30, 2004. A rate of compensation increase of 2.5% has been assumed.

The accrued liability of the plans has developed as follows:

million €

	Sept. 30, 2004	Sept. 30, 2005
Accrued liability at beginning of fiscal year	53	29
Service cost	7	30
Interest cost	1	1
Actuarial loss	5	3
Benefit payments	(37)	(20)
<b>Accrued liability at end of fiscal year</b>	<b>29</b>	<b>43</b>

Some German companies have obligations resulting from partial retirement agreements. Under these agreements, employees work additional time prior to retirement, which is subsequently paid for in installments after retirement. For these obligations, accruals in the amount of €196 million (2004: €169 million) were recognized in accordance with SFAS 112 "Employers' Accounting for Postemployment Benefits". Other pension-related obligations also include the obligations for existing employees of French companies in the amount of €25 million (2004: €23 million).

## 21 Other accrued liabilities

million €

	Sept. 30, 2004	Sept. 30, 2005
<b>Accrued income taxes and other taxes (for current taxes)</b>	<b>540</b>	<b>512</b>
<b>Other provisions</b>		
Product warranties and product defects	284	373
Other accrued contractual costs	422	712
Derivative financial instruments	138	247
Accrued compensation and benefit costs	823	879
Restructuring activities	106	73
Asset retirement obligations	215	250
Environmental obligations	23	27
Other miscellaneous accruals	369	522
	<b>2,380</b>	<b>3,083</b>
<b>Other accrued liabilities</b>	<b>2,920</b>	<b>3,595</b>

Accrued income taxes and other taxes in the amount of €14 million (2004: €15 million) and other provisions in the amount of €681 million (2004: €475 million) have a remaining term of more than 1 year.

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).

The change in the accrued liability for product warranties and product defects is as follows:

million €

<b>Balance as of Sept. 30, 2003</b>	<b>304</b>
Currency changes	(6)
Acquisitions/(divestitures)	(2)
Amounts utilized	(91)
Changes from product warranties issued in 12 months of 2003/2004	121
Changes from prior periods product warranties and product defects issued	(42)
<b>Balance as of Sept. 30, 2004</b>	<b>284</b>
Currency changes	6
Acquisitions/(divestitures)	14
Amounts utilized	(29)
Changes from product warranties issued in 12 months of 2004/2005	147
Changes from prior periods product warranties and product defects issued	(49)
<b>Balance as of Sept. 30, 2005</b>	<b>373</b>

Other accrued contractual costs represent pending losses from uncompleted contracts.

Accrued liabilities for derivative financial instruments refer to the negative fair market values of foreign currency derivatives including embedded derivatives, interest rate derivatives and commodity derivatives (see also Note 28).

Accrued compensation and benefit costs represent employment anniversary bonuses and accrued vacation, while social plan and related costs pertaining to personnel related structural measures are reflected in the accrual for restructuring activities. Pension related obligations for partial retirement agreements and early retirement programs are part of the accrual for pensions and similar obligations.

The restructuring accrual is subdivided into accruals 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.

Restructuring measures are being carried out in all segments. The accrued balance as of September 30, 2005, consists mainly of €22 million within the Automotive segment, €18 million within the Technologies segment and €19 million within the Services segment. The total expense (net of additional charges and reversals) in the amount of €17 million consists mainly of €13 million within the Automotive segment. The change in the accrual balance is as follows:

million €

	Involuntary employee termination benefits and relocation costs	Exit costs	Total
<b>Balance as of Sept. 30, 2003</b>	<b>92</b>	<b>37</b>	<b>129</b>
Acquisitions/(divestitures)	2	0	2
Additional charges	68	8	76
Amounts utilized	(61)	(15)	(76)
Reversals	(14)	(9)	(23)
Currency changes	(1)	(1)	(2)
<b>Balance as of Sept. 30, 2004</b>	<b>86</b>	<b>20</b>	<b>106</b>
Acquisitions/(divestitures)	12	0	12
Additional charges	29	4	33
Amounts utilized	(57)	(5)	(62)
Reversals	(14)	(2)	(16)
<b>Balance as of Sept. 30, 2005</b>	<b>56</b>	<b>17</b>	<b>73</b>

Of the total amount of restructuring accruals as of September 30, 2005, €1 million (2004: €3 million) relate to restructuring charges in connection with acquisitions.

The accrued liability for asset retirement obligations mainly consists of obligations associated with mining activities and recultivating landfills. In most cases the associated asset was already fully depreciated at the time of the adoption of the Standard, so an adjustment to any existing liability resulting from the adoption of SFAS 143 was income effective and shown as a cumulative effect of change in accounting principles.

As a result of adopting SFAS 143, expense of €14 million (expense of €6 million net of tax) has been recorded as cumulative effect of a change in accounting principle in fiscal year 2002/2003. Included in the €14 million cumulative effect adjustment is €29 million (€21 million net of tax) of income from the first time application of SFAS 143 as of January 01, 2003 by a significant equity method investee.

The change in the accrued liability for asset retirement obligations is as follows:

million €

<b>Balance as of Sept. 30, 2004</b>	<b>215</b>
Additions	49
Accretion	2
Amounts utilized	– 8
Revisions in estimates and reversals	– 8
<b>Balance as of Sept. 30, 2005</b>	<b>250</b>

Provisions for environmental obligations refer primarily to rehabilitating contaminated sites, redevelopment and water protection measures.

## 22 Financial payables

### BOOK VALUES in million €

	Sept. 30, 2004	amount thereof with remaining term	Sept. 30, 2005	amount thereof with remaining term of		
				up to 1 year	more than 1 year	amount thereof more than 5 years
Bonds	2,051	2,051	2,800	806	1,994	1,495
Notes payable	324	314	310	10	300	0
Payables to financial institutions	1,612	1,091	1,491	748	743	85
Acceptance payables	45	0	21	21	0	0
Capital lease obligations	174	143	149	27	122	46
Other loans	64	24	43	28	15	2
<b>Financial payables</b>	<b>4,270</b>	<b>3,623</b>	<b>4,814</b>	<b>1,640</b>	<b>3,174</b>	<b>1,628</b>

Financial payables in the amount of €318 million (2004: €460 million) are collateralized by real estate.

As of September 30, 2005, the financial payables reflect a total discount in the amount of €8 million (2004: €9 million)

and there were no offsetting premium (2004: €1 million). Amortization of discounts and premiums of financial payables are included in "Interest expense, net".

### BONDS, NOTES PAYABLE

	Book value in million € Sept. 30, 2004	Book value in million € Sept. 30, 2005	Nominal value in million € Sept. 30, 2005	Interest rate in %	Fair value in million € Sept. 30, 2005	Maturity Date
ThyssenKrupp Finance Nederland B.V. bond (DM 600 million) 98/06	307	306	307	5.250	313	07/14/2006
ThyssenKrupp Finance Nederland B.V. bond (€500 million) 01/06	500	500	500	5.750	508	04/05/2006
ThyssenKrupp Finance Nederland B.V. bond (€500 million) 02/09	498	499	500	7.000	562	03/19/2009
ThyssenKrupp AG bond (€750 million) 04/11	746	747	750	5.000	803	03/29/2011
ThyssenKrupp AG bond (€750 million) 05/15	-	748	750	4.375	771	03/18/2015
Giddings & Lewis note loan (USD 100 million) 95/05	5	-	-	7.500	-	10/01/2005
ThyssenKrupp Stahl AG note loan (DM 200 million) 93/05	20	10	10	7.050	11	10/15/2005
ThyssenKrupp AG note loan (€100 million) 00/07	100	100	100	6.000	108	02/21/2007
ThyssenKrupp AG note loan (€50 million) 00/07	50	50	50	5.800	53	03/16/2007
ThyssenKrupp AG note loan (€100 million) 01/07	100	100	100	5.450	109	10/25/2007
ThyssenKrupp AG note loan (€50 million) 04/09	49	50	50	4.500	53	01/19/2009
<b>Total</b>	<b>2,375</b>	<b>3,110</b>	<b>3,117</b>		<b>3,291</b>	

ThyssenKrupp AG has assumed the unconditional and irrevocable guarantee for the due payments pursuant to the terms and conditions of these and all other bonds of ThyssenKrupp Finance Nederland B.V.

On March 18, 2005, ThyssenKrupp AG issued a 4.375% bearer bond with a volume of €750 million. The bond will be due on March 18, 2015. With the bond issuance ThyssenKrupp used the favourable

market conditions for long-term financing and the maturities of financial liabilities were prolonged.

Apart from the note loan of ThyssenKrupp Stahl AG, which is to be repaid in annual installments of €10.2 million, all bonds and note loans are interest only with principle due at maturity.

As of September 30, 2005, the financing structure of payables to financial institutions and other loans comprise the following:

## PAYABLES TO FINANCIAL INSTITUTIONS, OTHER LOANS

	Book value in million € Sept. 30, 2004	Book value in million € Sept. 30, 2005	Amount thereof in €	Weighted average interest rate % Sept. 30, 2005	Amount thereof in USD	Weighted average interest rate % Sept. 30, 2005	Amount thereof in other currencies	Fair value in million € Sept. 30, 2005
Revolving bilateral bank loans (at variable interest rates)	61	36	36	2.63	—	—	—	36
Other loans at variable interest rates	1,142	1,216	186	3.43	723	4.46	307	1,216
At fixed interest rates (excluding real estate credits)	320	279	269	5.28	1	5.00	9	298
Real estate credits at fixed interest rates	153	3	3	6.48	—	—	—	3
<b>Total</b>	<b>1,676</b>	<b>1,534</b>	<b>494</b>	<b>4.40</b>	<b>724</b>	<b>4.46</b>	<b>316</b>	<b>1,553</b>

As of September 30, 2005, ThyssenKrupp has available a €2.5 billion syndicated joint credit multi-currency-facility agreement. The new agreement fixed in July 2005 expires on July 01, 2010. At each of the first two anniversaries of the facility, the facility can be extended for one year with mutual consent. The facility agreement was not utilized as of the balance sheet date. The new facility replaces the two facilities of November 2000 and August 2002 of USD 1.5 billion each.

Another component of financial payables are revolving credit agreements with banking institutions whereby ThyssenKrupp AG, ThyssenKrupp USA, Inc. or ThyssenKrupp Finance Nederland B.V. can borrow in Euros, U.S. dollar or in British pounds Sterling up to approximately €1,858 million. Of these facilities, 82% have a remaining term of more than 5 years and 18% a remaining term of up to 5 years. As of September 30, 2005, €36 million of cash loans were outstanding at a weighted average interest rate of 2.63%.

The Group's Commercial Paper Program also provides up to €1.5 billion in additional financing. As of September 30, 2005, the program was not used.

The future minimum lease payments for capital lease obligations as of September 30, 2005 amount to:

million €

(for fiscal year)	
2005/2006	42
2006/2007	37
2007/2008	29
2008/2009	27
2009/2010	33
thereafter	76
<b>Total future minimum payments</b>	<b>244</b>
less executory costs	(52)
less interest	(43)
<b>Present value of future minimum lease payments (= payables from capital lease)</b>	<b>149</b>

Maturities of financial payables are as follows:

million €

	Total financial payables	thereof: Payables to financial institutions
(for fiscal year)		
2005/2006	1,640	748
2006/2007	287	113
2007/2008	367	249
2008/2009	819	245
2009/2010	73	51
thereafter	1,628	85
<b>Total</b>	<b>4,814</b>	<b>1,491</b>

## 23 Trade accounts payable

in million €

	Sept. 30, 2004	amount thereof with remaining term	Sept. 30, 2005	amount thereof with remaining term of		
		more than 1 year		up to 1 year	more than 1 year	amount thereof more than 5 years
Trade accounts payable	3,678	21	4,053	4,022	31	0

## 24 Other payables

million €

	Sept. 30, 2004	amount thereof with remaining term	Sept. 30, 2005	amount thereof with remaining term of		
		more than 1 year		up to 1 year	more than 1 year	amount thereof more than 5 years
Payables to non-consolidated subsidiaries	20	0	18	18	0	0
Payables to Associated Companies and other investees	164	3	96	96	0	0
Payables from orders in progress (POC)	1,485	513	3,062	1,991	1,071	65
Miscellaneous payables	1,479	76	1,567	1,552	15	4
amount thereof for taxes	341	13	295	292	3	2
amount thereof for social security	209	0	209	209	0	0
<b>Other payables</b>	<b>3,148</b>	<b>592</b>	<b>4,743</b>	<b>3,657</b>	<b>1,086</b>	<b>69</b>

Other payables in the amount of €1 million (2004: €7 million) are collateralized by real property.

The payables to non-consolidated subsidiaries originated mainly from intercompany financing and from profit and tax sharing agreements.

Miscellaneous payables also include obligations to the employees in the amount of €440 million (2004: €410 million).

## 25 Deferred income

Deferred income in the amount of €21 million (2004: €7 million) has a remaining term of more than 1 year.

million €

	Maximum potential amount of future payments as of		Accrued liability as of	
	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005
Advance payment bonds	3	20	0	0
Performance bonds	98	101	0	0
Third party credit guarantee	27	33	0	0
Residual value guarantees	58	58	1	1
Other guarantees	229	504	2	1
<b>Total</b>	<b>415</b>	<b>716</b>	<b>3</b>	<b>2</b>

## 26 Commitments and contingencies

### Guarantees

ThyssenKrupp AG and its segment lead companies as well as – in individual cases – its subsidiaries have issued or have had guarantees issued in favor of customers or lenders. The following table shows obligations under guarantees where the principal debtor is not a consolidated Group company.

The terms of these guarantees depend on the type of guarantee and may range from three months to ten years (e.g. rental payment guarantees).

The basis for possible payments under the guarantees is always the non-performance of the primary obligor under a contractual agreement, e.g. late delivery, delivery of non-conforming goods under a contract, non-performance with respect to the warranted quality or default under a loan agreement.

All guarantees issued by or issued by instruction of ThyssenKrupp AG or the segment lead companies are based on requests from third parties and are subject to recourse provisions in case of default. In some cases the Group, as the guarantor, has concluded collateralization agreements to partially or fully cover a potential loss from its performance under such guarantee.

ThyssenKrupp bears joint and several liability as a member of certain civil law partnerships, ordinary partnerships and consortiums.

### Variable interest entities

ThyssenKrupp has leased facilities used in the production of coke and transloading of coal from three entities which have characteristics of variable interest entities as described in the FASB Interpretation No. 46 (Revised December 31, 2003), "Consolidation of Variable Interest Entities". The application of the rules of this Interpretation to the two companies acting as operators of these facilities resulted in the consolidation of these variable interest entities as of July 01, 2003. The consolidation of these companies does not have a material effect on the results of operations or the financial position of the Group.

In addition, upon review of the owner company, that is also considered to be a variable interest entity under the scope of the Interpretation, it was determined that the Group is not the primary beneficiary of this company and consequently will not include this entity in the consolidated financial statements. The obligations of the Group existing under the leasing and purchasing agreements are included in the future minimum lease payments from operating lease as disclosed below. The Group's theoretical maximum exposure to loss from both facilities amounts to approximately €63 million and results from the residual value guarantees for the assets at the end of the lease and purchasing agreements.

### Commitments and other contingencies

The Group is the lessee to property, plant and equipment classified as operating leases. Rental expense in the amount of €246 million (2003/2004: €239 million; 2002/2003: €177 million) resulting from rental contracts, long-term leases and leasing contracts classified as operating leases was incurred in fiscal 2004/2005. It comprises as follows:

million €

	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Minimum rental payments	178	239	247
Contingent rental payments	0	1	0
less income from sublease agreements	(1)	(1)	(1)
<b>Total</b>	<b>177</b>	<b>239</b>	<b>246</b>

The future minimum rental payments, excluding accrued interest from such non-cancelable contracts that have an initial or remaining term of more than one year as of September 30, 2005, are (at face amounts):

million €

(for fiscal year)	
2005/2006	200
2006/2007	177
2007/2008	160
2008/2009	139
2009/2010	129
thereafter	682
<b>Total</b>	<b>1,487</b>

The future minimum rental income from non-cancelable sublease contracts in the amount of €14 million (2003/2004: €28 million; 2002/2003: €16 million) is not included in the total of future minimum rental payments.

The commitment to enter into investment projects amounts to €281 million (2004: €266 million) and relates mainly to the Steel segment.

Payment commitments and obligations to make further contributions to corporations and cooperative associations exist in the total amount of €4 million (2004: €3 million). In addition, other financial commitments exist in the amount of €1,790 million (2004: €1,760 million), primarily from the commitments to purchase iron ore and coking coal under long term supply contracts and obligations under ship-charter contracts in the Steel segment as well as purchasing commitments resulting from the outsourcing of IT services.

The European Commission has conducted pre-investigations in several European countries involving European companies which manufacture, sell and service elevators and escalators. ThyssenKrupp Group companies have been part of the pre-investigation in these countries. The investigation shall determine whether effective European antitrust law has been violated. The

Group is cooperating with the Commission's investigation. However, as of the balance sheet date these investigations have not developed to the point that a reasonable estimate of any financial consequences is possible. Regarding the progress of these investigations we refer to our comments in Note 31 "Subsequent events".

## 27 Pending lawsuits and claims for damages

Former stockholders of Thyssen and of Krupp have petitioned per Art. 305 UmwG (Reorganization Act) for a judicial review of the share exchange ratios used in the merger of Thyssen AG and Fried. Krupp AG Hoesch-Krupp to form ThyssenKrupp AG. The proceedings are pending with the Düsseldorf Regional Court. Should a ruling be made in favor of the petitioners, the Court would require settlement to be made via an additional cash payment plus interest. The additional payment also would be required to all affected stockholders, even if they were not petitioners in the judicial proceedings. However, the Group believes, based on the facts of the case, that an unfavorable outcome is unlikely.

As a result of the integration of Thyssen Industrie AG into Thyssen AG, the Group is defendant to court proceedings from minority stockholders of Thyssen Industrie AG to examine the appropriateness of the merger consideration received. If the court rules that the consideration offered was inappropriate, the increased consideration will be granted to all outside stockholders by an additional cash payment.

The Group is involved in pending and threatened litigation in connection with the purchase and the sale of certain companies, which may lead to partial repayment of purchase price or to the award of damages. In addition, damage claims may be payable to customers and subcontractors under performance contracts. Certain of these claims have proven unfounded or have expired under the statute of limitations. The Group believes, based upon consultation with relevant legal counsel, that the ultimate outcome of these pending and threatened lawsuits will not result in a material impact on the Group's financial condition or results of operations.

The Group is subject to various other lawsuits, claims and proceedings related to matters incidental to its business. Based upon the best knowledge of Management, the Group does not believe that the ultimate outcome of such other pending matters will have a material effect on the financial condition or results of operations of ThyssenKrupp AG or its subsidiaries.

## 28 Other financial instruments

Besides the non-derivative financial instruments the Group uses a variety of derivative financial instruments, including foreign currency forward contracts, foreign currency options, interest rate swaps, cross currency swaps and commodity forward contracts in order to reduce its exposure to foreign currency, interest rates and commodity price risks. Derivative financial instruments are used exclusively to hedge existing or anticipated underlying transactions.

The Group is exposed to potential credit-related losses, limited to the unrealized gain on such contracts that have a positive fair market value, in the event of non-performance by counterparties to these financial instruments. The counterparties to these agreements are major international business partners and therefore the risk of loss due to non-performance is believed to be minimal.

### Central foreign currency exchange management

The Group manages foreign currency centrally. Within the scope of the Group's centralized foreign exchange management, euro zone subsidiaries are obliged to submit all unhedged foreign currency positions arising from import or export transactions in the major transaction currencies to the clearing office. The positions offered are, depending on the purpose of the derivatives, hedged under a portfolio-hedge approach or directly hedged with banks on a one-to-one basis.

The intention of currency hedging is to fix prices on the basis of hedging rates as protection against unfavorable future exchange rate fluctuations. When hedging anticipated production related ore, coal and coke purchases, favorable developments of the €/us dollar exchange rate are also systematically exploited.

Hedge maturities are generally based on the maturity of the underlying transaction. Foreign currency derivatives usually have maturities of twelve months or less, in exceptional cases significantly longer. Specific hedge maturities apply for hedges of anticipated ore, coal and coke purchases. The specific hedge maturities were set on the basis of the theoretical fair exchange rate (purchasing power parity) and the fluctuation of the us dollar against the Euro according to historical data. In accordance with a set pattern, purchases anticipated for a specific period are hedged with their corresponding maturities whenever defined hedging rates are reached. The maximum period of anticipated ore, coal and coke purchases that can be hedged is 24 months.

In accordance with SFAS 133, the hedging of foreign currency risk can be accounted for in two different hedge accounting models. Both models are utilized by the ThyssenKrupp Group:

### Cash flow hedges

Foreign currency derivatives that are deemed to hedge future cash flows from foreign currency transactions are hedged with banks on a single transaction basis if they meet the requirements of SFAS 133 regarding documentation and effectiveness. These derivatives are accounted for at their fair value. The fluctuations in fair value of these derivatives are accrued in accumulated other comprehensive income and are released into earnings only when the underlying transaction affects earnings. The fair value changes that are due to the application of the cash flow hedging model for foreign currency derivatives as of September 30, 2005 affect the accumulated other comprehensive income in the amount of €33 million (2004: €5 million) (after tax and minority interest). The maximum period of time in which cash flows from future transactions are currently hedged is 60 months.

During the current fiscal year, an amount of €18 million (2004: €19 million) was released from accumulated other comprehensive income into earnings due to the realization of the corresponding underlying transactions.

As of September 30, 2005, a net result in the amount of €(3) million (2004: €(1) million) is included in sales/cost of sales. This result is due to time value changes that are excluded when measuring the hedge effectiveness of the foreign currency derivatives.

The cancellation of cash flow hedges during the current fiscal year led to a reclassification from accumulated other comprehensive income into earnings in the amount of €1 million (2004: €2 million). These fluctuations in fair value of foreign currency derivatives were originally treated as not affecting earnings. The reclassification occurred when the realization of the corresponding future transactions was no longer probable.

The release of fair value fluctuations currently recognized in the accumulated other comprehensive income is expected to impact earnings within fiscal year 2005/2006 in the amount of €17 million.

### Fair value hedges

Some of the subsidiaries within the Group are located in countries where the currency exposure cannot be hedged by entering into foreign currency derivatives. Other subsidiaries conduct business with so called soft-currency countries. The foreign currency exposures arising from outstanding receivables in these countries are often hedged by obtaining a loan in that foreign currency. The changes in fair value of the loan, as well as the fluctuations of the corresponding underlying binding contractual relationship, are accounted for in sales/cost of sales.

Foreign currency derivatives that hedge realized balance sheet items, or that do not comply with the requirements for hedge accounting under SFAS 133, are accounted for at fair value with the changes in fair value directly affecting earnings. Depending on the nature of the underlying hedged transactions, the changes in fair value are recorded as sales, cost of sales or other financial income.

### Central management of the interest rate sensitivity

The Group uses derivative financial instruments, among other tools, to manage and optimize its interest rate sensitivity. These instruments are contracted with the objective of minimizing the interest rate volatility and the financing costs of the underlying basic transactions.

The majority of the interest rate derivatives are designated directly and immediately to a specific loan (micro hedge). The changes in fair value of these interest rate derivatives are accrued in accumulated other comprehensive income and amount to €12 million (2004: €27 million) (after tax and minority interest) as of September 30, 2005. These amounts will be released income non-effective against the relevant balance sheet item in the future. The interest expense from the underlying transactions as well as from the interest rate derivatives, which is recognized in the income statement, represents the fixed interest rate from the hedging relationship in total.

Some of the interest rate derivatives are not specifically allocated to an individual loan, but rather hedge a portfolio of loans by means of a macro hedge approach. These macro hedges are also reported at fair value on the balance sheet. The changes in fair value of these



interest derivatives are immediately recognized in earnings in the period of occurrence and amount to €0 million (2004: €2 million) as of September 30, 2005.

The Group pays an average fixed interest rate of 5.52% and 5.48% on Euro and us dollar interest rate payer swap contracts, respectively.

In fiscal year 2004/2005, cross currency swaps have been contracted basically in connection with the financing of the us dollar activities. These instruments are also reported at fair value on the balance sheet. The negative market value of these derivatives is basically a result of the €/us dollar exchange rate that occurred since the beginning of the transaction and is to a large extent compensated by existing foreign currency positions with an opposite effect on earnings (intragroup us dollar receivables) whose market value is also influenced by the €/us dollar exchange rate.

### Hedging against commodity price risk

Certain Group companies use derivative financial instruments in order to minimize commodity price volatility. Hedging is initiated at the local level, subject to strict guidelines, and compliance is checked regularly by our Central Internal Audit Department. Derivatives are limited to marketable instruments. The instruments used are commodity forward contracts, cash transactions in combination with forward contracts, and the purchase of options. Commodity derivatives are reported at their fair value as either other assets or other accrued liabilities. The changes in fair value are recognized in sales/cost of sales.

The values of the Group's derivative financial instruments are as follows:

million €

	Notional value Sept. 30, 2004	Balance at Sept. 30, 2004	Notional value Sept. 30, 2005	Balance at Sept. 30, 2005
Foreign currency forward contracts				
Buy	2,611	(60)	2,389	60
Sell	4,358	93	3,279	(39)
Foreign currency options				
Buy	295	2	258	1
Sell	318	(1)	159	(1)
<b>Total foreign currency derivatives</b>	<b>7,582</b>	<b>34</b>	<b>6,085</b>	<b>21</b>
Embedded derivatives				
Asset	721	17	526	20
Liability	739	(13)	1,196	(55)
<b>Total embedded derivatives</b>	<b>1,460</b>	<b>4</b>	<b>1,722</b>	<b>(35)</b>
Interest rate derivatives				
Interest rate swaps	456	(29)	462	(11)
Cross currency swaps	40	(1)	819	(77)
<b>Total interest rate derivatives</b>	<b>496</b>	<b>(30)</b>	<b>1,281</b>	<b>(88)</b>
Commodity forward contracts				
Buy	228	31	258	9
Sell	145	(8)	182	4
Commodity options				
Buy	0	0	24	0
<b>Total commodity derivatives</b>	<b>373</b>	<b>23</b>	<b>464</b>	<b>13</b>
<b>Total</b>	<b>9,911</b>	<b>31</b>	<b>9,552</b>	<b>(89)</b>

The notional amounts of the derivative financial instruments correspond with the purchase of sale amounts or contract values of the underlying transactions. From the amount of the notional values conclusions can be drawn as to the extent to which derivative financial instruments are in use within the Group. It does not, however, reflect the risk resulting from the use of such instruments.

The notional amounts of the derivative financial instruments do not represent agreed payments between the contracting parties but are merely the basis for the calculation of the payment. They do not reflect the risk content of the financial derivatives. The actual payments are effected by interest rates, exchange rates and other factors.

Embedded derivatives result from trade agreements between subsidiaries and foreign customers or suppliers that are performed in a currency that is not the functional currency (local currency) of either of the parties. In connection with these embedded derivatives, the Group recognized assets in the amount of €20 million (2004: €17 million) and liabilities of €55 million (2004: €13 million) affecting current earnings. In future periods these balance sheet items are reclassified into earnings and offset the earnings impact of the realized underlying transactions.

### Fair market value of financial instruments

The carrying values and fair market values of the Group's financial instruments are as follows:

million €

	Balance at Sept. 30, 2004	Fair value Sept. 30, 2004	Balance at Sept. 30, 2005	Fair value Sept. 30, 2005
<b>Non-derivative financial instruments</b>				
Assets				
Loans	136	136	80	80
Securities classified as financial and operating assets	56	56	117	117
Cash and cash equivalents	1,395	1,395	4,715	4,715
Liabilities				
Financial payables (excluding capital lease)	4,096	4,276	4,665	4,865
<b>Derivative financial instruments</b>				
Assets				
Foreign currency derivatives incl. embedded derivatives	125	125	137	137
Commodity derivatives	44	44	21	21
Liabilities				
Foreign currency derivatives incl. embedded derivatives	87	87	151	151
Interest rate derivatives	30	30	88	88
Commodity derivatives	21	21	8	8
<b>Total</b>	<b>5,990</b>	<b>6,170</b>	<b>9,982</b>	<b>10,182</b>

The fair values of the derivative financial instruments represent the price at which one party would assume the rights and obligations of the other party. The fair values were determined on the basis of market conditions – interest rates, foreign currency exchange quotations, commodity prices – existing as of the balance sheet date and by using the valuation methods as explained below. The

instruments can experience considerable fluctuations, depending on the volatility of the underlying interest, exchange or price basis.

The fair value of derivative financial instruments is generally determined independent of developments from underlying hedged transactions that may exist.

The following methods have been used to determine the fair market value of financial instruments:

### Lendings and financial payables

The fair market value of quoted bonds or notes is based on the stock quotation as of the balance sheet date. The fair market value of fixed interest bearing lendings and financial payables is calculated as the present value of the anticipated future cash flows. The future interest and repayment amounts are discounted using the prevailing interest rates available as of the balance sheet date. The fair values of the payables subject to variable interest approximate their face values as they reflect current market rates.

### Securities classified as financial and operating assets

The fair value of securities is based on the stock quotation as of the balance sheet date. The other investments, that are carried at historical cost, are not included in the mark-to-market valuation. These investments are not publicly traded, therefore a fair market value is not objectively determinable.

### Cash and cash equivalents

The face values equal the fair values.

### Foreign currency derivatives

The fair value of foreign currency forward contracts is calculated on the basis of the average spot foreign currency rates applicable as of the balance sheet date, adjusted for time-related premiums or discounts for the respective remaining term of the contract, compared to the contracted forward rate.

The fair value of a currency option is determined using generally accepted option pricing models. The fair market value of an option is influenced not only by the remaining term of the option but also by further determining factors, such as the actual value and volatility of the foreign currency or the implied interest rate levels.

### Interest rate derivatives

The fair value of interest rate swaps is determined by discounting the anticipated future cash flows. For this purpose, the market interest rates applicable for the remaining term of the contract are used as a basis. The fair value of an interest rate option is calculated in a similar way to the fair value of a foreign currency option.

The fair value of cross currency swaps is determined analogously to the fair value of interest rate swaps by discounting the future cash flows that result from the contract. Besides the interest rate applicable as of the balance sheet date, the valuation considers exchange rates for all foreign currencies in which cash flows take place.

### Commodity derivatives

The fair value of commodity derivatives is based on officially quoted prices of these instruments and represents the estimated amounts that the company would expect to receive or pay to terminate the agreements as of the reporting date.

## 29 Related parties

The Alfried Krupp von Bohlen und Halbach Foundation holds an interest of 20.6% in ThyssenKrupp AG as of September 30, 2005. 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 except for the sales of land and properties to the Alfried Krupp von Bohlen und Halbach Foundation in the amount of €11 million resulting in a gain of €4 million in fiscal year 2002/2003 and in the amount of €2 million resulting in a gain of €0.2 million in fiscal year 2004/2005.

Another related party of major importance is Hüttenwerke Krupp-Mannesmann (HKM), in which ThyssenKrupp holds a 50% interest as of September 30, 2004 and 2005. Substantial business relations existed with HKM during the current and the previous fiscal year which included the purchase of crude steel (semi-finished continuous casting) and the sale of transport services and coke deliveries. Significant figures are disclosed below:

million €

	Sept. 30, 2004	Sept. 30, 2005
Sales	116	171
Supplies and services	900	1,116
Receivables	7	27
Payables	123	69

## 30 Segment reporting

According to SFAS 131 "Disclosures about Segments of an Enterprise and Related Information", segment reporting follows the internal organizational and reporting structure of the Group. In context with the initiation of the disposal of Residential Real Estate, as of October 01, 2004, the activities of Real Estate have been assigned to Corporate. Additionally, effective October 01, 2004, the Group has reorganized the segment allocation of certain Group companies. Amounts reported for the previous periods were adjusted accordingly. Based on the products and services provided, the Group's segments are Steel, Automotive, Technologies, Elevator and Services as well as Corporate.

### Steel

This segment produces and sells flat steel in all basic and quality steel grades. The flat steel program includes carbon steel with and without surface finishing, electric strip and stainless steel. In addition, high-grade metal materials such as nickel-base alloys and titanium are produced by this segment.

### Automotive

This segment produces parts, components, sub-assemblies and modules/systems for vehicle chassis, body and drive train/steering of passenger cars and trucks.

### Technologies

In this segment the machinery and systems activities are combined under a single management. These activities include Plant Technology, Marine Systems, Mechanical Engineering, Transrapid and the discontinued operation MetalCutting. Plant Technology carries out the project management for the planning and construction of production facilities for the chemical and petrochemical industries, cement and sugar industries, conveyor systems, and coking and energy technology. Marine Systems offers building, repair, conversion and servicing of ships, with the emphasis on naval ships.

Mechanical Engineering develops and manufactures components that are used primarily in machine building applications. Included are large-diameter bearings, precision bearings, undercarriages, and undercarriage components as well as energy, refrigeration and air-conditioning technology and ship-technical components. In addition, production facilities for technical rubber products are offered. Transrapid is engaged in the planning, project management and construction of magnetic levitation vehicles.

### Elevator

This segment is involved in the construction, modernization, and servicing of elevators, escalators, stair lifts, and passenger boarding bridges.

### Services

This segment is responsible for service activities of materials, with the metallic materials being in the foreground. In addition to the pure sale of product, services are also offered, which extend from warehousing to machining, distribution and information logistics to inventory management. This segment also provides industrial services.

### Corporate

Corporate contains Group administration functions, inclusive of financing companies and national holding companies outside Germany as well as the inactive companies, such as Thyssen Stahl GmbH and Krupp Hoesch Stahl GmbH. Also included in Corporate are those operating companies which have not been assigned to a segment such as insurance services and in the year ending September 30, 2003, significant equity investments. Following the sale of Residential Real Estate, Corporate also includes Corporate Real Estate Management.

Corporate loss before taxes and minority interest consists of:

million €

	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Corporate administration	(88)	(138)	(135)
Pension expenses	(198)	(193)	(183)
Compensation for expenses (Steel)	(13)	0	0
Results of equity investments	28	0	0
Insurance services	14	16	18
Corporate Real Estate Management	(28)	(19)	(29)
Interest income (expense), net	(25)	(62)	(55)
Others	(35)	1	(10)
<b>Corporate loss before RAG non-recurring losses, income taxes and minority interest</b>	<b>(345)</b>	<b>(395)</b>	<b>(394)</b>
RAG non-recurring losses	0	0	(474)
<b>Corporate loss after RAG non-recurring losses, before income taxes and minority interest</b>	<b>(345)</b>	<b>(395)</b>	<b>(868)</b>

## Consolidation

Consolidation essentially contains the elimination of intercompany profits in inventories. The elimination of the income from equity investments in which the segments Steel and Services are jointly involved also takes place in the Group consolidation. These jointly owned companies are fully consolidated by the Steel segment in which they are managed. In the Services segment, the equity method of accounting for investments is used. Within Services, results on investments from intra-group joint ventures amount to €22 million (2003/2004: €16 million; 2002/2003: €4 million).

Apart from the compensation for expenses outlined above, the accounting principles for the segments are the same as those described for the Group in the summary of significant accounting principles. The measure of segment profit and loss, which is used to evaluate the performance of the operating segments of the Group, is the "Income from continuing operations before income taxes and minority interest" line item presented in the consolidated statements of income.

Sales between segments are transacted and settled at standard market prices.

Allocation of sales by country is based on the location of the customer and the location of the company. Allocation of financial investments by country is based on the location of the investment whereas the other investments are allocated according to the registered office of the investing company.

Due to the high volume of customers and the variety of business activities, there are no individual customers that generate sales values that are material to the Group's consolidated net sales.

**SEGMENT INFORMATION BY PRODUCTS AND SERVICES** million €

<b>For the fiscal year ending Sept. 30, 2003</b>	
External sales	
Internal sales within the Group	
Total sales	
Sales of continuing operations	
Equity in the net income of investees accounted for by the equity method	
Interest revenue	
Interest expense	
Income from continuing operations before taxes and minority interest	
Discontinued operations (net of tax)	
Segment assets (=balance sheet total)	
Depreciation, amortization and impairment expense	
Other significant non-cash items (expense, net)	
Capital expenditures (including intangible assets)	
Equity investments	
Other investments	
<b>For the fiscal year ending Sept. 30, 2004</b>	
External sales	
Internal sales within the Group	
Total sales	
Sales of continuing operations	
Equity in the net income of investees accounted for by the equity method	
Interest revenue	
Interest expense	
Income from continuing operations before taxes and minority interest	
Discontinued operations (net of tax)	
Segment assets (=balance sheet total)	
Depreciation, amortization and impairment expense	
Other significant non-cash items (expense, net)	
Capital expenditures (including intangible assets)	
Equity investments	
Other investments	
<b>For the fiscal year ending Sept. 30, 2005</b>	
External sales	
Internal sales within the Group	
Total sales	
Sales of continuing operations	
Equity in the net income of investees accounted for by the equity method	
Interest revenue	
Interest expense	
Income from continuing operations before taxes and minority interest	
Discontinued operations (net of tax)	
Segment assets (=balance sheet total)	
Depreciation, amortization and impairment expense	
Other significant non-cash items (expense, net)	
Capital expenditures (including intangible assets)	
Equity investments	
Other investments	

	Steel	Automotive	Technologies	Elevator	Services	Corporate	Consolidation	Group
	10,625	6,617	4,871	3,359	10,317	348	0	36,137
	1,713	30	111	9	656	23	(2,542)	0
	12,338	6,647	4,982	3,368	10,973	371	(2,542)	36,137
	11,522	6,279	4,370	3,368	9,976	123	(2,151)	33,487
	18	4	6	0	7	26	(4)	57
	86	26	99	23	33	356	(504)	119
	(186)	(53)	(52)	(49)	(89)	(385)	504	(310)
	465	191	109	355	34	(345)	(9)	800
	(13)	5	(63)	0	(16)	44	0	(43)
	12,845	5,159	6,839	3,070	5,890	20,478	(24,140)	30,141
	765	317	164	45	185	73	0	1,549
	(512)	(100)	(220)	(89)	(168)	(208)	(1)	(1,298)
	590	305	117	39	170	67	(6)	1,282
	4	0	0	3	0	0	0	7
	84	14	16	90	167	7	(63)	315
	12,625	7,600	4,681	3,563	11,241	346	0	40,056
	1,645	46	21	6	665	16	(2,399)	0
	14,270	7,646	4,702	3,569	11,906	362	(2,399)	40,056
	13,151	7,247	4,083	3,569	11,306	121	(2,174)	37,303
	15	2	(1)	0	22	(2)	(16)	20
	61	23	79	21	45	310	(459)	80
	(146)	(60)	(48)	(46)	(82)	(375)	459	(298)
	916	260	88	370	251	(395)	(13)	1,477
	5	16	(10)	0	23	40	0	74
	13,614	5,538	6,633	3,337	6,188	20,229	(24,398)	31,141
	788	319	125	51	144	91	(2)	1,516
	(450)	(71)	(216)	(97)	(213)	90	(1)	(958)
	685	380	117	56	131	73	(11)	1,431
	0	0	7	0	6	0	0	13
	44	59	35	158	10	105	(121)	290
	13,419	7,812	6,303	3,768	12,050	161	0	43,513
	1,739	33	19	5	654	14	(2,464)	0
	15,158	7,845	6,322	3,773	12,704	175	(2,464)	43,513
	14,752	7,627	5,687	3,773	12,504	119	(2,398)	42,064
	21	3	1	0	33	0	(21)	37
	63	29	120	29	49	367	(519)	138
	(134)	(74)	(62)	(44)	(92)	(422)	519	(309)
	1,302	49	172	352	380	(394)	(25)	1,836
	(58)	(6)	(237)	0	(59)	802	0	442
	14,321	6,125	9,675	4,085	6,261	22,914	(27,142)	36,239
	807	407	301	51	118	514	0	2,198
	(232)	(125)	(371)	(106)	(132)	(145)	(2)	(1,113)
	727	375	171	64	179	32	(26)	1,522
	0	6	0	0	0	0	0	6
	26	81	240	55	11	39	(122)	330

**SEGMENT INFORMATION BY GEOGRAPHICAL AREAS** million €

	Germany	Other EU*	USA	Other countries	Group
External sales (location of the customer)**					
Year ending Sept. 30, 2003	11,511	9,442	6,596	5,937	33,486
Year ending Sept. 30, 2004	12,458	10,731	6,733	7,381	37,303
<b>Year ending Sept. 30, 2005</b>	<b>13,887</b>	<b>11,892</b>	<b>7,386</b>	<b>8,899</b>	<b>42,064</b>
External sales (location of the company)**					
Year ending Sept. 30, 2003	18,123	6,315	6,188	2,860	33,486
Year ending Sept. 30, 2004	20,528	7,228	6,277	3,270	37,303
<b>Year ending Sept. 30, 2005</b>	<b>20,087</b>	<b>9,962</b>	<b>7,332</b>	<b>4,683</b>	<b>42,064</b>
Intangible assets Property, plant and equipment					
Sept. 30, 2003	8,713	2,029	2,342	1,448	14,532
Sept. 30, 2004	8,418	1,937	2,197	1,609	14,161
<b>Sept. 30, 2005</b>	<b>8,184</b>	<b>2,143</b>	<b>2,040</b>	<b>1,901</b>	<b>14,268</b>

\* member states as expanded as of May 01, 2004

\*\* continuing operations



### 31 Subsequent events

Following the investigations of the European Commission in the European elevator and escalator industry concerning possible violations of effective European antitrust law at some European companies of the Group which manufacture, sell and service elevators and escalators, the Commission has informed ThyssenKrupp AG and other European companies of the Group on October 11, 2005, in writing about the initiation of proceedings. At this early stage however, a reasonable estimate of any financial consequences is not yet possible.

## NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### 32 Additional information

The liquid funds considered in the consolidated statement of cash flows correspond to the "Cash and cash equivalents" line item in the balance sheet.

Included in the Group's cash flows from operations were the following amounts of interest and income taxes paid or received:

million €

	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Interest paid	316	285	291
Income taxes paid, net	148	158	352

### Non-cash investing activities

In fiscal 2004/2005, the acquisition and first-time consolidation of companies created an increase in fixed assets of €1.4 billion (2003/2004: €0.3 billion; 2002/2003: €0.3 billion).

The non-cash addition of assets under capital leases in fiscal 2004/2005 amounts to €16 million (2003/2004: €20 million; 2002/2003: €27 million).

### Non-cash financing activities

In fiscal 2004/2005, the acquisition and first-time consolidation of companies resulted in an increase in gross financial payables in the amount of €102 million (2003/2004: €108 million; 2002/2003: €82 million).

## OTHER INFORMATION

### 33 Earnings per share

Basic earnings per share is computed as follows:

	Year ending Sept. 30, 2003		Year ending Sept. 30, 2004		Year ending Sept. 30, 2005	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
<b>Numerator:</b>						
Income from continuing operations (net of tax)	601	1.18	830	1.67	581	1.17
Ordinary income from discontinued operations (net of tax)	(43)	(0.08)	74	0.14	0	0.00
Gain on disposal of discontinued operations (net of tax)	0	0.00	0	0.00	442	0.89
Cumulative effect of changes in accounting principles (net of tax)	(6)	(0.01)	0	0.00	(4)	(0.01)
<b>Net income</b>	<b>552</b>	<b>1.09</b>	<b>904</b>	<b>1.81</b>	<b>1,019</b>	<b>2.05</b>
<b>Denominator:</b>						
Weighted average shares	507,673,543		498,028,925		498,628,610	

### Relevant number of common shares for the determination of earnings per share

Earnings per share have been computed by dividing income available to common stockholders (numerator) by the weighted-average number of common shares outstanding (denominator) during the period. Shares issued during the period and shares reacquired during the period have been weighted for the portion of the period that they were outstanding.

The weighted-average number of outstanding shares was reduced by the reacquisition of shares on May 06, 2003 and increased by the reissuance of a portion of those shares in the 2nd quarter ending March 31, 2004 and the 3rd quarter ending June 30, 2005. The reissuance of the 20,000 shares previously held in treasury for settlement with outside shareholders of the former Thyssen Industrie AG who have not yet converted their shares but continue to be entitled to dividends, did not effect the determination of the weighted-average number of shares.

## 1. CHANGES IN ACCOUNTING, VALUATION AND CONSOLIDATION METHODS

The consolidated financial statements of ThyssenKrupp AG have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP). ThyssenKrupp AG is therefore exempt from the obligation to prepare its financial statements under German Commercial Code (HGB), as set out in Art. 292a. The Company's consolidated financial statements are in compliance with the 4th and 7th EU Accounting Directive, as interpreted by the German Standards Committee Council in its German Accounting Standard No. 1 and the supplement No. 1a.

The complete set of consolidated financial statements under Art. 292a HGB, including investment holdings, are filed with the Commercial Register in Duisburg under reference number HR B 9092 and with the Commercial Register in Essen under reference number HR B 15364.

The accounting, valuation and consolidation methods under US GAAP are different from the German provisions of the HGB primarily in the following respects:

### Intangible assets (including goodwill)

Under HGB and US GAAP, intangible assets acquired for consideration must be capitalized. However, under HGB, intangible assets which were not acquired for consideration or which were developed internally may not be capitalized.

Under HGB and US GAAP, intangible assets acquired for consideration must be capitalized. However, under HGB, intangible assets which were not acquired for consideration or which were developed internally may not be capitalized.

Under US GAAP, external costs that are directly attributable to the development of intangible assets may be capitalized. This includes incidental costs incurred in obtaining patents and copyright protection. Also, direct expenses associated with the development of internally used software may be capitalized.

Under HGB goodwill is capitalized and amortized or offset against retained earnings.

As of July 01, 2001, under US GAAP goodwill acquired in a business combination is no longer amortized but instead, at least annually, tested for impairment and if necessary written-down.

### Capitalized interest

Under HGB, the capitalization of interest expense in the cost of property, plant and equipment is not mandatory, but permitted if certain conditions are met.

Under US GAAP, in accordance with SFAS 34, interest expense is required to be capitalized if such costs are material and attributable to the acquisition or production of a qualifying asset. Qualifying assets are assets that require an extended period of time to acquire or produce.

### Leases

The HGB does not explicitly prescribe the treatment of leasing operations. Measurement is generally based on regulations promulgated by the German Fiscal Administration. Taking into account fiscal criteria, lease agreements are generally structured so that the leased property must be recorded by the lessor. US GAAP contains comprehensive regulations regarding the reporting of leasing transactions (in particular SFAS 13). US GAAP makes a distinction between "capital leases" and "operating leases". The classification of a lease depends upon the identification of the economic owner to whom substantially all benefits and risks inherent in the ownership of the property are transferred. If the transaction qualifies as a "capital lease", the lessee as the economic owner is required to capitalize the leased property. If the transaction qualifies as an "operating lease", the lessor capitalizes the property.

### Reversal of impairment charges

Under HGB, when impairment charges have been recorded to reflect a lower applicable asset value, this lower value may not be maintained if the reason for which the impairment charge was recorded no longer exists at a later balance sheet date (requirement to reinstate original values under Art. 280 HGB).

Under US GAAP, SFAS 142 and 144 prohibit the reversal of an impairment charge to an asset's original value.

As only investments that eliminate in consolidation were subject to reinstatement of original values, the consolidated financial statements remained unaffected.

## Inventory valuation

### Lower of cost or market

Under HGB, the lower of cost or market principle must be observed, which requires that inventory be valued as of the balance sheet date at acquisition or production cost or at the lower of market or applicable value. The applicable value for raw materials and supplies is determined on the basis of the purchase cost on the market. The applicable value for unfinished and finished goods is determined on the basis of the estimated net realizable value obtainable from selling the goods and – for merchandise held for resale – on the basis of the cost to replace the goods and the estimated net realizable value obtainable from selling the goods.

US GAAP requires in ARB 43 the lower of cost or market principle, too. In contrast to HGB, all categories of inventory require that the purchase price as well as the selling price be taken into account when determining inventory value. If the replacement cost is lower than the acquisition or production cost, inventories are valued at the middle value of the calculated replacement cost, net realizable value or net realizable value less an allowance for normal margin.

### Long-term production/construction contracts

Principally, the German HGB and German GAAP permit income recognition only after delivery and acceptance of an item is completed, that is, at the earliest when the contractual obligations have largely been met and the remaining risks can be considered immaterial (“completed-contract method”).

Under US GAAP, income is recognized based on the progress made toward completing the contract if a reliable estimate of total proceeds, total costs and stage of progress can be determined (“percentage-of-completion method”). Measurement is prescribed primarily by SOP 81-1 and ARB 45.

## Valuation of unrealized gains as of the balance sheet date

HGB prescribes that only unrealized losses be reported (“Imparitätsprinzip”). Under US GAAP, however, unrealized gains are also reported in the following instances:

### Assets and liabilities denominated in foreign currency

Under HGB, unhedged assets and liabilities denominated in a foreign currency are valued at either their purchase cost or at their market price, whichever is more conservative as of the balance sheet date.

Under US GAAP, pursuant to SFAS 52, all assets and liabilities denominated in foreign currency are valued at the prevailing market rates as of the balance sheet date. As a result, unrealized gains are also recognized in the results of the current year.

### Long term and current asset investments

Under HGB, investments are valued at net book value or market value, whichever is lower as of the balance sheet date.

Under US GAAP, securities are allocated to different categories, according to which the valuation is made as prescribed by SFAS 115. The securities held by the ThyssenKrupp Group are classified as “available-for-sale” and are valued at market value as of the balance sheet date, even if it results in recording an unrealized gain. The year-end market value adjustment is not recognized in income however, but is rather recorded as a component of equity.

### Derivative financial instruments

According to HGB, there is no mandatory approach with respect to the measurement and accounting of derivative financial instruments. Hence, valuation of these instruments is based on the historical cost concept, the “Realisationsprinzip” and the “Imparitätsprinzip”.

In common interpretations of the HGB, global macro hedges require that the hedged items are accounted for at the hedged rate.

However, according to US GAAP all primary and derivative financial instruments must be accounted for at fair value. Special hedge accounting treatment, in which fluctuations in fair values are recognized in Stockholders' Equity rather than directly affecting earnings, is permitted when specific restrictive criteria are met. The application of hedge accounting depends on the nature of the underlying transactions and financial instruments used for hedging those transactions.

If the criteria for hedge accounting are not met, the fluctuations in fair value of the derivatives are posted to earnings in the period of occurrence. Global macro hedges do not qualify for hedge accounting under US GAAP.

### Deferred taxation

Under HGB, deferred taxes must be calculated for all timing differences arising between the tax bases of assets or liabilities and their reported amounts in the consolidated financial statements (so-called timing concept), using the current tax rate for computational purposes. Deferred taxes may not be recognized for quasi-permanent differences, which are reconciled only after a very long period of time or through sale or liquidation. Likewise, deferred taxes may not be recognized for tax loss carryforwards.

Under US GAAP, SFAS 109, deferred taxes must be reported for all temporary differences arising between the tax bases of assets or liabilities and their reported amounts in the consolidated financial statements; quasi-permanent differences are also regarded as temporary differences (temporary concept). In addition, deferred tax assets are recognized for tax loss carryforwards. The applicable tax rate is the current rate based on enacted law as of the balance sheet date, which incorporates future known changes to the tax rate. As of the balance sheet date the recognized deferred tax assets have to be assessed for realizability and if necessary, a valuation allowance is recorded.

### Accrued pension and similar obligations

Under both HGB and US GAAP, a liability for the potential cost of post-employment benefits must be accrued on the basis of the expected amount of the projected discounted benefit obligation. HGB permits a number of different actuarial methods; the partial value ("Teilwert") method pursuant to Art. 6a of the German Income Tax Law is the most commonly used, but is not the only permissible method. Under US GAAP, the projected unit credit method is mandatory. Due to the flexibility in choice of methods, this is also permitted under HGB. As far as pension funds are concerned, certain qualifying assets, pursuant to SFAS 87, must be deducted from the total amount of the obligation or must be capitalized, should the assets exceed the amount of the obligation. In some instances, certain assets also have the ability to offset pension liabilities under HGB. However, what qualifies as assets which have the ability to offset pension liabilities differs under US GAAP and HGB. The extent to which a minimum liability must be recognized under SFAS 87 meets the requirement under HGB. The allocation to the accrual, however, is not always expensed. Instead, the full amount of the obligation may be covered by recording an intangible asset or reducing equity, thereby not affecting income. This is not permitted under HGB.

### Other accrued liabilities

Under HGB, in addition to the recognizable accruals for probable contingencies and contingent losses, accruals for anticipated internal expenses (such as cost of repair or maintenance) are permitted, although they do not represent an obligation to a third party. Measurement is made based on conservatism.

US GAAP is much more restrictive in this regard. Accruals are permitted only if they correspond to an obligation to a third party, are deemed probable to occur and the amount of the accrual can be reasonably measured. Accruals for anticipated internal expenses are not permitted. With respect to the measurement of the accrual, the most probable amount is accrued and in a range of equally probable amounts, the lowest amount is accrued. Recognition is essentially prescribed in CON 6 and SFAS 5.

## Discontinued operations

Pursuant to Art. 246 (2) of the HGB, expenses may not be offset against income, nor assets against liabilities. As a result, the items allocable to discontinued operations may not be disclosed separately.

Under US GAAP, however, in accordance with SFAS 144, the income statement and balance sheet items are reclassified for the effects associated with discontinued operations. The results of the discontinued operations are reported on a net basis as a separate line of the income statement. The assets and liabilities of the discontinued operations are reported as separate line items in the balance sheet.

## Scope of consolidation

Under Art. 295 HGB, a controlled subsidiary shall not be included in the consolidated financial statements if its activities are so divergent from the activities of the other consolidated companies that its inclusion in the consolidated financial statements would conflict with the requirement to present a true and fair view. Pursuant to US GAAP, all controlled subsidiaries must be included in consolidation regardless of their activities. The ThyssenKrupp Group has no controlled subsidiaries whose inclusion in the consolidated financial statements would be prohibited under Art. 295 HGB.

## Purchase accounting

In accordance with both Art. 302 of the HGB and APB 16, in business combinations initiated up to June 30, 2001, the historical book values were carried forward in a business combination accounted for as a pooling of interests transaction. However, the requirements which must be met to obtain pooling of interests accounting under APB 16 are much more stringent than those of the HGB.

The ThyssenKrupp merger satisfied the pooling of interests provisions prescribed by the HGB but failed to meet the US GAAP pooling requirements of APB 16. Accordingly, the ThyssenKrupp merger had to be reported as a business purchase in accordance with the purchase accounting provisions of APB 16.

In contrast to HGB, under US GAAP, all business combinations completed after June 30, 2001 are required to be accounted for using the purchase method of accounting in accordance with the provisions of SFAS 141.

## Minority interest

The HGB follows the entity theory, which requires that minority interest be classified as a part of equity. In addition, the income or loss attributable to minority interest is included in the consolidated entity's net income or loss.

Under US GAAP, in accordance with the parent company theory, minority interest is not considered part of equity but is classified separately between equity and liabilities. The income or loss attributable to minority interest is recorded as income or expense in the income statement.

## Excess of acquired net assets over cost ("negative goodwill")

If the fair market values assigned to the net assets acquired exceed the cost of the investment, a negative difference arises in purchase accounting. Under Art. 309 (2) HGB, this difference is released and recognized in the income statement if it reflects unfavorable developments expected for the results of the company or if it becomes clear as of the balance sheet date that it corresponds to a realized gain.

Under US GAAP, SFAS 141 requires that negative goodwill is offset against the acquired long-lived assets with the remainder, if any, recognized in income as extraordinary gain.

## Classification requirements

In order to comply with the 4th and 7th EU Accounting Directive as required, the balance sheet was prepared in accordance with the classification standards prescribed in Art. 266 HGB. Hence, it does not conform to the classification standards applicable in the preparation of US GAAP financial statements, which are orientated toward the realizability of assets and liabilities. Nevertheless, the information regarding the realizability of the individual balance sheet items, which would have been presented if the financial statements had been classified in conformity with US GAAP standards, is provided as additional information in the Notes or on the balance sheet prepared under HGB classification requirements.

Under HGB, the development of fixed assets must be presented separately, whereas such a separate disclosure is not required by US GAAP. In order to ensure conformity with EU Accounting Directives, the development of fixed assets is presented additionally as a schedule in the Notes.

## 2. ADDITIONAL INFORMATION

### Personnel expenses

The following information is presented in order to be compliant with the disclosure requirements of the German Commercial Code.

million €

	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Wages and salaries	7,121	7,041
Social security taxes	1,295	1,278
Net periodic pension costs - defined benefit	462	471
Net periodic pension costs - defined contribution	30	23
Net periodic postretirement benefit cost other than pensions	93	90
Other expenses for pensions and retirements	120	110
Related fringe benefits	344	363
<b>Total</b>	<b>9,465</b>	<b>9,376</b>

### Employees

In the Group, the average numbers of employees over the past fiscal year were as follows:

	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
Steel	48,947	45,052
Automotive	45,182	44,386
Technologies	25,285	29,750
Elevator	31,055	33,139
Services	35,862	33,811
Corporate	1,347	1,078
<b>Total</b>	<b>187,678</b>	<b>187,216</b>
This total breaks down to		
Wage earners	119,108	119,150
Salaried employees	63,854	63,513
Trainees	4,716	4,553

### Executive and Supervisory Board Compensation

In fiscal year 2004/2005 total compensation including non-cash benefits made to the Executive Board amounted to €12.4 million. As of September, 2005, no loans or advance payments were granted to members of the Executive Board.

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €13.3 million. An amount of €128.4 million is accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

For fiscal year 2004/2005, the members of the Supervisory Board will receive total compensation of €2.3 million based on the proposed dividend of €0.70 per share (excluding the special dividend of €0.10 per share). Members of the ThyssenKrupp AG Supervisory Board received compensation of €0.2 million in fiscal 2004/2005 for supervisory board mandates at Group subsidiaries.

Executive and Supervisory Board compensation is individualized in the „Corporate Governance“ chapter of the annual report. The information provided there is considered part of the Financial Report on pages 16 - 19.

The members of the Executive Board and of the Supervisory Board are listed on the following pages.

### Declarations of conformity with the German Corporate Governance Code in accordance with Art. 161 of the Stock Corporation Act (AktG)

On October 01, 2005 the Executive Board and Supervisory Board of ThyssenKrupp AG issued the updated declaration of conformity in accordance with Art. 161 of the Stock Corporation Act (AktG) and posted it on the company's website. ThyssenKrupp AG complies with all recommendations of the Government Commission on the German Corporate Governance Code in accordance dated June 02, 2005.

The declaration of conformity of our exchange-listed subsidiary Eisen- und Hüttenwerke AG was issued on September 26, 2005 and is now available to the shareholders.

### 3. OTHER DIRECTORSHIPS HELD BY EXECUTIVE BOARD MEMBERS

#### Dr.-Ing. Ekkehard D. Schulz

Chairman

- AXA Konzern AG\*
- Bayer AG\*
- Commerzbank AG\*
- Deutsche Bahn AG
- MAN AG (Chair)\*
- RAG AG (Vice Chair)
- TUI AG\*

Within the Group:

- ThyssenKrupp Automotive AG (Chair)
- ThyssenKrupp Services AG (Chair)
- ThyssenKrupp Steel AG (Chair)

#### Dr. Ulrich Middelmann

Vice Chairman

- E.ON Ruhrgas AG
- LANXESS AG\*
- LANXESS Deutschland GmbH
- RAG AG
- Hoberg & Driesch GmbH (Chair)
- Within the Group:
- Eisen- und Hüttenwerke AG
- ThyssenKrupp Automotive AG
- ThyssenKrupp Elevator AG
- ThyssenKrupp Stahl AG (Chair)
- ThyssenKrupp Technologies AG (Chair)
- Grupo ThyssenKrupp S.A. (Spain)
- ThyssenKrupp Acciai Speciali Terni S.p.A. (Italy)
- ThyssenKrupp (China) Ltd. (PR China, Chairman)
- ThyssenKrupp Stainless GmbH (Chair)

○ Membership of statutory Supervisory Boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2005)

\* Exchange-listed company

○ Membership of comparable German and non-German control bodies of business enterprises within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2005)



#### Dr. Olaf Berlien

- Transrapid International Verwaltungs-  
gesellschaft mbH

##### Within the Group:

- ThyssenKrupp Marine Systems AG (Chair)
- ThyssenKrupp Services AG
- Berco S.p.A. (Italy, President)
- GLH, LLC (USA)
- ThyssenKrupp (China) Ltd. (PR China)

#### Edwin Eichler

##### Within the Group:

- ThyssenKrupp Elevator AG (Chair)
- ThyssenKrupp (China) Ltd. (PR China)

#### Gary Elliott

##### Within the Group:

- Grupo ThyssenKrupp S.A. (Spain)
- Hammond & Champness Ltd.  
(United Kingdom, Chairman)
- ThyssenKrupp Airport Systems Inc. (USA)
- ThyssenKrupp Aufzüge GmbH (Chair)
- ThyssenKrupp Aufzüge Ltd.  
(United Kingdom, Chairman)
- ThyssenKrupp (China) Ltd. (PR China)
- ThyssenKrupp Dongyang Elevator Co., Ltd.  
(Korea)
- ThyssenKrupp Elevator Asia Pacific Ltd.  
(PR China)
- ThyssenKrupp Elevator Holding Corp.  
(USA, Chairman)
- ThyssenKrupp Elevator Southern Europe,  
Africa & Middle East, S.L.U. (Spain)

#### Jürgen H. Fechter

##### Within the Group:

- ThyssenKrupp Nirosta GmbH (Chair)
- ThyssenKrupp VDM GmbH (Chair)
- Shanghai Krupp Stainless Co., Ltd.  
(PR China, Vice Chairman)
- ThyssenKrupp Acciai Speciali Terni S.p.A.  
(Italy, President)
- ThyssenKrupp Mexinox S.A. de C.V.  
(Mexico, Chairman)

#### Dr. A. Stefan Kirsten

##### Within the Group:

- Eisen- und Hüttenwerke AG
- ThyssenKrupp Automotive AG
- ThyssenKrupp Marine Systems AG
- ThyssenKrupp Rückversicherungs-AG (Chair)
- ThyssenKrupp Steel AG
- ThyssenKrupp Budd Company (USA)
- ThyssenKrupp Versicherungsdienst GmbH  
Industrieversicherungsvermittlung (Chair)

#### Dr.-Ing. Karl-Ulrich Köhler

- BASF Coatings AG
- Hüttenwerke Krupp Mannesmann GmbH  
(Vice Chair)
- ANSC-TKS Galvanizing Co., Ltd.  
(PR China, Vice Chair)
- CSA Companhia Siderúrgica do Atlântico  
(Brazil)
- Steel 24-7 N.V. (Belgium)

##### Within the Group:

- Eisen- und Hüttenwerke AG (Chair)
- Hoesch Hohenlimburg GmbH (Chair)
- Rasselstein GmbH (Chair)

#### Ralph Labonte

- Zoo Duisburg AG
- PEAG Personalentwicklungs- und  
Arbeitsmarktagentur GmbH (Chair)

##### Within the Group:

- Rasselstein GmbH
- ThyssenKrupp Automotive AG
- ThyssenKrupp Electrical Steel GmbH
- ThyssenKrupp Marine Systems AG

#### Dr.-Ing. Wolfram Mörsdorf

- INPRO Innovationsgesellschaft für  
fortgeschrittene Produktionssysteme in  
der Fahrzeugindustrie mbH

##### Within the Group:

- ThyssenKrupp Bilstein GmbH
- ThyssenKrupp Drauz Nothelfer GmbH
- ThyssenKrupp Federn GmbH
- ThyssenKrupp Gerlach GmbH
- ThyssenKrupp Services AG
- ThyssenKrupp Umformtechnik GmbH (Chair)
- ThyssenKrupp Budd Company (USA, Chairman)
- ThyssenKrupp (China) Ltd. (PR China)
- ThyssenKrupp Fabco Corp. (Canada)
- ThyssenKrupp Presta AG (Liechtenstein)
- ThyssenKrupp Sofedit S.A.S.  
(France, Chair)
- ThyssenKrupp Waupaca, Inc. (USA)

## 4. OTHER DIRECTORSHIPS HELD BY SUPERVISORY BOARD MEMBERS

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

Honorary Chairman  
Chairman of the Board of Trustees of the  
Alfried Krupp von Bohlen und Halbach  
Foundation

### Prof. Dr. Günter Vogelsang, Düsseldorf

Honorary Chairman

### Dr. Gerhard Cromme, Essen

Chairman  
Former Chairman of the Executive Board of  
ThyssenKrupp AG

- Allianz AG
- Axel Springer AG
- Deutsche Lufthansa AG
- E.ON AG
- Hochtief AG
- Siemens AG
- Volkswagen AG
- BNP Paribas S.A. (France)
- Compagnie de Saint-Gobain (France)
- Suez S.A. (France)

### Bertin Eichler, Frankfurt/Main

Vice Chairman  
Member of the Executive Committee of the  
German Metalworkers' Union (IG Metall)

- BauBeCon Immobilien GmbH (Vice Chair)
- BGAG Beteiligungsgesellschaft der  
Gewerkschaften AG (Chair)
- BHW Holding AG
- BMW AG

### Markus Bistram, Dinslaken

(since May 04, 2005)  
Trade union secretary at the Düsseldorf  
branch office of IG Metall

- Georgsmarienhütte Holding GmbH

Within the Group:

- ThyssenKrupp Automotive AG

### Prof. Jürgen Hubbert, Sindelfingen

(since January 21, 2005)  
Former member of the Executive Board of  
DaimlerChrysler AG

- Industrie-Werke Karlsruhe Augsburg AG
- Häussler Group (Advisory Board Chair)
- Österreichische Industrieholding AG  
(Austria, Vice Chair)
- TÜV Süddeutschland Holding AG  
(Member of Stockholder Committee)

### Hüseyin Kavvesoglu, Maxdorf

Foreman  
Chairman of the Works Council Union  
of ThyssenKrupp Services

Within the Group:

- ThyssenKrupp Industrieservice GmbH
- ThyssenKrupp Services AG

### Wolfgang Boczek, Bochum

Materials tester  
Chairman of the Works Council Union  
of ThyssenKrupp Automotive

Within the Group:

- ThyssenKrupp Automotive AG

### Klaus Ix, Siek

Fitter  
Chairman of the Works Council of  
ThyssenKrupp Fahrtreppen GmbH and  
Vice Chairman of the Works Council Union  
of ThyssenKrupp Elevator

Within the Group:

- ThyssenKrupp Elevator AG
- ThyssenKrupp Fahrtreppen GmbH

### Dr. Martin Kohlhaussen, Bad Homburg

Chairman of the Supervisory Board of  
Commerzbank AG

- Bayer AG
- Commerzbank AG (Chair)
- Heraeus Holding GmbH
- Hochtief AG (Chair)
- Schering AG
- Verlagsgruppe Georg von Holtzbrinck GmbH

### Heinrich Hentschel, Emden

Technical clerk/Hydrostatics  
Member of the Works Council of  
Nordseewerke GmbH

### Dr. Heinz Kriwet, Düsseldorf

Former Chairman of the Executive Board of  
Thyssen AG

- Dresdner Bank AG

◦ Membership of statutory Supervisory Boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2005)

◦ Membership of comparable German and non-German control bodies of business enterprises within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2005)

**Dr.-Ing. Klaus T. Müller, Dortmund**  
Head of the Crude Steel Department at  
ThyssenKrupp Steel AG

**Prof. Dr. Bernhard Pellens, Bochum**  
(since January 21, 2005)  
Professor of Business Studies  
and International Accounting,  
Ruhr University Bochum

**Dr. Heinrich v. Pierer, Erlangen**  
(since January 21, 2005)  
Chairman of the Supervisory Board of  
Siemens AG  
◦ Deutsche Bank AG  
◦ Hochtief AG  
◦ Münchener Rückversicherungs-  
Gesellschaft AG  
◦ Siemens AG (Chair)  
◦ Volkswagen AG

**Dr. Kersten v. Schenck, Bad Homburg**  
Attorney and notary public

**Peter Scherrer, Brussels**  
General Secretary of the European  
Metalworkers' Federation  
◦ Adam Opel AG  
◦ Kaiserslautern Automobilteile GmbH  
◦ Opel Powertrain GmbH

**Thomas Schlenz, Duisburg**  
Shift foreman  
Chairman of the Group Works Council  
of ThyssenKrupp AG  
◦ PEAG Personalentwicklungs- und  
Arbeitsmarktagentur GmbH  
Within the Group:  
◦ ThyssenKrupp Services AG

**Dr. Henning Schulte-Noelle, Munich**  
Chairman of the Supervisory Board  
of Allianz AG  
◦ Allianz AG (Chair)  
◦ E.ON AG  
◦ Siemens AG

**Wilhelm Segerath, Duisburg**  
Automotive bodymaker  
Chairman of the General Works Council  
of ThyssenKrupp Steel AG and  
Chairman of the Works Council Union  
of ThyssenKrupp Steel  
Within the Group:  
◦ ThyssenKrupp Steel AG

**Christian Streiff, Neuilly sur Seine**  
(since January 21, 2005)  
Former Directeur Général (C.O.O.)  
of the Saint-Gobain Group  
◦ Ecole Nationale Supérieure des Mines  
de Paris, France

**Prof. Dr. Gang Wan, Shanghai**  
(since January 21, 2005)  
Professor of Automotive Engineering  
and President of Tongji University

Dr. Friedel Neuber died October 23, 2004.  
Until then he held the following other  
directorships:  
◦ Deutsche Bahn AG  
◦ Hapag-Lloyd AG  
◦ RAG AG  
◦ RWE AG (Chair)  
◦ TUI AG (Chair)

At the close of the Annual General Meeting of  
ThyssenKrupp AG on January 21, 2005, Dr.  
Karl-Hermann Baumann, Carl-L. von Boehm-  
Bezing, Reinhard Kuhlmann, Dr. Mohamad-  
Mehdi Navab-Motlagh and Bernhard Walter  
left the Supervisory Board. Insofar as these  
gentlemen held other directorships at the time  
of their departure from the Supervisory Board,  
these are listed as follows:

**Dr. Karl-Hermann Baumann, Munich**  
Former Chairman of the Supervisory Board  
of Siemens AG  
◦ Deutsche Bank AG  
◦ E.ON AG  
◦ Linde AG  
◦ Schering AG  
◦ Siemens AG (Chair)

**Carl-L. von Boehm-Bezing, Bad Soden**  
Former member of the Executive Board of  
Deutsche Bank AG  
◦ Rütgers AG  
◦ RWE AG

**Reinhard Kuhlmann, Frankfurt/Main**  
Member of the Executive Board of  
ThyssenKrupp Marine Systems AG  
◦ Adam Opel AG

**Dr. Mohamad-Mehdi Navab-Motlagh, Tehran**  
Vice Minister for Economics and International  
Affairs in the Industrial and Mining Ministry  
of the Islamic Republic of Iran  
◦ Europäisch-Iranische Handelsbank AG

**Bernhard Walter, Bad Homburg**  
Former Chairman of the Executive Board  
of Dresdner Bank AG  
◦ Bilfinger Berger AG  
◦ DaimlerChrysler AG  
◦ Deutsche Telekom AG  
◦ Henkel KGaA  
◦ mg technologies ag  
◦ Staatliche Porzellan-Manufaktur  
Meissen GmbH  
◦ Wintershall AG (Vice Chair)  
◦ KG Allgemeine Leasing GmbH & Co.  
(Chairman of the Executive Committee)

## 5. APPLICATION OF ART. 264 PAR. 3 AND ART. 264b GERMAN COMMERCIAL CODE HGB

The following domestic subsidiaries in the legal form of a capital corporation or a commercial partnership as defined in Art. 264b partly

### A

Acciai Speciali Terni Deutschland GmbH	Krefeld
AGOZAL Oberflächenveredelung GmbH	Neuwied
Aloverzee Handelsgesellschaft mbH	Essen
Aluminiumfeinguss Soest GmbH & Co. KG	Soest

### B

Becker & Co. GmbH	Neuwied
BERCO Deutschland GmbH	Ennepetal
BIS Blohm + Voss Inspection Service GmbH	Hamburg
Blohm + Voss GmbH	Hamburg
Blohm + Voss Repair GmbH	Hamburg

### C

Cadillac Plastic GmbH	Viernheim
Christian Hein GmbH	Langenhagen
Cryotrans Schifffahrts GmbH	Emden

### D

Dolores Schifffahrts-Gesellschaft mbH	Emden
Dortmunder Eisenhandel Hansa GmbH	Dortmund
Dr. Mertens Edelstahlhandel GmbH	Offenbach
DSU Gesellschaft für Dienstleistungen und Umwelttechnik mbH & Co. KG	Duisburg

### E

EBOR Edelstahl GmbH	Sachsenheim
EGM Entwicklungsgesellschaft für Montagetechnik GmbH	Langenhagen
EH Güterverkehr GmbH	Duisburg
Eisen und Metall GmbH	Stuttgart
Eisenbahn und Häfen GmbH	Duisburg
Eisenmetall Handelsgesellschaft mbH	Gelsenkirchen
ELEG Europäische Lift + Escalator GmbH	Neuhausen a.d.F.
ems Isoliersysteme GmbH	Pansdorf/Holstein

### F

Freiburger Stahlhandel GmbH & Co. KG	Freiburg i.Br.
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made use of the exemption clause included in Art. 264 Par. 3 and Art. 264b of German Commercial Code:

### G

GKI-OFU Industrieofenbau GmbH	Oberhausen
GMT Aufzug-Service GmbH	Ettlingen
GVD Gesellschaft für Verpackungstechnik und Dienstleistungen mbH	Duisburg
GWH Aufzüge GmbH	Himmelstadt

### H

Haisch Aufzüge GmbH	Gingen/Fils
Hanseatische Aufzugsbau GmbH	Rostock
Herzog Coilex GmbH	Stuttgart
Hessapp GmbH	Taunusstein-Hahn
Hoesch Contecna Systembau GmbH	Oberhausen
Hoesch Hohenlimburg GmbH	Hagen
Hommel CNC Technik GmbH	Cologne
Hommel CNC-Service GmbH	Cologne
Hommel Gebrauchtmachines GmbH	Cologne
Hommel GmbH	Cologne
Hommel Präzision GmbH	Cologne
Hommel Unverzagt GmbH	Weinstadt
Hövelmann & Co. Eisengroßhandlung GmbH	Gelsenkirchen
Hüller Hille GmbH	Mosbach

### I

Immovert Gesellschaft für Grundstücksverwaltung mbH	Essen
Innovative Meerestechnik GmbH	Emden

### J

Jacob Bek GmbH	Ulm
Johann A. Krause Maschinenfabrik GmbH	Bremen
Johann A. Krause Systemtechnik GmbH	Chemnitz

### K

KBS Kokereibetriebsgesellschaft Schwelgern GmbH	Duisburg
König Kunststoffe GmbH	Maisach
Kraemer & Freund GmbH & Co. KG	Hagen
Krupp Druckereibetriebe GmbH	Essen

Krupp Hoesch Tecna GmbH	Dortmund
Krupp Stahl AG & Co Liegenschaftsverwaltung OHG	Bochum
Krupp Stahlbau Berlin GmbH	Berlin

## L

Leichsenring Aufzüge GmbH	Hamburg
Liegenschaftsgesellschaft Lintorf mbH	Duesseldorf
LiftEquip GmbH Elevator Components	Neuhausen a.d.F.
Liftservice und Montage GmbH	Saarbruecken

## M

Max Cochius GmbH	Berlin
Metall Service Partner GmbH	Haan/Rhld.
MONTAN GmbH Assekuranz-Makler	Duesseldorf

## N

Nickel GmbH	Dillenburg
Nordseewerke GmbH	Emden
Nothelfer Planung GmbH	Wadern-Lockweiler

## O

Otto Wolff Handelsgesellschaft mbH	Duesseldorf
Otto Wolff Kunststoffvertrieb GmbH	Duesseldorf

## P

Polysius AG	Beckum
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## R

RAM Recycling, Abbruch, Maschinen- und Geräteverleih GmbH	Duisburg
Rasselstein GmbH	Andernach
Rasselstein Verwaltungs GmbH	Neuwied
Reisebüro Dr. Tigges GmbH	Essen
REMA Gesellschaft für Rohrleitungs- und Maschinenbau mbH	Neukirchen-Vluyn
Rothe Erde Beteiligungs GmbH	Essen
Rothe Erde GmbH	Dortmund

## S

SBS Brenn- und Schneidbetrieb Rinteln GmbH	Rinteln
SIR Industrieservice GmbH	Cologne
smbChromstahl GmbH	Hanover-Langenhagen
Stahlhauser Liegenschaften Verwaltungsgesellschaft mbH	Essen
SVG Steinwerder Verwaltungsgesellschaft mbH	Hamburg
SWI Gebäudereinigung GmbH	Oberhausen

## T

Tepper Aufzüge GmbH	Muenster
Thyssen Altwert Umweltservice GmbH	Duesseldorf
Thyssen Draht GmbH	Hamm
Thyssen Duro Metall GmbH	Kornwestheim
Thyssen Henschel GmbH	Essen
Thyssen Informatik Services GmbH	Krefeld
Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co.KG Industrie	Oberhausen
Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co.KG Stahl	Oberhausen
Thyssen Rheinstahl Technik GmbH	Duesseldorf
Thyssen Röhm Kunststoffe GmbH	Duesseldorf
Thyssen Schulte Werkstoffhandel GmbH	Duesseldorf
Thyssen Stahl GmbH	Duesseldorf
ThyssenKrupp AdMin GmbH	Duesseldorf
ThyssenKrupp Airport Systems GmbH	Kassel
ThyssenKrupp Aufzüge GmbH	Neuhausen a.d.F.
ThyssenKrupp Aufzüge Nordost GmbH	Berlin
ThyssenKrupp Aufzüge Süd GmbH	Neuhausen a.d.F.
ThyssenKrupp Aufzüge West GmbH	Frankfurt a.M.
ThyssenKrupp Aufzugswerke GmbH	Neuhausen a.d.F.
ThyssenKrupp Automotive AG	Bochum
ThyssenKrupp Automotive Mechatronics GmbH	Munich
ThyssenKrupp Automotive Systems GmbH	Bochum
ThyssenKrupp Automotive Systems Leipzig GmbH	Leipzig
ThyssenKrupp Bau Consult GmbH	Essen
ThyssenKrupp Bausysteme GmbH	Essen
ThyssenKrupp Bilstein GmbH	Ennepetal
ThyssenKrupp Bilstein Suspension GmbH	Ennepetal
ThyssenKrupp Bilstein Wagenheber GmbH	Mandern
ThyssenKrupp DAVEX GmbH	Duisburg
ThyssenKrupp DeliCate GmbH	Duesseldorf
ThyssenKrupp Dienstleistungen GmbH	Duesseldorf
ThyssenKrupp Drauz Nothelfer GmbH	Heilbronn
ThyssenKrupp Electrical Steel GmbH	Gelsenkirchen
ThyssenKrupp Electrical Steel Verwaltungsgesellschaft mbH	Gelsenkirchen
ThyssenKrupp Elevator AG	Duesseldorf
ThyssenKrupp EnCoke GmbH	Dortmund
ThyssenKrupp ExperSite GmbH	Kassel
ThyssenKrupp Facilities Services GmbH	Duesseldorf
ThyssenKrupp Fahrtreppen GmbH	Hamburg
ThyssenKrupp Fahrzeugtechnik GmbH	Emden
ThyssenKrupp Federn GmbH	Hagen

ThyssenKrupp Fördertechnik GmbH	Essen
ThyssenKrupp Gerlach GmbH	Homburg/Saar
ThyssenKrupp GfT Bautechnik GmbH	Essen
ThyssenKrupp GfT Gleistechnik GmbH	Essen
ThyssenKrupp GfT Tiefbautechnik GmbH	Essen
ThyssenKrupp Grundbesitz Verwaltungs GmbH	Essen
ThyssenKrupp Hoesch Bausysteme GmbH	Kreuztal
ThyssenKrupp Immobilienentwicklungs Concordiahütte GmbH	Oberhausen
ThyssenKrupp Immobilienentwicklungs Krefeld GmbH	Oberhausen
ThyssenKrupp Industrieservice GmbH	Cologne
ThyssenKrupp Industrieservice Holding GmbH	Duesseldorf
ThyssenKrupp Information Services GmbH	Duesseldorf
ThyssenKrupp Liegenschaften Umformtechnik Verwaltungs GmbH	Bochum
ThyssenKrupp Mannex GmbH	Duesseldorf
ThyssenKrupp Marine Systems AG	Hamburg
ThyssenKrupp Marine Systems Beteiligungen GmbH	Essen
ThyssenKrupp Materials & Services GmbH	Duesseldorf
ThyssenKrupp Materials Europe GmbH	Duesseldorf
ThyssenKrupp MetalCutting GmbH	Ludwigsburg
ThyssenKrupp Metallurgie GmbH	Essen
ThyssenKrupp MinEnergy GmbH	Essen
ThyssenKrupp Nirosta GmbH	Krefeld
ThyssenKrupp Nirosta Präzisionsband GmbH	Krefeld
ThyssenKrupp Nutzeisen GmbH	Duesseldorf
ThyssenKrupp Präzisionsschmiede GmbH	Munich
ThyssenKrupp Presta Ilsenburg GmbH	Ilsenburg
ThyssenKrupp Printmedia GmbH	Duisburg
ThyssenKrupp Real Estate GmbH	Essen
ThyssenKrupp RST Rohstoffe und Technik GmbH	Essen
ThyssenKrupp Sägenstahlcenter GmbH	Duisburg
ThyssenKrupp Schulte GmbH	Duesseldorf
ThyssenKrupp Services AG	Duesseldorf

ThyssenKrupp Stahl AG	Duisburg
ThyssenKrupp Stahl Immobilien GmbH	Duisburg
ThyssenKrupp Stahlkontor GmbH	Duesseldorf
ThyssenKrupp Stahl-Service-Center GmbH	Leverkusen
ThyssenKrupp Stainless GmbH	Duisburg
ThyssenKrupp Stainless International GmbH	Krefeld
ThyssenKrupp Steel AG	Duisburg
ThyssenKrupp Systems & Services GmbH	Duesseldorf
ThyssenKrupp Tailored Blanks GmbH	Dortmund
ThyssenKrupp Tailored Blanks Nord GmbH	Duisburg
ThyssenKrupp Transrapid GmbH	Kassel
ThyssenKrupp Treppenlifte GmbH	Neuss
ThyssenKrupp Umformtechnik GmbH	Ludwigsfelde
ThyssenKrupp VDM GmbH	Werdohl
ThyssenKrupp Verkehr GmbH	Duisburg
ThyssenKrupp Versicherungsdienst GmbH	
Industrierversicherungsvermittlung	Duesseldorf
ThyssenKrupp Weichenbau GmbH	Essen

## U

Uhde GmbH	Dortmund
Uhde High Pressure Technologies GmbH	Hagen
Uhde Services and Consulting GmbH	Dortmund
Uhde Services GmbH	Haltern am See

## W

WIG Sicherheitsdienstleistungen GmbH	Leonberg
Witzig & Frank GmbH	Offenburg

## X

Xtend Holding GmbH	Duesseldorf
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# Additional information

Section

## 06

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A major company like ThyssenKrupp is a highly complex world. This report has given you an insight into this world with a wide range of information. The following pages contain further background information to give you a more complete picture of our Group. Here you will find, for example, multi-year overviews of key performance indicators and information on the ownership structures in the Group. However, if you cannot find the answers to your questions here, our press and investor relations teams will be happy to help.

Rob McLeod, Head of Structural Engineering ThyssenKrupp Canada  
→ father of Kevin, SEE PAGE XVIII and James Coutts, Project Manager  
Canadian Natural Resources



**PARTNER FOR PROFITABILITY** Demand for oil is growing. That makes Canada's oil sands deposits attractive, but mining them is a complex technological task. For James Coutts, Canadian Natural Resources, the question was how to mine the oil sands cost-effectively.

He found the answer working together with Rob McLeod, ThyssenKrupp Canada, and his team. In close collaboration they developed solutions which ThyssenKrupp translated into sophisticated technology for mining and processing oil sands.

ADDITIONAL INFORMATION



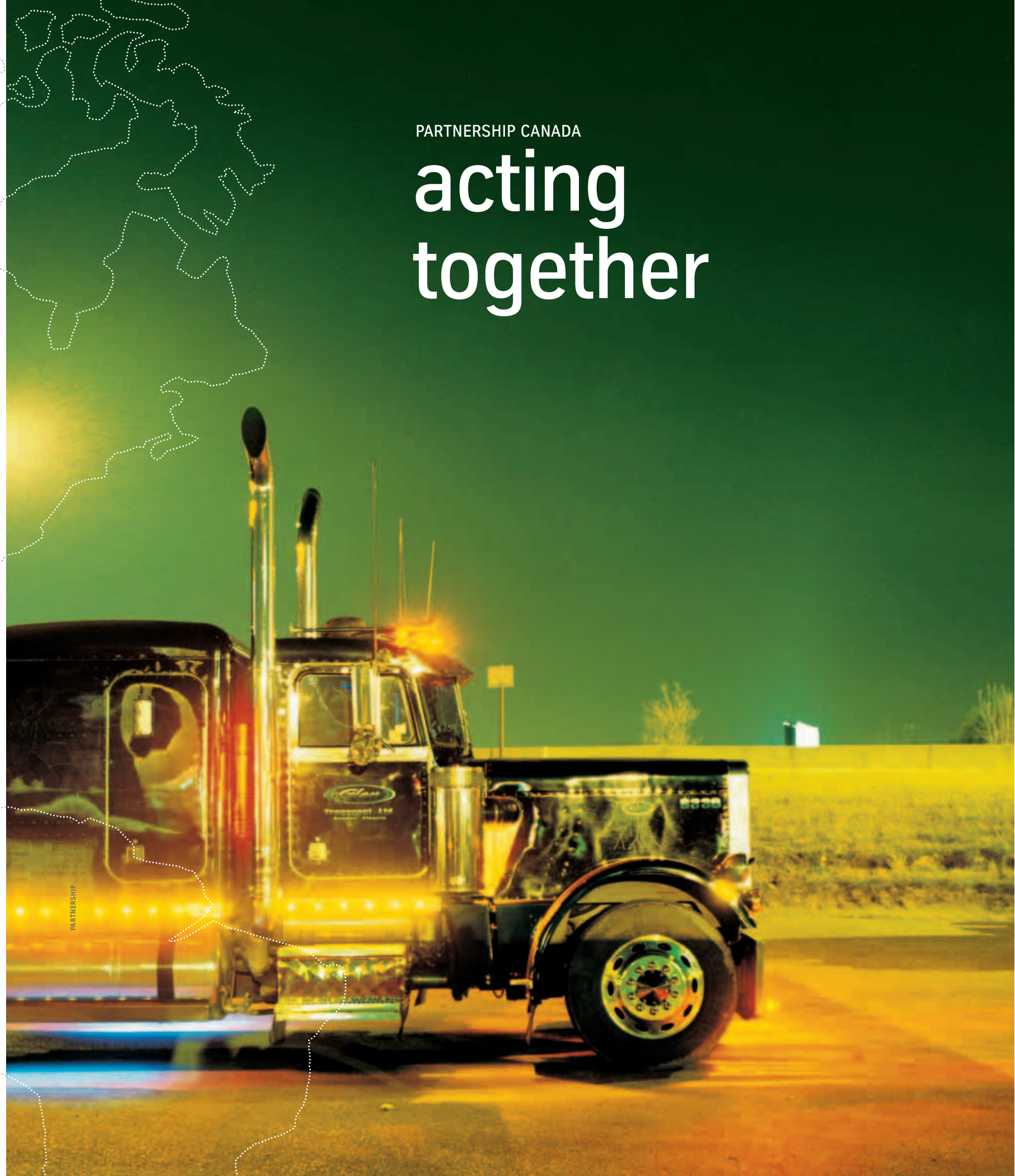
Canada

PARTNERSHIP CANADA

# acting together

United development. When you're working at the cutting edge of technology, limited resources can get in the way of optimum solutions. That's why ThyssenKrupp is always open to international partnerships in which our own specialists can address complex tasks jointly with those of customer or partner companies. Together we can utilize existing knowledge more efficiently and arrive at the right solutions more quickly. Even time zones can be an advantage, for example allowing engineers in Germany to work on a project and hand over to their colleagues in Canada at the end of the day.

**UTILIZING RESOURCES** In the Horizon Oil Sands project, Canadian Natural Resources cooperated with ThyssenKrupp Canada in the design, supply and installation of ore crushers, stockpiling systems, conveyors and oil sludge processing equipment for two production plants. The biggest challenge was the extremely abrasive nature of the oil sands. 25 years ago, the excavator teeth used for mining were worn smooth after only eight hours. Thanks to advanced steel alloys, the excavator and crusher teeth used today last six months.





## THYSSENKRUPP GROUP

		Year ending Sept. 30, 2001 <sup>1</sup>	Year ending Sept. 30, 2002 <sup>1</sup>	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
<b>Earnings situation (based on continuing operations)</b>						
Net sales	million €	38,008	35,928	33,487	37,303	42,064
Gross margin	million €	7,036	6,329	5,962	6,648	7,001
EBITDA	million €	3,267	2,576	2,350	3,036	3,452
EBIT	million €	1,349	1,040	963	1,683	2,001
Income from continuing operations before taxes and minority interest (EBT)	million €	1,117	764	800	1,477	1,836
Net income	million €	665	215	552	904	1,019
Earnings per share (income from continuing operations)	€	1.76	1.12	1.18	1.67	1.17
Earnings per share	€	1.76	0.42	1.09	1.81	2.05
Gross margin	%	18.5	17.6	17.8	17.8	16.6
EBITDA margin	%	8.6	7.2	7.0	8.1	8.2
EBIT margin	%	3.5	2.9	2.9	4.5	4.8
EBT margin	%	2.9	2.1	2.4	4.0	4.4
Return on equity (before taxes)	%	12.7	9.2	10.4	17.7	20.9
Personnel expense per employee	€	50,085	50,761	49,534	50,116	50,017
Sales per employee	€	196,354	194,391	194,005	215,553	234,082
<b>Assets situation</b>						
Fixed assets	million €	17,818	16,255	15,544	15,181	14,788
Operating assets						
(incl. deferred income taxes as well as prepaid expenses and deferred charges)	million €	16,833	14,901	14,657	15,960	21,451
Inventories	million €	6,527	6,002	5,835	6,340	7,673
Trade accounts receivable	million €	5,721	5,353	5,362	5,829	6,126
Cash and cash equivalents incl. operating securities	million €	1,258	941	713	1,437	4,823
Total assets	million €	34,651	31,156	30,201	31,141	36,239
Stockholders' equity	million €	8,788	8,287	7,671	8,327	8,771
Liabilities	million €	25,863	22,869	22,530	22,814	27,468
Accrued pension and similar obligations	million €	6,908	7,065	7,401	7,221	8,072
Gross financial payables	million €	7,665	5,683	4,948	4,270	4,814
Trade accounts payable	million €	3,248	3,128	3,075	3,678	4,053
Stockholders' equity ratio	%	25.4	26.6	25.4	26.7	24.2
Gearing	%	72.9	57.2	55.2	34.0	(0.1)
Ratio of equity to fixed assets	%	49.3	51.0	49.4	54.9	59.3
Inventory turnover	days	61.8	60.1	62.7	61.2	65.7
Average collection period	days	54.2	53.6	57.6	56.3	52.4

<sup>1</sup> as originally reported

## THYSSENKRUPP GROUP

		Year ending Sept. 30, 2001 <sup>2</sup>	Year ending Sept. 30, 2002 <sup>2</sup>	Year ending Sept. 30, 2003 <sup>2</sup>	Year ending Sept. 30, 2004	Year ending Sept. 30, 2005
<b>Economic value added management</b>						
Capital employed (average)	million €	22,792	21,002	19,530	18,870	17,994
ROCE	%	8.8	7.0	7.2	12.0	15.0
Weighted average cost of capital (WACC)	%	9.0	9.0	9.0	9.0	9.0
Economic value added (EVA)	million €	(46)	(414)	(352)	572	1,087
Steel	million €	(16)	(533)	(255)	226	526
Automotive	million €	(16)	(137)	3	100	(141)
Technologies	million €	73	22	(68)	27	(128)
Elevator	million €	186	208	241	250	220
Services	million €	(186)	(107)	(166)	105	150
<b>Cash flow/capital expenditures</b>						
Net cash provided by operating activities	million €	2,245	2,454	2,027	2,559	2,183
Net cash (used in)/provided by investing activities	million €	(1,299)	(546)	(1,169)	(979)	963
Free cash flow (before dividend)	million €	946	1,908	858	1,580	3,146
Net cash (used in)/provided by financing activities	million €	(634)	(2,177)	(1,064)	(865)	123
Capital expenditures	million €	2,327	1,777	1,604	1,734	1,858
Net financial payables	million €	6,407	4,742	4,235	2,833	(9)
Internal financing capability		1.7	4.5	1.7	2.6	(2.3)
Debt to cash flow ratio		2.9	1.9	2.1	1.1	–
<b>ThyssenKrupp AG</b>						
Net income	million €	355	258	406	301	920
Dividend payout	million €	309	206	249	299	399 <sup>3</sup>
Dividend per share	€	0.60	0.40	0.50	0.60	0.80 <sup>3</sup>

<sup>2</sup> as originally reported

<sup>3</sup> proposal to the Annual General Meeting; incl. special dividend of €0.10

## COMPANY (as of September 30, 2005)

	Share- holding in % <sup>1</sup>	Equity in million € <sup>2</sup>	Employees		Share- holding in % <sup>1</sup>	Equity in million € <sup>2</sup>	Employees
<b>STEEL</b>							
ThyssenKrupp Steel AG, Duisburg	100.00	3,321.8	107	Terninox S.p.A., Terni, Italy	100.00	41.4	171
<b>Carbon Steel</b>				ThyssenKrupp Acciai Speciali Terni S.p.A., Terni, Italy	100.00	350.0	2,784
ThyssenKrupp Stahl AG, Duisburg	99.53	1,173.7	19,727	ThyssenKrupp AST USA, Inc., New York, USA	100.00	7.9	2
Eisenbahn und Häfen GmbH, Duisburg	100.00	2.0	1,289	ThyssenKrupp Mexinox S.A. de C.V., San Luis Potosi, Mexico	95.50	97.7	1,184
Eisen- und Hüttenwerke AG, Andernach	87.98	108.4	0	ThyssenKrupp Nirosta GmbH, Krefeld	100.00	693.1	4,322
ems Isoliersysteme GmbH, Pansdorf/Holstein	90.00	4.4	135	ThyssenKrupp Nirosta Präzisionsband GmbH, Krefeld	100.00	6.2	247
Ertsoverslagbedrijf Europoort C.V., Rotterdam, Netherlands	75.00	7.9	278	ThyssenKrupp Stainless Benelux B.V., Rotterdam, Netherlands	100.00	36.9	4
Herzog Coilex GmbH, Stuttgart	74.90	6.9	111	ThyssenKrupp Stainless DVP, S.A., Barcelona, Spain	100.00	3.8	71
Hoesch Bausysteme Gesellschaft m.b.H., Vienna, Austria	100.00	9.2	62	ThyssenKrupp Stainless France S.A., Paris, France	100.00	6.2	62
Hoesch Hohenlimburg GmbH, Hagen	99.50	48.1	1,614	ThyssenKrupp Stainless International GmbH, Krefeld	100.00	0.0	42
Isocab France S.A., Dunkirk, France	90.00	9.1	74	ThyssenKrupp VDM GmbH, Werdohl	98.04	66.5	1,458
Isocab N.V., Harelbeke-Bavikhove, Belgium	90.01	11.7	200	Titania S.p.A., Terni, Italy	100.00	16.1	132
LAGERMEX S.A. de C.V., Puebla, Mexico	100.00	17.8	264	Tubificio di Terni S.p.A., Terni, Italy	97.00	20.1	171
Rasselstein GmbH, Andernach	99.50	159.8	2,408	<b>Special Materials</b>			
Rasselstein Verwaltungs GmbH, Neuwied	100.00	130.7	433	ThyssenKrupp Electrical Steel GmbH, Gelsenkirchen	99.54	33.0	605
ThyssenKrupp Electrical Steel India Private Ltd., Mumbai/Nashik, India	100.00	54.2	704	ThyssenKrupp Electrical Steel UGO S.A., Isbergues, France	100.00	32.6	496
ThyssenKrupp Galmed, S.A., Sagunto, Spain	100.00	50.0	97	<b>AUTOMOTIVE</b>			
ThyssenKrupp Hoesch Bausysteme GmbH, Kreuztal	100.00	13.0	257	ThyssenKrupp Automotive AG, Bochum	100.00	269.1	169
ThyssenKrupp Stahl-Service-Center GmbH, Leverkusen	99.55	37.2	547	ThyssenKrupp Budd Company, Troy/Michigan, USA	100.00	(204.2)	2,154
ThyssenKrupp Steel North America, Inc., Dover/Delaware, USA	100.00	41.5	172	<b>Body &amp; Chassis (North America)</b>			
ThyssenKrupp Tailored Blanks GmbH, Dortmund	100.00	26.9	390	MFSP, Inc., Detroit/Michigan, USA	100.00	23.3	66
ThyssenKrupp Tailored Blanks Nord GmbH, Duisburg	100.00	8.7	102	ThyssenKrupp Budd Canada Inc., Kitchener/Ontario, Canada	100.00	(239.6)	1,415
ThyssenKrupp Tailored Blanks S.A. de C.V., Puebla, Mexico	100.00	7.4	1	ThyssenKrupp Fabco Corp., Halifax/Nova Scotia, Canada	100.00	93.0	1,055
ThyssenKrupp Veerhaven B.V., Rotterdam, Netherlands	100.00	14.8	166	ThyssenKrupp Hopkinsville, LLC, Hopkinsville/Kentucky, USA	100.00	28.9	427
ThyssenKrupp Zhong-Ren Tailored Blanks Ltd., Wuhan, PR China	51.0	8.1 <sup>3</sup>	43 <sup>3</sup>	ThyssenKrupp Stahl Company, Kingsville/Missouri, USA	100.00	(53.8)	996
ANSC-TKS Galvanizing Co., Ltd., Dalian, Liaoning Province, PR China	50.00	39.6 <sup>3</sup>	148 <sup>3</sup>	ThyssenKrupp Waupaca, Inc., Waupaca/Wisconsin, USA	100.00	316.5	3,727
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	50.00	122.8 <sup>3</sup>	3,461 <sup>3</sup>	<b>Body &amp; Chassis (Europe/Asia Pacific/Latin America)</b>			
Thyssen Ros Casares S.A., Valencia, Spain	50.00	15.0 <sup>3</sup>	156 <sup>3</sup>	Krupp Módulos Automotivos do Brasil Ltda., Sao Jose dos Pinhais Parana, Brazil	51.00	7.8	296
TWB Company, LLC, Detroit, USA	50.00	47.5	409	ThyssenKrupp Automotive Chassis Products UK PLC, Durham, United Kingdom	100.00	106.9	1
Wickeder Westfalenstahl GmbH, Wickede/Ruhr	25.10	36.7 <sup>3</sup>	432 <sup>3</sup>	ThyssenKrupp Automotive Systems do Brasil Ltda., São Bernardo do Campo, Brazil	100.00	20.9	205
<b>Stainless Steel</b>				ThyssenKrupp Automotive Systems GmbH, Bochum	100.00	30.6	152
ThyssenKrupp Stainless GmbH, Duisburg	99.61	743.1	48	ThyssenKrupp Automotive Tallent Chassis Ltd., County Durham, United Kingdom	100.00	36.0	1,349
Mexinox Trading S.A. de C.V., Mexico D.F., Mexico	100.00	9.0	0				
Mexinox USA Inc., Brownsville/Texas, USA	100.00	42.3	46				
Precision Rolled Products Inc., Reno/Nevada, USA	100.00	13.6	185				
Shanghai Krupp Stainless Co., Ltd., Pudong New Area/Shanghai, PR China	60.00	207.6	534				

<sup>1</sup> related to the parent company in the ThyssenKrupp Group    <sup>2</sup> local    <sup>3</sup> financial statement date December 31, 2004    <sup>4</sup> thereof 10.08% held by ThyssenKrupp Stahl AG  
<sup>5</sup> short fiscal year Jan. 01, 2005 - Sept. 30, 2005

**COMPANY** (as of September 30, 2005)

	Share- holding in % <sup>1</sup>	Equity in million € <sup>2</sup>	Employees		Share- holding in % <sup>1</sup>	Equity in million € <sup>2</sup>	Employees
ThyssenKrupp Bilstein GmbH, Ennepetal	99.50	12.1	1,050	<b>Corporate</b>			
ThyssenKrupp Bilstein of America Inc., San Diego/California, USA	100.00	(2.7)	283	Aventec S.A. de C.V., Silao/Guanajuato, Mexico	33.33	66.6 <sup>3</sup>	0 <sup>3</sup>
ThyssenKrupp Body Stampings Ltd., Cannock, United Kingdom	100.00	15.8	993	Huizhou Sumikin Forging Corporation Ltd., Huizhou, PR China	34.00	92.4 <sup>3</sup>	80 <sup>3</sup>
ThyssenKrupp Camford Ltd., Newton Aycliff, United Kingdom	100.00	0.2	0	Bertrandt AG, Ehningen	25.19 <sup>4</sup>	51.4	3,030
ThyssenKrupp Drauz Nothelfer GmbH, Heilbronn	100.00	12.0	2,520	<b>ELEVATOR</b>			
ThyssenKrupp Federn GmbH, Hagen	100.00	57.1	827	ThyssenKrupp Elevator AG, Duesseldorf	100.00	378.6	100
ThyssenKrupp Indusa Mure S.L., Alonsotegui, Spain	100.00	10.5	404	<b>Central/Eastern/Northern Europe (CENE)</b>			
ThyssenKrupp JBM Private Ltd., Chennai, India	73.89	8.5	234	ThyssenKrupp Ascenseurs Holding S.A.S., Saint Denis-la-Plaine Cedex, France	100.00	121.1	4
ThyssenKrupp Sasa S.A. de C.V., San Luis Potosi, Mexico	100.00	(5.3)	500	ThyssenKrupp Ascenseurs S.A.S., Angers, France	100.00	82.7	2,251
ThyssenKrupp Sofedit España, S.A., Valladolid, Spain	100.00	10.4	76	ThyssenKrupp Aufzüge AG, Rümlang, Switzerland	100.00	8.0	208
ThyssenKrupp Sofedit S.A.S., Versailles, France	100.00	7.9	3,040	ThyssenKrupp Aufzüge Gesellschaft m.b.H., Vienna, Austria	100.00	36.6	278
ThyssenKrupp Umformtechnik GmbH, Ludwigsfelde	100.00	46.2	2,053	ThyssenKrupp Aufzüge GmbH, Neuhausen a.d.F.	100.00	100.9	134
ThyssenKrupp Woodhead Ltd., Leeds, United Kingdom	100.00	24.1	81	ThyssenKrupp Aufzüge Ltd., Nottingham, United Kingdom	100.00	42.9	0
<b>Powertrain (Global)</b>				ThyssenKrupp Aufzüge Nordost GmbH, Berlin	100.00	2.7	612
ThyssenKrupp Atlas, Inc., Fostoria/Ohio, USA	100.00	16.9	463	ThyssenKrupp Aufzüge Süd GmbH, Neuhausen a.d.F.	100.00	1.5	577
ThyssenKrupp Automotive Sales & Technical Center, Inc., Troy/Michigan, USA	100.00	38.8	48	ThyssenKrupp Aufzüge West GmbH, Frankfurt a.M.	100.00	0.8	592
ThyssenKrupp Fundicoes Ltda., Barra do Pirai, Brazil	100.00	33.4	2,255	ThyssenKrupp Aufzugswerke GmbH, Neuhausen a.d.F.	99.50	14.0	1,023
ThyssenKrupp Gerlach Company, Danville/Illinois, USA	100.00	58.3	839	ThyssenKrupp Elevator B.V., Krimpen aan den IJssel, Netherlands	100.00	34.7	0
ThyssenKrupp Gerlach GmbH, Homburg/Saar	100.00	53.9	1,362	ThyssenKrupp Elevator Sp. z o.o., Warsaw, Polen	100.00	2.4	53
ThyssenKrupp Mavilor S.A., L'Horme, France	99.99	5.7	448	ThyssenKrupp Elevator UK Ltd., Nottingham, United Kingdom	100.00	31.7	1,007
ThyssenKrupp Metalúrgica Campo Limpo Ltda., Campo Limpo Paulista, Brazil	59.75	194.3	3,292	ThyssenKrupp Liften Ascenseurs S.A./N.V., Brussels, Belgium	100.00	15.9	282
ThyssenKrupp Metalúrgica de México S.A. de C.V., Puebla, Mexico	100.00	25.7	483	ThyssenKrupp Liften B.V., Krimpen aan den IJssel, Netherlands	100.00	5.0	250
ThyssenKrupp Präzisionsschmiede GmbH, Munich	100.00	22.8	1,581	<b>Americas (AMS)</b>			
ThyssenKrupp Presta Aktiengesellschaft, Eschen, Liechtenstein	100.00	270.3	1,278	New York Elevator & Electrical Corporation, New York, USA	100.00	19.0	311
ThyssenKrupp Presta de México S.A. de C.V., Puebla, Mexico	66.67	23.5	113	Thyssen Elevator Capital Corp., Whittier/California, USA	100.00	373.6	0
ThyssenKrupp Presta France S.A.S., Florange, France	100.00	33.3	707	ThyssenKrupp Elevadores, S.A., São Paulo, Brazil	99.81	70.6	1,891
ThyssenKrupp Presta HuiZhong Shanghai Co., Ltd., Shanghai, PR China	60.00	11.3	93	ThyssenKrupp Elevator Canada Ltd., Toronto, Canada	100.00	49.5	1,035
ThyssenKrupp Presta Ilsenburg GmbH, Ilsenburg	100.00	12.9	334	ThyssenKrupp Elevator Corp., Horn Lake/Mississippi, USA	100.00	166.4	6,778
ThyssenKrupp Presta SteerTec GmbH, Duesseldorf	60.00	21.5	1,004	ThyssenKrupp Elevator Holding Corp., Whittier/California, USA	100.00	254.2	0
				ThyssenKrupp Elevator Manufacturing Inc., Collierville/Tennessee, USA	100.00	118.6	1,227
				ThyssenKrupp Northern Elevator Ltd., Scarborough/Ontario, Canada	100.00	167.9	208

<sup>1</sup> related to the parent company in the ThyssenKrupp Group <sup>2</sup> local <sup>3</sup> financial statement date December 31, 2004 <sup>4</sup> thereof 10.08% held by ThyssenKrupp Stahl AG  
<sup>5</sup> short fiscal year Jan. 01, 2005 - Sept. 30, 2005

**COMPANY** (as of September 30, 2005)

	Share- holding in % <sup>1</sup>	Equity in million € <sup>2</sup>	Employees		Share- holding in % <sup>1</sup>	Equity in million € <sup>2</sup>	Employees
<b>South. Europe/Africa/Mid. East (SEAME)</b>				<b>Mechanical Engineering</b>			
Ascensores Cenia S.L., Andoain, Spain	100.00	20.0	763	Berco S.p.A., Copparo, Italy	100.00	81.8	3,061
ThyssenKrupp Eletec Internacional S.A., Madrid, Spain	100.00	17.3	8	B+V Industrietechnik GmbH, Hamburg	100.00	18.9	664
ThyssenKrupp Elevadores, S.A., Lisbon, Portugal	100.00	15.2	656	Defontaine S.A., Saint Herblain, France	99.99	20.2	929
ThyssenKrupp Elevadores, S.L., Madrid, Spain	99.92	63.0	2,563	Industrie Automation S.A.S., Ensisheim, France	100.00	7.0	194
<b>Asia/Pacific (AP)</b>				Johann A. Krause Inc., Auburn Hills/Michigan, USA	100.00	48.9	371
Thyssen Elevators Co., Ltd., Zhongshan, PR China	100.00	28.2	1,389	Johann A. Krause Maschinenfabrik GmbH, Bremen	100.00	8.9	1,084
ThyssenKrupp Dongyang Elevator Co., Ltd., Seoul, Korea	75.00	111.4	889	Noske-Kaesser GmbH, Hamburg	100.00	5.6	323
ThyssenKrupp Elevator (Shanghai) Co., Ltd., Shanghai, PR China	100.00	17.6	157	Rotek Incorporated, Aurora/Ohio, USA	100.00	25.8	313
Thyssen Lifts Pacific Pty. Ltd., Surry Hills, Australia	100.00	7.4	0	Rothe Erde GmbH, Dortmund	100.00	25.6	1,520
Won Co. Ltd., Chonan, Korea	100.00	(24.6)	140	Xuzhou Rothe Erde Slewing Bearing Co., Ltd., Xuzhou, PR China	60.00	20.9	891
<b>Escalators/Pass. Board. Bridges (ES/PBB)</b>				<b>SERVICES</b>			
ThyssenKrupp Airport Systems Inc., Fort Worth/Texas, USA	100.00	3.3	147	ThyssenKrupp Services AG, Duesseldorf	99.84	676.1	4,047
ThyssenKrupp Airport Systems, S.A., Mieres/Oviedo, Spain	55.17	13.8	279	<b>Materials Services Europe</b>			
ThyssenKrupp Fahrtreppen GmbH, Hamburg	100.00	1.3	616	Cadillac Plastic GmbH, Viernheim	100.00	6.2	247
ThyssenKrupp Norte S.A., Mieres/Oviedo, Spain	100.00	17.3	336	Dortmunder Eisenhandel Hansa GmbH, Dortmund	100.00	14.6	123
<b>Accessibility (ACC)</b>				Fortinox S.A., Buenos Aires, Argentina	80.00	10.2	66
ThyssenKrupp Access Corp., Kansas City/Missouri, USA	100.00	7.8	277	Freiburger Stahlhandel GmbH & Co. KG, Freiburg i.Br.	51.00	3.5	126
ThyssenKrupp Accessibility B.V., Krimpen aan den IJssel, Netherlands	100.00	13.3	119	Hövelmann & Co. Eisengroßhandlung GmbH, Gelsenkirchen	100.00	0.3	18
<b>TECHNOLOGIES</b>				Jacob Bek GmbH, Ulm	79.96	4.2	148
ThyssenKrupp Technologies AG, Essen	100.00	1024.5	146	Metall Service Partner GmbH, Haan/Rhld.	100.00	5.6	223
<b>Plant Technology</b>				Otto Wolff Handelsgesellschaft mbH, Duesseldorf	99.50	19.5	154
Polysius AG, Beckum	100.00	13.9	984	Otto Wolff Kunststoffvertrieb GmbH, Duesseldorf	100.00	7.1	368
Polysius Corp., Atlanta/Georgia, USA	100.00	5.8	51	PLEXI S.L., Massalfassar (Valencia), Spain	100.00	17.4	68
Polysius S.A.S., Aix en Provence, France	100.00	27.3	152	Röhm Benelux B.V., Nijkerk, Netherlands	100.00	27.8	11
ThyssenKrupp Fördertechnik GmbH, Essen	100.00	61.3	719	ThyssenKrupp Autômatas Industria de Peças Ltda., São Paulo, Brazil	80.00	5.6	123
ThyssenKrupp Industries India Pvt. Ltd., Pimpri, India	54.73	28.6	1,079	ThyssenKrupp Energostal S.A., Torun, Poland	80.00	43.5	608
Uhde GmbH, Dortmund	100.00	90.1	1,523	ThyssenKrupp Ferroglobus Kereskedelmi Rt., Budapest, Hungary	89.98	49.3	376
Uhde India Ltd., Mumbai, India	80.43	9.9	662	ThyssenKrupp Materials Austria GmbH, Vienna, Austria	100.00	3.8	108
<b>Marine Systems</b>				ThyssenKrupp Materials Belgium N.V./S.A., Lokeren, Belgium	100.00	1.8	34
Blohm + Voss GmbH, Hamburg	100.00	33.2	938	ThyssenKrupp Materials France S.A.S., Maurepas, France	100.00	47.6	647
Blohm + Voss Repair GmbH, Hamburg	100.00	7.7	449	ThyssenKrupp Materials Ibérica S.A., Martorelles, Spain	100.00	19.8	144
Greek Naval Shipyards Holdings S.A., Skaramanga, Greece	76.08	60.6 <sup>3</sup>	0 <sup>3</sup>	ThyssenKrupp Materials Nederland B.V., Veghel, Netherlands	100.00	14.0	249
Howaldtswerke-Deutsche Werft GmbH, Kiel	100.00	49.9 <sup>3</sup>	2,548 <sup>3</sup>	ThyssenKrupp Materials Schweiz AG, Bronschhofen, Switzerland	100.00	15.7	121
Kockums AB, Malmö, Sweden	100.00	102.3 <sup>3</sup>	1,117 <sup>3</sup>	ThyssenKrupp Materials Sverige AB, Gothenburg, Sweden	100.00	2.7	57
Nordseewerke GmbH, Emden	100.00	12.8	1,400				
ThyssenKrupp Marine Systems AG, Hamburg	75.00	64.5	43				

<sup>1</sup> related to the parent company in the ThyssenKrupp Group    <sup>2</sup> local    <sup>3</sup> financial statement date December 31, 2004    <sup>4</sup> thereof 10.08% held by ThyssenKrupp Stahl AG  
<sup>5</sup> short fiscal year Jan. 01, 2005 - Sept. 30, 2005

**COMPANY** (as of September 30, 2005)

	Share- holding in % <sup>1</sup>	Equity in million € <sup>2</sup>	Employees
ThyssenKrupp Materials (UK) Ltd., Smethwick, United Kingdom	100.00	39.3	300
ThyssenKrupp Metallcenter GmbH, Karlsruhe	100.00	2.0	76
ThyssenKrupp Metals Company Ltd., Seoul, Korea	60.00	8.7	35
ThyssenKrupp Portugal - Aços e Serviços, Lda., Carregado, Portugal	100.00	11.3	74
ThyssenKrupp Schulte GmbH, Duesseldorf	100.00	0.0	5
Thyssen Röhm Kunststoffe GmbH, Duesseldorf	65.45	60.2	0
Dufer S.A., São Paulo, Brazil	49.00	18.7 <sup>3</sup>	315 <sup>3</sup>
Finox S.p.A., Milan, Italy	40.00	28.1 <sup>3</sup>	42 <sup>3</sup>
Leong Jin Corporation Pte. Ltd., Singapore, Singapore	30.00	17.9 <sup>3</sup>	99 <sup>3</sup>
Resopal S.A., Madrid, Spain	20.00	6.2 <sup>3</sup>	120 <sup>3</sup>
<b>Materials Services North America</b>			
ThyssenKrupp Materials CA Ltd., Mississauga/Ontario, Canada	100.00	20.1	47
ThyssenKrupp Materials Inc., Southfield/Michigan, USA	100.00	72.4	1,615
ThyssenKrupp Materials NA, Inc., Southfield, USA	100.00	157.0	229
<b>Industrial Services</b>			
Palmers Ltd., Hampshire, United Kingdom	100.00	6.6	710
PeinigerRöRo GmbH, Gelsenkirchen	100.00	37.6	2,574
Safway Services Inc., Wilmington/Delaware, USA	100.00	88.2	3,596
ThyssenKrupp GfT Gleistechnik GmbH, Essen	100.00	74.8	76
ThyssenKrupp Industrieservice GmbH, Cologne	100.00	15.6	6,696
ThyssenKrupp Serv Austria Gesellschaft m.b.H., Vienna, Austria	100.00	14.2	143
ThyssenKrupp Services (UK) Ltd., Birmingham, United Kingdom	100.00	5.3	724

	Share- holding in % <sup>1</sup>	Equity in million € <sup>2</sup>	Employees
<b>Special Products</b>			
B.V. 'Nedeximpo' Nederlandse Export- en Importmaatschappij, Amsterdam, Netherlands	100.00	9.6	27
ThyssenKrupp GfT Bautechnik GmbH, Essen	70.00	0.5	131
ThyssenKrupp Mannex Asia Pte. Ltd., Singapore, Singapore	100.00	7.7	25
ThyssenKrupp Mannex GmbH, Duesseldorf	100.00	76.2	188
ThyssenKrupp Mannex Pty. Ltd., Sydney, Australia	100.00	17.0	25
ThyssenKrupp Metallurgie GmbH, Essen	100.00	16.5	35
ThyssenKrupp MinEnergy GmbH, Essen	100.00	20.9	26
ThyssenKrupp RST Rohstoffe und Technik GmbH, Essen	100.00	10.9	44
Thyssen Rhein Stahl Technik Projektgesellschaft mbH, Duesseldorf	100.00	14.8	21
<b>CORPORATE</b>			
<b>Corporate Headquarters</b>			
Grupo ThyssenKrupp S.A., Madrid, Spain	100.00	215.6	4
ThyssenKrupp Austria GmbH & Co. KG, Vienna, Austria	100.00	40.1	0
ThyssenKrupp France S.A.S., Rueil-Malmaison, France	100.00	356.3	1
ThyssenKrupp Italia S.p.A., Terni, Italy	100.00	561.4	1
ThyssenKrupp Nederland B.V., Roermond, Netherlands	100.00	154.9	1
ThyssenKrupp Participaciones, S.L., Andoain, Spain	100.00	7.7	0
ThyssenKrupp UK Plc., County Durham, United Kingdom	100.00	420.2	2
ThyssenKrupp USA, Inc., Troy/Michigan, USA	100.00	1,032.9	34
ThyssenKrupp (China) Ltd., Beijing, PR China	100.00	83.0	0
<b>Corporate Real Estate</b>			
ThyssenKrupp Real Estate GmbH, Essen	100.00	34.4	201

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<sup>5</sup> short fiscal year Jan. 01, 2005 - Sept. 30, 2005

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**A****Average collection period**

Trade accounts receivable divided by sales, multiplied by 360 (the lower the ratio, the faster customers pay)

**C****Capital employed**

Interest-bearing invested capital

**Cash flow from operating activity**

Cash receipts/payments, unless caused by investing or financing activities

**Corporate governance**

Designation in international parlance for company management and company controlling focused on responsible, long-term value creation

**Cost of capital**

Strategically defined minimum return required by capital providers

**Cross selling**

Selling additional related products or services to an existing customer

**D****DAX**

Deutscher Aktien-Index (German Stock Index), compiled by Deutsche Börse. The index reflects the performance of the 30 largest and strongest-selling German stocks, including ThyssenKrupp stock

**Declaration of Conformity**

Declaration by executive board and supervisory board in accordance with Art. 161 Stock Corporation Act (AktG) on the implementation of the recommendations of the Government Commission on the German Corporate Governance Code

**Delisting**

Full or partial withdrawal of a stock corporation from the stock exchange, e.g. withdrawal of listing on a foreign stock exchange

**Downstream activities**

Further processing operations carried out on flat steel to add value, e.g. coating, steel service center operations, production of tailored blanks

**E****EBIT**

Earnings before interest, taxes

**EBITDA**

Earnings before interest, taxes, depreciation and amortization

**EBT**

Earnings before taxes

**Economic value added (EVA)**

Difference between ROCE and cost of capital, multiplied by capital employed. If EVA is positive, returns are higher than the cost of capital

**Emerging markets**

Emerging economic regions, particularly of the Third World

**E-procurement**

Purchasing materials using modern electronic media, particularly the internet

**Equity ratio**

Ratio of balance sheet equity capital to balance sheet total (the higher the ratio, the lower the indebtedness)

**F****Fair disclosure**

Disclosure of all information to all stakeholders of an exchange-listed company at the same time

**First-stage processing**

Initial processing of materials in service centers (e.g. blanking, surface treatment)

**Free cash flow (before dividend)**

Net cash from operating activities less net cash used in/provided by investing activities

**G****Gearing**

Ratio of financial payables to equity capital (the lower the ratio, the higher the share of equity in the interest-bearing capital employed)

**Gross margin (absolute)**

Net sales less cost of sales

**I****Internal financing strength**

Ratio of cash flow from operating activity to cash flow from investing activity

**Inventory turnover**

Inventories divided by sales, multiplied by 360 (the lower the ratio, the faster the inventory turnover)

**Investment grade**

A rating is expressed in a combination of alphanumeric symbols and represents a company's credit standing as assessed by the rating agency. Ratings can be roughly divided into two categories: "Investment grade" (adequate protection) and "Non-investment grade" (speculative).

**L****Long Term Management Incentive Plan (LTMI)**

Scheme awarding stock appreciation rights to Group executives as a capital-market oriented compensation element. The value of the stock appreciation rights is linked to the performance of ThyssenKrupp stock and the Dow Jones STOXX

**M****MEKO technology**

Shipbuilding using different but standardized modules, e.g. electronics and the ship's technical equipment

**Mid Term Incentive Plan (MTI)**

Mid-term variable compensation for executive board members and other selected executives through stock rights. Criteria are duties, personal performance and overall board performance as well as the business situation and prospects of the company compared with benchmarks

**O****One-stop shopping**

Delivery of all products and services from one source

**R****Rating**

Ratings are used to assess the future ability of a company to meet its payment obligations on time and in full. They are based on an analysis of quantitative and qualitative factors, including an evaluation of the company's business and financial risk profile.

**ROCE**

Return on capital employed

**S****SMC**

Sheet Molded Compound, fiber reinforced plastic material

**Scrap surcharge**

Surcharge linked to development of scrap prices

**T****Tailored blank**

Metal blank comprising individual steel sheets of different grade, gauge and finish which are welded together and are suitable for deep drawing

**ThyssenKrupp best**

Program to improve efficiency in all areas of the company. Best stands for "business excellence in service and technology"

**V****Volatility**

Intensity of price fluctuations of a stock, currency or bulk commodity compared to the market development



## A

### AICPA

American Institute of Certified Accountants

### AktG

German Stock Corporation Act

### APB

Accounting Principles Board Opinion

### ARB

Accounting Research Bulletin

## C

### CON

Statement of Financial Accounting Concepts

## D

### DJ STOXX

Dow Jones STOXX

## E

### EITF

Emerging Issues Task Force

### EPS

Earnings per share

## F

### FASB

Financial Accounting Standards Board

### FIN

FASB Interpretation

## H

### HGB

German Commercial Code

## I

### IFRS

International Financial Reporting Standards

### IT

Information Technology

## K

### KonTraG

German Law on Control and Transparency in Business

## L

### LTM

Long Term Management Incentive Plan

## M

### MD&A

Management's Discussion and Analysis of Results of Operations and Financial Condition

### MitbestG

German Codetermination Law

### MTI

Mid Term Incentive Plan

## P

### PoC

Percentage of Completion

## R

### ROCE

Return on Capital Employed

## S

### SAB

Staff Accounting Bulletin

### SEC

Securities and Exchange Commission

### SFAS

Statement of Financial Accounting Standards

### SOP

Statement of Position

## U

### US GAAP

United States Generally Accepted Accounting Principles

## W

### WACC

Weighted Average Capital Cost

### WpHG

German Securities Trading Act

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### 2006\_2007 dates

#### January 27, 2006

Annual General Meeting

#### January 30, 2006

Payment of dividend for the 2004/2005 fiscal year

#### February 13, 2006

Interim report

1st quarter 2005/2006 (October to December)

Conference call with analysts and investors

#### May 12, 2006

Interim report

2nd quarter 2005/2006 (January to March)

#### May 15, 2006

Analysts' and investors' meeting

#### August 11, 2006

Interim report

3rd quarter 2005/2006 (April to June)

Conference call with analysts and investors

#### December 01, 2006

Annual press conference

Analysts' and investors' meeting

#### January 19, 2007

Annual General Meeting

### Forward-looking statements

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

This report and the financial statements of ThyssenKrupp AG are available in German and English; both versions can be downloaded from the internet at [www.thyssenkrupp.com](http://www.thyssenkrupp.com). An interactive online version of the report for the media is also available on our website.

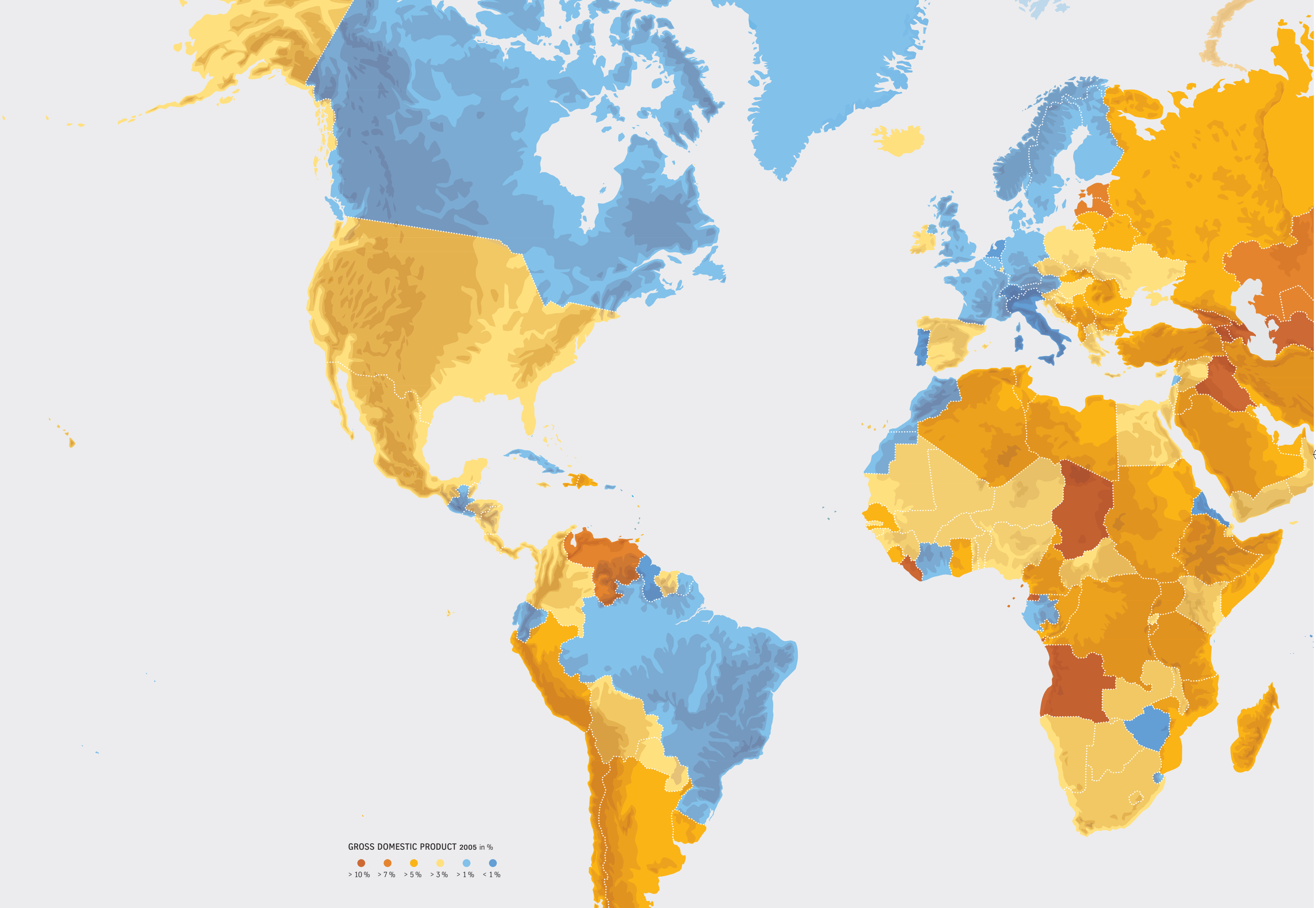
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GROSS DOMESTIC PRODUCT 2005 in %



**Growing together.**

ThyssenKrupp is represented in more than 70 countries worldwide, and almost everywhere the trend line is moving up. Every individual employee also profits from this. In many cases, local production is opening doors to markets which would otherwise be closed to the Group.

**Moving forward together.**

Internationalization remains a central theme for ThyssenKrupp. With outstanding innovations, specialist expertise and intercultural competencies, we will continue to systematically develop our potential in the future. For continued growth in new and established markets.

Grow with us.

