

Remarks

by

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Chairman of the Executive Board  
ThyssenKrupp AG

at the

**7th Annual General Meeting**

on January 27, 2006

Bochum

Check against delivery.

Dear Stockholders,  
Ladies and Gentlemen,

I would like to welcome you, also on behalf of my Executive Board colleagues, to the seventh Annual General Meeting of ThyssenKrupp AG. Let me start by giving you the most important message straightaway – your company is on clear course for success. There are good reasons to retain your investment and continue to invest in ThyssenKrupp. The year 2004/2005 was our best fiscal year so far since the merger:

- We generated our highest pre-tax profit.
- We completely eliminated our net debt.
- We successfully completed the phase of consolidation.
- All of this enables us to recommend to you a higher dividend.

This does not mean that our work is done. On the contrary: now we are shifting to sustained, profitable growth. And you will share in the results of this growth.

My report to you today focuses on the following:

- a review of the past fiscal year – the key indicators and the most important success factors,
- a summary of our portfolio optimization so far,
- our strategic goals for value growth,
- the innovation capabilities of the Group,
- the performance of ThyssenKrupp's stock, and
- an overview of the 1st quarter and the outlook for the full year 2005/2006.

### **Fiscal year 2004/2005 – key indicators and success factors**

#### Key indicators 2004/2005

How did we fare in 2004/2005? To summarize the essentials:

- Earnings before taxes reached 1.8 billion euros, a new record. A year earlier, EBT was 1.5 billion euros.
- Return on capital employed also reached a new record level of 15%. A year earlier it was 12%. And this with a weighted average cost of capital rate of 9%.

- Net debt was completely eliminated. To remind you: at September 30, 2004 it stood at 2.8 billion euros. At its highest level at the end of March 2001 it was 8.7 billion euros.

The other indicators, too, show that your company is in very good shape. They improved considerably year-on-year:

- Sales rose from 37.3 billion euros to 42.1 billion euros.
- Earnings per share increased from 1.81 euros to 2.05 euros.
- Economic value added doubled to 1.1 billion euros. ThyssenKrupp therefore created over 1 billion euros in added value for its shareholders in the past year.

I do not wish to go into the performance of the individual segments of the Group at this stage. You will find detailed information on this in our Annual Report and the annual reports of the segments.

Ladies and Gentlemen,

Without the dedicated efforts of our 184,000 employees around the world we would not have achieved this success. On behalf of the Executive Board and the Supervisory Board I would therefore like to thank our workforce at this point. Our thanks also go to the employee representatives for their cooperation. Our basis of trust has once again proved itself. That is a tradition at ThyssenKrupp, and we are proud of it.

Thanks are also due to you, our stockholders, for your faith in ThyssenKrupp. We want you to continue to share appropriately in the company's success. That is why we are recommending to you today that the dividend be increased by 0.10 euro to 0.70 euro per share. In addition to this, there is a special dividend of 0.10 euro resulting from the successful and now almost completed divestment program. Your ThyssenKrupp stocks are thus among the highest-yielding stocks in the DAX. The dividend yield is 4.6%, related to the stock price of 17.37 euros on September 30, 2005.

The main success factors

One reason for our good performance was lively demand from important customer sectors. The world economy grew by 4% in 2005, and we profited from that. However, at the same time raw material and input material prices increased significantly. It was therefore not the economy alone which accounted for our record earnings. We also improved generally and increased our productivity and efficiency in all areas of the Group. Our measures and programs are working, foremost among them the value enhancement program ThyssenKrupp best.

The momentum of the program continued unabated in its fourth year. At September 30, 2005 it embraced around 4,500 projects. 1,500 new projects were added in the reporting period. They mainly concerned improvements in operating efficiency, sales, quality management and capital productivity. In addition, there were initiatives focused on knowledge and innovation management and on increasing staff and management involvement. The program is firmly established worldwide. Over 60% of all projects are now implemented outside Germany.

Important new impetus was added to ThyssenKrupp best in the reporting year by the purchasing initiative. It is aimed at improving the earning power of the Group and strengthening the quality of the purchasing functions in the Group companies. In this connection, over 250 new projects were launched.

### **Overview of the portfolio optimization**

ThyssenKrupp was not just successful at operating level in 2004/2005. We also made decisive progress in optimizing the Group's business portfolio.

Our divestment program "Divest 33+" was almost completed in the reporting period. Altogether since the merger of Thyssen and Krupp we have acquired businesses with sales of 7.1 billion euros and disposed of businesses with sales of the same magnitude. In 2004/2005 alone, acquisitions reached a sales volume of 1.5 billion euros and divestments accounted for sales of 2.3 billion euros. The biggest projects were the formation of the shipyard alliance following the acquisition of a majority stake in Howaldtswerke-Deutsche Werft (HDW), and the disposal of the residential real estate and MetalCutting operations.

The dynamic development of the Group is reflected in employee movements. Since the merger the number of our employees has increased by around 14,000 or 8%. At September 30, 2005 ThyssenKrupp employed a total of 183,729 people. Behind these figures, however, lie much greater movements. Around 37,000 new employees have joined the Group as a result of acquisitions and another 37,000 as a result of organic growth. On the other hand, over 19,000 employees have left ThyssenKrupp due to portfolio changes and 41,000 as a result of productivity improvements.

#### Management structure follows Group structure

Along with the optimization of the Group structure we have also developed our management structure. Since the merger we have always followed the principle that the executive board chairmen of the segments and the Executive Board members responsible for corporate functions are represented on an equal footing on the Executive Board of ThyssenKrupp AG. The Executive Board organizational structure in place since October 01, 2005 develops this principle further. Responsibility for individual regions is based on the following principle: the executive board chairmen of the segments who represent the strongest economic interests locally take responsibility for the respective region in addition to their operating responsibility.

At all management levels, our goal is to find the best people for the best businesses and the key tasks. We wish to achieve a productive mix of internal and external, young and experienced, German and international management staff. We aim to prepare future managers for higher-level positions in a targeted way and to do this we will be setting up the ThyssenKrupp Academy this year, where internationally recognized experts will teach specialist and methodical knowledge and strengthen entrepreneurial thinking. Achieving a productive exchange of knowledge and a common understanding of leadership will be another focus of the Academy's work.

#### **Our strategic goals for value growth**

Today the Group is clearly focused on its core businesses in Steel, Capital Goods and Services. In most of our operations we already hold top-three market positions. In others, we are well on the way to achieving these positions. The phase of consolidation at ThyssenKrupp is largely complete. Our goal now is profitable, sustainable growth. We will continue to expand our operations internationally. Through organic growth, targeted strategic acquisitions and an even stronger service focus in all areas we aim to achieve total sales of 45 to 50 billion euros in the medium term. We have raised our sustainable target for earnings before taxes from 1.5 billion euros to 2 billion euros.

At October 01, 2005 the former Steel segment was restructured following completion of the disposals. We created two independent segments in Steel (new) and Stainless. This structure reflects the differences in market conditions and production processes in the two areas and will also allow us to participate more effectively in the global consolidation process in the steel industry.

The new **Steel** segment, formerly the Carbon Steel business unit, will continue to strengthen its competitive position nationally and internationally. Our growth strategy has three main elements:

- Secure future growth opportunities by building a new steel mill in Brazil,
- Strengthen our market position in North America, and
- Expand our strong market position in Europe.

The planned new steel mill in Brazil will supply low-cost slabs to our core market of Europe and the NAFTA region. The Group's supervisory boards gave their approval at the end of 2005. Based on the feasibility study we are now pressing ahead with the project. With the preparations already underway, the mill will be in operation from mid-2008 producing 4.4 million tons of slabs per year. Roughly 2 million tons of slabs will be processed at our Duisburg site. The remaining 2.4 million tons of slabs will be available for the development of our NAFTA strategy.

The mill will be built at the coastal location of Sepetiba, situated in the state of Rio de Janeiro at the end of a rail line from the ore region Minas Gerais. For the production facilities including dock a total investment of 2 billion US dollars is planned, that's just under 1.7 billion euros at today's exchange rate. The mill will

be supplied with iron ore by the world's largest ore producer Companhia Vale do Rio Doce, which also intends to take a 10% stake in the mill.

A second element of our growth strategy is to strengthen our market position in North America. For this reason, at the end of November 2005 we submitted a friendly takeover bid for the Canadian steel producer Dofasco. The offer price totaled 3.5 billion euros or 4.8 billion Canadian dollars in cash; that's 61.50 Canadian dollars per ordinary share. Even at that time I made it clear that despite the strategic significance of Dofasco we would not become involved in a value-destroying bidding contest. We are firmly convinced that any offer over 68 Canadian dollars per Dofasco share goes beyond the point of profitability. That is why another increase in our final offer of January 14, 2006 – 68 Canadian dollars per share – was not economically justifiable. This offer lapsed on January 26, 2006. If the transaction is not realized, ThyssenKrupp receives a break fee of 215 million Canadian dollars.

What happens now? The acquisition of Dofasco was one option in the growth strategy of the Steel segment. As one of the world's most important steel markets, the NAFTA region is an attractive target market for us. We already supply just under 1 million metric tons of flat-rolled steel to customers in North America and we intend to grow this volume in the future. ThyssenKrupp will now look at the alternatives of a new mill or alliances in the region.

ThyssenKrupp's current position in the market for flat-rolled carbon steel provides the basis for successful global growth. Our technological competency, outstanding products and services and strong brands help our customers improve their value chains. These capabilities have already given our Steel segment a strong position in the European market for flat-rolled carbon steel.

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And we will continue to invest here, particularly in Germany and above all in Duisburg. Duisburg, Ladies and Gentlemen, is not only the headquarters of ThyssenKrupp Steel but also the biggest single-site crude steel production center in the world. In the coming years we will be investing over 700 million euros to expand and modernize our capacities. One central element of this investment

program is the construction of blast furnace No. 8 as a replacement investment, and another is the relining of blast furnace No. 9. Capacities in the processing and coating chain will be adapted to the new slab supply source in Brazil.

The **Stainless** segment is operating in a difficult environment. In its core business of stainless cold-rolled products the market is largely stagnant. Continuing high raw material prices, particularly for nickel, chromium and molybdenum, represent a major impediment to growth worldwide for the classic stainless business.

In Western Europe, the market for stainless cold-rolled products was well below expectations last year, showing a decline of around 5%. Continuing high third-country imports and new production capacities exacerbated the imbalance between supply and demand. As a result, base prices came under massive pressure from the 2nd quarter 2005. Most European producers responded by cutting back production, in some cases substantially. Only at the beginning of the new fiscal year was there a noticeable improvement in demand.

Asia and particularly China is the only region still enjoying significant market growth. However, this growth is turning out lower than was forecast a year or two ago, while Chinese stainless capacities are growing much faster than demand. Despite production cutbacks at some important producers, the increasing oversupply resulted in a sharp fall in prices from the middle of the 2nd quarter, which only came to a halt at the end of the year. Whether this is the beginning of a trend reversal has to be regarded as doubtful against the background of further capacity increases.

ThyssenKrupp Stainless responded to the increasing imbalance between supply and demand in the stainless flat-rolled sector at an early stage. For years we have been focusing less on increasing our own capacities and more on optimizing our operating processes and strengthening our market presence. This involves expanding our worldwide distribution and service network as well as our range of services. In addition, continuous innovations and performance improvement programs have created the basis for progress in product quality and costs.

The situation in the nickel-base materials product segment is much more pleasing. Here, too, we hold a leading position worldwide. Following an extended

period of weakness we are now observing a distinct revival in demand, driven primarily by the aviation, oil and gas sectors. The international plant construction industry has also profited from increasing investment activity. Following a lengthy lean spell, this once again allowed marked price improvements to be made.

Our core competencies in the **Automotive** segment are innovative components and systems, above all crankshafts, camshafts, steering systems and body and chassis components. As a supplier with wide-ranging capabilities, the segment follows its customers worldwide and offers them products and know-how on a local basis. The segment now has around 130 companies in 14 countries, and two out of three of its employees today work outside Germany. In China, for example, we have production sites for steering systems, body and chassis parts, crankshafts, assembled camshafts and springs.

There is no end in sight to the globalization of the automotive supply business. However, American and many Western European auto manufacturers have increasingly lost ground to their Asian competitors and are now in a phase of structural upheaval. Automotive suppliers like ThyssenKrupp are feeling the effects of this, especially in the USA. However, we believe that North America will remain a strong auto location once the necessary restructurings have taken place. We will therefore continue to press ahead with the restructuring of Automotive in the USA.

The **Technologies** segment, an international engineering and contracting group, will focus in the future on the pillars of Plant Technology, Marine Systems and Mechanical Engineering. Thanks to its innovative systems and engineering capabilities, the segment holds leading market positions worldwide, providing systems, plants, specialized machinery and components as well as associated services. With the takeover of HDW – including Kockums in Sweden and Hellenic Shipyards in Greece – Marine Systems has strengthened its outstanding position in the building of non-nuclear submarines. At the same time it was the first step towards the formation of a European shipyards alliance. The acquisition of Atlas Elektronik together with EADS fits seamlessly into our strategy of expanding the shipyards alliance into a major international supplier.

With prestige projects in high-rise buildings and numerous major contracts for airports around the world, the **Elevator** segment is moving closer to its goal of becoming number two by business volume on the world elevator market. Our extensive product and service capabilities as well as professional cross-selling efforts have paid off. And a plethora of new developments underlines the innovative ambition of the segment – whether in elevators, escalators or for example passenger boarding bridges. In the future, Elevator aims to grow faster in the demanding service area. It already makes more than 50% of its sales with services.

The **Services** segment is firmly focused on material and process services for the production and manufacturing industries. We can carry out business processes which are not part of our customers' core business, allowing opportunities to be exploited "across the value chain" which our customers could not realize on their own. This reduces cost for customers and at the same time gives us profitable sales – a classic win-win situation. Our services are concentrated on the areas of purchasing, production and logistics. This focus has allowed Services to raise its profile as an independent provider: despite continuing intensive cross-segment cooperation, only around 10% of the segment's sales are made with products manufactured by ThyssenKrupp.

### **The innovation capabilities of the Group**

For a technology-oriented company like ThyssenKrupp, innovation is a top priority. Our innovation competency determines our market success and with it the future of the company. In our 87 research centers and development departments across the world, more than 3,300 scientists and engineers are working on new, environment-friendly products and processes. Let me give you some examples:

With its Tailored Strips, our **Steel** segment has once again demonstrated that the key to cost-efficient production of lightweight cars and other products lies in the intelligent combination of different steel materials. We are able to join two steel strips of different grade, thickness or coating lengthwise with a continuous laser weld. The weld can be up to 400 meters in length. The strip is then wound back into a coil and can be used for example in the auto industry.

In the Stainless segment, our researchers and engineers succeeded in improving a metallic material for fuel cells in such a way that fuel cell life can be increased threefold – to up to 40,000 hours in stationary service. At the same time, Crofer is particularly heat-resistant. Thanks to its good formability it also offers full design freedom. These are all important pluses compared with the alternative material ceramic.

ThyssenKrupp Automotive optimized the technology of hot stamping. This process can be used to produce complex parts, which can also consist of different metallic materials, in only one stamping operation. Reduced weight and improved crash performance at the same production costs – these are the advantages which are made possible by our new process and which have already won over many customers in the auto industry.

The 2005 ThyssenKrupp Innovation Award was won by the Technologies segment for the development of the EnviNOx<sup>®</sup> process. This new process almost completely removes harmful nitrogen oxides from the tail gas of nitric acid plants. By developing the EnviNOx<sup>®</sup> technology ThyssenKrupp is making an important contribution to reducing the greenhouse effect and to active environmental protection.

With the Spirit<sup>™</sup>, ThyssenKrupp Elevator has developed a new kind of elevator for residential and office buildings that works without a special machine room. Probably the most compact elevator in the world, it requires less space above and below the shaft for technical equipment than conventional elevators. The system therefore gives architects maximum latitude in building design. In modernization projects the system can be adapted flexibly to the space available. Spirit<sup>™</sup> won the 2005 Innovation Award for Architecture and Construction.

Two trends are becoming increasingly important in research and development: firstly the utilization of cross-segment synergies and secondly a stronger international focus.

To better utilize the knowledge in the Group we are pursuing an increasing number of projects on a cross-segment basis, e.g. for our key customers in the auto industry. Our research and development nowadays is as international as our business. For example, we carry out a large part of our plant engineering development work at our Group companies in India. Another example: Elevator's know-how and service center for the whole of North America is based in Dallas/Texas.

To sustain our technological lead we plan to increase our spending on research and development in the future to more than 2% of sales. By way of comparison: In the past fiscal year our R&D expenditures were 733 million euros – 13% more than a year earlier and over 1.7% of sales.

Our Groupwide innovation contest promotes the creativity of our employees and rewards intelligent and efficiently implemented ideas. In addition, we are committed to raising acceptance of technology and enthusiasm for technology among the general public. Over 60,000 people visited our 2004 IdeasPark in Gelsenkirchen. Now we are busy preparing the next IdeasPark, taking place this time at the Expo site in Hanover, where from May 20 to 28 we will be making technology understandable and tangible together with partners from universities and research institutes. I invite you to come along and visit us there, it will be another thrilling experience.

### **ThyssenKrupp stock**

#### ThyssenKrupp stock lagged behind DAX in 2004/2005

In our view the performance of our stock in the reporting period is not a fair reflection of the successes achieved by the Group. Despite the very good performance of the Group, the stock's performance was marked more by uncertainty over the further development of the steel cycle. Neither the completion of our portfolio optimization program Divest 33+ nor the improvement in our operating performance nor the complete elimination of our net debt were reflected adequately in the performance of our stock. At September 30, 2005 it stood at 17.37 euros, roughly 11% higher than a year earlier. In the same period the DAX gained 29.5% and the DJ STOXX 28.3%.



Company. The share package corresponds to 2.98% of the Company's capital stock.

As a result of the sale at the stock market price of 17.44 euros – the Xetra closing price on November 21, 2005 – we received a cash influx of 267.5 million euros. The Group's stockholders' equity was strengthened by this amount. The transaction means that ThyssenKrupp AG has now sold all the treasury stock purchased from IFIC Holding AG in May 2003.

In 2004 and 2005 treasury stock was used for employee share programs. Our most recent employee share program of May 2005 – the third program since 2001 – saw around 47% of eligible domestic employees participate. For the first time the program was also available at our French subsidiaries, where participation was similarly high.

### **Overview of the 1st quarter and outlook for the full year 2005/2006**

Let me finish by saying a few words about the new fiscal year. The final figures for the first quarter – from October to December 2005 – are not yet available. In particular, the review by the auditors is not yet complete. The quarterly report will be published on February 13. ThyssenKrupp has made a good start to the new fiscal year:

- Order intake in the 1st quarter increased by over 6% to 11.6 billion euros.
- Sales increased by more than 8% to 10.9 billion euros.
- Income from continuing operations before taxes and minority interest will again be over 400 million euros.

In evaluating the figures, please note that we are using IFRS for the first time this fiscal year. Details on the switch from US GAAP to IFRS will be included in the interim report on the 1st quarter and from the beginning of February also on our website, under Investor Relations. For the experts, we will be holding an information event on the internet on February 01, which will be freely available to all.

For 2006, we expect the following economic developments:

- The prospects for the world steel market remain favorable on the whole. Crude steel production is expected to reach roughly 1.2 billion metric tons. Major demand stimulus will continue to come from China and other emerging countries in Asia and Latin America. German crude steel production should exceed the 45 million metric ton mark.
- World auto production is expected to increase by just under 4% to more than 68 million vehicles. Growth impetus is expected mainly from China and India. The German auto industry could again produce around 5.7 million cars and trucks in 2006.
- The expectations for the mechanical engineering sector are also positive. We expect particularly high growth in China. In Germany, production growth is expected to slow to 2%.
- The international construction market also remains generally on an upward trend, but with large regional differences. Demand on the markets of Central and Eastern Europe and Asia is expected to remain lively. In Germany, the recent slight improvement in the order situation could lead to a stabilization of construction output.

Based on these market forecasts we expect the performance of ThyssenKrupp to be generally positive in 2005/2006. We forecast sales in the region of 43 billion euros. Our target for earnings before taxes – excluding major nonrecurring effects – this fiscal year is in the region of 1.5 billion euros. It would be the third year in succession in which we achieve this profit level, and a clear sign of our sustainable earning power.

In the medium term we aim to achieve sustainable EBT of 2 billion euros on sales of 45 to 50 billion euros. Our earnings-oriented dividend policy, characterized by sustainability and continuity, will be continued in the future.

Ladies and Gentlemen,

That concludes my report on the current state and future prospects of your company. As you can see, ThyssenKrupp is on a good track: we have a successful year behind us and the conditions are in place for continued success in the future. Please continue to place your trust in us. We will implement our plans and generate a good return on your investment.